

Maruti Suzuki India

Performance Update

Y/E March (₹ cr)	2QFY19	2QFY18	% yoy	1QFY19	% qoq
Net sales	22,433	21,768	3.1	22,459	(0.1)
EBITDA	3,431	3,678	(6.7)	3,351	2.4
EBITDA margin (%)	15.3	16.9	(160bp)	14.9	37bp
Adjusted PAT	2,240	2,484	(9.8)	1,975	13.4

Source: Company, Angel Research

For 2QFY2019, Maruti Suzuki India (MSIL) posted slightly better numbers, in-line with expectation on EBITDA margin front (after adjusting for one time engineering service fee received from Suzuki of `2bn) as well as on the bottom-line front. MSIL reported ~3% yoy top-line growth to `22,433cr on the back of price hike (up ~4.5% yoy). The company's operating margins contracted by 160bps yoy. On the bottom-line front, MSIL reported de-growth of ~10% yoy to `2,240cr on the back of lower sales and poor operating performance.

Top-line remains flat: MSIL's top-line grew by ~3% yoy to `22,433cr on the back of price hike (up ~4.5% yoy). Overall volume growth de-grew by ~1.5%, mainly affected by flood in several states, higher interest rates, rising fuel prices, and insurance cost, which impacted the overall demand during the quarter. However, volumes increased 13% in 1H on back of 3rd consecutive good monsoon and increase in MSP in rural area. As per management, MSIL expects strong volume growth in 2HFY2019 due to festive seasons and strong buying sentiment in rural markets.

Subdued volume and poor operating performance impacted the overall profitability: On the operating front, the company reported contraction in margins, down 160bps yoy at 15.3%. Operating margin was impacted mainly due to an increase in material prices, higher discounts and unfavorable currency movement. On the bottom-line front, MSIL reported de-growth of ~10% yoy to `2,240cr.

Outlook and Valuation: We expect MSIL to report net revenue CAGR of ~14% to ~`1,03,712cr over FY2018-20E mainly due to new launches and upcoming facelift in various models. Further, on the bottom-line front, we expect CAGR of ~14% to `10,331cr over the same period on the back of healthy sales. **Thus, we maintain our Buy recommendation on MSIL with Target Price of `8,552.**

Key Financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
Net sales	68,085	79,809	90,185	103,712
% chg	18.2	17.2	13.0	15.0
Adj. Net profit	7,511	7,881	8,714	10,331
% chg	36.6	4.9	10.6	18.6
EBITDA margin (%)	15.2	15.1	14.7	15.3
EPS (₹)	248.7	261.0	288.5	342.1
P/E (x)	27.0	25.7	23.2	19.6
P/BV (x)	5.5	4.8	4.2	3.7
RoE (%)	20.3	18.5	18.1	18.8
RoCE (%)	20.6	21.6	21.2	23.0
EV/Sales (x)	2.6	2.1	1.8	1.5
EV/EBITDA (x)	16.8	13.8	12.0	9.6

Please refer to important disclosures at the end of this report

BUY

CMP	₹6,705
Target Price	₹8,552
Investment Period	12 months

Stock Info

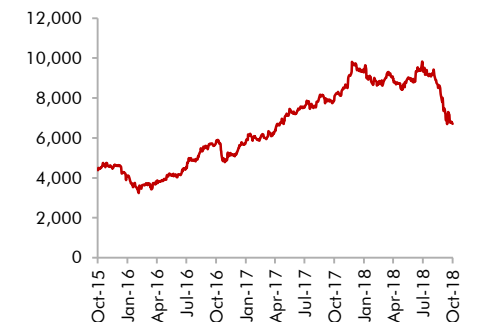
Sector	Automobile
Market Cap (Rs cr)	2,03,299
Net Debt	(35,713)
Beta	1.0
52 Week High / Low	6,502/10,000
Avg. Daily Volume	68,329
Face Value (Rs)	5
BSE Sensex	33,762
Nifty	10,159
Reuters Code	MRTI.BO
Bloomberg Code	MSIL.IN

Shareholding Pattern (%)

Promoters	56.2
MF / Banks / Indian Fls	6.1
FII / NRIs / OCBs	22.8
Indian Public / Others	14.9

Abs. (%)	3m	1yr	3yr
Sensex	(9.8)	0.6	21.9
MSIL	(28.6)	17.0	52.8

Historical share price chart



Source: Company, Angel Research

Research Analyst

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Exhibit 1: 2QFY2019 Performance

Y/E March (₹ cr)	2QFY19	2QFY18	% yoy	1QFY19	% qoq	1HFY19	1HFY18	% chg
Net Sales	22,433	21,768	3.1	22,459	(0.1)	44893	41546	8.1
Consumption of RM	15285	14,978	2.0	15502	(1.4)	30,787	29,498	4.4
(% of Sales)	68.1	68.8		69.0		68.6	71.0	
Staff Costs	792	667	18.8	765	3.5	1,557	1,319	18.1
(% of Sales)	3.5	3.1		3.4		3.5	3.2	
Other Expenses	2,925	2,446	19.6	2,841	3.0	5,766	4,720	22.2
(% of Sales)	13.0	11.2		12.6		12.8	11.4	
Total Expenditure	19,002	18,091	5.0	19,108	(0.6)	38,110	35,537	7.2
Operating Profit	3,431	3,678	(6.7)	3,351	2.4	6,782	6,009	12.9
OPM	15.3	16.9		14.9		15.1	14.5	
Interest	26	15	71.3	21	24.2	46	46	0.2
Depreciation	721	683	5.7	720	0.2	1441	1366	5.5
Other Income	527	523	0.7	272	93.7	798	1206	(33.8)
PBT (excl. Ext Items)	3,211	3,503	(8.3)	2,882	11.4	6,093	5,802	5.0
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	3,211	3,503	(8.3)	2,882	11.4	6,093	5,802	5.0
(% of Sales)	14.3	16.1		12.8		13.6	14.0	
Provision for Taxation	971	1,019	(4.7)	907	7.0	1,878	1,761	6.6
(% of PBT)	30.2	29.1		31.5		30.8	30.4	
Reported PAT	2,240	2,484	(9.8)	1,975	13.4	4,216	4,041	4.3
PATM	10.0	11.4		8.8		9.4	9.7	
Minority Interest After NP								
Reported PAT	2,240	2,484	(9.8)	1,975	13.4	4,216	4,041	4.3
FDEPS (₹)	74.2	82.3	(9.8)	65.4	13.4	139.6	133.8	4.3

Source: Company, Angel Research

Outlook and Valuation

We expect MSIL to report net revenue CAGR of ~14% to ~`1,03,712cr over FY2018-20E mainly due to new launches and upcoming facelift in various models. Further, on the bottom-line front, we expect CAGR of ~14% to `10,331cr over the same period on the back of healthy sales. **Thus, we maintain our Buy recommendation on MSIL with Target Price of `8,552.**

Downside risks to our estimates

- Strong launches and facelift of existing models 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 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)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Net Sales	57,589	68,085	79,809	90,185	103,712
% chg	13.4	18.2	17.2	13.0	15.0
Total Expenditure	48,700	57,727	67,746	76,927	87,844
Raw Material	38,706	46,742	54,986	63,580	72,806
Personnel	2,000	2,360	2,863	3,247	3,734
Others Expenses	7,994	8,624	9,897	10,101	11,305
EBITDA	8,889	10,358	12,063	13,257	15,868
% chg		16.5	16.5	9.9	19.7
(% of Net Sales)	15.4	15.2	15.1	14.7	15.3
Depreciation & Amortisation	2,822	2,604	2,760	2,917	3,100
EBIT	6,067	7,754	9,304	10,340	12,768
% chg		27.8	20.0	11.1	23.5
(% of Net Sales)	10.5	11.4	11.7	11.5	12.3
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	17.7	15.4
Recurring PBT	7,585	10,127	11,167	12,448	14,973
% chg		33.5	10.3	11.5	20.3
Tax	2,088	2,616	3,286	3,734	4,642
(% of PBT)	27.5	25.8	29.4	30.0	31.0
PAT (reported)	5,497	7,511	7,881	8,714	10,331
Extraordinary Items	-	-	-	-	-
ADJ. PAT	5,497	7,511	7,881	8,714	10,331
% chg		36.6	4.9	10.6	18.6
(% of Net Sales)	9.5	11.0	9.9	9.7	10.0
Basic EPS (₹)	182.0	248.7	261.0	288.5	342.1
Fully Diluted EPS (₹)	182.0	248.7	261.0	288.5	342.1
% chg		44.4	36.6	4.9	10.6

Balance Sheet

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	151	151	151	151	151
Reserves & Surplus	30,465	36,924	42,389	48,082	54,790
Shareholders Funds	30,616	37,075	42,540	48,233	54,941
Total Loans	231	484	484	484	484
Deferred Tax Liability	861	1,110	1,110	1,110	1,110
Total Liabilities	31,722	38,684	44,148	49,842	56,549
APPLICATION OF FUNDS					
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
Net Block	12,530	13,311	13,957	13,540	12,940
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	8,123	10,946
Inventories	3,133	3,264	3,160	3,706	4,262
Sundry Debtors	1,323	1,203	1,465	1,730	2,273
Cash	51	24	74	162	262
Loans & Advances	2,303	2,129	439	451	1,556
Other Assets	1,703	1,628	2,010	2,074	2,593
Current liabilities	11,636	13,881	14,936	16,800	19,315
Net Current Assets	(3,122)	(5,634)	(7,788)	(8,677)	(8,370)
Deferred Tax Asset	632	604	604	604	604
Mis. Exp. not written off	-	-	-	-	-
Total Assets	31,722	38,684	44,148	49,842	56,549

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	7585	10127	11167	12448	14973
Depreciation	2822	2604	2760	2917	3100
Change in Working Capital	1460	2192	2204	978	(207)
Interest / Dividend (Net)	(70)	52	346	92	95
Direct taxes paid	(1912)	(2323)	(3286)	(3734)	(4642)
Others	(1402)	(2370)	0	0	0
Cash Flow from Operations	8483	10282	13191	12700	13319
(Inc.)/ Dec. in Fixed Assets	(2456)	(3236)	(3406)	(2500)	(2500)
(Inc.)/ Dec. in Investments	(4774)	(5937)	(6973)	(7000)	(7000)
Cash Flow from Investing	(7230)	(9173)	(10379)	(9500)	(9500)
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)
Cash Flow from Financing	(1229)	(1136)	(2762)	(3112)	(3719)
Inc./(Dec.) in Cash	23	(27)	50	88	100
Opening Cash balances	28	51	24	74	162
Closing Cash balances	51	24	74	162	262

Key Ratio

Y/E March	FY2016	FY2017	FY2018	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	36.8	27.0	25.7	23.2	19.6
P/CEPS	24.3	20.0	19.0	17.4	15.1
P/BV	6.6	5.5	4.8	4.2	3.7
Dividend yield (%)	0.5	1.1	1.2	1.5	1.8
EV/Sales	3.2	2.6	2.1	1.8	1.5
EV/EBITDA	20.5	16.8	13.8	12.0	9.6
EV / Total Assets	5.7	4.5	3.8	3.2	2.7
Per Share Data (₹)					
EPS (Basic)	182.0	248.7	261.0	288.5	342.1
EPS (fully diluted)	182.0	248.7	261.0	288.5	342.1
Cash EPS	275.5	334.9	352.3	385.1	444.8
DPS	35.0	75.0	80.0	100.0	120.0
Book Value	1,013.8	1,227.7	1,408.6	1,597.1	1,819.2
Returns (%)					
ROCE	19.7	20.6	21.6	21.2	23.0
Angel ROIC (Pre-tax)	59.9	92.5	136.3	190.4	253.4
ROE	18.0	20.3	18.5	18.1	18.8
Turnover ratios (x)					
Asset Turnover (Gross Block)	3.8	3.6	3.6	3.7	3.8
Inventory / Sales (days)	20	17	14	15	15
Receivables (days)	8	6	7	7	8
Payables (days)	51	49	45	45	45
Working capital cycle (ex-cash) (days)	(23)	(25)	(24)	(23)	(22)

Source: Company, Angel Research

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Disclosure of Interest Statement	Maruti Suzuki India
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%)
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