

Maruti Suzuki India

Performance Update

Y/E March (₹ cr)	1QFY20	2QFY19	% yoy	4QFY19	% qoq
Net sales	19,720	22,459	(12.2)	21,459	(8.1)
EBITDA	2,048	3,351	(38.9)	2,263	(9.5)
EBITDA margin (%)	10.4	14.9	(454bp)	10.5	(16bp)
Adjusted PAT	1,436	1,975	(27.3)	1,796	(20.1)

Source: Company, Angel Research

For 1QFY2020, Maruti Suzuki India (MSIL) posted below expectation results both on top-line and bottom-line fronts. MSIL's standalone top-line registered a decline of ~12% yoy to ₹19,720cr on the back of volume de-growth of 18%. Moreover, the company's operating margins contracted by 454bps yoy. On the standalone bottom-line front, MSIL reported de-growth of ~27% yoy to ₹1,436cr on the back of lower sales and poor operating performance.

Top-line falls on declining volumes: MSIL's standalone top-line de-grew by ~12% yoy to ₹19,720cr. Overall volume growth declined by ~18% yoy, mainly due to subdued demand in the urban and rural markets. The company's management refrained from giving any volume guidance for the full year considering the future uncertainty. Recently, SIAM has revised its guidance for FY2020 and estimated a decline of 2-3%.

Subdued volumes and poor operating performance mar profitability: On the operating front, the company reported contraction in margins, down 454bps yoy at 10.4%. Operating margin was impacted mainly due to higher sales expense, unfavorable product mix and lower capacity utilization. On the standalone bottom-line front, MSIL reported de-growth of ~27% yoy to ₹1,436cr.

Outlook and Valuation: During the last four quarters, the company's volume growth has remained subdued mainly due to overall slowdown in economy, which affected the buying sentiment. However, we believe that any revival in auto industry would benefit Maruti on the back of its leadership position, diversified portfolio and strong brand & distribution network. **Considering the above factors, we maintain our Buy recommendation on MSIL with Target Price of ₹7,783.**

Key Financials

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E
Net sales	79,809	86,069	84,280	90,169
% chg	17.2	7.8	(2.1)	7.0
Adj. Net profit	7,881	7,651	6,443	7,123
% chg	4.9	(2.9)	(15.8)	10.5
EBITDA margin (%)	15.1	12.8	11.9	12.6
EPS (₹)	261.0	253.3	213.4	235.8
P/E (x)	21.3	21.9	26.1	23.6
P/BV (x)	3.9	3.6	3.4	3.2
RoE (%)	18.5	16.2	12.9	13.5
RoCE (%)	21.8	16.9	13.3	14.4
EV/Sales (x)	1.7	1.5	1.5	1.4
EV/EBITDA (x)	10.9	11.8	12.7	10.9

Source: Company, Angel Research Note

BUY

CMP	₹5,558
Target Price	₹7,783
Investment Period	12 months

Stock Info

Sector	Automobile
Market Cap (₹ cr)	1,67,889
Net Debt (₹ cr)	(37,534)
Beta	1.0
52 Week High / Low	9,590/5540
Avg. Daily Volume	59,018
Face Value (₹)	5
BSE Sensex	37,686
Nifty	11,189
Reuters Code	MRTI.BO
Bloomberg Code	MSIL.IN

Shareholding Pattern (%)

Promoters	56.2
MF / Banks / Indian FIs	7.2
FII / NRIs / OCBs	23.2
Indian Public / Others	13.5

Abs. (%)	3m	1yr	3yr
Sensex	(3.4)	0.5	34.3
MSIL	(10.3)	(38.2)	29.4

Price Chart



Source: Company, Angel Research

Research Analyst

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Exhibit 1: 1QFY2020 Performance

Y/E March (₹ cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq	FY2019	FY2018	% chg
Net Sales	19,720	22,459	(12.2)	21,459	(8.1)	86,020	81,994	4.9
Consumption of RM	14091	15,502	(9.1)	15424	(8.6)	60,254	57,207	5.3
(% of Sales)	71.5	69.0		71.9		70.0	69.8	
Staff Costs	859	765	12.3	817	5.2	3,255	2,834	14.9
(% of Sales)	4.4	3.4		3.8		3.8	3.5	
Other Expenses	2,722	2,841	(4.2)	2,956	(7.9)	11,512	9,892	16.4
(% of Sales)	13.8	12.6		13.8		13.4	12.1	
Total Expenditure	17,672	19,108	(7.5)	19,196	(7.9)	75,021	69,933	7.3
Operating Profit	2,048	3,351	(38.9)	2,263	(9.5)	10,999	12,062	(8.8)
OPM	10.4	14.9		10.5		12.8	14.7	
Interest	55	21	164.3	9	521.6	76	346	(78.1)
Depreciation	919	720	27.6	810	13.4	3019	2758	9.5
Other Income	836	272	207.7	868	(3.6)	2561	2046	25.2
PBT (excl. Ext Items)	1,911	2,882	(33.7)	2,312	(17.4)	10,466	11,003	(4.9)
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	1,911	2,882	(33.7)	2,312	(17.4)	10,466	11,003	(4.9)
(% of Sales)	9.7	12.8		10.8		12.2	13.4	
Provision for Taxation	475	907	(47.6)	517	(8.0)	2,965	3,282	(9.6)
(% of PBT)	24.9	31.5		22.3		28.3	29.8	
Reported PAT	1,436	1,975	(27.3)	1,796	(20.1)	7,501	7,722	(2.9)
PATM	7.3	8.8		8.4		8.7	9.4	
Minority Interest After NP								
Reported PAT	1,436	1,975	(27.3)	1,796	(20.1)	7,501	7,722	(2.9)

Source: Company, Angel Research

Outlook and Valuation

During the last four quarters, the company's volume growth has remained subdued mainly due to overall slowdown in economy, which affected the buying sentiment. However, we believe that any revival in auto industry would benefit Maruti on the back of its leadership position, diversified portfolio and strong brand & distribution network. **Considering the above factors, we maintain our Buy recommendation on MSIL with Target Price of ₹ 7,783.**

Downside risks to our estimates

- Strong launches and facelift of existing models by 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 cars, 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)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Net Sales	68,085	79,809	86,069	84,280	90,169
% chg	18.2	17.2	7.8	(2.1)	7.0
Total Expenditure	57,727	67,746	75,065	74,250	78,807
Raw Material	46,742	54,986	60,264	60,681	64,921
Personnel	2,360	2,863	3,285	3,203	2,795
Others Expenses	8,624	9,897	11,516	10,366	11,091
EBITDA	10,358	12,063	11,003	10,029	11,361
% chg	16.5	16.5	(8.8)	(8.9)	13.3
(% of Net Sales)	15.2	15.1	12.8	11.9	12.6
Depreciation & Amortisation	2,604	2,760	3,021	3,359	3,734
EBIT	7,754	9,304	7,982	6,670	7,627
% chg	27.8	20.0	(14.2)	(16.4)	14.3
(% of Net Sales)	11.4	11.7	9.3	7.9	8.5
Interest & other Charges	89	346	76	95	95
Other Income	2,462	2,209	2,562	2,500	2,500
(% of PBT)	24.3	19.8	24.5	27.5	24.9
Recurring PBT	10,127	11,167	10,468	9,075	10,032
% chg	33.5	10.3	(6.3)	(13.3)	10.5
Tax	2,616	3,286	2,973	2,632	2,909
(% of PBT)	25.8	29.4	28.4	29.0	29.0
PAT (reported)	7,511	7,881	7,495	6,443	7,123
Extraordinary Items	-	-	-	-	-
ADJ. PAT	7,511	7,881	7,651	6,443	7,123
% chg	36.6	4.9	(2.9)	(15.8)	10.5
(% of Net Sales)	11.0	9.9	8.9	7.6	7.9
Basic EPS (₹)	248.7	261.0	253.3	213.4	235.8
Fully Diluted EPS (₹)	248.7	261.0	253.3	213.4	235.8
% chg	36.6	4.9	(2.9)	(15.8)	10.5

Balance Sheet

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
SOURCES OF FUNDS					
Equity Share Capital	151	151	151	151	151
Reserves & Surplus	36,924	42,408	47,039	49,858	52,753
Shareholders Funds	37,075	42,559	47,190	50,009	52,904
Total Loans	484	121	158	158	158
Deferred Tax Liability	1,110	921	921	921	921
Total Liabilities	38,684	43,617	48,284	51,104	53,998
APPLICATION OF FUNDS					
Gross Block	18,680	21,458	25,660	28,960	32,260
Less: Acc. Depreciation	5,370	8,069	11,090	14,449	18,184
Net Block	13,311	13,389	14,570	14,511	14,077
Capital Work-in-Progress	1,252	2,132	2,132	2,132	2,132
Investments	29,151	36,123	37,504	40,504	43,504
Current Assets	8,247	8,604	8,257	9,084	10,890
Inventories	3,264	3,160	3,301	3,233	3,459
Sundry Debtors	1,203	1,465	2,358	2,309	2,964
Cash	24	74	188	340	860
Loans & Advances	2,129	2,013	430	1,264	1,353
Other Assets	1,628	1,892	1,980	1,938	2,254
Current liabilities	13,881	16,950	17,676	18,437	19,913
Net Current Assets	(5,634)	(8,346)	(9,419)	(9,352)	(9,023)
Deferred Tax Asset	604	319	319	319	319
Mis. Exp. not written off	-	-	-	-	-
Total Assets	38,684	43,617	48,284	51,104	53,998

Consolidated Cashflow Statement

Y/E March (` cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Profit before tax	10127	11167	10468	9075	10032
Depreciation	2604	2760	3021	3359	3734
Change in Working Capital	2192	2808	1187	86	191
Interest / Dividend (Net)	52	278	76	95	95
Direct taxes paid	(2323)	(3056)	(2973)	(2632)	(2909)
Others	(2370)	(2168)	0	0	0
Cash Flow from Operations	10282	11788	11778	9983	11143
(Inc.)/ Dec. in Fixed Assets	(3236)	(3885)	(3574)	(3300)	(3300)
(Inc.)/ Dec. in Investments	(5937)	(4417)	(1381)	(3000)	(3000)
Cash Flow from Investing	(9173)	(8302)	(4955)	(6300)	(6300)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	253	(363)	37	0	0
Dividend Paid (Incl. Tax)	(1057)	(2266)	(3020)	(3624)	(4228)
Interest / Dividend (Net)	(331)	(807)	(3727)	93	(95)
Cash Flow from Financing	(1136)	(3436)	(6710)	(3531)	(4323)
Inc./(Dec.) in Cash	(27)	51	114	152	520
Opening Cash balances	51	24	74	188	340
Closing Cash balances	24	74	188	340	860

Key Ratio

Y/E March	FY2017	FY2018	FY2019	FY2020E	FY2021E
Valuation Ratio (x)					
P/E (on FDEPS)	22.3	21.3	21.9	26.1	23.6
P/CEPS	16.6	15.8	16.0	17.1	15.5
P/BV	4.5	3.9	3.6	3.4	3.2
Dividend yield (%)	1.3	1.4	1.8	2.2	2.5
EV/Sales	2.0	1.7	1.5	1.5	1.4
EV/EBITDA	13.4	10.9	11.8	12.7	10.9
EV / Total Assets	3.6	3.0	2.9	2.6	2.4
Per Share Data (₹)					
EPS (Basic)	248.7	261.0	253.3	213.4	235.8
EPS (fully diluted)	248.7	261.0	253.3	213.4	235.8
Cash EPS	334.9	352.3	348.2	324.6	359.5
DPS	75.0	80.0	100.0	120.0	140.0
Book Value	1,227.7	1,409.3	1,562.6	1,655.9	1,751.8
Returns (%)					
ROCE	20.6	21.8	16.9	13.3	14.4
Angel ROIC (Pre-tax)	92.5	143.5	82.7	71.5	87.7
ROE	20.3	18.5	16.2	12.9	13.5
Turnover ratios (x)					
Asset Turnover (Gross Block)	3.6	3.7	3.4	2.9	2.8
Inventory / Sales (days)	17	14	14	14	14
Receivables (days)	6	7	10	10	12
Payables (days)	49	53	53	58	58
Working capital cycle (ex-cash) (days)	(25)	(31)	(29)	(34)	(32)

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%)