

MSIL: COS: NSE&BSE: 2023/10\_06

9<sup>th</sup> October, 2023

Vice President  
**National Stock Exchange of India Limited**  
“Exchange Plaza”, Bandra – Kurla Complex  
Bandra (E)  
Mumbai – 400 051

General Manager  
Department of Corporate Services  
**BSE Limited**  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai – 400 001

**Sub: Presentation for shareholders, analysts and proxy advisors**

Dear Sirs,

Please find enclosed herewith as Annexure –“ A”, the presentation for shareholders of the Company, analysts and proxy advisors on “**Acquisition of Suzuki Motor Gujarat Private Limited.**”

The same is also hosted on the website of the Company i.e. [www.marutisuzuki.com](http://www.marutisuzuki.com) .

Kindly take the same on record.

Thanking you,

Yours truly,

*For* **Maruti Suzuki India Limited**

Sanjeev Grover  
Executive Vice President  
& Company Secretary

---

**MARUTI SUZUKI INDIA LIMITED**

Head Office:  
Maruti Suzuki India Limited,  
1, Nelson Mandela Road, Vasant Kunj,  
New Delhi - 110070, India.  
Tel: 011- 46781000, Fax: 011-46150275/46150276  
E-mail id: [contact@maruti.co.in](mailto:contact@maruti.co.in), [www.marutisuzuki.com](http://www.marutisuzuki.com)

Gurgaon Plant:  
Maruti Suzuki India Limited,  
Old Palam Gurgaon Road,  
Gurgaon - 122015, Haryana, India.  
Tel: 0124-2346721, Fax: 0124-2341304

Manesar Plant:  
Maruti Suzuki India Limited,  
Plot No.1, Phase - 3A, IMT Manesar,  
Gurgaon - 122051, Haryana, India.  
Tel: 0124-4884000, Fax: 0124-4884199

9<sup>th</sup> October'2023

Presentation for shareholders, analysts and proxy advisors  
**Acquisition of Suzuki Motor Gujarat**

Maruti Suzuki India Limited

---

# DISCLAIMER

---

- This presentation does not constitute a solicitation or an offer or advice to buy or sell any securities in or outside of India and was prepared by MSIL solely for the purpose of disclosure of relevant information.
  - Financial projections (profits, EPS, DPS.) are purely assumed figures only for explaining the proposal. These figures are not to be seen in any way as guidance from management.
  - Though we have relied upon and assumed the accuracy and completeness of all third-party information available to us in preparing this presentation, we make no representations as to its actual accuracy or completeness
  - Statements contained herein that relate to future operating performance are forward-looking statements. Forward-looking statements are based on judgments made by management based on information that is currently available to us. As such, these forward-looking statements are based on plans regarding the proposed arrangement and are subject to various risks, uncertainties and assumptions and therefore, the actual business results may vary substantially from the forecasts expressed or implied in forward-looking statements. Consequently, you are cautioned not to place undue reliance on forward-looking statements. We disclaim any obligation to revise forward-looking statements in light of new information, future events or other findings.
-

# ABBREVIATIONS USED IN THE PRESENTATION

Abbreviation	Full form
MSIL	Maruti Suzuki India Limited
SMC	Suzuki Motor Corporation (parent company of MSIL, head quartered in Japan)
SMG	Suzuki Motor Gujarat Private Limited (100% subsidiary of SMC in Gujarat, India)
CMA	Contract Manufacturing Agreement dated December 17, 2015 (between MSIL & SMG)
CBG	Compressed Bio-Gas
EPS	Earnings Per Share
DPS	Dividend Per Share
PAT	Profit After Tax
P/E Ratio	Price to Earnings Ratio
Other commonly used abbreviations	SUV (Sports Utility Vehicle), EV (Electric vehicle), CNG(Compressed Natural Gas), ICE (Internal combustion engine)

# BACKGROUND

---

- In 2014, Maruti Suzuki (MSIL) made a proposal to shareholders that Suzuki Motor Corporation, instead of MSIL, would finance and implement the creation of new production capacity in Gujarat.
  - The main reason was to enable MSIL to use its managerial and financial resources for strengthening its infrastructure for marketing, sales and service, instead of diverting it to create production capacity in Gujarat. This was necessary as at that time MSIL had lost market share and needed to expand sales. The proposed arrangement would also result in an increase in the profits of MSIL since it would not be using its own cash to establish the production facilities and could earn interest on this money.
  - SMC would execute the Gujarat project by creating a wholly owned subsidiary, Suzuki Motor Gujarat (SMG) and finance the project by bringing the required capital in the form of equity from Japan. This was done by SMC.
-

# BACKGROUND

---

- SMG entered into a contract manufacturing agreement with MSIL to supply the entire production for sale to MSIL.
  - SMG was required by contract to work on a 'no profit-no loss' basis and not accumulate any surplus of any kind.
  - This being a related party transaction, was approved by the majority of minority shareholders and the CMA was signed in 2015.
  - The CMA was initially for a period of 15 years. In the event of termination, MSIL would have the first option to acquire 100% of SMC's equity in SMG at net book value.
-

# OUTCOME FROM THE CMA

---

- A production capacity of 750,000 units a year has been installed in Gujarat, within budget and is operating at full capacity.
  - MSIL expanded its sales and service infrastructure, especially in the rural areas and smaller towns, and recovered its market share, which reached 51.2% in 2018-19. The market share is currently at about 43% due to MSIL being late in moving to SUVs and the small car market suddenly declining. Presently, MSIL has 3,719 sales outlets, 4,726 service touch-points and an all-India spare parts distribution network. Currently, about 44% of MSIL sales come from rural areas.
  - MSIL earned interest income of ~ Rs 5,600 crore from the saved investment.
  - MSIL strengthened its managerial capabilities, including in R&D, and is now capable of executing its further production plans and also can develop 2 new models each year.
  - MSIL created a new marketing channel called NEXA
  - MSIL sold nearly 2 million cars in 2022-23 and made record profits of over Rs.8,000 crores.
-

- To terminate the CMA by mutual consent.
  - Acquire 100% shares of SMG held by SMC (at net book value in terms of the provisions of the CMA).
  - Pay for the SMG shares held by SMC by making preferential issue of MSIL equity shares to SMC. The transaction to be done in terms of SEBI and RBI regulations and as per the provisions of the CMA.
  - Seek approval of majority of minority shareholders for this entire transaction.
  - Seek approval of shareholders, by way of special resolution, for preferential issuance of MSIL equity shares to SMC.
-



## WHY CMA IS PROPOSED TO BE TERMINATED

---

- Despite the CMA having achieved all the projected objectives and working smoothly, it is proposed to terminate it so as facilitate the reorganization and restructuring of MSIL, required in the context of the changed environment and perceived challenges of the future.
  - With the challenges of the last 4 years behind us, MSIL is projecting a requirement of 4 million production capacity by 2030-31. This requires adding 2 million additional capacity in the next 7 years. Work has already started at Kharkhoda in Haryana where the first line of 250,000 units is expected to go into production in early 2025 and 1 million capacity reached in 2028. A second site for 1 million units is under selection and work will start in 2024. It should be noted that it took ~40 years for MSIL to reach a scale of ~2 million units and now it is looking to add another 2 million units in just 7-8 years.
  - There will thus be 5 production sites (Gurgaon, Manesar, Kharkhoda, Gujarat & new location.)
  - Of this volume of 4 million, over 3 million units are planned to be sold in domestic market including sale to other OEM and 750,000-800,000 units are expected to be exported. The domestic market is expected to grow at ~6% CAGR and is expected be around 6 million units by FY 2030-31. The Company is expected to grow faster than the Industry.
-

# WHY CMA IS PROPOSED TO BE TERMINATED

---

- The domestic infrastructure for sales, service and spare parts would have to be further strengthened and restructured to handle the larger volume of sale and more models.
  - The number of models is likely to increase from 17 to 27-28. Of these, 6 are expected to be EVs.
  - The product mix going forward will have besides petrol cars, electric vehicles, hybrid cars, cars using CNG, cars equipped for 20% or more ethanol and possibly cars operating on compressed biogas. This mixture of technologies is necessary in the context of meeting the carbon footprint targets and taking into account the buying power of customers, infrastructure situation, and the raw materials available in the country for generating clean power.
-

# WHY CMA IS PROPOSED TO BE TERMINATED

---

- The Company is launching 6 electric vehicle models till 2030-31 for reduction of carbon emissions. These will be produced in the Gujarat plant and the first EV will be launched in FY24-25. Carbon reduction targets cannot be achieved only by EVs, at least in the short to medium term. About 75% of electricity is still generated by burning coal and demand for electricity is rising due to economic growth. In this decade, a mix of technologies is necessary to lower the carbon footprint.
  - MSIL expects that 15-20% of cars sold by it in 2030-31 would be EVs. Another 25% could be hybrids and the rest would use ethanol, CNG and possibly CBG.
  - Technological breakthroughs, or customer choices, could require these estimates of demand to be modified. Thus, production lines and support systems need to have flexibility to do so as otherwise there would be a mismatch between supply and demand. It may be necessary to modify production plans quickly at different sites. Manpower adjustments between sites may even be required.
  - The large increase in export volumes that is projected could require adjustments of production between different units.
-

# WHY CMA IS PROPOSED TO BE TERMINATED

---

- The reorganization and restructuring of MSIL is intended to create a system that is nimble and has the ability to take and implement decisions quickly.
  - Such reorganization requires that all facilities be under one ownership. Having SMG as a major production site and being a wholly owned subsidiary of MSIL would ease compliance requirements.
  - SMC has agreed with MSIL that in the best interests of future efficiency of management, and enhanced competitive abilities, the CMA should be terminated.
  - As a consequence, MSIL would be acquiring SMC equity in SMG.
  - Except for the change of ownership, and gradual replacement of some SMG managers by MSIL managers in the SMG plant there would be no other change of any kind in the production, costs of operation or systems in the Gujarat plant. The sales, and profitability of MSIL would not undergo any noticeable change.
-

# ACQUIRING SHARES OF SMG HELD BY SMC

---

- The value at which SMG would be acquired is defined in the CMA, namely the net book value as per the last audited statements of accounts. It is proposed that the accounts of SMG be audited as on 31<sup>st</sup> August 2023.
  
  - There are following 2 options to buy SMG :
    - Paying in cash (hereafter it will be referred as Cash option)
    - Paying by issuing equity shares of MSIL to SMC on preferential basis (hereafter it will be referred as swap option)
  
  - Some simulations were done to determine which would be the best option in the interests of both the Company and the shareholders.
  
  - The following simulations under different profit growth assumptions were made:
    - Simulation under the assumption that the PAT of MSIL grows by 150% in next 8 years
    - Simulation under the assumption that the PAT of MSIL grows by 200% in next 8 years
    - These are only assumptions made for demonstrating impact on shareholders and MSIL of the 2 options to buy SMG.
-

# SWAP OPTION COMES OUT TO BE BETTER OPTION THAN CASH OPTION

Under both these simulations, the profit, EPS as well as dividend payout will all be higher in the swap option. The comparison is given as below:

## (A) Simulation under the assumption that the PAT of MSIL grows by 150% in next 8 years

Parameter	Method	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31
PAT	Cash	8,049	8,134	9,167	10,329	11,635	13,104	14,755	16,611	18,696
(Rs. Crores)	Swap	8,049	9,026	10,122	11,351	12,729	14,274	16,007	17,951	20,130
EPS	Cash	266	269	303	342	385	434	488	550	619
(Rs.)	Swap	266	286	321	360	404	453	508	570	639
DPS	Cash	90	108	121	137	154	174	195	220	248
(Rs.)	Swap	90	115	128	144	162	181	203	228	256

## (B) Simulation under the assumption that the PAT of MSIL grows by 200% in next 8 years

Parameter	Method	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31
PAT	Cash	8,049	8,340	9,634	11,124	12,838	14,809	17,076	19,683	22,680
(Rs. Crores)	Swap	8,049	9,232	10,590	12,146	13,932	15,980	18,329	21,023	24,113
EPS	Cash	266	276	319	368	425	490	565	652	751
(Rs.)	Swap	266	293	336	385	442	507	582	667	765
DPS	Cash	90	110	128	147	170	196	226	261	300
(Rs.)	Swap	90	117	134	154	177	203	233	267	306

### Other assumptions used in the above calculations:

- Interest earned on cash reserves of MSIL will be at 7% per annum
- The total number of shares of MSIL after swap, are based on net book value of SMG at end of 2022-23 and MSIL share price of 30th June 23
- Dividend payout ratio of 40% is assumed in the next 8 years.

# WHY SWAP OPTION IS PREFERRED-IMPORTANCE OF CASH

---

- The data in the previous slide clearly shows that the swap option would be financially of greater benefit to shareholders, and also be financially beneficial to MSIL.
  - MSIL will need about Rs.45,000 crores to create a capacity of 2 million units. This is based on current costs and a small amount for cost escalation.
  - Funds would be needed for creating the sales, service and spare parts infrastructure to almost double domestic sale volumes. The infrastructure for exporting the much larger volume of cars will also have to be strengthened. The conversion of production lines to have greater flexibility will need additional capex.
  - R&D will need additional outlays to enable most of development work relating to Internal Combustion Engine (ICE) cars being done by MSIL. Capex will be needed to develop 10-11 new models, with different fuel options in this period. Production of EVs and SUVs will also need larger capex.
  - MSIL could consider investing in the production of CBG both for its own needs and also for sale as a fuel.
-

## WHY SWAP OPTION IS PREFERRED-IMPORTANCE OF CASH

---

- The regular capex in the existing plants at Gurgaon, Manesar and Gujarat will continue. The amount in 2022-23 was around Rs. 7,500 crores. Total capex till 2030-31 could be as much as Rs.1.25 lakh crore.
  - Additional cash flows from the new capacities being added would come but there would be a lag between investments and income. Management believes that cash should be first available and not spent in anticipation of incomes. If excess cash accumulates at any time, and there are no available investment needs, it can then be used appropriately, including increasing the dividend payout band and payment of higher dividends.
  - Pay out of over Rs.12,500 crores for SMC shares in SMG would, besides reducing profits, EPS and dividend payments, could also create a shortage of cash.
  - MSIL has from its inception followed a policy of accumulating cash reserves by being frugal in all its expenditures. The emphasis on increasing productivity and reducing waste, as well as making improvements by employee suggestions have all contributed to building cash reserves.
-



# WHY SWAP OPTION IS PREFERRED-IMPORTANCE OF CASH

---

- The Company now plans to grow to 4 million units with no debt and a very small paid-up capital of Rs.150 crores that would increase marginally after the share swap. The high valuation of MSIL equity, with a P/E ratio far higher than of all large global manufacturers of cars other than an electric car manufacturer, shows that the market appreciates our management policies including attitude towards cash reserves.
- Cash has enabled MSIL to make all required capital expenditures whenever required. It has enabled the Company to deal with unexpected crisis situations. Cash has not been accumulated by avoiding investments that would benefit the Company. It is hard to see why earning interest is not favoured in such circumstances, since it gives the Company greater resilience and sustainability. It enables future opportunities to be seized easily.
- The period from 2014 till now shows that MSIL not spending cash on the Gujarat plant enabled the Company to become much stronger and its P/E ratio increased from 21\* to 33#. Having cash reserves, and maximizing profits, has benefitted everyone, including shareholders. There is no evidence to show that reducing cash would be of greater benefit to the Company or shareholders, when a better option is available, which is proven by the projections of EPS and dividends.

\*P/E ratio as of 31<sup>st</sup> March'2014 (based on EPS of FY13-14)

# P/E ratio as of 29<sup>th</sup> September'23 (based on EPS of last 12 months from July'22 to June'23)

---

---

**Thank You**

---