



Robust Earnings!!!

27th October, 2016

CMP: Rs 5,875
Target Price: Rs 5,570
Recommendation: **HOLD**

Stock Info

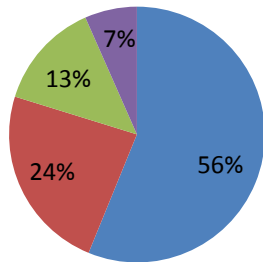
BSE Group	A
BSE Code	532500
NSE Symbol	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.BO
BSE Sensex	27,797
NSE Nifty	8,585

Market Info

Market Capital	Rs 1,77,011 crores
Equity Capital	Rs 151 crores
Avg Trading Volume	8,71,440
52 Wk High / low	Rs 5,972/3202
Face Value	Rs 5

Shareholding Pattern as on Sep,16

■ Promoters ■ FII ■ DII ■ Others



Price Vs Sensex Chart



> **Q2 FY17 Net Revenue** at Rs 17,595 crores was higher than expectations. Domestic volume increased by 18.5% where as Exports volume increased by 17.9% yoy. Thus total volume increased by 18.4% YoY to 4,18,470 units.

> **Q2 FY17 Operating EBITDA** was at Rs 3,037 crores, with EBITDA margin at 17.3%. EBITDA margins increased by 60 bps on YoY due to lower selling and distribution expenses, power & fuel cost this quarter.

> **Q2 FY17 Reported PAT** was at Rs 2,398 crores up by 95.7% on YoY basis, and PAT margin at 13.6%. However, higher volumes leading to higher capacity utilisation, lower expenses on sales promotion and marketing and higher non-operating income contributed to increase in profits.

Other highlights:

- Maruti Suzuki is reportedly planning to manufacture the fourth-generation Jimny in India.
- The Profit for the quarter was helped by lower selling & distribution expenses, Advertisement and sales expenses and power & fuel expenses.
- Adverse foreign exchange movement reduced profits to some extent.
- One of the key reasons for this success was the sales of the Baleno premium hatchback and the newly launched Vitara Brezza subcompact SUV.
- The Local car market will reach 5 million units in annual sales by 2020.
- Company's profit this quarter owes majorly to the capacity utilisation over 100 per cent. Company still has a backlog of about 50,000 units of the Vitara Brezza, which company hopes to deliver by the end of this year.

Valuation: We value the stock at 27.5x FY18 EPS, and assign a price target of Rs5,570 with a "HOLD" rating on the stock.

Y/E March, (in Rs crore)	FY15	FY16	FY17 E	FY18 E
Total Unit Sales	12,92,415	14,29,248	16,15,511	19,01,590
Net Sales	48,606	56,350	63,811	74,098
yoy%	14.0%	15.9%	13.2%	16.1%
Operating EBITDA	6,713	8,978	9,905	11,724
EBITDA margin	13.4%	15.5%	15.2%	15.5%
PAT	3,711	4,571	6,019	6,098
yoy%	33.4%	23.2%	27.2%	0.0%
EPS	123	151	199	202
P/E (x)	30.1	24.6	29.4	29.0

Source: Company data, Aриhant Research

Quarterly Results:

P&L (in Rs crore)	Q2FY17	Q2FY16	YoY	Q1FY17	QoQ
Domestic Vehicles	3,83,030	3,23,269	18.5%	3,22,340	18.8%
Export Vehicles	35,440	30,066	17.9%	26,103	35.8%
Total Vehicles	4,18,470	3,53,335	18.4%	3,48,443	20.1%
Net Sales	17,595	13,575	29.6%	14,655	20.1%
Oth Operating Inc	248	359		273	
Total Income	17,843	13,934	28.1%	14,927	19.5%
Total Raw Mat Cost	12,074	9,312	29.7%	10,125	19.2%
Employee Cost	519	418	24.2%	579	-10.3%
Other Expenditure	2,212	1,934	14.4%	2,007	10.2%
Total Expenditure	14,805	11,664	26.9%	12,712	16.5%
Operating EBITDA	3,037	2,269	33.8%	2,216	37.1%
margin %	17.3%	16.7%		15.1%	
Depreciation	630	669		639	
Op EBIT	2,407	1,600	50.5%	1,577	52.7%
Other Income	813	137		483	
Interest (Net)	20	18		18	
PBT	3,200	1,719	86.1%	2,042	56.7%
Tax Provision	802	494		556	
PAT	2,398	1,226	95.7%	1,486	61.4%
PAT margin	13.6%	9.0%		10.1%	
Tax rate	25.1%	28.7%		27.2%	
Basic EPS	79.4	40.6	95.7%	49.2	61.4%

Source: Company data, Arianth Research

(Q2FY17 Profits includes other income of Rs813 crore which comes to Rs26 per share.)

Profit and Loss Account, Year Ending March

Particulars, in Rs crore	FY15	FY16	FY17 E	FY18E
Net Sales	48,606	56,350	63,811	74,098
YoY%	14.0	15.9	13.2	16.1
Other Operating Income	1,365	1,396	1,297	1,778
Income from Operations	49,971	57,746	65,108	75,876
Materials Consumed	35,008	38,840	44,599	50,078
Total Expenditure	43,258	48,768	55,203	64,152
Operating EBITDA	6,713	8,978	9,905	11,724
Operating EBITDA margin %	13.4	15.5	15.2	15.5
Depreciation	2,470	2,824	3,232	4,029
Operating EBIT	4,243	6,155	6,674	7,695
Other Income	832	462	1,612	741
Interest	206	82	(101)	(148)
PBT	4,868	6,535	8,386	8,584
Tax Expense	1,157	1,964	2,367	2,486
Reported Net Profit	3,711	4,571	6,019	6,098
YoY%	33.4	23.2	27.2	-
Effective Tax Rate	23.8	30.0	28.2	29.0
Reported EPS	123	151	199	202

Cash Flow Statement, Year Ending March

Particulars, in Rs crore	FY15	FY16	FY17 E	FY18 E
Operating Activities				
PBT	4,868	6,535	8,386	8,584
Add Depr	2,470	2,824	3,232	4,029
Others	(723)	(482)	(1,511)	(1,141)
Total	6,616	8,877	10,107	9,522
Cash Taxes	(1,041)	(1,910)	(2,367)	(2,486)
Changes in Working Cap	836	1,466	476	1,365
Cash Flow from Operations	6,411	8,433	8,215	8,400
Investing Activities				
Change in investments	(1,253)	(4,582)	(3,224)	(5,400)
Capex	(3,247)	(2,594)	(3,500)	(1,400)
Cash Flow from Investing	(4,500)	(7,176)	(6,724)	(6,800)
Financing Activities				
Dividends + Taxes paid	(424)	(909)	(1,426)	(1,426)
Change in Non Curr Liab	(1,538)	(327)	(51)	(159)
Cash Flow from Financing	(1,962)	(1,236)	(1,477)	(1,585)
Opening Cash	70	18	39	54
Changes during year	(51.4)	20.7	14.6	15.7
Amalgamation	-	-	-	-
Closing Cash	18	39	54	69

Balance Sheet, Year Ending March

Particulars, in Rs crore	FY15	FY16	FY17 E	FY18 E
Liabilities + Equity				
(a) Share capital	151	151	151	151
(b) Reserves and surplus	23,553	26,856	31,247	35,439
Shareholders' funds	23,704	27,007	31,398	35,590
Non-current liab & Prov	767	674	746	971
Current liabilities	9,080	11,515	12,944	15,894
Total - Equity and liabilities	33,551	39,196	45,088	52,455
Assets				
Non-current assets				
Fixed assets	14,142	13,775	13,036	16,873
Long Term Inv	9,818	16,913	21,800	27,850
Current investment	3,041	882	1,010	1,212
Current assets				
Cash	18	39	54	69
Other Current Assets	6,533	7,587	8,562	10,272
Sub-total - Current assets	6,551	7,626	9,242	6,521
Total - Assets	33,551	39,196	45,088	52,455

Ratio Analysis

	FY15	FY16	FY17 E	FY18E
Profitability				
Operating EBITDA%	13.4	15.5	15.2	15.5
Operating EBIT%	8.5	10.7	10.2	10.1
PAT%	7.4	7.9	9.2	8.0
ROAE%	1.7	1.8	2.1	1.8
Du Pont ROAE breakup				
PAT / Sales	7.6	8.1	9.4	8.2
Sales / Avg Total Assets	1.52	1.55	1.56	1.52
Avg Total Assets / Avg Eqty	1.4	1.4	1.4	1.5
ROE	16.6	18.0	20.6	18.2
Other Ratios				
Current Ratio	0.7	0.7	0.7	0.4
Long Term Debt / Equity	0.0	-	-	-
EPS	122.9	151.3	199.2	201.9
DPS	25.0	35.0	40.0	40.0
Dividend %	500.0	700.0	800.0	800.0
Dividend Payout ratio	20%	23%	20%	20%
P/E	30.1	24.6	29.4	29.0
BVPS	779.7	889.0	1,034.4	1,173.2
P/BV	4.7	4.2	5.7	5.0

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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**Arihant is Forbes Asia's '200 Best under a \$Bn' Company
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