



Robust Earnings!!!

28<sup>th</sup> April, 2017

CMP: Rs 6,563  
Target Price: Rs 6,600  
**Recommendation: NEUTRAL**

Stock Info

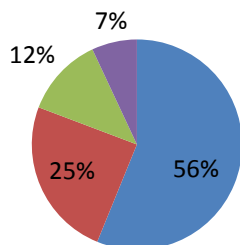
BSE Group	A
BSE Code	532500
NSE Symbol	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.BO
BSE Sensex	29,925
NSE Nifty	9,303

Market Info

Market Capital	Rs 1,98,375 crores
Equity Capital	Rs 151 crores
Avg Trading Volume	7,17,310
52 Wk High / low	Rs 6,589/3725
Face Value	Rs 5

Shareholding Pattern as on Mar,17

Promoters FII DII Others



Price Vs Sensex Chart



> **Q4 FY17 Net Revenue** at Rs 18,005 crores was higher than expectations. Domestic volume increased by 14.8% where as Exports volume inclined by 17.6% yoy. Thus total volume increased by 15% YoY to 4, 14,439 units.

> **Q4 FY17 Operating EBITDA** was at Rs 2,561 crores, with EBITDA margin at 14.2%. EBITDA margins declined by 140 bps on YoY due increased raw material cost and other expenses for this quarter.

> **Q4 FY17 Reported PAT** was at Rs 1,709 crores up by 15.8% on YoY basis, and PAT margin at 9.5%. However, higher volumes leading to higher capacity utilisation and higher other income contributed to increase in profits.

Other highlights:

- The company continued to expand its reach and now has a total of 2,312 outlets.
- Demand for Ignis has been as per management forecast and the model has a waiting period 8 – 10 weeks.
- The Gujarat plant’s capacity should allow 10-12% growth for two years. During the quarter, 10,000 units were purchased from Gujarat plant.
- First time buyers accounted for 44% of the volumes. Of the remaining mix between replacement buyer and second car buyer was 50:50.
- Suzuki’s tie up with Toshiba and Denso for manufacturing lithium ion battery in India will allow MSIL to develop mild hybrids.
- For FY18, the company sees a double digit growth and is well placed to meet its internal target of 2mn vehicles sales by 2020.
- Share of diesel vehicles for the industry has declined to 40.5% from 44%. However, Maruti with its successful models has seen a 13.6% YoY growth in its diesel portfolio.

**Valuation:** We value the stock at 25x FY19 EPS, and assign a price target of Rs6, 600 with a “NEUTRAL” rating on the stock.

Y/E March, (in Rs crore)	FY16	FY17	FY18 E	FY19 E
Total Unit Sales	14,29,248	15,68,603	18,43,306	21,70,141
Net Sales	56,350	66,878	85,827	1,02,790
yoy%	15.9%	18.7%	28.3%	19.8%
Operating EBITDA	8,965	10,338	13,668	14,664
EBITDA margin	15.5%	15.2%	15.6%	14.0%
PAT	4,559	7,338	7,282	7,967
yoy%	22.8%	61.0%	1.0%	1.0%
EPS	151	243	241	264
P/E (x)	24.6	27.0	27.2	24.9

Source: Company data, Arianth Research

## Quarterly Results:

P&L (in Rs crore)	Q4FY17	Q4FY16	YoY	Q3FY17	QoQ
Domestic Vehicles	3,82,668	3,33,393	14.8%	3,56,503	7.3%
Export Vehicles	31,771	27,009	17.6%	30,748	3.3%
<b>Total Vehicles</b>	<b>4,14,439</b>	<b>3,60,402</b>	<b>15.0%</b>	<b>3,87,251</b>	<b>7.0%</b>
<b>Net Sales</b>	<b>18,005</b>	<b>14,965</b>	<b>20.3%</b>	<b>16,624</b>	<b>8.3%</b>
Other Operating Income	328	279		241	
Total Income	18,333	15,244	20.3%	16,865	8.7%
Total Raw Mat Cost	12,767	10,069	26.8%	11,674	9.4%
Employee Cost	616	598	3.0%	617	-0.1%
Other Expenditure	2,390	2,248	6.3%	2,085	14.6%
Total Expenditure	15,773	12,915	22.1%	14,376	9.7%
<b>Operating EBITDA</b>	<b>2,561</b>	<b>2,329</b>	<b>9.9%</b>	<b>2,489</b>	<b>2.9%</b>
margin %	14.2%	15.6%		15.0%	
Depreciation	701	760		635	
Op EBIT	1,860	1,569	18.5%	1,854	0.3%
Other Income	445	538		592	
Interest (Net)	23	20		29	
PBT	2,282	2,088	9.3%	2,417	-5.6%
Tax Provision	573	611		673	
<b>PAT</b>	<b>1,709</b>	<b>1,476</b>	<b>15.8%</b>	<b>1,745</b>	<b>-2.0%</b>
PAT margin	9.5%	9.9%		10.5%	
Tax rate	25.1%	29.3%		27.8%	
<b>Basic EPS</b>	<b>56.6</b>	<b>48.9</b>	<b>15.8%</b>	<b>57.7</b>	<b>-2.0%</b>

Source: Company data, Arihant Research

## Profit and Loss Account, Year Ending March

Particulars, in Rs crore	FY16	FY17	FY18E	FY19E
<b>Net Sales</b>	<b>56,350</b>	<b>66,878</b>	<b>85,827</b>	<b>1,02,790</b>
YoY%	15.9	18.7	28.3	19.8
Other Operating Income	1,396	1,125	1,724	2,131
<b>Income from Operations</b>	<b>57,746</b>	<b>68,003</b>	<b>87,551</b>	<b>1,04,921</b>
Materials Consumed	38,870	42,158	57,783	69,248
Total Expenditure	48,781	57,666	73,882	90,258
<b>Operating EBITDA</b>	<b>8,965</b>	<b>10,338</b>	<b>13,668</b>	<b>14,664</b>
Operating EBITDA margin %	15.5	15.2	15.6	14.0
Depreciation	2,823	2,605	4,029	4,197
Operating EBIT	6,142	7,733	9,639	10,467
Other Income	462	2,333	858	1,028
Interest	82	89	94	113
<b>PBT</b>	<b>6,523</b>	<b>9,941</b>	<b>10,403</b>	<b>11,381</b>
Tax Expense	1,964	2,604	3,121	3,414
<b>Reported Net Profit</b>	<b>4,559</b>	<b>7,338</b>	<b>7,282</b>	<b>7,967</b>
YoY%	22.8	61.0	1.0	1.0
Effective Tax Rate	30.1	26.2	30.0	30.0
<b>Reported EPS</b>	<b>151</b>	<b>243</b>	<b>241</b>	<b>264</b>

## Cash Flow Statement, Year Ending March

Particulars, in Rs crore	FY16	FY17	FY18 E	FY19 E
<b>Operating Activities</b>				
<b>PBT</b>	<b>6,523</b>	<b>9,941</b>	<b>10,403</b>	<b>11,381</b>
Add Depr	2,823	2,605	4,029	4,197
Others	(482)	(2,243)	(1,772)	(1,380)
Total	8,864	10,303	11,561	13,099
Cash Taxes	(1,910)	(2,604)	(3,121)	(3,414)
Changes in Working Cap	1,466	497	1,771	865
<b>Cash Flow from Operations</b>	<b>8,420</b>	<b>8,196</b>	<b>10,211</b>	<b>10,549</b>
<b>Investing Activities</b>				
Change in investments	(4,582)	(3,224)	(5,400)	(5,720)
Capex	(2,594)	(3,500)	(3,286)	(3,290)
<b>Cash Flow from Investing</b>	<b>(7,176)</b>	<b>(6,724)</b>	<b>(8,686)</b>	<b>(9,010)</b>
<b>Financing Activities</b>				
<b>Dividends + Taxes paid</b>	<b>(909)</b>	<b>(1,426)</b>	<b>(1,426)</b>	<b>(1,426)</b>
Change in Non Curr Liab	(327)	(33)	(88)	(110)
<b>Cash Flow from Financing</b>	<b>(1,236)</b>	<b>(1,459)</b>	<b>(1,514)</b>	<b>(1,536)</b>
Opening Cash	18	26	39	50
Changes during year	7.4	13.0	11.3	2.7
<b>Amalgamation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Closing Cash	26	39	50	53

## Balance Sheet, Year Ending March

Particulars, in Rs crore	FY16	FY17	FY18 E	FY19 E
<b>Liabilities + Equity</b>				
(a) Share capital	151	151	151	151
(b) Reserves and surplus	26,844	32,756	38,428	44,969
<b>Shareholders' funds</b>	<b>26,995</b>	<b>32,907</b>	<b>38,579</b>	<b>45,120</b>
Non-current liab & Prov	674	756	1,018	1,093
Current liabilities	11,515	13,294	17,736	17,832
<b>Total - Equity and liabilities</b>	<b>39,183</b>	<b>46,957</b>	<b>57,334</b>	<b>64,045</b>
<b>Assets</b>				
Non-current assets				
Fixed assets	13,775	13,663	16,873	18,822
Long Term Inv	16,913	21,800	27,850	29,850
Current investment	882	1,010	1,212	1,212
Current assets				
Cash	26	39	50	53
Other Current Assets	7,587	9,818	11,349	15,000
Sub-total - Current assets	7,614	10,484	11,399	14,161
<b>Total - Assets</b>	<b>39,183</b>	<b>46,957</b>	<b>57,334</b>	<b>64,045</b>

## Ratio Analysis

	FY16	FY17	FY18E	FY19E
<b>Profitability</b>				
<b>Operating EBITDA%</b>	<b>15.5</b>	<b>15.2</b>	<b>15.6</b>	<b>14.0</b>
Operating EBIT%	10.6	11.4	11.0	10.0
PAT%	7.9	10.8	8.3	7.6
<b>ROAE%</b>	<b>1.8</b>	<b>2.4</b>	<b>2.0</b>	<b>1.9</b>
<b>Du Pont ROAE breakup</b>				
PAT / Sales	8.1	11.0	8.5	7.8
Sales / Avg Total Assets	1.55	1.62	1.69	1.69
Avg Total Assets / Avg Eqty	1.4	1.4	1.4	1.5
<b>ROE</b>	<b>18.0</b>	<b>24.5</b>	<b>20.4</b>	<b>19.0</b>
<b>Other Ratios</b>				
<b>Current Ratio</b>	<b>0.7</b>	<b>0.8</b>	<b>0.6</b>	<b>0.8</b>
Long Term Debt / Equity	-	-	-	-
<b>EPS</b>	<b>150.9</b>	<b>242.9</b>	<b>241.1</b>	<b>263.7</b>
DPS	35.0	40.0	40.0	40.0
Dividend %	700.0	800.0	800.0	800.0
<b>Dividend Payout ratio</b>	<b>23%</b>	<b>16%</b>	<b>17%</b>	<b>15%</b>
<b>P/E</b>	<b>24.6</b>	<b>27.0</b>	<b>27.2</b>	<b>24.9</b>
BVPS	888.6	1,084.3	1,272.1	1,488.7
P/BV	4.2	6.1	5.2	4.4

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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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