Research Report on MARUTI SUZUKI

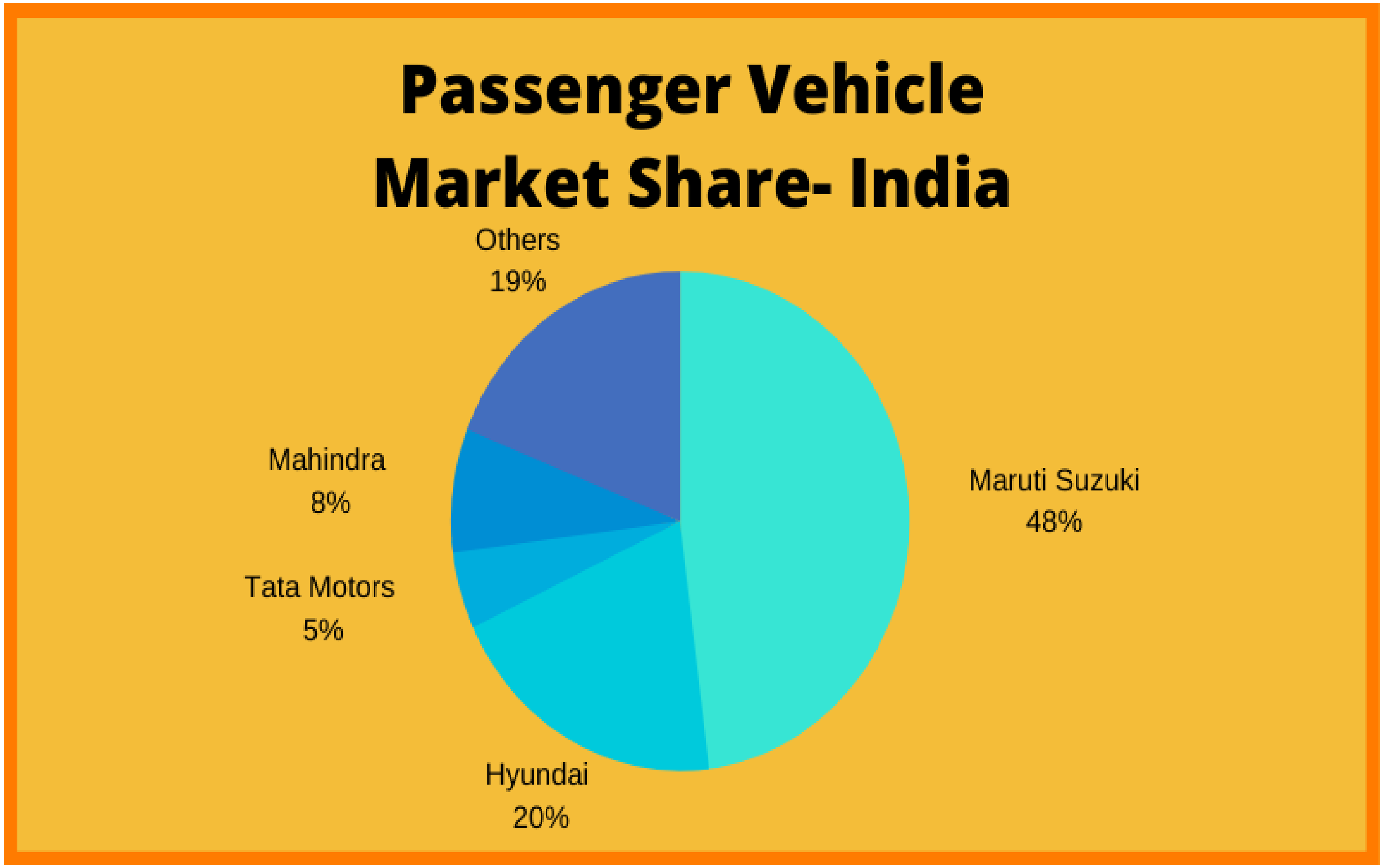
Maruti Suzuki : The revolution of the ushered automobile industry in India

Maruti Suzuki India Limited, formerly known as Maruti Udyog Limited, is an Indian automobile manufacturer, based in New Delhi. It functioned through a joint venture between the government of India and Japan's Suzuki Motor Corporation, signed in 1981. Maruti Suzuki India Ltd has grown to be **India's largest passenger car manufacturing company**, which accounts for over 50% of the domestic car market.

Maruti Suzuki is a subsidiary of Suzuki Motor Corporation, Japan, where the Japanese car company boasts of holding around 56.37% of stakes. It takes care of the business of the manufacturing, purchase, and sale of motor vehicles and their spare parts (automobiles). Furthermore, it is also engaged in the financing of cars and the facilitation of pre-owned car sales fleet management. The Maruti automobile company has 2 manufacturing plants in Gurgaon and Manesar in Haryana and 1 manufacturing complex in Gujarat.

PEE AAR SECURITIES LTD.

BY: HIMANSHI KHOSLA
JUNIOR RESEARCH ANALYST


Passenger Vehicle
Market Share- India
Others
19%
Mahindra
8%
Tata Motors
5%
Hyundai
20%
Maruti Suzuki
48%

AUTOMOBILE INDUSTRY

In India the penetration of cars is very less. The per person car ownership is lower in India as compared to other developed nations. As the income of people rises, the demand of car will also rise. Be it SUV or Sedan if the standard of living of people increase, they would like to purchase more cars. There is a huge scope of growth in auto mobile industry in India. The automobile industry contributes 12-13% of overall GST collection.

But the automobile industry has not shown very good growth in past years. The growth of sales of cars in India has been only 4-5% in last decade. The industry has gone through a lot of challenges such as demonetization, GST, IL&FS crisis, increase in third party insurance, increase in road tax, uncertainty over Bharat Stage VI norms and so on. The biggest challenge that the industry faced is COVID-19 pandemic. People shifted their expenditure towards necessities and started saving money for future uncertainties. This caused the demand of cars to fall lowest in two decades.

HIGHEST SELLING PRODUCTS OF MARUTI SUZUKI

Maruti Suzuki begins its journey with the legendary Maruti 800 and today, the company has come up with around 16 car models along with more than 15 variants. Maruti Suzuki manufactures a broad range of passengers as well as luxurious cars like Ciaz.

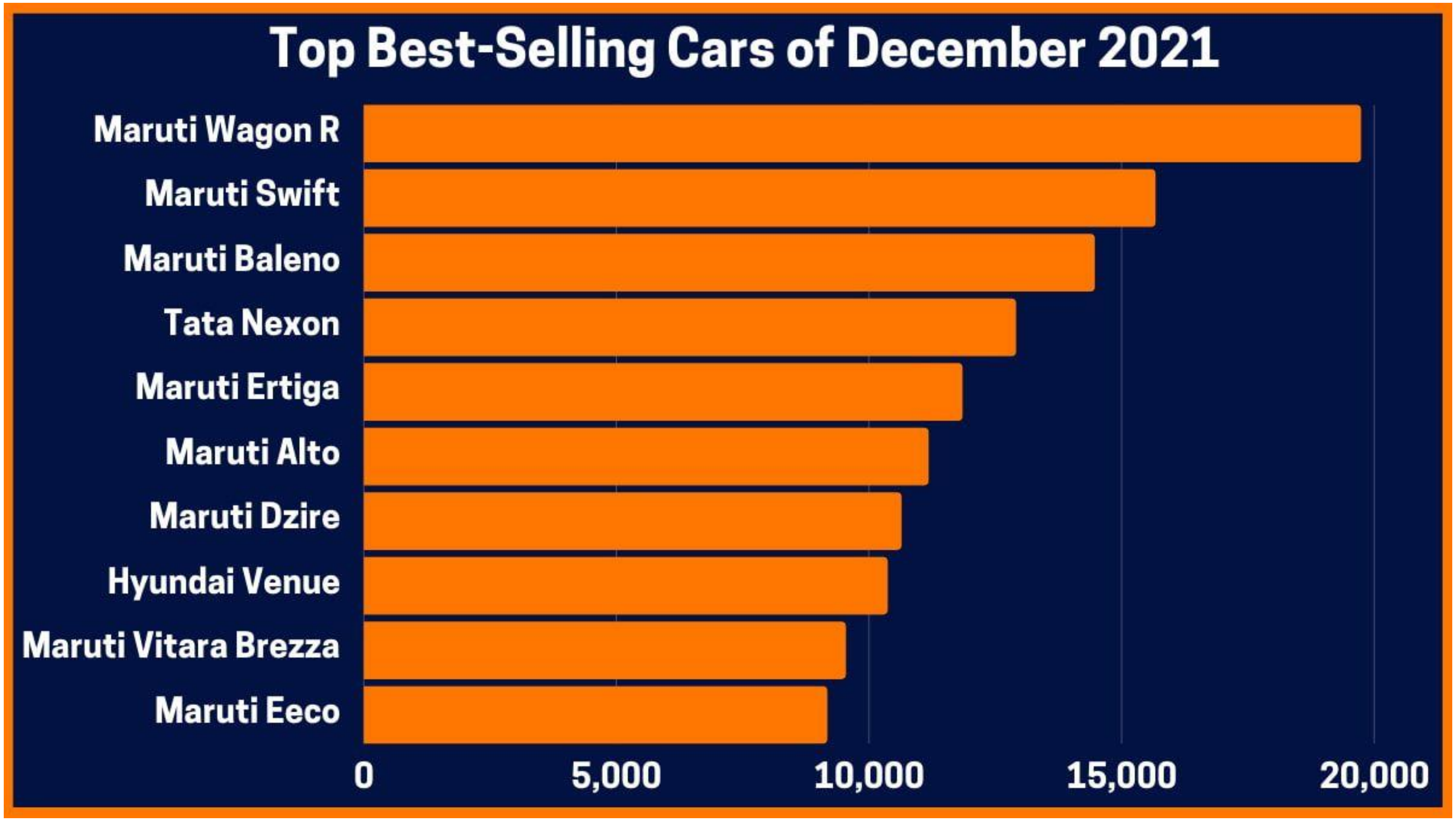
Maruti Suzuki offers a great range of cars such as the Alto 800, Alto K10 as the entry-level cars while Swift, Wagon R, Ritz as the stylish hatchback. The company provides many commercial vehicles, Automobiles, Pickup Trucks, and SUVs.

Most sold car models of Maruti Suzuki are:

- Maruti Suzuki Swift
- Maruti Suzuki WagonR
- Maruti Suzuki Baleno
- Maruti Suzuki Alto
- Maruti Suzuki Vitara Brezza
- Maruti Suzuki Dzire

Facilities in India

Manufacturing Sites	Research & Development Centre	Head Office	Sales & distribution Facilities	Stockyards
Gurugram (Haryana)	Rohtak (Haryana)	New Delhi	Gurugram (Haryana)	Siliguri (West Bengal)
Manesar (Haryana)	Gurugram (Haryana)		Manesar (Haryana)	Bengaluru (Karnataka)
			Hansalpur (Gujarat)	Nagpur (Maharashtra)



Top Best-Selling Cars of December 2021
Maruti Wagon R
Maruti Swift
Maruti Baleno
Tata Nexon
Maruti Ertiga
Maruti Alto
Maruti Dzire
Hyundai Venue
Maruti Vitara Brezza
Maruti Eeco
0
5,000
10,000
15,000
20,000

SUCCESS HISTORY

Maruti Suzuki was started back on February 24, **1981**, to manufacture cars for middle-class Indians. The company was formed as a government company, incorporated as **Maruti Udyog Ltd**. Maruti Udyog then signed the license and joint venture agreement with Suzuki Motor Corporation, Japan, on October 2, 1982, which began the start of the long-lasting and successful partnership.

The company started its productions in 1983, which then came to be the choice of every Indian household. The first car it launched was Maruti 800. It was affordable back then and was thus incredibly popular. This model of Maruti is still considered to be a Maruti classic to date. Although the journey of Maruti Suzuki India Ltd. started off in a very different way.

Maruti Suzuki - 1980

In India, till the early 1980s, the government of India controlled the Indian automobile sector, and privatization did not enter yet. There were only two automobile companies – **Premier Automobiles Ltd,** which had their popular car, **Premier Padmini**, and **Hindustan Motors Ltd,** which made the **Ambassador** cars.

Maruti Suzuki - 1983

Maruti Udyog signed a license and joint venture agreement (JVA) with Suzuki Motor Corporation of Japan in **1982**. This is when the very first factory of Maruti Suzuki was established in Gurgaon, Haryana. In the first 2 years when Maruti was set up, the company was engaged in the importing of fully-built cars from Suzuki, which later grew to include only 33% native parts. This was not what the indigenous company had planned.

Maruti Suzuki began its local production in December 1983 and introduced its Maruti 800 and Maruti Omni.

Maruti Suzuki - 1986-1987

Maruti Suzuki came up with a new and powerful Suzuki Alto (SS80), a 796 cc hatchback, which replaced the former Maruti 800 model in 1986. The company also successfully manufactured its **100,000th vehicle** in the same year.

company also saw the release of many more models of its cars in the next 2 years that followed, including the Esteem Diesel, which was launched in 2002.

Meanwhile, **Suzuki Motor Corporation also increased its stake in Maruti, which now became 54.2%.**

Maruti Suzuki - 2003-2004

The company started the year 2003 with the introduction of the Suzuki Grand Vitara XL-7 and upgrading its Zen and Wagon R models. Later in the same year, the company manufactured the 4 millionth Maruti vehicle and also entered started its new partnership with the State Bank of India. Moreover, the company was also **listed on BSE and NSE** after which it went public with issues that were oversubscribed tenfold.

Maruti 800, which was the best-selling Maruti car till 2004 was overtaken by the incredible popularity of the Alto model after 2 decades in the same year. Maruti Udyog concluded the financial year 2003–04 with a record 472,122 units as its annual sale, which reached an all-time high since the company began operations.

Maruti Suzuki - 2007

On May 10, 2007, the government of India took an exit from the country's largest car maker Maruti Udyog Ltd by selling the residual stakes, which amounted to Rs 2,360 crores to a bunch of financial institutions led by the Life Insurance Corporation. In July 2007, Suzuki decided to change the name of its subsidiary to **Maruti Suzuki India Limited.**

Maruti Suzuki - 2012 and the Later Years

Maruti Suzuki successfully sold its 10 millionth vehicle in February 2012. The company boasted of having a market share of 45% in July 2014 and then in May 2015, it witnessed the production of the 15 millionth vehicle in India with the launch of the Maruti Suzuki Swift DZire.

NEXA

Since Maruti Suzuki's cars were always looked at as the mid-range cars that serve the middle-class category they wanted to enter the other market too. That is when Maruti Suzuki launched NEXA. In 2015 they started the delivery and operations of its premium range cars. This helped them engage with their high-end customer category.

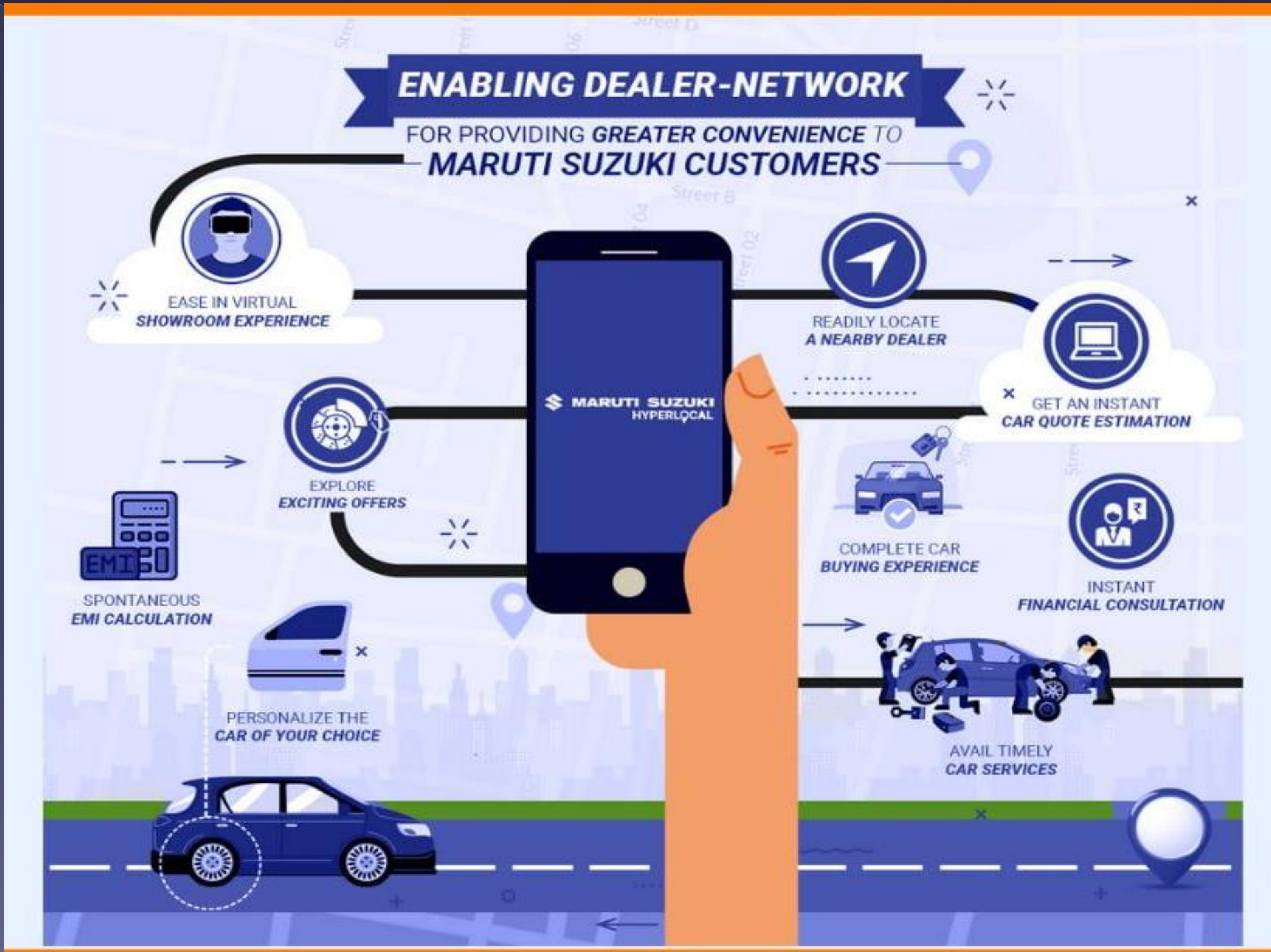
BUSINESS STRATEGY

The business model of Maruti Suzuki Limited India is based on its wide range of cars and customer services. The automotive company has recently shifted to the digital platform due to the marketing crisis that occurred from the covid-19 pandemic.

To keep up with its competitors, Maruti Suzuki opted for the digital world for better content marketing and more customer engagement. The digital platforms have become a very crucial part of Maruti Suzuki's Business Model. Around one-fourth of its total marketing budget went off to the delicacy of digital media.

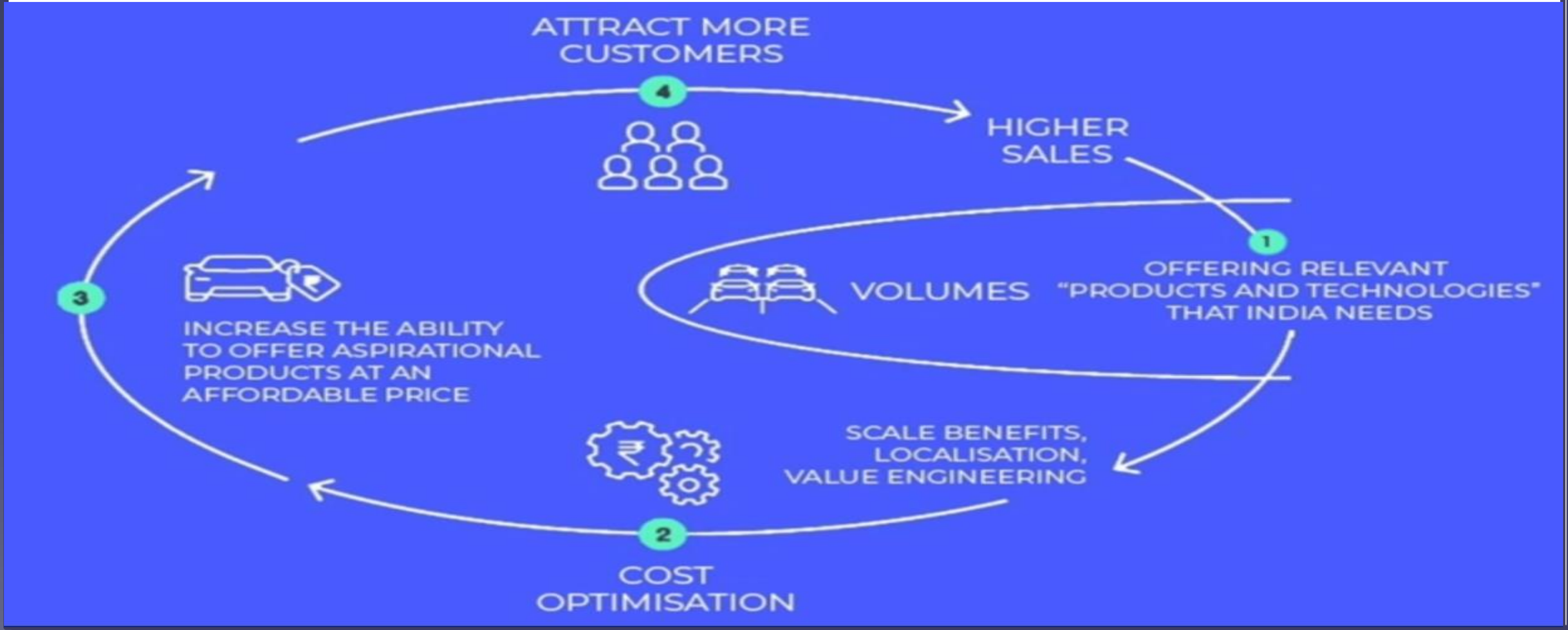
Maruti Suzuki manufactures its automobiles based on the requirements and facilities of the middle class as well as the upper-class section. That's why the company produces a broad range of its products at affordable rates and features.

Maruti Suzuki follows a certain model to cope with the difference between online marketing and the dealership experiences of the customers. The company has brought around 900 dealerships to the online platforms through India's largest Dealer Digitization Program by the company. With the developing digital technologies, Maruti Suzuki has been earning a great sum of deals and customer support.


ENABLING DEALER-NETWORK
FOR PROVIDING GREATER CONVENIENCE TO
MARUTI SUZUKI CUSTOMERS
EASE IN VIRTUAL
SHOWROOM EXPERIENCE
READILY LOCATE
A NEARBY DEALER
MARUTI SUZUKI
HYPERLOCAL
GET AN INSTANT
CAR QUOTE ESTIMATION
EXPLORE
EXCITING OFFERS
SPONTANEOUS
EMI CALCULATION
COMPLETE CAR
BUYING EXPERIENCE
INSTANT
FINANCIAL CONSULTATION
PERSONALIZE THE
CAR OF YOUR CHOICE
AVAIL TIMELY
CAR SERVICES

How does Maruti Suzuki make money?

The company earns way more profit when compared to Korea's Hyundai, its biggest market rival. The primary business of the company includes manufacturing, purchase, and sale of motor vehicles and their spare parts (automobiles). Furthermore, it is also engaged in the financing of cars and the facilitation of pre-owned car sales fleet management. However, the profit differs based on the car's size, features, and model. The larger cars are expected to bring more profit to the company's account.



COMPETITIVE ADVANTAGE

Affordability

In the early ’80s cars weren’t something that every Indian man or a middle-class family could afford. It was a luxury resource about which only a few people could dream. There weren’t many car companies since liberalization came late in India.

When Maruti Suzuki entered the Indian market, the most prominent factor which made it the market leader at that time was the price of its cars. They were very successful in launching cars with excellent features at an Indian budget-friendly price which made it ‘people’s car’.

Even to date company’s cars are known to be in a range which any middle-class man today can afford to buy.

Goodwill

Over a decade ago, Maruti Suzuki launched an advertisement video which said ‘Ghar aa Gaya Hindustan’ which became an instant sensation among people of India. Since the initial years, Maruti Suzuki has been successful in creating a notion into the minds of people that they associate home, the nation with their car.

Their commercial still instills that India comes home in a Maruti Suzuki.

The company has received great acceptance for the brand and its customers are very loyal to them. All these years, customer satisfaction has proved that Maruti Suzuki's goodwill and brand loyalty are very strong and enthralling.

Hatchbacks

Hatchbacks are the most idol cars for Indian roads and they rule the market. They are everywhere present in the market and are the most preferred body type throughout the nation. Maruti Suzuki initiated the concept in India and its most popular hatchback car Alto is one is the most demanded cars in India to date.

Best car service providers

When comparing the services of different automobile companies in India, Maruti Suzuki's service charges are lower. The best thing about their services is that they have various stations and centers across the nation where they serve a huge number of cars daily. Today they make most parts in India under the Made in India and hence their spare parts and components are variably low in value when compared to other automobile companies. The better service networking gives it an edge over others.

HIGH OPERATING LEVERAGE AND ECONOMIES OF SCALE

Apart from affordable cars, better service networking and wide choice of car models, the main reason of maruti capturing such a huge market share is its high operating leverage and economies of scale.

In India, there is a unique **law of taxation** that pose challenge for global companies to enter Indian market. The taxes on cars is huge in India. Cars with petrol engine less than 1200cc is taxed with 28% GST + 1% compensation cess, whereas cars with petrol engine more than 1200cc is taxed with 28% GST + 22% compensation cess ,that is 50% tax in total.

This makes global companies difficult to compete with Indian facing car companies like Maruti suzuki who makes products customized to the needs of Indian customers. The volume of sales of cars is very less in India which makes it very difficult for global companies to recover the research and development cost if they make a model from scratch, in accordance with the laws of India. Majority of Indian population prefer low cost Maruti cars over high cost cars of other global brands.

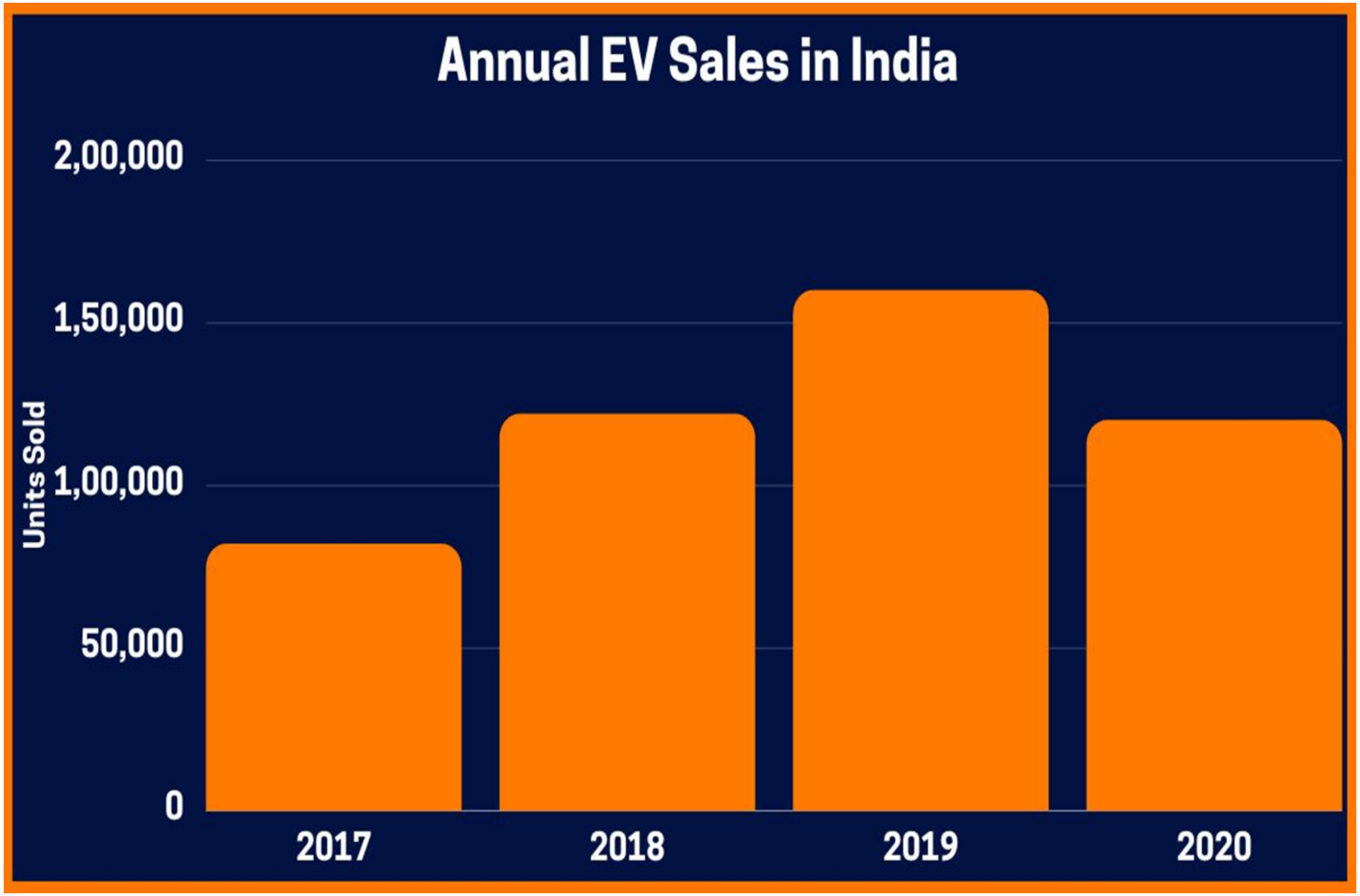
OPPORTUNITIES

Electric Vehicles

It is forecasted that these cars (or vehicles) will be the future of not just public transport but will be the future of private transportation as well. Maruti Suzuki is the leader in the passenger vehicle industry, and it fully intends to have leadership in EVs. But to be sure, Maruti Suzuki's focus in the short term is CNG and hybrid vehicles – until the time EVs reach a certain scale. On its part, the company's sister arm – Suzuki - and Denso and Toshiba, have already started working on localization of lithium-ion cells and engaging with the vendor fraternity to have a deeper localization to deliver an EV that is accessible and delivers enough scale to add to the bottom line.

Maruti Suzuki is currently planning to focus on the Electric vehicle segment, without making a loss on its basic and natural operating cycle.

Suzuki's parent company had said an India special EV might be ready by 2025. The company clearly understands what the Indian users would want. **It is true that the whole of India is not readily agreeing on shifting to electric vehicles and it will take some time**. Until then Maruti plans to do more research and development on prospective investments.


Annual EV Sales in India
Units Sold
2,00,000
1,50,000
1,00,000
50,000
0
2017
2018
2019
2020

THREATS

The automobile industry in India is unfortunately fighting a long battle. It all started with economy slowdown followed by demonetization, GST, IL&FS crisis, increase in third party insurance, increase in road tax, **uncertainty over BS-VI** and so on.

BS-VI

The government of India lauched Bharat Stage VI emission standards which announced that the company must significantly invest in its diesel cars to comply with the stringent emission standards. Maruti Suzuki was cautious of the environmental factors and understood the need of embracing environmentally friendly automobiles. This is why the company declared that it would phase out the manufacturing of diesel cars by 1 April 2020. This process of introducing new designs as per the latest norms caused increase in production costs and awhich in turn affected the profit margins of the company.

Covid-19 Pandemic

During this pandemic, the people shifted their expenditure towards fulfilling their basic necessities. Everybody wants to save to save for future uncertainties.

Moreover many manufacturing plants were shut down during lockdown because of which the supply of cars or the production itself was cut down. So the drop in supply accompanied by huge drop in demand resulted in poor sales growth for the company. During this period the demand was lowest in the last two decades.

Rise in Steel prices and other commodity prices

Steel prices and other commodity prices worsened the situation. There has been rise in steel prices that caused increase in production cost and reduction in operating profit margins. Also there has been a continuous increase in petrol and oil prices in our country. All this has forced company to increase the price of the cars, which further affects the demand.

Slow mover in EV

By now Tata motors, Hyundai, M&M everyone have comeup with their EV cars except Maruti suzuki. The management feels that it is too early to move into this space. It plans to enter this segment by 2025.

Safety rating : Zero star

Maruti has been rated zero star in safety. People are now becoming aware about the safety measures apart from other configurations while buying a car.

Shortage in supply of semiconductor chips

All car manufacturers were affected by the global shortage of semiconductor chips and reported the slowdown in production.

In the beginning, the shortage was partly due to stronger demand for more advanced chips from the consumer electronics and computer industry through Covid-19.

Demands from consumer products weren't the only factor. By mid-2020 onwards, there was a surge in demand for semiconductor content in the auto industry as well. In fact, Intel projects that semiconductors will account for over 20% of the input costs for new premium cars, up from 4% in 2019. Therefore, it is not surprising that manufacturers are struggling to keep pace, especially given how the pandemic that led to a global lockdown has exposed pressure points in the global chip supply chain.

The vast majority of manufacturing is being carried out by two companies in East Asia – Taiwan's TSMC and South Korea's Samsung.

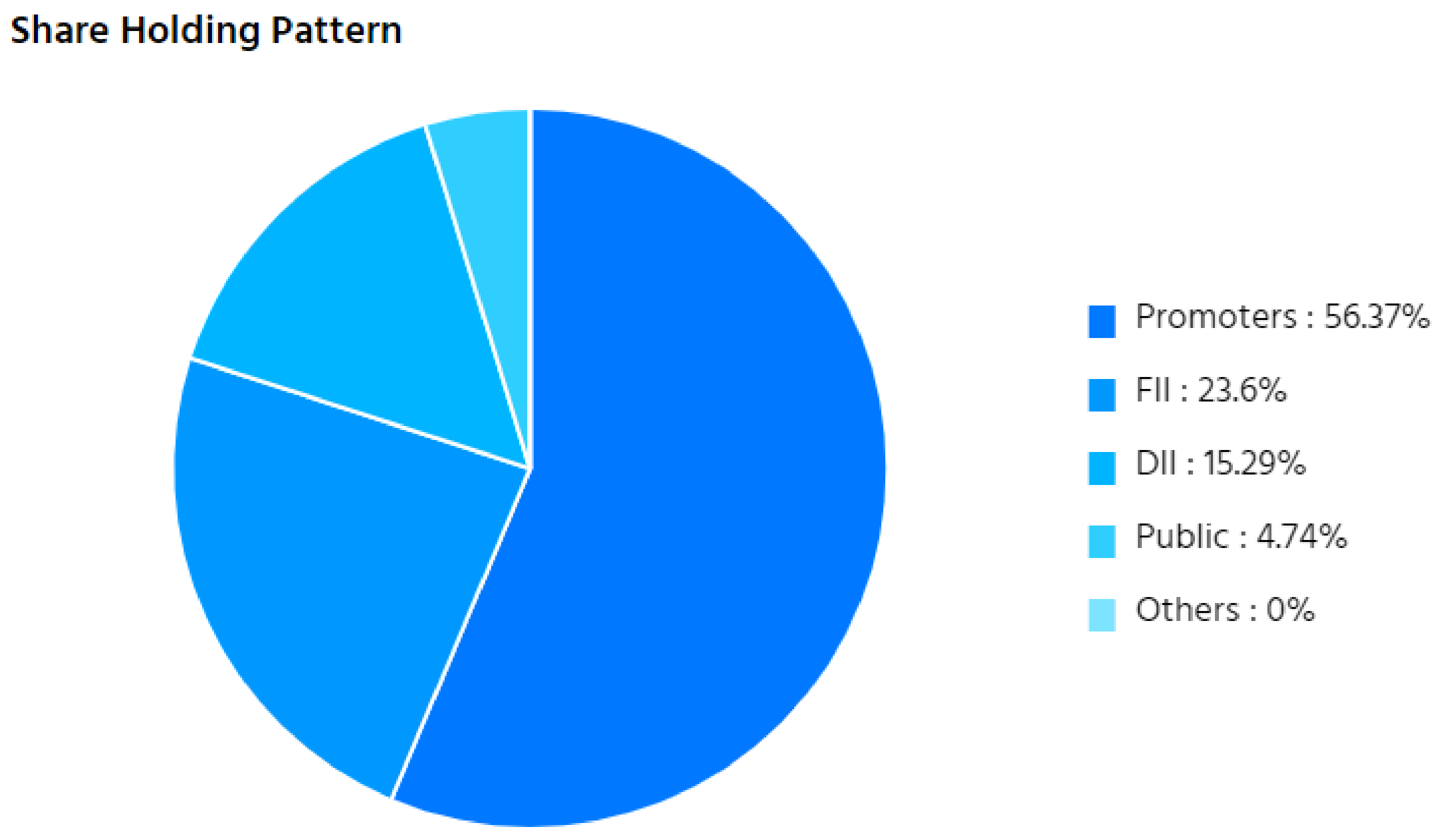
The 4 countries manufacture as much as 70% of the world's semiconductors ie, China, Taiwan, South Korea and Japan. In this the china alone accounts for over 30% supply. So Indian automobile industry faced numerous challenges as the demand of these chip skyrocketed.

PEER COMPARISON

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.
1.	Maruti Suzuki	8612.70	80.18	260172.44	0.52	1041.80
2.	M & M	841.10	19.17	104564.92	1.04	1987.44

S.No.	Name	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Maruti Suzuki	-47.82	23253.30	-0.93	5.20
2.	M & M	164.13	23594.46	9.10	8.54

Shareholding Pattern



FINANCIALS

BALANCE SHEET

Amount in million

Particulars	As at 31.03.2021	As at 31.03.2020
ASSETS		
Non-current assets		
Property, plant and equipment	141,785	147,905
Capital work-in-progress	11,993	13,443
Intangible assets	2,242	3,358
Intangible assets under development	2,975	709
Right-of-use assets	5,860	6,181
Financial assets		
Investments	345,291	362,692
Loans	2	2
Other financial assets	369	365
Other non-current assets	16,867	17,216
Total non-current assets	**527,384**	**551,871**
Current assets		
Inventories	30,490	32,139
Financial assets		
Investments	84,157	12,188
Trade receivables	12,799	19,777
Cash and cash equivalents	408	208
Other bank balances	30,063	82
Loans	230	170
Other financial assets	6,427	6,596
Current tax assets (net)	5,407	5,272
Other current assets	15,462	7,974
Total current assets	**185,443**	**84,406**
Total Assets	**712,827**	**636,277**

EQUITY AND LIABILITIES		
Equity		
Equity share capital	1,510	1,510
Other equity	523,496	492,620
Equity attributable to owners of the Company	**525,006**	**494,130**
Non controlling interest	-	192
Total equity	**525,006**	**494,322**
Liabilities		
Non-current liabilities		
Financial liabilities		
Borrowings	28	54
Lease liabilities	392	598
Provisions	447	516
Deferred tax liabilities (net)	4,454	6,575
Other non-current liabilities	21,295	21,158
Total non-current liabilities	**26,616**	**28,901**
Current liabilities		
Financial liabilities		
Borrowings	4,888	1,063
Trade payables		
Total outstanding dues of micro and small enterprises	698	481
Total outstanding dues of creditors other than micro and small enterprises	100,983	74,507
Lease liabilities	74	103
Other financial liabilities	12,720	9,040
Provisions	7,428	6,807
Current tax liabilities (net)	8,547	6,962
Other current liabilities	25,867	14,091
Total current liabilities	**161,205**	**113,054**
Total liabilities	**187,821**	**141,955**
Total Equity and Liabilities	**712,827**	**636,277**

PROFIT AND LOSS ACCOUNT

Amount in million

	Particulars	For the Year ended 31.03.2021	For the Year ended 31.03.2020
I	Revenue from operations	703,720	756,600
II	Other income	29,363	33,344
III	**Total Income (I+II)**	**733,083**	**789,944**
IV	**Expenses**		
	Cost of materials consumed	332,964	346,348
	Purchases of stock-in-trade	172,541	187,672
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	2,736	(2,387)
	Employee benefits expenses	34,316	34,162
	Finance costs	1,018	1,342
	Depreciation and amortisation expense	30,341	35,284
	Other expenses	108,375	118,896
	Vehicles / dies for own use	(728)	(1,217)
	Total expenses (IV)	**681,563**	**720,100**
V	**Share of profit of associates**	1,588	1,175
VI	**Share of profit of joint ventures**	102	9
VII	**Profit before tax (III - IV + V + VI)**	**53,210**	**71,028**
VIII	**Tax expense**		
	Current tax	11,562	13,765
	Deferred tax	(2,243)	487
		9,319	**14,252**
IX	**Profit for the year (VII - VIII)**	43,891	56,776

X Other Comprehensive Income/(loss)		
(i) Items that will not be reclassified to profit or loss		
(a) gain / (loss) of defined benefit obligation	545	(718)
(b) gain / (loss) on change in fair value of equity instruments	4,704	(3,902)
(c) gain / (loss) on share of other comprehensive income in associates and joint ventures	10	-
	5,259	**(4,620)**
(ii) Income tax relating to items that will not be reclassified to profit or loss	(123)	203
Total Other Comprehensive Income/(loss) (i+ii)	**5,136**	**(4,417)**
XI Total Comprehensive Income for the year (IX + X)	**49,027**	**52,359**
Profit for the year attributed to:		
Owners of the Company	43,891	56,760
Non controlling interest	-	16
	43,891	**56,776**
Other comprehensive income/(loss) for the year attributable to:		
Owners of the Company	5,136	(4,417)
Non controlling interest	-	-
	5,136	**(4,417)**
Total comprehensive income for the year attributable to:		
Owners of the Company	49,027	52,343
Non controlling interest	-	16
	49,027	**52,359**
Earnings per equity share (₹)		
Basic	145.30	187.95
Diluted	145.30	187.95

CASH FLOW STATEMENT

	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Cash from Operating Activity +	8,482	10,282	11,788	6,601	3,496	8,856
Cash from Investing Activity +	-7,230	-9,173	-8,302	-3,540	-557	-7,291
Cash from Financing Activity +	-1,237	-1,129	-3,436	-2,948	-3,104	-1,545
Net Cash Flow	16	-20	50	113	-165	20

Production and Sales

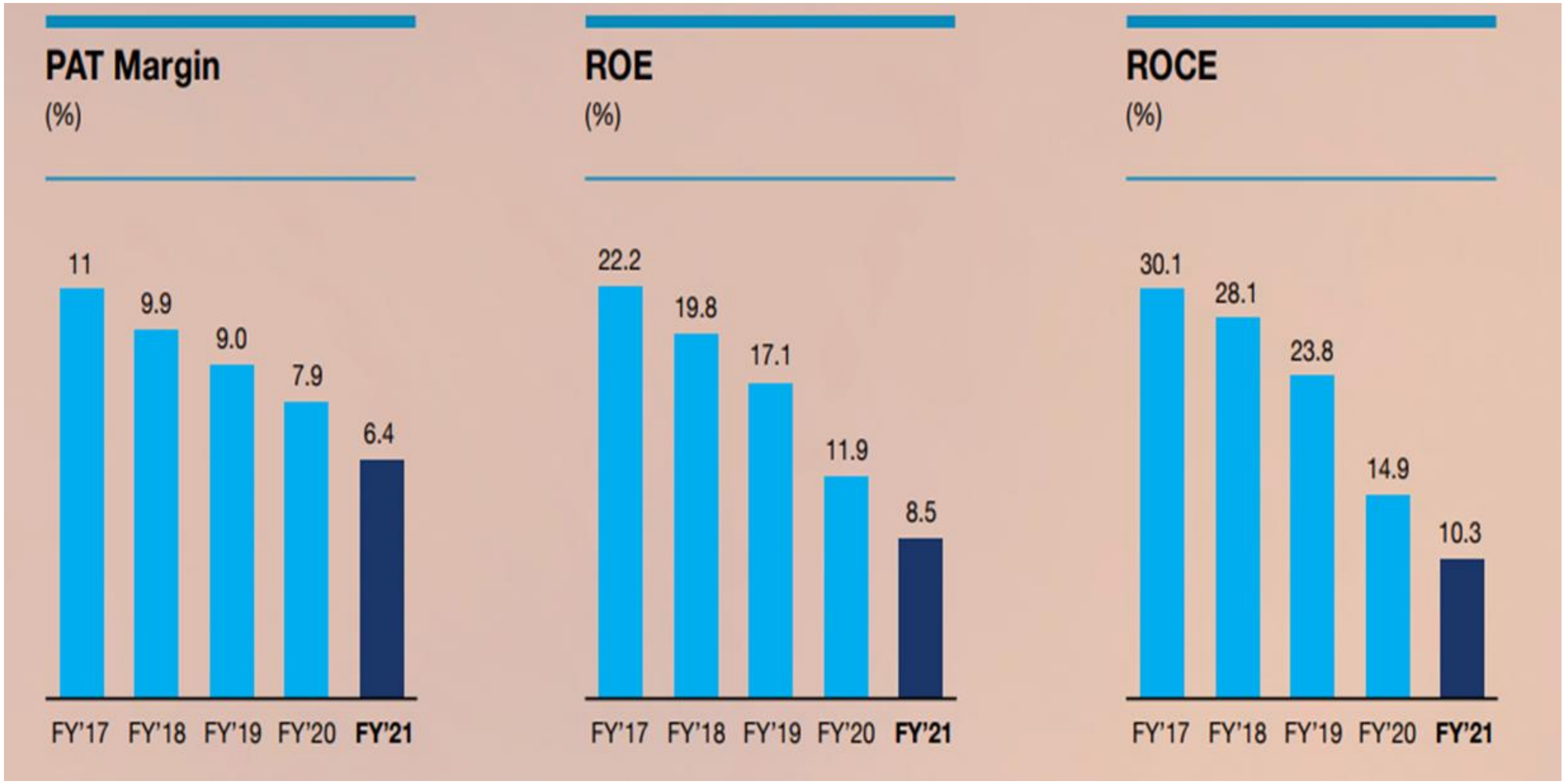
Total Cumulative Production
(in Millions)
24

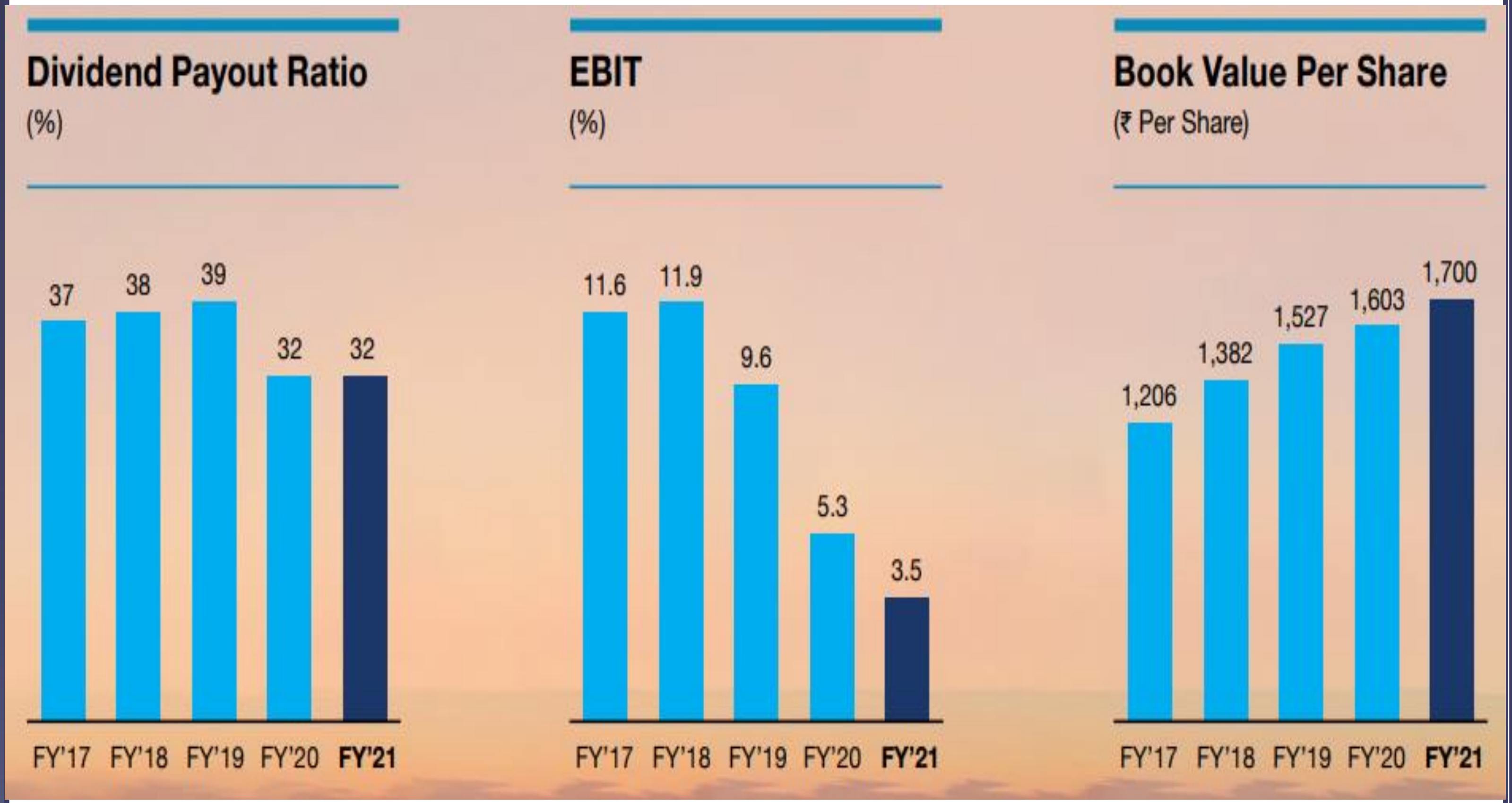
Unit sales (Domestic and Export)*

1,457,861

*Figure includes vehicles produced by SMG and supplied to the Company as per contract manufacturing agreement.

Profit & Loss analysis




Dividend Payout Ratio
(%)
37
38
39
32
32
FY'17
FY'18
FY'19
FY'20
FY'21
EBIT
(%)
11.6
11.9
9.6
5.3
3.5
FY'17
FY'18
FY'19
FY'20
FY'21
Book Value Per Share
(₹ Per Share)
1,206
1,382
1,527
1,603
1,700
FY'17
FY'18
FY'19
FY'20
FY'21

KEY RATIO ANALYSIS

Poor Sales Growth

The mainstream of revenue for Auto Sector is their sales, Maruti Suzuki has reported poor sales growth during past few years. There has been sales growth of **4.09%** over past five years.

Poor Return on Equity

ROE measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each rupee of common stockholders' equity generates.

Maruti suzuki has reported **8.5%** ROE for the latest year.

Poor Return on Capital Employed

The ROCE for the company improved and stood at 14.9% during FY21, from 12.3% during FY20.

The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company. Higher ROCE is better.

The company is almost **debt free**.

The company has been maintaining a healthy **dividend payout of 31.49%**

Current ratio: - The current ratio measures a company's ability to pay its short-term liabilities with its short-term assets. A higher current ratio is desirable so that the company could be stable to unexpected bumps in business and economy. Maruti suzuki has a Current ratio of **1.15** which is good.

PE ratio: - Price to Earnings' ratio, which indicates for every rupee of earnings how much an investor is willing to pay for a share. Maruti suzuki has a PE ratio of **80.18**

Profitability ratios: Profit margin (PAT margin) of the company shows how well a company controls its cost. It is one of the important indicators to show the financial health of the company. Net profit of the company is Rs 4902.7 Cr and the **compounded growth of profit in the past 3 years is -30% and for past 5 years is -11%**. The company has poor profit growth rate.

CONCLUSION

When it comes to automotive manufacturing, Maruti Suzuki India Limited has caught all the fame. Be it SUV or sedan, as the standard of living in India is rising, people feel like having a car is a necessity. Maruti Suzuki cars have emerged as budget-friendly and low-cost cars with superior after-sales services that have made it India’s top choice for many car owners.

The last two years have been the most challenging for the Indian automotive market. The sales saw a huge dip over the past years. The profit margins have also been reduced due to rise in commodity prices and shortage of supply of semiconductor chips.

Maruti Suzuki will play a very important role in making cars accessible and available to many Indians in the future as well. Its aggressive management and promotion strategies will cater to huge demand in the Indian automobile market.

Wait for the automobile sector to become more stable to buy the share.