

# Maruti Suzuki Research Report



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Stock Price- 12,034

# Introduction to Maruti Suzuki



Maruti Suzuki India Limited (MSIL), a leading car manufacturer in India, has shown significant growth and resilience despite market fluctuations. This presentation provides a comprehensive analysis of its financial performance, stock valuation, and future outlook for 2024.

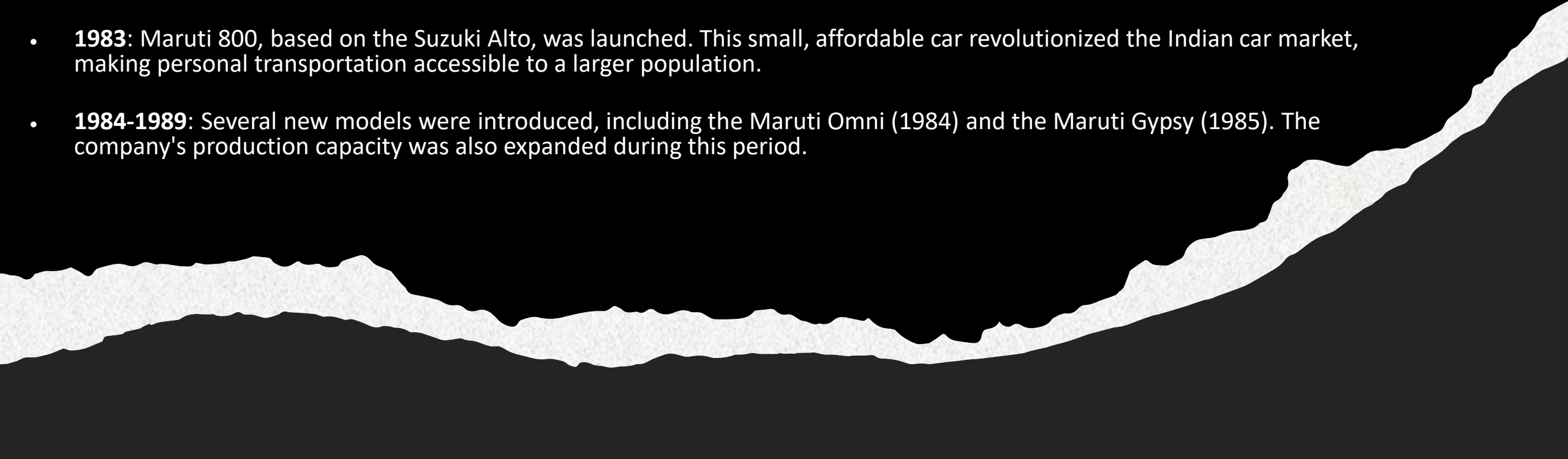


# Company Overview

Maruti Suzuki India Limited was founded in 1981 as Maruti Udyog Limited, a government initiative to produce affordable and reliable cars for the Indian middle class. In 1982, a joint venture agreement was signed with Suzuki Motor Corporation of Japan.

# SUZUKI

# History: Founding and Early Years (1981-1989)

- **1981:** Maruti Suzuki India Limited was founded as Maruti Udyog Limited, a government initiative to produce affordable and reliable cars for the Indian middle class. It was established through an Act of Parliament.
  - **1982:** A joint venture agreement was signed with Suzuki Motor Corporation of Japan, which provided technology and expertise.
  - **1983:** Maruti 800, based on the Suzuki Alto, was launched. This small, affordable car revolutionized the Indian car market, making personal transportation accessible to a larger population.
  - **1984-1989:** Several new models were introduced, including the Maruti Omni (1984) and the Maruti Gypsy (1985). The company's production capacity was also expanded during this period.
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# Expansion and Growth (1990-1999)

- **1992:** Maruti 1000, India's first contemporary sedan, was launched.
- **1993:** Introduction of the Maruti Zen, another compact car that gained popularity.
- **1997:** Maruti Suzuki became the largest car manufacturer in India.
- **1999:** The company introduced the Maruti Baleno, its first luxury sedan.

$$i\hbar \frac{\partial}{\partial t} \psi = \hat{H} \psi$$

$$E = mc^2$$

$$\phi(x) = \frac{1}{\sqrt{2\pi\sigma}} e^{-\frac{(x-\mu)^2}{2\sigma^2}}$$

$$dS \geq 0$$

$$\frac{df}{dt} = \lim_{h \rightarrow 0} \frac{f(t+h) - f(t)}{h}$$

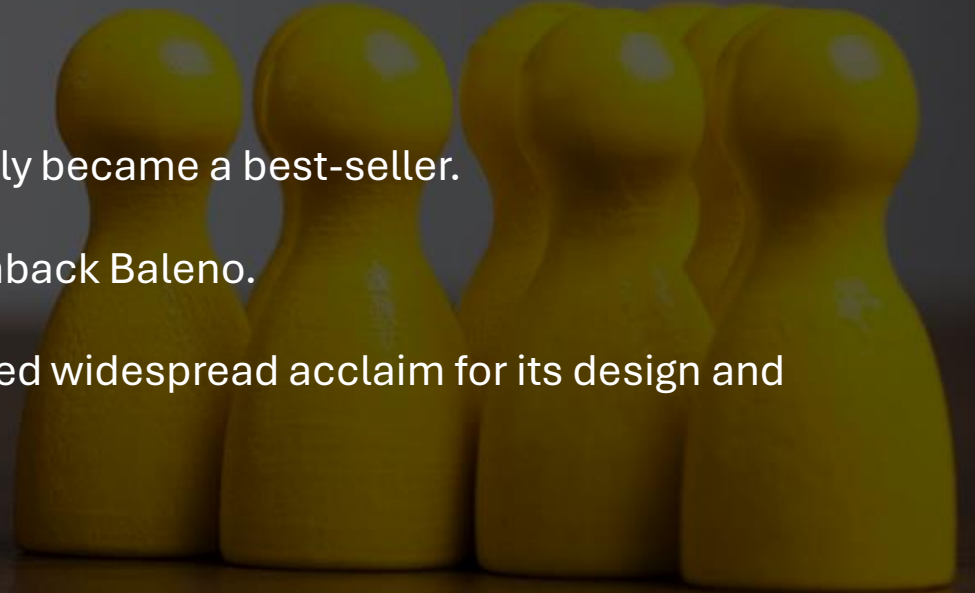
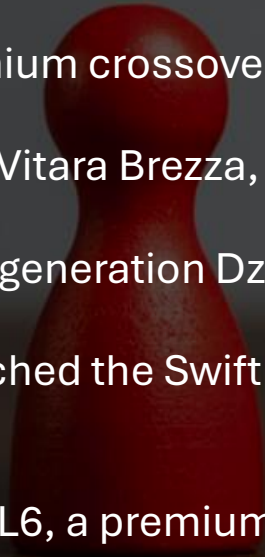
## Privatization and New Models (2000-2009)

- **2002:** The Indian government disinvested from Maruti Suzuki, and it became a publicly listed company.
- **2004:** The company launched the Swift, which quickly became one of the best-selling models in India.
- **2007:** Introduction of the SX4 sedan.
- **2009:** Maruti Suzuki launched the Ritz and the A-Star, further diversifying its product range



# Innovation and Leadership (2010-2019)

- **2010:** Maruti Suzuki introduced the Eeco, a versatile van for families and commercial use.
- **2011:** Launch of the new Swift Dzire, a compact sedan variant of the Swift.
- **2014:** The company introduced the Celerio, India's first car with an automatic manual transmission (AMT).
- **2015:** Launch of the premium crossover S-Cross.
- **2016:** Introduction of the Vitara Brezza, a compact SUV that quickly became a best-seller.
- **2017:** Launch of the new-generation Dzire and the premium hatchback Baleno.
- **2018:** Maruti Suzuki launched the Swift 2018 model, which received widespread acclaim for its design and performance.
- **2019:** Introduction of the XL6, a premium MPV, and the S-Presso .



# Recent Developments (2020-Present)



- **2020:** Maruti Suzuki adapted to the COVID-19 pandemic by enhancing its online sales platform and launching several models like the S-Cross petrol.
- **2021:** Introduction of the new-generation Celerio and several updates to existing models.
- **2022:** Continued focus on electric and hybrid vehicles in line with global trends towards sustainable mobility.
- **2023:** Maruti Suzuki unveiled the Jimny, a compact off-roader, and the new Fronx, targeting young urban buyers.



## Key Milestones

- **1983:** Launch of Maruti 800
- **1997:** Became the largest car manufacturer in India
- **2002:** Government disinvestment and public listing
- **2004:** Launch of the Swift

# Maruti Suzuki Board of Directors



**Mr. Shinzo Nakanishi**  
Managing Director and  
the CEO



**Mr. R.C. Bhargava**  
Chairman, Board of  
Director



**Mr. KENICHI  
AYUKAWA**  
Director



**Mr. Amal Ganguli**  
Director



**Mr. TSUNEO OHASHI**  
Director & Managing Executive



**Mr. SHUJI OISHI**  
Director & Managing Executive  
Officer (Marketing & Sales)



**Mr. OSAMU SUZUKI**  
Director



**Mr. MANVINDER SINGH BANI**  
Director



**Mr. DAVINDER SINGH BRAR**  
Director

# Business Strategies

A group of business professionals in a meeting. A man in a dark suit and tie is pointing at a tablet held by a woman in a grey blazer. Another woman is holding a smartphone. There are coffee cups on the table. The background is a blurred office setting.

Maruti Suzuki has employed a range of business strategies to maintain its leadership position in the Indian automobile market. These strategies have been critical to its success and include a focus on affordability, extensive service networks, continuous innovation, and effective marketing.



# 1. Product Diversification

- Maruti Suzuki offers a wide range of vehicles, from compact cars to SUVs and premium hatchbacks. This extensive portfolio allows the company to cater to various market segments and consumer preferences.
- **Compact and Affordable Cars:** Models like the Alto, Wagon R, and Celerio are designed for budget-conscious customers.
- **Premium and Luxury Segments:** The Baleno, Ciaz, and S-Cross target more affluent buyers.
- **SUVs and MPVs:** The Vitara Brezza, Ertiga, and XL6 cater to the growing demand for larger vehicles.

## **2. Focus on Fuel Efficiency and Low Maintenance**

Maruti Suzuki cars are known for their fuel efficiency and low maintenance costs, which are significant selling points in the cost-sensitive Indian market. The company's engineering focus ensures that their vehicles offer excellent mileage and require minimal upkeep.

## **3. Extensive Service Network**

Maruti Suzuki has established the largest service network in India, with over 4,000 service centers across the country. This extensive network ensures that customers have easy access to maintenance and repair services, enhancing the overall ownership experience.

## **4. Strong Dealer Network**

Maruti Suzuki has a robust dealership network with over 3,600 sales outlets across 1,700 cities and towns. This wide reach ensures that their cars are accessible to customers in both urban and rural areas.

- **5. Strategic Partnerships**

- The joint venture with Suzuki Motor Corporation of Japan brought advanced technology and expertise to Maruti Suzuki. The company continues to leverage Suzuki's technological advancements and global practices to maintain high standards in manufacturing and product development.

- **6. Innovation and Technology**

- Maruti Suzuki has been at the forefront of adopting new technologies. It introduced the automatic manual transmission (AMT) technology in its vehicles, which provided a cost-effective alternative to conventional automatic transmissions. The company is also investing in hybrid and electric vehicle technology to stay ahead of global trends towards sustainable mobility.

- **7. Customer-Centric Approach**

- The company places a strong emphasis on understanding and meeting customer needs. This approach is evident in their after-sales services, customer support, and continuous feedback mechanisms. Maruti Suzuki regularly conducts customer satisfaction surveys to ensure high levels of customer satisfaction and loyalty.

- **8. Effective Marketing and Brand Building**

- Maruti Suzuki employs effective marketing strategies to build and maintain a strong brand image. The company's advertising campaigns highlight the affordability, reliability, and emotional connection of owning a Maruti Suzuki car.

- **9. Cost Management and Efficient Operations**

- The company focuses on cost management and operational efficiency to maintain competitive pricing. Maruti Suzuki employs lean manufacturing techniques, local sourcing of components, and efficient supply chain management to reduce costs and improve productivity

## 10. Expansion into Rural Markets

Recognizing the potential in rural markets, Maruti Suzuki has made significant efforts to penetrate these areas. The company has tailored its marketing strategies and product offerings to suit the preferences and needs of rural customers.

## 11. Focus on Safety and Compliance

Maruti Suzuki ensures that its vehicles comply with international safety standards and regulations. The company has introduced several safety features, such as airbags and ABS, even in its entry-level models, to enhance passenger safety.

# Automobile Industry Analysis:

## Industry Size and Growth :

The Indian automobile industry is a significant contributor to the country's economy, accounting for around 7.1% of the Gross Domestic Product (GDP) and employing millions of people directly and indirectly. As of 2024, the industry is poised for substantial growth, driven by increasing demand, advancements in technology, and supportive government policies. The market is expected to grow at a Compound Annual Growth Rate (CAGR) of 9-10% over the next few years.





# Key Segments:

**Passenger Vehicles (PVs):** This segment includes cars, utility vehicles, and vans, and is projected to grow steadily due to rising disposable incomes and urbanization.

**Commercial Vehicles (CVs):** Comprising light and heavy commercial vehicles, this segment is expected to expand due to increased infrastructure development and logistics demand.

**Two-Wheelers:** Dominating the Indian market, two-wheelers are a crucial mode of transport for the majority of the population.

**Three-Wheelers:** This segment serves as an essential last-mile connectivity option in both urban and rural areas.



# Economic Agents Affecting Maruti Suzuki:

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## Demand-Side Agents:

**Consumers:** Disposable income, fuel prices, loan interest rates, consumer sentiment, and demographics (age, income distribution) significantly influence car purchasing decisions. A rising middle class and increasing urbanization in India are positive factors for MSIL, but high fuel prices and interest rates can dampen demand.

**Government:** Policies like tax breaks for electric vehicles (EVs), infrastructure development (roads, public transport), and scrappage schemes for old vehicles can influence consumer choices and industry growth. Government incentives for EVs pose a potential challenge to MSIL's dominance in the internal combustion engine (ICE) vehicle segment, but the company is also investing in EV technology.

- **Supply-Side Agents:**

- **Auto component suppliers:** Their efficiency and cost competitiveness affect production costs for MSIL. Disruptions in the supply chain, like the recent global chip shortage, can significantly impact production volumes.
- **Raw material suppliers:** Prices of steel, aluminum, and other raw materials affect production costs. Fluctuations in global commodity prices can squeeze MSIL's margins.

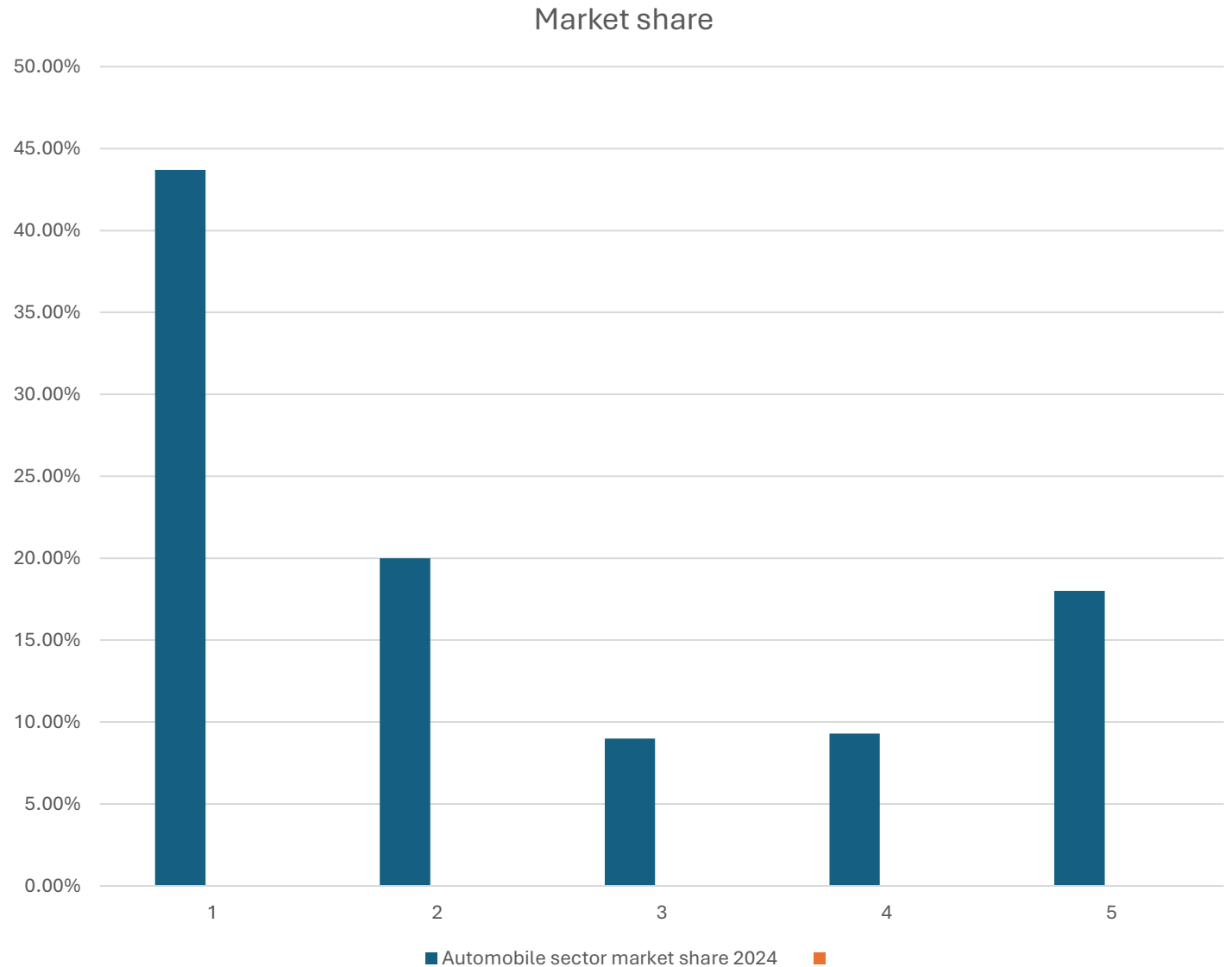
- **Macroeconomic Factors:**

- **Gross Domestic Product (GDP) Growth:** A strong Indian economy with rising GDP translates to higher disposable income and increased car demand, benefiting MSIL.
- **Interest Rates:** Higher interest rates make car loans more expensive, potentially leading to lower demand. The Reserve Bank of India's (RBI) monetary policy decisions directly impact loan availability and affordability.
- **Inflation:** Rising inflation erodes purchasing power, potentially leading to a decline in car sales.
- **Exchange Rate Fluctuations:** A depreciating rupee can make imported components more expensive, impacting production costs

## Most selling cars of Maruti Suzuki

Model	Units Sold	Year-over-Year Growth
Wagon R	17,850	N/A
Brezza	17,113	45%
Dzire	15,825	56%
Baleno	14,049	-13%
Fronx	14,286	63%
Ertiga	13,544	145%

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- In 2024, Maruti Suzuki leads the automobile sector with a commanding market share of 43.70%, followed by Hyundai at 20.00%, Tata Motors at 9.00%, and Mahindra & Mahindra at 9.30%. The remaining 18.00% is held by other players in the market.



# • Financial Performance



# Standalone Balance Sheet

As at March 31, 2023

(All amounts in ₹ million, unless otherwise stated)

Particulars	Notes No.	Page No.	As at 31.03.2023	As at 31.03.2022
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	288-291	166,666	127,995
Capital work-in-progress	4	288-291	28,081	26,391
Intangible assets	5	291-292	5,479	3,499
Intangible assets under development	5	291-292	889	2,903
Right-of-use Assets	35	329-330	5,904	5,679
Financial assets				
Investments	6	292-295	477,564	366,632
Loans	7	295	2	2
Other financial assets	9	295	580	370
Non-current tax assets (net)	21	306	5,729	5,429
Deferred tax assets (net)	18	303-304	3,411	2,027
Other non-current assets	12	298	21,483	25,204
<b>Total non-current assets</b>			<b>715,788</b>	<b>566,131</b>
<b>Current assets</b>				
Inventories	10	297	42,838	35,331
Financial assets				
Investments	6	292-295	-	41,001
Trade receivables	8	295-296	32,958	20,301
Cash and cash equivalents	11.1	297	334	320
Other bank balances	11.2	297	43	30,042
Loans	7	295	297	305
Other financial assets	9	295	21,859	25,892
Other current assets	12	298	17,670	14,620
<b>Total current assets</b>			<b>115,999</b>	<b>167,812</b>
<b>Total assets</b>			<b>831,787</b>	<b>733,943</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	13	298-299	1,510	1,510
Other equity	14	299-301	602,310	539,350
<b>Total equity</b>			<b>603,820</b>	<b>540,860</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Financial liabilities				
Lease liabilities	35	329-330	249	302
Provisions	17	302-303	876	833
Other non-current liabilities	19	305	25,849	21,811
<b>Total non-current liabilities</b>			<b>26,974</b>	<b>22,946</b>
<b>Current liabilities</b>				
Financial liabilities				
Borrowings	15	301	12,158	3,819
Trade payables				
Total outstanding dues of micro and small enterprises	20	305-306	1,761	1,081
Total outstanding dues of creditors other than micro and small enterprises	20	305-306	116,043	96,529
Lease liabilities	35	329-330	66	68
Other financial liabilities	16	302	18,537	20,244
Provisions	17	302-303	9,624	8,613
Current tax liabilities (net)	21	306	11,566	11,104
Other current liabilities	19	305	31,238	28,679
<b>Total current liabilities</b>			<b>200,993</b>	<b>170,197</b>
<b>Total liabilities</b>			<b>227,967</b>	<b>193,083</b>
<b>Total equity and liabilities</b>			<b>831,787</b>	<b>733,943</b>

# Standalone Statement of Profit and Loss

for the year ended March 31, 2023

(All amounts in ₹ million, unless otherwise stated)

Particulars	Notes No.	Page No.	For the year ended 31.03.2023	For the year ended 31.03.2022
<b>I Revenue from operations</b>	22	307	1,175,229	882,956
<b>II Other income</b>	23	307	21,613	17,935
<b>III Total Income (I+II)</b>			<b>1,196,842</b>	<b>900,891</b>
<b>IV Expenses</b>				
Cost of materials consumed	24.1	308	466,700	397,387
Purchases of stock-in-trade			399,772	263,905
Changes in inventories of finished goods, work-in-progress and stock-in-trade	24.2	308	(4,037)	(919)
Employee benefits expenses	25	308	46,051	40,222
Finance costs	26	309	1,866	1,259
Depreciation and amortisation expense	27	309	28,233	27,865
Other expenses	28	309-310	158,039	126,794
Vehicles/dies for own use			(1,373)	(1,445)
<b>Total expenses (IV)</b>			<b>1,095,251</b>	<b>855,068</b>
<b>V Profit before tax (III - IV)</b>			<b>101,591</b>	<b>45,823</b>
<b>VI Tax expense</b>				
Current tax	29	310-311	22,475	14,301
Deferred tax	29	310-311	(1,376)	(6,141)
			21,099	8,160
<b>VII Profit for the year (V - VI)</b>			<b>80,492</b>	<b>37,683</b>
<b>VIII Other Comprehensive Income</b>				
(i) Items that will not be reclassified to profit or loss				
(a) gain/(loss) of defined benefit obligation	14.4	300	(344)	220
(b) gain/(loss) on change in fair value of equity instruments	14.5	300	929	3,170
			585	3,390
(ii) Income tax relating to items that will not be reclassified to profit or loss	29	310-311	8	(267)
<b>Total Other Comprehensive Income (i+ii)</b>			<b>593</b>	<b>3,123</b>
<b>IX Total Comprehensive Income for the year (VII + VIII)</b>			<b>81,085</b>	<b>40,786</b>
Earnings per equity share (₹)	31	312		
Basic			266.46	124.68
Diluted			266.46	124.68



# Standalone Statement of Cash Flows

For the year ended March 31, 2023

(All amounts in ₹ million, unless otherwise stated)

Particulars	Notes No.	Page No.	For the year ended 31.03.2023	For the year ended 31.03.2022
<b>A. Cash flow from operating activities:</b>				
Profit before tax			101,291	45,803
<b>Adjustments for:</b>				
Depreciation and amortisation expense	27	309	28,233	27,805
Finance costs	26	309	1,868	1,259
Interest income	23	307	(1,852)	(1,745)
Dividend income	23	307	(268)	(512)
Net loss on sale / discarding of property, plant and equipment	28	309-310	115	458
Net gain on sale of investments in debt mutual funds	23	307	(1,809)	(2,046)
Fair valuation gain on investment in debt mutual funds	23	307	(17,279)	(13,625)
Unrealised foreign exchange (gain)/ loss			209	309
<b>Operating Profit before working capital changes</b>			<b>110,808</b>	<b>57,779</b>
<b>Adjustments for changes in working capital :</b>				
- (Increase)/decrease in other financial assets (non-current)	9	296	(213)	(7)
- (Increase)/decrease in other non-current assets	12	298	(1,385)	(1,504)
- (Increase)/decrease in inventories	10	297	(7,297)	(4,831)
- (Increase)/decrease in trade receivables	8	295-296	(12,569)	(7,629)
- (Increase)/decrease in loans (current)	7	295	8	(79)
- (Increase)/decrease in other financial assets (current)	9	296	3,839	(12,730)
- (Increase)/decrease in other current assets	12	298	(3,052)	(5,058)
- Increase/(decrease) in non-current provisions	17	302-303	43	386
- Increase/(decrease) in other non-current liabilities	19	305	4,038	519
- Increase/(decrease) in trade payables	20	305-306	20,087	(2,007)
- Increase/(decrease) in other financial liabilities (current)	16	302	(3,077)	3,735
- Increase/(decrease) in current provisions	17	302-303	1,011	1,187
- Increase/(decrease) in other current liabilities	19	305	2,559	1,896
<b>Cash generated from operating activities</b>			<b>114,593</b>	<b>29,681</b>
- Income taxes paid (net)			(22,313)	(11,769)
<b>Net Cash from operating activities</b>			<b>92,280</b>	<b>17,912</b>
<b>B. Cash flow from investing activities:</b>				
Payments for purchase of property, plant and equipment and capital work in progress	4	288-291	(91,154)	(32,057)
Payments for purchase of intangible assets & intangible assets under development	5	291-292	(2,307)	(2,530)
Proceeds from sale of property, plant and equipment	4	288-291	287	1,300
Payments for purchase of investment in equity shares of associate / joint venture / subsidiary company	6	292-295	-	(1,459)
Proceeds from sale of debt mutual funds	6	292-295	618,054	635,787
Payments for purchase of debt mutual funds	6	292-295	(604,248)	(604,204)
Payments for purchase of unquoted investments	6.4	294	(1,000)	(300)
Investment in fixed deposits with bank	11.2	297	-	(30,000)
Proceeds from fixed deposits with bank	11.2	297	30,000	30,000
Interest received	23	307	1,938	1,744
Dividend received	23	307	268	519
<b>Net Cash (used in) investing activities</b>			<b>(90,182)</b>	<b>(1,890)</b>

# Key Ratios

- **Sales Growth: 33%**
- **Insight:** A 33% increase in sales indicates robust growth and strong market demand for Maruti Suzuki's products. This could be due to successful product launches, expansion in market reach, or increased consumer spending. The company has demonstrated its ability to capture market opportunities effectively.
- **Operating Profit Margin (OPM): 9%**
- **Insight:** An OPM of 9% suggests that the company is efficiently managing its production and operational costs relative to its sales. This margin shows that for every rupee earned in revenue, 9 paise is retained as operating profit. It indicates good cost control and operational efficiency.
- **Net Profit Margin: 6.98%**
- **Insight:** A net profit margin of 6.98% is a healthy sign, indicating that the company is able to convert a significant portion of its revenues into actual profit. This margin reflects the overall profitability after accounting for all expenses, including taxes and interest.
- **Fixed Asset Turnover: 6.59**
- **Insight:** A fixed asset turnover ratio of 6.59 implies that Maruti Suzuki is generating Rs. 6.59 in sales for every rupee invested in fixed assets. This high ratio indicates efficient utilization of fixed assets to generate sales and can suggest that the company is managing its capital investments well.
- **Debtor Days: Increased from 8 to 10 Days**
- **Insight:** An increase in debtor days from 8 to 10 days indicates a slight lengthening in the time taken to collect payments from customers. While still relatively low, this increase could suggest a need to monitor credit policies and ensure timely collection of receivables to maintain liquidity.
- **Cash Flow from Operations: Rise from Rs. 1,840 crore to Rs. 9,251 crore**
- **Insight:** A significant increase in cash flow from operations suggests improved operational efficiency and better cash management. This indicates that the company's core business activities are generating substantial cash, which is crucial for sustaining operations and funding growth.
- **Cash Flow from Investing: From Rs. -239 crore to Rs. -8,036 crore**
- **Insight:** A substantial increase in cash outflow for investing activities indicates significant investments in long-term assets, such as new facilities, technology upgrades, or acquisitions. This can be a positive sign if these investments are expected to generate future growth and returns.

**Cash Flow from Financing: From Rs. 1,607 crore to Rs. -1,213 crore**

•**Insight:** The shift from positive to negative cash flow from financing activities suggests that the company has repaid debt or returned capital to shareholders through dividends or buybacks. This can be a sign of financial strength and confidence in the company's future cash generation abilities.

**Net Cash Flow: From Rs. -6 crore to Rs. 2 crore**

•**Insight:** The improvement in net cash flow from negative to positive indicates better overall cash management. Despite significant investing activities, the company has managed to maintain a positive cash balance, reflecting financial stability.

**Return on Capital Employed (ROCE): 14%**

•**Insight:** A ROCE of 14% indicates that the company is generating a healthy return on the capital employed in the business. This metric shows how effectively the company is using its capital to generate profits, suggesting good management performance and efficient capital utilization.

**Return on Equity (ROE): 18.3%**

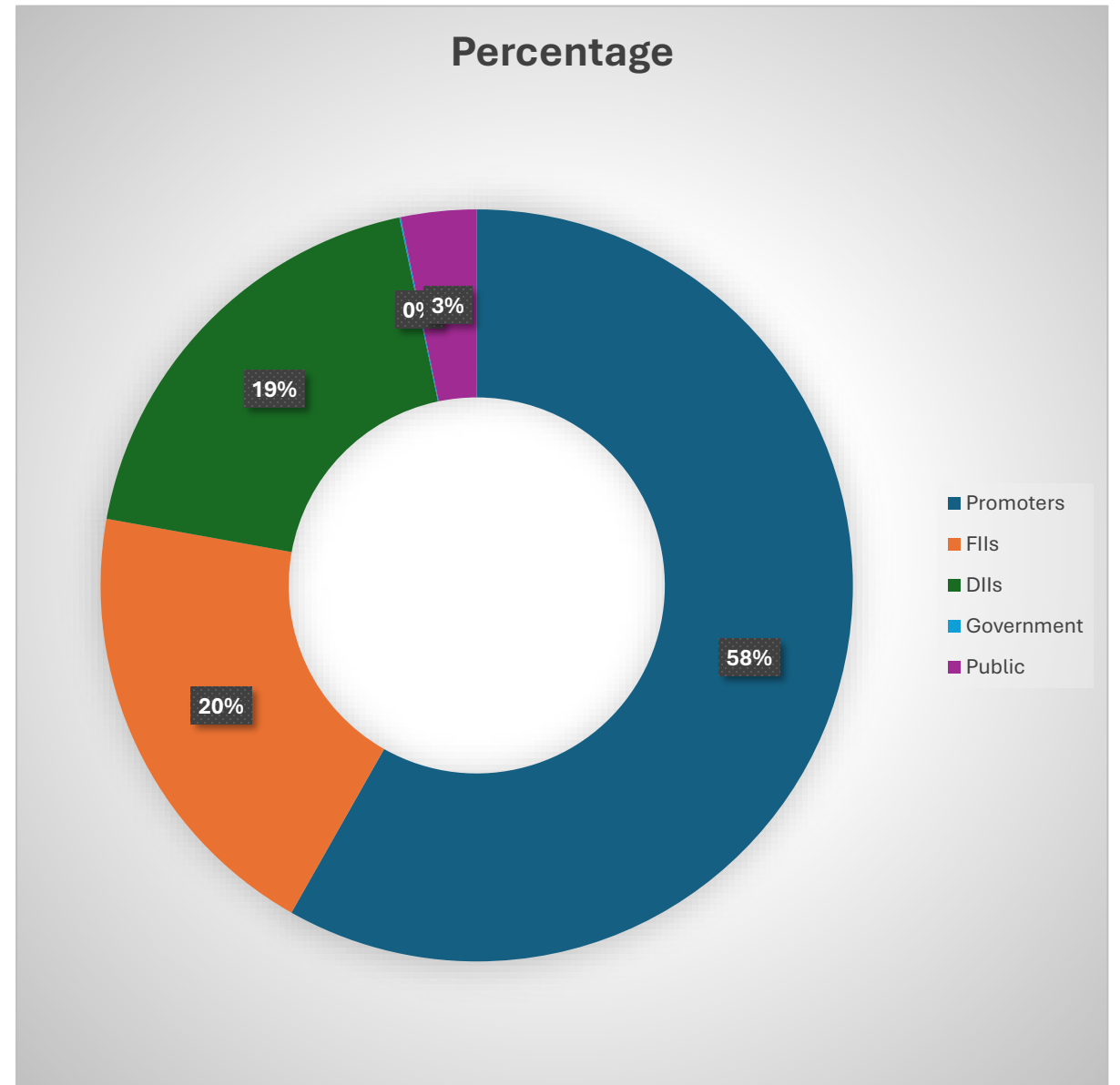
•**Insight:** An ROE of 18.3% reflects strong profitability relative to shareholders' equity. This high return indicates that the company is effectively using the equity invested by shareholders to generate profits, which can be attractive to current and potential investors.

# Shareholding Pattern

***Stability and Confidence:*** The high promoter holding reflects a strong commitment and confidence in the company's future, providing a solid foundation for stability.

***Institutional Support:*** Significant holdings by both FIIs and DIIs highlight the company's robust attractiveness to both foreign and domestic institutional investors, suggesting sound fundamentals and growth prospects.

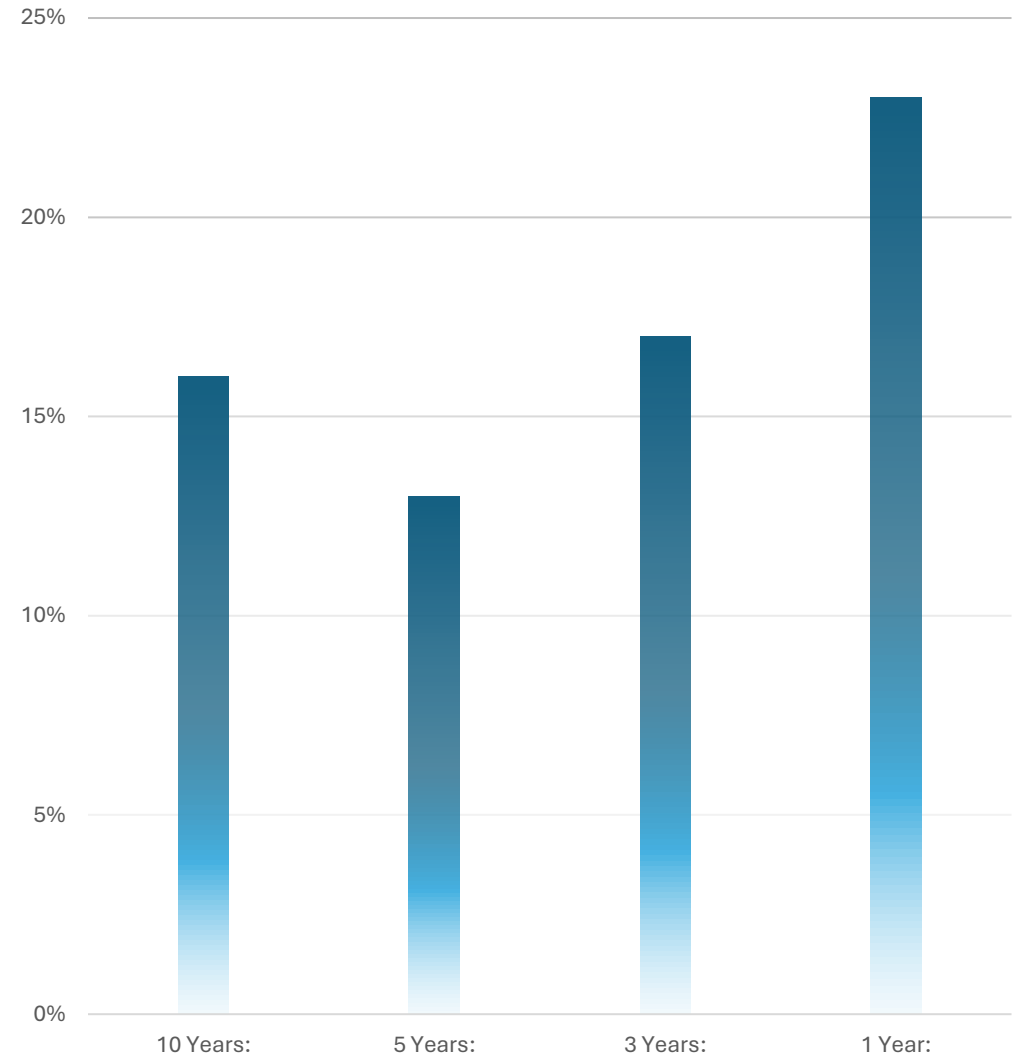
***Public Participation:*** Low public holding indicates limited retail investor participation, which can affect the liquidity and trading volumes of the stock



# Historical performance of the Maruti Suzuki stock

*Long-Term Strength:* The 10-year CAGR of 16% indicates that the company has demonstrated strong long-term growth, making it a potentially good investment for long-term investors.

*Recent Performance Boost:* The higher CAGR figures in the more recent periods (3 years and 1 year) suggest that the company has experienced a resurgence or accelerated growth recently



# Conclusion



Maruti Suzuki has shown consistent growth and strong financial health.



The company's strategic initiatives and market position support its long-term growth prospects.



Operational efficiency and cost management enhance its profitability.



Favorable macroeconomic conditions and government policies further strengthen its outlook.



# Recommendations

- **Buy:** Maruti Suzuki presents a compelling investment opportunity due to its robust financial performance, strategic growth initiatives, and dominant market position. The company's ability to maintain high profitability margins and adapt to market changes makes it a valuable addition to a long-term investment portfolio.