

CMP: Rs 8114
Target Price: Rs 8670
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	532500
NSE Symbol	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.BO
BSE Sensex	33,157
NSE Nifty	10,323

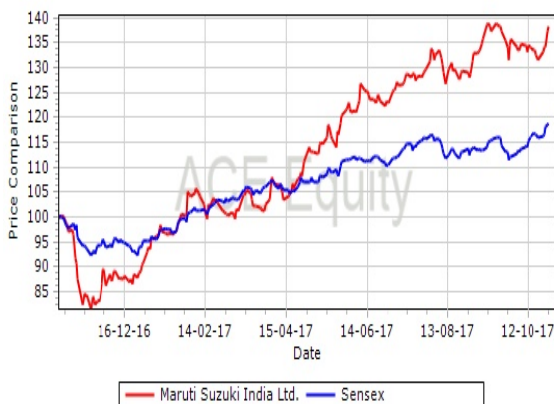
Market Info

Market Capital	Rs 245,131 crores
Equity Capital	Rs 151 crores
6MAvg Trading Volume	469,798
52 Wk High / low	Rs 8,240/4,765
Face Value	Rs 5

Share Holding pattern as on Sep 17

Promoter	56.2
DII's	11.5
FII's	25.3
Others	7.0

Price Vs Sensex Chart



Q2 FY 18 Performance Highlights:

The company sold a total of 492,118 vehicles during the quarter reporting a growth of 17.6% over the same period previous quarter. Sales in the domestic market stood at 457,401 units, reporting a growth of 19.4% YoY. Exports were at 34,717 units.

Net Profit Stood at Rs 2,484cr a growth of 3.4% YoY.

Operating profit increased by 21% YoY while the Net profit increased by 3.4% YoY due to lower non-operating income as the yields on investments were lower compared to last year and some impact of commodities and advertisement expenses and increase in effective tax rates.

Conference Call Highlights:

- Dzire fastest 1 Lakhs sales in 5 and half months.
- Industry has grown by 13.4%. Maruti has outperform the industry with a growth of 18% .
- Petrol vehicle gain traction and posted a growth of 25%.
- Highest ever sales of 492,118 for the quarter.
- In spite of capacity expansion, demand is quite strong.
- Baleno and Vitarra sales grew by 85% and 47% respectively for the quarter.
- Net sales were at 21,438 cr an increase of 21.8% YoY.
- EBITDA margins were at 17% vs 13.6% Qoq.
- Key reason for improvement in margins: Material cost reduction, Economics of scale and Lower Discount.
- Capex for the period was 1,458Cr, guidance remains 4000Cr for the year.
- Export revenue was 1565cr for Q2 and 1166cr for Q1.
- Night shift in Gujarat plant to ramp up production to 250,000 units pa, currently at 150,000 units pa.
- Haryana capacity stands at 15 Lakhs Units Pa.
- Production at Gujarat plant has been at ~10,500 units/month in Q2FY18, and the production runrate is likely to increase to ~20,000 units/month by Q4FY18.
- Cost of production at Gujarat plant to reduce with commencement of manufacturing units of suppliers in Gujarat by next year.
- Vehicle realizations improved by 1.5% QoQ to Rs393,219/unit.
- Festive sales have been strong, with double-digit growth over Sep-Oct 17.
- Blended discounts reduced to Rs15,200/unit vs Rs16,600/unit QoQ and Rs16,100/unit YoY.

Valuation: Going forward a strong product portfolio, favourable interest rates should benefit Maruti Suzuki. Uncertainty on foreign exchange, uncertainty on commodity prices is a concern. We value the stock at 25.5x FY19 EPS of Rs 340, and assign a price target of Rs 8670 with a **"HOLD"** rating on the stock.

Y/E March, (in Rs crore)	FY17	FY18 E	FY19 E
Total Unit Sales	15,68,603	18,23,378	20,03,523
Net Sales	66,878	72,870	82,801
yoy%	18.7%	9.0%	13.6%
Operating EBIDTA	10,338	12,534	14,242
EBITDA margin	15.2%	16.8%	16.8%
PAT	7,373	8,405	10,284
yoy%	61.7%	14.0%	22.4%
EPS	244	278	340
P/E (x)	24.7	29.2	23.8

P&L (in Rs crore)	Q2FY18	Q1FY18	QoQ	Q2FY17	YoY
Domestic Vehicles	4,57,401	3,68,431	24%	3,83,030	19%
Export Vehicles	34,717	26,140	33%	35,440	-2%
Total Vehicles	4,92,118	3,94,571	25%	4,18,470	18%
Net Sales	21,438	17,132	25%	17,595	22%
Other Operating Income	330	413	-20%	248	33%
Total Income	21,768	17,546	24%	17,843	22%
Total Raw Mat Cost	14,978	12,288	22%	12,074	24%
Employee Cost	667	652	2%	519	28%
Other Expenditure	2,446	2,274	8%	2,212	11%
Total Expenditure	18,091	15,215	19%	14,805	22%
Operating EBIDTA	3,678	2,331	58%	3,037	21%
margin %	17%	13.6%	26%	17.3%	-1%
Depreciation	683	684	0%	630	8%
Op EBIT	2,995	1,647	82%	2,407	24%
Other Income	523	683	-23%	813	-36%
Interest (Net)	15	31	-52%	20	-24%
PBT	3,503	2,299	52%	3,200	9%
Tax Provision	1,019	742	37%	802	27%
PAT	2,484	1,556	60%	2,398	4%
PAT margin	12%	9.1%	28%	13.6%	-15%
Tax rate	29%	32.3%	-10%	25.1%	16%
Basic EPS	82.3	51.5	60%	79.4	4%

Profit and Loss Account, Year Ending March			
Particulars, in Rs crore	FY17	FY18E	FY19E
Net Sales	66,878	72,870	82,801
YoY%	18.7	9.0	13.6
Other Operating Income	1,125	1,649	1,987
Income from Operations	68,003	74,518	84,788
Materials Consumed	42,158	50,280	57,133
Total Expenditure	57,666	64,821	73,450
Operating EBITDA	10,338	12,534	14,242
Operating EBITDA margin %	15.2	16.8	16.8
Depreciation	2,605	2,736	2,904
Operating EBIT	7,733	9,798	11,338
Other Income	2,333	2,186	3,312
Interest	89	146	166
PBT	9,976	11,838	14,485
Tax Expense	2,604	3,433	4,201
Reported Net Profit	7,373	8,405	10,284
YoY%	62%	14%	22%
Effective Tax Rate	26.1	29.0	29.0
Reported EPS	244	278	340

Balance Sheet, Year Ending March			
Particulars, in Rs crore	FY17	FY18 E	FY19 E
Liabilities + Equity			
(a) Share capital	151	151	151
(b) Reserves and surplus	32,756	39,551	48,409
Shareholders' funds	32,907	39,702	48,560
Non-current liab & Prov	756	960	1,001
Current liabilities	13,294	15,996	17,027
Total - Equity and liabilities	46,957	56,658	66,588
Assets			
Non-current assets			
Fixed assets	13,628	18,067	22,667
Long Term Inv	21,800	27,850	31,392
Current investment	1,010	1,212	1,212
Cash	74	89	137
Other Current Assets	9,818	9,440	12,108
Sub-total - Current assets	10,519	9,529	11,317
Total - Assets	46,957	56,658	66,588

Cash Flow Statement, Year Ending March			
Particulars, in Rs crore	FY17	FY18 E	FY19 E
Operating Activities			
PBT	9,976	11,838	14,485
Add Depr	2,605	2,736	2,904
Others	(2,243)	(2,210)	(1,817)
Total	10,338	11,263	14,471
Cash Taxes	(2,604)	(3,433)	(4,201)
Changes in Working Cap	497	1,131	471
Cash Flow from Operations	8,231	8,961	10,741
Investing Activities			
Change in investments	(3,224)	(3,630)	(4,590)
Capex	(3,500)	(3,725)	(4,500)
Cash Flow from Investing	(6,724)	(7,355)	(9,090)
Financing Activities			
Dividends + Taxes paid	(1,426)	(1,426)	(1,426)
Change in Non Curr Liab	(33)	(165)	(177)
Cash Flow from Financing	(1,459)	(1,591)	(1,603)
Opening Cash	26	74	89
Changes during year	47.9	15.1	48.3
Amalgamation	-	-	-
Closing Cash	74	89	137

Ratio Analysis			
	FY17	FY18E	FY19E
Profitability			
Operating EBITDA%	15.2	16.8	16.8
Operating EBIT%	11.4	13.1	13.4
PAT%	10.8	11.3	12.1
ROAE%	2.5	2.3	2.3
Du Pont ROAE breakup			
PAT / Sales	11.0	11.5	12.4
Sales / Avg Total Assets	1.62	1.47	1.43
Avg Total Assets / Avg Eqty	1.4	1.4	1.3
ROE	24.6	23.2	23.3
Other Ratios			
Current Ratio	0.8	0.6	0.7
Long Term Debt / Equity	-	-	-
EPS	244.1	278.2	340.4
DPS	40.0	40.0	40.0
Dividend %	800.0	800.0	800.0
Dividend Payout ratio	16%	14%	12%
P/E	24.7	29.2	23.8
BVPS	1,084.3	1,309.3	1,602.5
P/BV	5.6	6.2	5.1

(*Total Expenditure inclusive of depreciation expense)

Arihant Research Desk

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

Head Office	Registered Office
#1011, Solitaire Corporate park, Building No. 10, 1 st Floor, Andheri Ghatkopar Link Road, Chakala, Andheri (E). Mumbai - 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	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.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	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.