

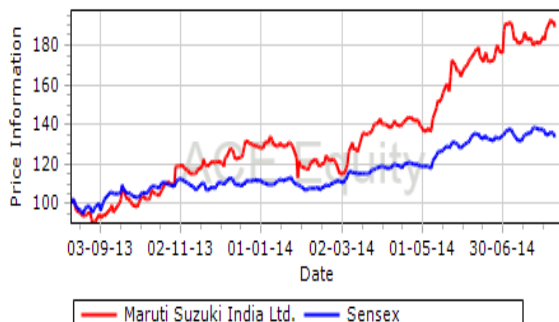
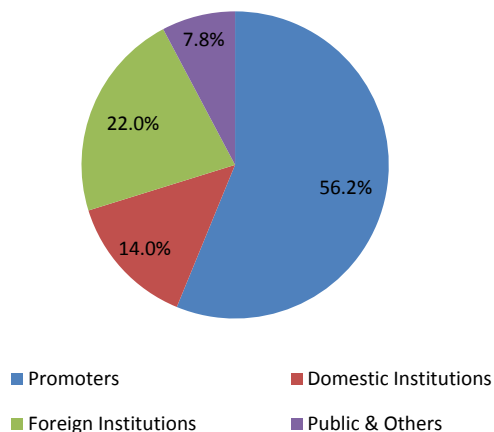
Ahead of Competition

CMP: Rs 2,618
Target Price: Rs 2,873
Recommendation: HOLD

Stock Info	
BSE Group	A
BSE Code	532500
NSE Symbol	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.BO
BSE Sensex	25,329
NSE Nifty	7,568

Market Info	
Market Capital	Rs 79,063 crore
Equity Capital	Rs 151 crores
Avg Trading Volume	7,12,150
52 Wk High / low	Rs 2,674/1,217
Face Value	Rs 5

Latest Shareholding Pattern (Jun'14)



> **Q1 FY15 Net Revenue** at Rs 11,074 crores was largely in line with expectations. Domestic volumes increased 10.3% yoy while export volumes increased 38.7%. Thus total volumes increased by 12.6% YoY to 2,99,894 units. Blended realisations dropped marginally by 1.6% on YoY basis to Rs 3.69 lakhs. Blended realisations were lower as share of entry level cars increased from 39% to 43%.

> **Q1 FY15 Operating EBITDA** was at Rs 1328 crores, with EBITDA margin at 11.7%. EBITDA margins increased by 30 bps YoY (137 bps QoQ) due to cost reduction and increased localizations. We feel margins in Q4FY14 are not comparable as it were impacted due to compensation (Rs 143 crores) given to dealers on account of inventory loss incurred by them due to excise duty reduction.

> **Q1 FY15 Reported PAT** was at Rs 762 crores, and PAT margin at 6.9%.

Other highlights:

- Rural demand continues to remain strong with 26% yoy growth in Q1FY15, urban markets also started showing signs of revival registering a growth of 12.7% in June 14 on YoY basis after many months of weakness.
- Consumer sentiments improved post elections resulting in increased enquiries (up 10%).
- Discounts are at all time high due to increased competition from overseas players.
- Management expects double digit growth in domestic market whereas exports are expected to remain flat at ~ 120K units in FY15.
- Demand for AMT variant of Celerio remains strong with the waiting period of 4.5 month. Approx 40% of Celerio sold is of this variant. MSIL will have to keep launching newer models/variant to keep competition at bay.
- Focus on localization will drive margins. Total import content reduced to 16% in FY14 compared to 25% in FY11.
- Channel inventory has reduced marginally in Q1FY15 and remains at comfortable level of 4-5 weeks. MSIL has started to build inventory from Jul-14 onwards for festive season.

Valuation: The stock at Rs 2,618 trades at 22.7x and 16.4x our estimated EPS of Rs 115 and Rs 160 per share for FY15E & FY16E respectively. We value the stock at 18x FY16 EPS, and assign a price target of Rs 2,873 with a "HOLD" recommendation.

Y/E March, (in Rs crore)	FY13	FY14	FY15 E	FY16 E
Total Unit Sales	11,71,434	11,55,041	13,28,297	15,27,542
Net Sales	42,613	42,645	49,811	60,368
yoy%	22.8%	0.1%	16.8%	21.2%
Operating EBITDA	4,230	5,090	6,226	8,150
EBITDA margin	9.7%	11.6%	12.5%	13.5%
PAT	2,392	2,783	3,479	4,820
yoy%	46.3%	16.3%	25.0%	38.5%
EPS	79.2	92.1	115.2	159.6
P/E (x)	33.1	28.4	22.7	16.4

Source: Company data, Arianth Research

P&L (in Rs crore)	Q1FY15	Q1FY14	YoY	Q4FY14	QoQ
Domestic Vehicles	2,70,643	245346	10.3%	2,98,596	-9.4%
Export Vehicles	29,251	21,088	38.7%	26,274	11.3%
Total Vehicles	2,99,894	2,66,434	12.6%	3,24,870	-7.7%
Net Sales	11,074	9,995	10.8%	11,818	-6.3%
Oth Operating Inc	296	242		283	
Total Income	11,370	10,237	11.1%	12,101	-6.0%
Total Raw Mat Cost	8,184	7,371	11.0%	8,878	-7.8%
Employee Cost	354	295	19.8%	401	-11.8%
Other Expenditure	1,504	1,406		1,575	
Total Expenditure	10,041	9,071	10.7%	10,854	-7.5%
Operating EBITDA	1,328	1,166	13.9%	1,248	6.5%
margin %	11.7%	11.4%		10.3%	
Depreciation	584	480		564	
Op EBIT	745	686	8.5%	684	8.9%
Other Income	297	204		407	
Interest (Net)	39	44		43	
PBT	1,003	846		1,047	
Tax Provision	240	214		247	
PAT	762	632	20.7%	800	-4.7%
PAT margin	6.9%	6.3%		6.8%	
Tax rate	24.0%	25.3%		23.6%	
Basic EPS	25.23	20.91	20.7%	26.48	-4.7%

Source: Company data, Arian Research

Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254800

Head Office

3rd Floor, Krishna Bhavan,
67 Nehru Road, Vile Parle (East),
Mumbai - 400057
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRA	0-5
REDUCE	<0

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

research@arihantcapital.com

Arihant is Forbes Asia's '200 Best under a \$Bn' Company
'Best Emerging Commodities Broker' awarded by UTV Bloomberg (2011)

Disclaimer:

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

ARIHANT capital markets ltd.

3rd Floor Krishna Bhavan, 67 Nehru Road, Vile Parle (E) Mumbai - 400057
Tel. 022-42254800 Fax. 022-42254880

www.arihantcapital.com