



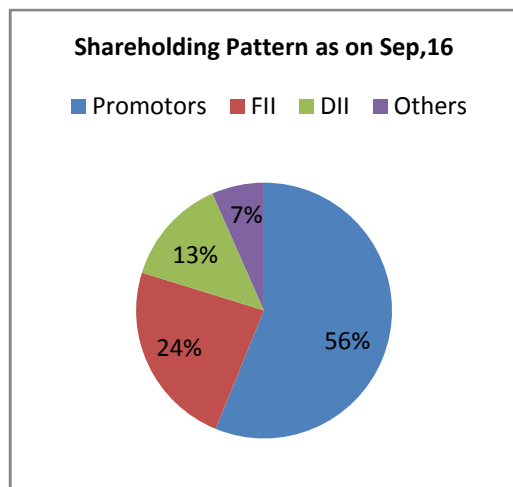
Robust Earnings!!!

27th January, 2017

CMP: Rs 5,888
Target Price: Rs 6,041
Recommendation: NEUTRAL

Stock Info	
BSE Group	A
BSE Code	532500
NSE Symbol	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.BO
BSE Sensex	27,908
NSE Nifty	8,653

Market Info	
Market Capital	Rs 1,78,399 crores
Equity Capital	Rs 151 crores
Avg Trading Volume	8,71,440
52 Wk High / low	Rs 5,972/3202
Face Value	Rs 5



Price Vs Sensex Chart



> **Q3 FY17 Net Revenue** at Rs 16,624 crores was higher than expectations. Domestic volume increased by 3.9% where as Exports volume declined by 1.4% yoy. Thus total volume increased by 3.5% YoY to 3,87,251 units.

> **Q3 FY17 Operating EBITDA** was at Rs 2,489 crores, with EBITDA margin at 15.0%. EBITDA margins declined by 230 bps on YoY due to adverse forex impact and increased raw material cost for this quarter.

> **Q3 FY17 Reported PAT** was at Rs 1,745 crores up by 49.6% on YoY basis, and PAT margin at 10.5%. However, higher volumes leading to higher capacity utilisation, lower power and fuel expenses, sales promotion and marketing expenses and higher non-operating income contributed to increase in profits.

Other highlights:

- Management has indicated more or less similar recovery in sales post demonetization in both the markets of rural as well as urban, though urban was relatively stronger.
- Royalty cost came in at 5.5% of revenue this quarter, down by 60bps QoQ, led by favourable currency and higher mix of lower royalty model Breeza.
- The company was able to increase the market share in UV segment to 28.1% up from 18% in the corresponding quarter last year.
- Average exchange rate for JPY was 0.60INR/Yen in Q3 compared to 0.65INR/Yen in Q2 this year. The average exchange rate used in 3QFY16 was 0.54 INR/Yen.
- The management did not take any price hike during the quarter, despite increase in commodity prices since there was a lower demand due to demonetization.
- The waiting period of Baleno, Breeza, Ignis stands at 24 weeks, 18weeks, 8-10 weeks respectively.

Valuation: We value the stock at 25.6x FY18 EPS, and assign a price target of Rs6,041 with a “NEUTRAL” 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	15,71,472	18,48,729
Net Sales	48,606	56,350	71,870	86,038
yoy%	14.0%	15.9%	27.5%	19.7%
Operating EBITDA	6,713	8,995	11,124	13,427
EBITDA margin	13.4%	15.6%	15.2%	15.3%
PAT	3,711	4,588	7,040	7,114
yoy%	33.4%	23.6%	53.4%	0.0%
EPS	123	152	233	236
P/E (x)	30.1	24.5	25.2	24.9

Source: Company data, Aриhant Research

Quarterly Results:

P&L (in Rs crore)	Q3FY17	Q3FY16	YoY	Q2FY17	QoQ
Domestic Vehicles	3,56,503	3,42,995	3.9%	3,83,030	-6.9%
Export Vehicles	30,748	31,187	-1.4%	35,440	-13.2%
Total Vehicles	3,87,251	3,74,182	3.5%	4,18,470	-7.5%
Net Sales	16,624	14,768	12.6%	17,595	-5.5%
Other Operating Income	241	229		248	
Total Income	16,865	14,997	12.5%	17,843	-5.5%
Total Raw Mat Cost	11,674	10,293	13.4%	12,074	-3.3%
Employee Cost	617	502	22.9%	519	18.8%
Other Expenditure	2,085	2,073	0.6%	2,212	-5.7%
Total Expenditure	14,376	12,868	11.7%	14,805	-2.9%
Operating EBITDA	2,489	2,129	16.9%	3,037	-18.1%
margin %	15.0%	14.4%		17.3%	
Depreciation	635	722		630	
Op EBIT	1,854	1,406	31.8%	2,407	-23.0%
Other Income	592	243		813	
Interest (Net)	29	24		20	
PBT	2,417	1,625	48.8%	3,200	-24.5%
Tax Provision	673	458		802	
PAT	1,745	1,166	49.6%	2,398	-27.3%
PAT margin	10.5%	7.9%		13.6%	
Tax rate	27.8%	28.2%		25.1%	
Basic EPS	57.7	38.6	49.6%	79.4	-27.3%

Source: Company data, Arihant Research

Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17 E	FY18E
Net Sales	48,606	56,350	71,870	86,038
YoY%	14.0	15.9	27.5	19.7
Other Operating Income	1,365	1,396	1,169	1,729
Income from Operations	49,971	57,746	73,039	87,767
Materials Consumed	35,008	38,831	50,032	57,926
Total Expenditure	43,258	48,751	61,915	74,340
Operating EBITDA	6,713	8,995	11,124	13,427
Operating EBITDA margin %	13.4	15.6	15.2	15.3
Depreciation	2,470	2,824	3,232	4,029
Operating EBIT	4,243	6,171	7,893	9,398
Other Income	832	462	2,118	860
Interest	206	82	113	95
PBT	4,868	6,551	9,897	10,163
Tax Expense	1,157	1,964	2,858	3,049
Reported Net Profit	3,711	4,588	7,040	7,114
YoY%	33.4	23.6	53.4	1.0
Effective Tax Rate	23.8	30.0	28.9	30.0
Reported EPS	123	152	233	236

Cash Flow Statement, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17 E	FY18 E
Operating Activities				
PBT	4,868	6,551	9,897	10,163
Add Depr	2,470	2,824	3,232	4,029
Others	(723)	(482)	(2,005)	(1,600)
Total	6,616	8,894	11,124	11,493
Cash Taxes	(1,041)	(1,910)	(2,858)	(3,049)
Changes in Working Cap	836	1,466	642	1,600
Cash Flow from Operations	6,411	8,449	8,909	10,044
Investing Activities				
Change in investments	(1,253)	(4,582)	(3,224)	(5,400)
Capex	(3,247)	(2,594)	(4,200)	(3,110)
Cash Flow from Investing	(4,500)	(7,176)	(7,424)	(8,510)
Financing Activities				
Dividends + Taxes paid	(424)	(909)	(1,426)	(1,426)
Change in Non Curr Liab	(1,538)	(327)	(46)	(98)
Cash Flow from Financing	(1,962)	(1,236)	(1,472)	(1,523)
Opening Cash	70	18	55	68
Changes during year	(51.4)	37.2	12.3	10.9
Amalgamation	-	-	-	-
Closing Cash	18	55	68	79

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	26,873	32,487	37,991
Shareholders' funds	23,704	27,024	32,638	38,142
Non-current liab & Prov	767	674	778	1,020
Current liabilities	9,080	11,515	14,122	17,812
Total - Equity and liabilities	33,551	39,212	47,538	56,974
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	56	68	79
Other Current Assets	6,533	7,587	10,997	11,851
Sub-total - Current assets	6,551	7,643	11,692	11,039
Total - Assets	33,551	39,212	47,538	56,974

Ratio Analysis				
	FY15	FY16	FY17 E	FY18E
Profitability				
Operating EBITDA%	13.4	15.6	15.2	15.3
Operating EBIT%	8.5	10.7	10.8	10.7
PAT%	7.4	7.9	9.6	8.1
ROAE%	1.7	1.8	2.4	2.0
Du Pont ROAE breakup				
PAT / Sales	7.6	8.1	9.8	8.3
Sales / Avg Total Assets	1.52	1.55	1.72	1.67
Avg Total Assets / Avg Eqty	1.4	1.4	1.4	1.5
ROE	16.6	18.1	23.6	20.1
Other Ratios				
Current Ratio	0.7	0.7	0.8	0.6
Long Term Debt / Equity	0.0	-	-	-
EPS	122.9	151.9	233.0	235.5
DPS	25.0	35.0	40.0	40.0
Dividend %	500.0	700.0	800.0	800.0
Dividend Payout ratio	20%	23%	17%	17%
P/E	30.1	24.5	25.2	24.9
BVPS	779.7	889.6	1,075.4	1,257.7
P/BV	4.7	4.2	5.5	4.7

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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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