

## Maruti Suzuki India

### Performance Update

Y/E March (₹ cr)	1QFY19	1QFY18	% yoy	4QFY18	% qoq
<b>Net sales</b>	<b>22,459</b>	<b>17,546</b>	<b>28.0</b>	<b>21,166</b>	<b>6.1</b>
EBITDA	3,351	2,331	43.8	3,015	11.1
EBITDA margin (%)	14.9	13.3	163bp	14.2	68bp
<b>Adjusted PAT</b>	<b>1,975</b>	<b>1,556</b>	<b>26.9</b>	<b>1,882</b>	<b>5.0</b>

Source: Company, Angel Research

For 1QFY2019, Maruti Suzuki India (MSIL) posted strong numbers both on top-line and bottom-line fronts. MSIL reported ~28% yoy top-line growth to ₹22,459cr on back of strong volume growth (up ~24% yoy) and price hike (up~3% yoy). The company's operating margins improved by robust 163bps yoy. On the bottom-line front, MSIL reported growth of ~27% yoy to ₹1,975cr on the back of strong operating performance.

**Robust top-line growth:** MSIL's top-line grew by ~28% yoy to ₹22,459cr on the back of ~24% yoy volume growth and ~3% average price hikes. During the quarter, domestic sales grew by ~26% yoy (which is ~95% of total revenue) and exports grew by 2% (which is ~5% of total revenue).

**Strong operating performance aids profitability:** On the operating front, the company reported better margins, up 163bps yoy at 14.9%. On the bottom-line front, MSIL reported growth of ~27% yoy to ₹1,975cr on the back of strong operating performance and volume growth.

**Outlook and Valuation:** We expect MSIL to report net revenue CAGR of ~16% to ~₹1,08,317cr over FY2018-20E mainly due to new launches and upcoming facelift in various models. Further, on the bottom-line front, we expect CAGR of ~18% to ₹10,892cr over the same period on the back of better margins. Thus, we maintain our Buy recommendation on MSIL with Target Price of ₹10,820.

### Key Financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
<b>Net sales</b>	<b>68,085</b>	<b>79,809</b>	<b>92,579</b>	<b>108,317</b>
% chg	18.2	17.2	16.0	17.0
<b>Adj. Net profit</b>	<b>7,511</b>	<b>7,881</b>	<b>9,414</b>	<b>10,892</b>
% chg	36.6	4.9	19.5	15.7
EBITDA margin (%)	15.2	15.1	15.4	15.4
<b>EPS (₹)</b>	<b>248.7</b>	<b>261.0</b>	<b>311.7</b>	<b>360.7</b>
P/E (x)	37.8	36.0	30.1	26.1
P/BV (x)	7.7	6.7	5.8	5.0
RoE (%)	20.3	18.5	19.2	19.4
RoCE (%)	20.6	21.6	22.9	24.0
EV/Sales (x)	3.7	3.1	2.6	2.2
EV/EBITDA (x)	24.6	20.6	16.9	14.0

Source: Company, Angel Research Note

## BUY

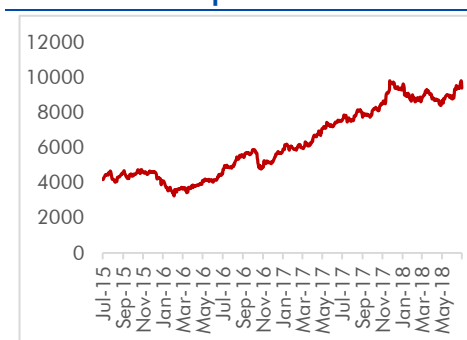
CMP	₹9,315
Target Price	₹10,820
Investment Period	12 months

Stock Info	
Sector	Automobile
Market Cap (Rs cr)	2,81,505.39
Net Debt	(35,713)
Beta	1.0
52 Week High / Low	7,377/10,000
Avg. Daily Volume	35,065
Face Value (Rs)	5
BSE Sensex	37,340
Nifty	11,276
Reuters Code	MRTI.BO
Bloomberg Code	MSIL.IN

Shareholding Pattern (%)	
Promoters	56.2
MF / Banks / Indian Fls	6.2
FII / NRIs / OCBs	23.7
Indian Public / Others	13.9

Abs. (%)	3m	1yr	3yr
Sensex	6.5	14.2	34.2
MSIL	5.0	24.0	125.0

### Historical share price chart



Source: Company, Angel Research

### Research Analyst

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**Exhibit 1: 1QFY2019 Performance**

Y/E March (₹ cr)	1QFY19	1QFY18	% yoy	4QFY18	% qoq	FY2018	FY2017	% chg
<b>Net Sales</b>	<b>76</b>	<b>70</b>	<b>7.6</b>	<b>76</b>	<b>(0.3)</b>	<b>298</b>	<b>271</b>	<b>9.9</b>
Staff Costs	18	17	5.1	17	5.6	69	65	5.9
(% of Sales)	23.8	24.4		22.5		23.1	24.0	
Other Expenses	32	31	2.0	32	0.3	132	115	14.9
(% of Sales)	41.8	44.1		41.5		44.3	42.4	
<b>Total Expenditure</b>	<b>50</b>	<b>48</b>	<b>3.1</b>	<b>49</b>	<b>2.2</b>	<b>201</b>	<b>180</b>	<b>11.7</b>
<b>Operating Profit</b>	<b>26</b>	<b>22</b>	<b>17.5</b>	<b>27</b>	<b>(4.8)</b>	<b>97</b>	<b>91</b>	<b>6.4</b>
OPM	34.4	31.5		36.0		32.6	33.6	
Interest	1	4	(64.2)	3	(59.1)	15	19	(21.2)
Depreciation	7	6	5.3	7	1.0	26	20	33.5
Other Income	2	5	(48.2)	5	(55.2)	19	4	336.5
<b>PBT (excl. Ext Items)</b>	<b>20</b>	<b>17</b>	<b>22.8</b>	<b>22.7</b>	<b>(10.4)</b>	<b>75</b>	<b>57</b>	<b>32.0</b>
Ext (Income)/Expense	-	-		-		-	-	
<b>PBT (incl. Ext Items)</b>	<b>20</b>	<b>17</b>	<b>22.8</b>	<b>23</b>	<b>(10.4)</b>	<b>75</b>	<b>57</b>	<b>32.0</b>
(% of Sales)	26.9	23.6		29.9		25.2	21.0	
Provision for Taxation	7	6	19.5	6	6.2	24	20	15.5
(% of PBT)	33.7	34.6		28.4		31.2	35.7	
<b>Reported PAT</b>	<b>14</b>	<b>11</b>	<b>24.5</b>	<b>16</b>	<b>(17.0)</b>	<b>52</b>	<b>37</b>	<b>41.1</b>
PATM	17.8	15.4		21.4		17.3	13.5	
Minority Interest After NP								
<b>Reported PAT</b>	<b>14</b>	<b>11</b>	<b>24.5</b>	<b>16</b>	<b>(17.0)</b>	<b>52</b>	<b>37</b>	<b>41.1</b>
Equity shares (cr)	6	6		6		6	6	
<b>FDEPS (Rs)</b>	<b>2.4</b>	<b>1.9</b>	<b>24.5</b>	<b>2.9</b>	<b>(17.0)</b>	<b>9.1</b>	<b>6.4</b>	<b>41.1</b>

Source: Company, Angel Research

## Outlook and Valuation

We expect MSIL to report net revenue CAGR of ~16% to ~₹1,08,317cr over FY2018-20E mainly due to new launches and upcoming facelift in various models. Further, on the bottom-line front, we expect CAGR of ~18% to ₹10,892cr over the same period on the back of better margins. Thus, we maintain our Buy recommendation on MSIL with Target Price of ₹10,820.

## Downside risks to our estimates

- Strong launches and facelift of existing model from competitors like Hyundai Motors, M&M, Ford, etc. can grab the market share from MSIL
- Slowdown of economy can impact the overall buying sentiment of automobile segment

## Company Background

Maruti Suzuki, a subsidiary of Suzuki Motor Corporation of Japan, is India's largest passenger car company, accounting for over 45% of the domestic car market. The company offers 14 brands spanning across car, UV and MPV segments. WagonR, Swift, DZire, Baleno, Brezza and Ciaz are the most popular models and dominate the market in their respective segments. It has three manufacturing facilities in Gurgaon and Manesar with installed capacity of c.1.55mn units. It has the most extensive distribution network among all PV companies in India.

**Profit & Loss Statement**

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>Net Sales</b>	<b>57,589</b>	<b>68,085</b>	<b>79,809</b>	<b>92,579</b>	<b>108,317</b>
% chg	13.4	18.2	17.2	16.0	17.0
<b>Total Expenditure</b>	<b>48,700</b>	<b>57,727</b>	<b>67,746</b>	<b>78,322</b>	<b>91,636</b>
Raw Material	38,706	46,742	54,986	64,805	76,039
Personnel	2,000	2,360	2,863	3,333	3,899
Others Expenses	7,994	8,624	9,897	10,184	11,698
<b>EBITDA</b>	<b>8,889</b>	<b>10,358</b>	<b>12,063</b>	<b>14,257</b>	<b>16,681</b>
% chg		16.5	16.5	18.2	17.0
(% of Net Sales)	15.4	15.2	15.1	15.4	15.4
Depreciation & Amortisation	2,822	2,604	2,760	2,917	3,100
<b>EBIT</b>	<b>6,067</b>	<b>7,754</b>	<b>9,304</b>	<b>11,340</b>	<b>13,581</b>
% chg		27.8	20.0	21.9	19.8
(% of Net Sales)	10.5	11.4	11.7	12.2	12.5
Interest & other Charges	82	89	346	92	95
Other Income	1,600	2,462	2,209	2,200	2,300
(% of PBT)	21.1	24.3	19.8	16.4	14.6
<b>Recurring PBT</b>	<b>7,585</b>	<b>10,127</b>	<b>11,167</b>	<b>13,448</b>	<b>15,786</b>
% chg		33.5	10.3	20.4	17.4
Tax	2,088	2,616	3,286	4,034	4,894
(% of PBT)	27.5	25.8	29.4	30.0	31.0
<b>PAT (reported)</b>	<b>5,497</b>	<b>7,511</b>	<b>7,881</b>	<b>9,414</b>	<b>10,892</b>
Extraordinary Items	-	-	-	-	-
<b>ADJ. PAT</b>	<b>5,497</b>	<b>7,511</b>	<b>7,881</b>	<b>9,414</b>	<b>10,892</b>
% chg		36.6	4.9	19.5	15.7
(% of Net Sales)	9.5	11.0	9.9	10.2	10.1
<b>Basic EPS (₹)</b>	<b>182.0</b>	<b>248.7</b>	<b>261.0</b>	<b>311.7</b>	<b>360.7</b>
<b>Fully Diluted EPS (₹)</b>	<b>182.0</b>	<b>248.7</b>	<b>261.0</b>	<b>311.7</b>	<b>360.7</b>
% chg	44.4	36.6	4.9	19.5	15.7

**Balance Sheet**

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	151	151	151	151	151
Reserves & Surplus	30,465	36,924	42,389	48,782	56,050
<b>Shareholders Funds</b>	<b>30,616</b>	<b>37,075</b>	<b>42,540</b>	<b>48,933</b>	<b>56,201</b>
Total Loans	231	484	484	484	484
Deferred Tax Liability	861	1,110	1,110	1,110	1,110
<b>Total Liabilities</b>	<b>31,722</b>	<b>38,684</b>	<b>44,148</b>	<b>50,542</b>	<b>57,810</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	15,343	18,680	22,086	24,586	27,086
Less: Acc. Depreciation	2,813	5,370	8,129	11,046	14,147
<b>Net Block</b>	<b>12,530</b>	<b>13,311</b>	<b>13,957</b>	<b>13,540</b>	<b>12,940</b>
Capital Work-in-Progress	1,007	1,252	1,252	1,252	1,252
Investments	20,676	29,151	36,123	43,123	50,123
Current Assets	8,513	8,247	7,148	9,323	13,058
Inventories	3,133	3,264	3,160	3,805	4,451
Sundry Debtors	1,323	1,203	1,465	2,029	2,968
Cash	51	24	74	249	765
Loans & Advances	2,303	2,129	439	463	1,625
Other Assets	1,703	1,628	2,010	2,777	3,250
Current liabilities	11,636	13,881	14,936	17,300	20,167
<b>Net Current Assets</b>	<b>(3,122)</b>	<b>(5,634)</b>	<b>(7,788)</b>	<b>(7,977)</b>	<b>(7,109)</b>
<b>Deferred Tax Asset</b>	<b>632</b>	<b>604</b>	<b>604</b>	<b>604</b>	<b>604</b>
Mis. Exp. not written off	-	-	-	-	-
<b>Total Assets</b>	<b>31,722</b>	<b>38,684</b>	<b>44,148</b>	<b>50,542</b>	<b>57,810</b>

**Consolidated Cashflow Statement**

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Profit before tax	7585	10127	11167	13448	15786
Depreciation	2822	2604	2760	2917	3100
Change in Working Capital	1460	2192	2204	365	(353)
Interest / Dividend (Net)	(70)	52	346	92	95
Direct taxes paid	(1912)	(2323)	(3286)	(4034)	(4894)
Others	(1402)	(2370)	0	0	0
<b>Cash Flow from Operations</b>	<b>8483</b>	<b>10282</b>	<b>13191</b>	<b>12788</b>	<b>13735</b>
(Inc.)/ Dec. in Fixed Assets	(2456)	(3236)	(3406)	(2500)	(2500)
(Inc.)/ Dec. in Investments	(4774)	(5937)	(6973)	(7000)	(7000)
<b>Cash Flow from Investing</b>	<b>(7230)</b>	<b>(9173)</b>	<b>(10379)</b>	<b>(9500)</b>	<b>(9500)</b>
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	(235)	253	0	0	0
Dividend Paid (Incl. Tax)	(755)	(1057)	(2416)	(3020)	(3624)
Interest / Dividend (Net)	(239)	(331)	(346)	(92)	(95)
<b>Cash Flow from Financing</b>	<b>(1229)</b>	<b>(1136)</b>	<b>(2762)</b>	<b>(3112)</b>	<b>(3719)</b>
Inc./(Dec.) in Cash	23	(27)	50	176	516
<b>Opening Cash balances</b>	<b>28</b>	<b>51</b>	<b>24</b>	<b>74</b>	<b>249</b>
<b>Closing Cash balances</b>	<b>51</b>	<b>24</b>	<b>74</b>	<b>249</b>	<b>765</b>

**Key Ratio**

Y/E March	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	51.6	37.8	36.0	30.1	26.1
P/CEPS	34.1	28.1	26.7	23.0	20.3
P/BV	9.3	7.7	6.7	5.8	5.0
Dividend yield (%)	0.4	0.8	0.9	1.1	1.3
EV/Sales	4.6	3.7	3.1	2.6	2.2
EV/EBITDA	29.6	24.6	20.6	16.9	14.0
EV / Total Assets	8.3	6.6	5.6	4.8	4.0
<b>Per Share Data (₹)</b>					
EPS (Basic)	182.0	248.7	261.0	311.7	360.7
EPS (fully diluted)	182.0	248.7	261.0	311.7	360.7
Cash EPS	275.5	334.9	352.3	408.3	463.3
DPS	35.0	75.0	80.0	100.0	120.0
Book Value	1,013.8	1,227.7	1,408.6	1,620.3	1,861.0
<b>Returns (%)</b>					
ROCE	19.7	20.6	21.6	22.9	24.0
Angel ROIC (Pre-tax)	59.9	92.5	136.3	187.6	234.3
ROE	18.0	20.3	18.5	19.2	19.4
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block)	3.8	3.6	3.6	3.8	4.0
Inventory / Sales (days)	20	17	14	15	15
Receivables (days)	8	6	7	8	10
Payables (days)	51	49	45	45	45
Working capital cycle (ex-cash) (days)	(23)	(25)	(24)	(22)	(20)

Source: Company, Angel Research

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1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

### **Ratings (Returns):**

**Buy (> 15%)**
**Reduce (-5% to -15%)**
**Accumulate (5% to 15%)**
**Sell (< -15%)**
**Neutral (-5 to 5%)**