



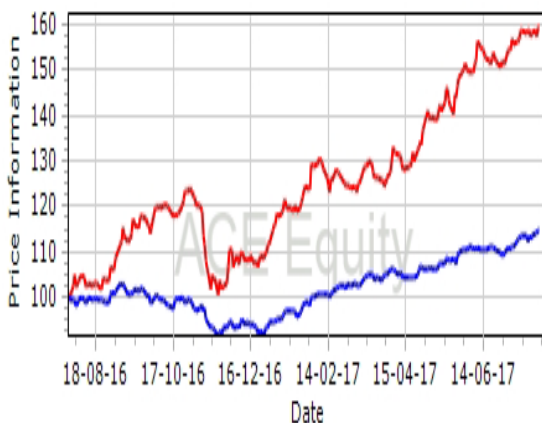
CMP: Rs 7599  
Target Price: Rs 8050  
Recommendation: **HOLD**

Stock Info	
BSE Group	A
BSE Code	532500
NSE Symbol	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.BO
BSE Sensex	32,383
NSE Nifty	10,020

Market Info	
Market Capital	Rs 2,29,881 crores
Equity Capital	Rs 151 crores
6MAvg Trading Volume	5,15,290
52 Wk High / low	Rs 7,595/4,570
Face Value	Rs 5

Share Holding pattern as on Jun 17	
Promoter	56.2
DII's	11.7
FII's	25.0
Others	6.9

Price Vs Sensex Chart



— Maruti Suzuki India Ltd. — Sensex

> **Q1 FY18 Net Revenue** stood at Rs 17,132 crores an increase of 16.9% YoY but a decrease of 5% QoQ. Domestic volume increased by 14.3% where as Exports volume increased marginally 0.1% yoy. Thus total volume increased by 13.2% YoY to 3, 94,571 units.

> **Q1 FY18 Operating EBITDA** was at Rs 2,331 crores, with EBITDA margin at 13.6%. EBITDA margins declined by 10% on YoY basis mainly due to GST transition losses, increased discounts, higher procurement from Gujarat plant and rise in commodity prices.

> **Q1 FY18 Reported PAT** was at Rs 1,556 crores up by 4.7% on YoY basis, and PAT margin at 9.1%. However, higher volumes leading to higher capacity utilisation and higher other income contributed to increase in profits.

> **Concall highlights:**

- Healthy order book continues for Brezza at 20 weeks, Baleno at 16 weeks and newly launched Dzire at 16 weeks.
- Production from the Gujarat plant stood at 24k units this quarter. With capacity ramping up, the management expects to reach full capacity of phase-1 at 20k units/month by end of 2017. The management expects to produce ~1.5-1.6mn units from Manesar plant as against ~160k units from the Gujarat plant in FY18, implying potential overall production at ~1.75-1.8mn units in FY18e. The second line of Gujarat plant is expected to commence operation from early 2019.
- Exports are likely to be flat at 125,000 units in FY18. Focus geographies are Indonesia, Chile, Bolivia and South Africa etc.
- Share of first time buyers has increased to 50% vs 43% in previous quarters.
- Blended discounts stood at Rs16,600/unit vs Rs15,200 QoQ.
- Indirect imports stand at ~18% of sales, while direct imports stand at ~5% of sales.
- Employee expenses increased due to salary revision.
- Royalty for Dzire is still under discussion and will get finalized in coming months. Royalty for the quarter stood at Rs8.86 bn.
- Expect effective tax rate at 28% for FY18.
- Expect FY18 capex at Rs45bn, towards new product development, R&D and marketing infrastructure.

**Valuation:** We value the stock at 25x FY19 EPS, and assign a price target of Rs8050 with a "HOLD" rating on the stock.

Y/E March, (in Rs crore)	FY13	FY14	FY15	FY16	FY17	FY18 E	FY19 E
Total Unit Sales	11,71,434	11,55,041	12,92,415	14,29,248	15,68,603	16,03,989	17,98,058
Net Sales	42,613	42,645	48,606	56,350	66,878	76,204	86,868
yoy%	22.8%	0.1%	14.0%	15.9%	18.7%	13.9%	14.0%
Operating EBITDA	4,230	5,096	6,713	8,965	10,338	11,999	13,703
EBITDA margin	9.7%	11.7%	13.4%	15.5%	15.2%	15.5%	15.5%
PAT	2,392	2,783	3,711	4,559	7,373	8,512	9,718
yoy%	46.3%	16.3%	33.4%	22.8%	61.7%	15.4%	14.2%
EPS	79.2	92.1	123	151	244	282	322
P/E (x)	16.2	21.4	30.1	24.6	24.7	27.1	23.7

Source: Company data, Arihant Research

## Quarterly Results:

P&L (in Rs crore)	Q1FY18	Q1FY17	YoY	Q4FY17	QoQ
Domestic Vehicles	3,68,431	3,22,340	14.3%	3,82,668	-3.7%
Export Vehicles	26,140	26,103	0.1%	31,771	-17.7%
<b>Total Vehicles</b>	<b>3,94,571</b>	<b>3,48,443</b>	<b>13.2%</b>	<b>4,14,439</b>	<b>-4.8%</b>
<b>Net Sales</b>	<b>17,132</b>	<b>14,655</b>	<b>16.9%</b>	<b>18,005</b>	<b>-4.8%</b>
Other Operating Income	413	273	51.5%	328	25.9%
Total Income	17,546	14,927	17.5%	18,333	-4.3%
Total Raw Mat Cost	12,288	10,125	21.4%	12,767	-3.7%
Employee Cost	652	579	12.6%	616	5.9%
Other Expenditure	2,274	2,007	13.3%	2,390	-4.8%
Total Expenditure	15,215	12,712	19.7%	15,773	-3.5%
<b>Operating EBITDA</b>	<b>2,331</b>	<b>2,216</b>	<b>5.2%</b>	<b>2,561</b>	<b>-9.0%</b>
margin %	13.6%	15.1%	-10.0%	14.2%	-4.3%
Depreciation	684	639	7.0%	701	-2.4%
Op EBIT	1,647	1,577	4.5%	1,860	-11.4%
Other Income	683	483	41.3%	445	53.5%
Interest (Net)	31	18	72.9%	23	38.5%
PBT	2,299	2,042	12.6%	2,282	0.7%
Tax Provision	742	556	33.6%	573	29.5%
<b>PAT</b>	<b>1,556</b>	<b>1,486</b>	<b>4.7%</b>	<b>1,709</b>	<b>-8.9%</b>
PAT margin	9.1%	10.1%	-10.4%	9.5%	-4.3%
Tax rate	32.3%	27.2%	18.6%	25.1%	28.6%
<b>Basic EPS</b>	<b>51.5</b>	<b>49.2</b>	<b>4.7%</b>	<b>56.6</b>	<b>-8.9%</b>

Source: Company data, Arianth Research

## Profit and Loss Account, Year Ending March

Particulars, in Rs crore	FY17	FY18E	FY19E
<b>Net Sales</b>	<b>66,878</b>	<b>76,204</b>	<b>86,868</b>
YoY%	18.7	13.9	14.0
Other Operating Income	1,125	1,393	1,749
<b>Income from Operations</b>	<b>68,003</b>	<b>77,597</b>	<b>88,617</b>
Materials Consumed	42,158	52,057	58,930
Total Expenditure	57,666	68,433	77,817
<b>Operating EBITDA</b>	<b>10,338</b>	<b>11,999</b>	<b>13,703</b>
Operating EBITDA margin %	15.2	15.5	15.5
Depreciation	2,605	2,736	2,904
Operating EBIT	7,733	9,264	10,799
Other Income	2,333	3,048	3,258
Interest	89	152	174
<b>PBT</b>	<b>9,976</b>	<b>12,160</b>	<b>13,883</b>
Tax Expense	2,604	3,648	4,165
<b>Reported Net Profit</b>	<b>7,373</b>	<b>8,512</b>	<b>9,718</b>
YoY%	62%	15%	14%
Effective Tax Rate	26.1	30.0	30.0
<b>Reported EPS</b>	<b>244</b>	<b>282</b>	<b>322</b>

## Balance Sheet, Year Ending March

Particulars, in Rs crore	FY17	FY18 E	FY19 E
<b>Liabilities + Equity</b>			
(a) Share capital	151	151	151
(b) Reserves and surplus	32,756	39,657	47,950
<b>Shareholders' funds</b>	<b>32,907</b>	<b>39,808</b>	<b>48,101</b>
Non-current liab & Prov	756	976	1,020
Current liabilities	13,294	16,647	17,815
<b>Total - Equity and liabilities</b>	<b>46,957</b>	<b>57,431</b>	<b>66,936</b>
<b>Assets</b>			
Non-current assets			
Fixed assets	13,628	18,373	22,667
Long Term Inv	21,800	27,850	31,392
Current investment	1,010	1,212	1,212
Current assets			
Cash	74	96	107
Other Current Assets	9,818	9,901	12,487
Sub-total - Current assets	10,519	9,996	11,666
<b>Total - Assets</b>	<b>46,957</b>	<b>57,431</b>	<b>66,936</b>

## Cash Flow Statement, Year Ending March

Particulars, in Rs crore	FY17	FY18 E	FY19 E
<b>Operating Activities</b>			
<b>PBT</b>	<b>9,976</b>	<b>12,160</b>	<b>13,883</b>
Add Depr	2,605	2,736	2,904
Others	(2,243)	(1,714)	(1,319)
Total	10,338	12,081	14,368
Cash Taxes	(2,604)	(3,648)	(4,165)
Changes in Working Cap	497	1,309	508
<b>Cash Flow from Operations</b>	<b>8,231</b>	<b>9,743</b>	<b>10,710</b>
<b>Investing Activities</b>			
Change in investments	(3,224)	(3,630)	(4,590)
Capex	(3,500)	(4,500)	(4,500)
<b>Cash Flow from Investing</b>	<b>(6,724)</b>	<b>(8,130)</b>	<b>(9,090)</b>
<b>Financing Activities</b>			
<b>Dividends + Taxes paid</b>	<b>(1,426)</b>	<b>(1,426)</b>	<b>(1,426)</b>
Change in Non Curr Liab	(33)	(165)	(184)
<b>Cash Flow from Financing</b>	<b>(1,459)</b>	<b>(1,591)</b>	<b>(1,609)</b>
Opening Cash	26	74	96
Changes during year	47.9	22.2	10.9
<b>Amalgamation</b>	<b>-</b>	<b>-</b>	<b>-</b>
Closing Cash	74	96	107

## Ratio Analysis

	FY17	FY18E	FY19E
<b>Profitability</b>			
<b>Operating EBITDA%</b>	<b>15.2</b>	<b>15.5</b>	<b>15.5</b>
Operating EBIT%	11.4	11.9	12.2
PAT%	10.8	11.0	11.0
<b>ROAE%</b>	<b>2.5</b>	<b>2.3</b>	<b>2.2</b>
<b>Du Pont ROAE breakup</b>			
PAT / Sales	11.0	11.2	11.2
Sales / Avg Total Assets	1.62	1.53	1.49
Avg Total Assets / Avg Eqty	1.4	1.4	1.3
<b>ROE</b>	<b>24.6</b>	<b>23.4</b>	<b>22.1</b>
<b>Other Ratios</b>			
<b>Current Ratio</b>	<b>0.8</b>	<b>0.6</b>	<b>0.7</b>
Long Term Debt / Equity	-	-	-
<b>EPS</b>	<b>244.1</b>	<b>281.8</b>	<b>321.7</b>
DPS	40.0	40.0	40.0
Dividend %	800.0	800.0	800.0
<b>Dividend Payout ratio</b>	<b>16%</b>	<b>14%</b>	<b>12%</b>
<b>P/E</b>	<b>24.7</b>	<b>27.1</b>	<b>23.7</b>
BVPS	1,084.3	1,312.8	1,587.3
P/BV	5.6	5.8	4.8

(\*Total Expenditure inclusive of depreciation expense)

**Arihant Research Desk**

E. [research@arihantcapital.com](mailto:research@arihantcapital.com)  
T. 022-42254800

**Head Office**

#1011, Solitaire Corporate park,  
Building No. 10, 1<sup>st</sup> 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

**Website**[www.arihantcapital.com](http://www.arihantcapital.com)**Email Id**[research@arihantcapital.com](mailto: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](http://www.arihantcapital.com)