



CMP: Rs 4,762
Target Price: Rs 4,575
Recommendation: Neutral

Stock Info

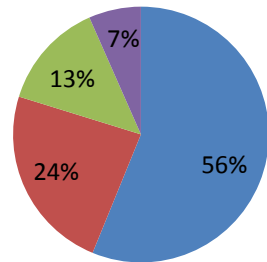
BSE Group	A
BSE Code	532500
NSE Symbol	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.BO
BSE Sensex	27,976
NSE Nifty	8,591

Market Info

Market Capital	Rs 1,35,491 crores
Equity Capital	Rs 151 crores
Avg Trading Volume	8,36,660
52 Wk High / low	Rs 4,789/3202
Face Value	Rs 5

Shareholding Pattern as on Jun,16

Promoters FII DII Others



Price Vs Sensex Chart



> **Q1 FY17 Net Revenue** at Rs 14,655 crores was lower than expectations. Domestic volume increased by 5.4% where as Exports volume was down by 26.7% yoy. Thus total volume increased by 2.1% YoY to 3,48,433 units. However, Average Realization growth surged by 9.8%.

> **Q1 FY17 Operating EBITDA** was at Rs 2,216 crores, with EBITDA margin at 15.1%. EBITDA margins decreased by 150 bps on YoY due to increase in manufacturing and administration cost this quarter.

> **Q1 FY17 Reported PAT** was at Rs 1,486 crores up by 23% on YoY basis, and PAT margin at 10.1%.

Other highlights:

- Maruti Suzuki is reportedly planning to manufacture the fourth-generation Jimny in India.
- The Profit for the quarter was helped by a higher turnover, reduction in input cost, higher non-operating income and lower depreciation.
- Adverse foreign exchange movement reduced profits to some extent.
- Sales growth in the first two months of the quarter had been 10 per cent but the unfortunate incident of fire at a key vendor of the company resulted in lower sales in June.
- Sales were driven by a richer product mix, consisting of vehicles with higher price points such as Ciaz, SX4 Cross, Baleno and the Vitara Brezza. Average realizations for the quarter moved up by 9.5%.
- Higher advertising expenses from the setting up of Nexa premium outlets and the launch of the Vitara Brezza in end-March also dented margins.
- The Local car market will reach 5 million units in annual sales by 2020.

Valuation: The stock at Rs 4,762 trades at 26x our estimated EPS of Rs 183 per share for FY17E. We value the stock at 25x FY17 EPS, and assign a price target of Rs 4,575 with a "Neutral" rating on the stock.

Y/E March, (in Rs crore)	FY14	FY15	FY16	FY17 E
Total Unit Sales	11,55,041	12,92,415	14,29,248	16,45,843
Net Sales	42,645	48,606	56,350	68,102
yoy%	0.1%	14.0%	15.9%	20.9%
Operating EBITDA	5,096	6,713	8,979	10,462
EBITDA margin	11.7%	13.4%	15.5%	15.0%
PAT	2,783	3,711	4,571	5,531
yoy%	16.3%	33.4%	23.2%	21.0%
EPS	92.1	122.9	151.3	183.1
P/E (x)	21.4	30.1	24.6	21.1

Source: Company data, Arianth Research

Quarterly Results:

P&L (in Rs crore)	Q1 FY17	Q1FY16	YoY
Domestic Vehicles	3,22,340	3,05,694	5.4%
Export Vehicles	26,103	35,635	-26.7%
Total Vehicles	3,48,443	3,41,329	2.1%
Net Sales	14,655	13,078	12.1%
Oth Operating Inc	273	299	
Total Income	14,927	13,377	11.6%
Total Raw Mat Cost	10,125	9,014	12.3%
Employee Cost	579	468	23.8%
Other Expenditure	2,007	1,728	16.2%
Total Expenditure	12,712	11,210	13.4%
Operating EBITDA	2,216	2,167	2.2%
margin %	15.1%	16.6%	
Depreciation	639	672	
Op EBIT	1,577	1,496	5.4%
Other Income	483	207	
Interest (Net)	18	19	
PBT	2,042	1,683	21.3%
Tax Provision	556	475	
PAT	1,486	1,208	23.0%
PAT margin	10.1%	9.2%	
Tax rate	27.2%	28.2%	
Basic EPS	49.2	40.0	23.0%

Source: Company data, Arian Research

Profit and Loss Account, Year Ending March

Particulars, in Rs crore	FY14	FY15	FY16	FY17 E
Net Sales	42,645	48,606	56,350	68,102
YoY%	0.1	14.0	15.9	20.9
Other Operating Income	1,056	1,365	1,396	1,534
Income from Operations	43,701	49,971	57,746	69,636
Materials Consumed	31,349	35,008	38,780	47,701
Total Expenditure	38,605	43,258	48,768	59,174
Operating EBITDA	5,096	6,713	8,979	10,462
Operating EBITDA margin %	11.7	13.4	15.5	15.0
Depreciation	2,084	2,470	2,824	3,229
Operating EBIT	3,011	4,243	6,155	7,233
Other Income	823	832	462	681
Interest	176	206	82	136
PBT	3,658	4,868	6,535	7,778
Tax Expense	876	1,157	1,964	2,246
Reported Net Profit	2,783	3,711	4,571	5,531
YoY%	16.3	33.4	23.2	21.0
Effective Tax Rate	23.9	23.8	30.0	28.9
Reported EPS	92	123	151	183

Cash Flow Statement, Year Ending March

Particulars, in Rs crore	FY14	FY15	FY16	FY17 E
Operating Activities				
PBT	3,658	4,868	6,535	7,778
Add Depr	2,084	2,470	2,824	3,229
Others	(764)	(723)	(1,239)	(920)
Total	4,979	6,616	8,120	10,087
Cash Taxes	(832)	(1,041)	(1,752)	(2,029)
Changes in Working Cap	756	836	1,211	(1,108)
Cash Flow from Operations	4,903	6,411	7,579	6,951
Investing Activities				
Change in investments	(1,395)	(1,253)	(1,791)	(2,564)
Capex	(3,498)	(3,247)	(4,500)	(3,500)
Cash Flow from Investing	(4,893)	(4,500)	(6,291)	(6,064)
Financing Activities				
Dividends + Taxes paid	(283)	(424)	(536)	(594)
Change in Non Curr Liab	217	(1,538)	(731)	(276)
Cash Flow from Financing	(66)	(1,962)	(1,268)	(870)
Opening Cash	125	70	18	39
Changes during year	(55.5)	(51.4)	20.8	16.8
Amalgamation	0	-	-	-
Closing Cash	70	18	39	56

Balance Sheet, Year Ending March

Particulars, in Rs crore	FY14	FY15	FY16	FY17 E
Liabilities + Equity				
(a) Share capital	151	151	151	151
(b) Reserves and surplus	20,827	23,553	26,856	31,359
Shareholders' funds	20,978	23,704	27,007	31,510
Non-current liab & Prov	2,510	767	674	963
Current liabilities	7,047	9,080	11,515	9,945
Total - Equity and liabilities	30,536	33,551	39,196	42,418
Assets				
Non-current assets				
Fixed assets	13,412	14,142	13,775	15,726
Long Term Inv	1,305	9,818	16,913	18,339
Current investment	8,822	3,041	882	957
Current assets				
Cash	630	18	39	56
Other Current Assets	6,367.3	6,532.5	7,587.1	7,339.7
Sub-total - Current assets	6,997	6,551	7,626	7,396
Total - Assets	30,536	33,551	39,196	42,418

Ratio Analysis

	FY14	FY15	FY16	FY17 E
Profitability				
Operating EBITDA%	11.7	13.4	15.5	15.0
Operating EBIT%	6.9	8.5	10.7	10.4
PAT%	6.4	7.4	7.9	7.9
ROAE%	1.4	1.7	1.8	1.9
Du Pont ROAE breakup				
PAT / Sales	6.5	7.6	8.1	8.1
Sales / Avg Total Assets	1.49	1.52	1.55	1.67
Avg Total Assets / Avg Eqty	1.4	1.4	1.4	1.4
ROE	14.1	16.6	18.0	18.9
Other Ratios				
Current Ratio	1.0	0.7	0.7	0.7
Long Term Debt / Equity	0.0	0.0	-	0.0
EPS	92.1	122.9	151.3	183.1
DPS	12.0	25.0	35.0	40.0
Dividend %	240.0	500.0	700.0	800.0
Dividend Payout ratio	13%	20%	23%	22%
P/E	21.4	30.1	24.6	21.1
BVPS	689.5	779.7	889.0	1,038.1
P/BV	2.9	4.7	4.2	3.7

Source: Company data, Arianth Research

Arihant Research DeskE. research@arihantcapital.com

T. 022-42254800

Head Office

#1011, Solitaire Corporate park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road,
Chakala, Andheri (E).
Mumbai - 400093
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% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

Research Analyst Registration No.

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.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.

www.arihantcapital.com