

Maruti Suzuki India

Performance Update

Y/E March (₹ cr)	4QFY19	4QFY18	% yoy	3QFY19	% qoq
Net sales	21,459	21,166	1.4	19,668	9.1
EBITDA	2,263	3,015	(24.9)	1,931	17.2
EBITDA margin (%)	10.5	14.2	(370bp)	9.8	73bp
Adjusted PAT	1,796	1,882	(4.6)	1,489	20.6

Source: Company, Angel Research

For 4QFY2019, Maruti Suzuki India (MSIL) posted below expectation results both on top-line and bottom-line fronts. MSIL reported ~1% yoy top-line growth to ₹21,459cr on the back of price hikes (up ~2% yoy). Moreover, the company's operating margins contracted by 370bps yoy. On the bottom-line front, MSIL reported de-growth of ~5% yoy to ₹1,796cr on the back of lower sales and poor operating performance.

Top-line flat: MSIL's top-line grew by ~1% yoy to ₹21,459cr on the back of price hikes (up ~2% yoy). Overall volume growth declined by ~0.7% yoy, mainly due to weak domestic market conditions and sluggish export markets during the quarter. Going forward, management expects to outpace industry growth despite increase in the competition intensity.

Subdued volume and poor operating performance impacted profitability: On the operating front, the company reported contraction in margins, down 370bps yoy at 10.5%. Operating margin was impacted mainly due to higher discounts, unfavourable currency movement and commissioning of phase II of the Gujarat plant at a time when volume growth remained flat yoy. On the bottom-line front, MSIL reported de-growth of ~5% yoy to ₹1,796cr.

Outlook and Valuation: We expect MSIL to report net revenue CAGR of ~12% to ~₹1,07,023cr over FY2019-21E mainly due to new launches and upcoming facelift in various models. Further, on the bottom-line front, we expect CAGR of ~13% to ₹9,697cr over the same period on the back of healthy sales and improvement in operating margin (due to ramp-up of Gujarat plant over next 6-12 months, royalty rate reduction on the back of volume growth and cost reduction efforts). **Thus, we maintain our Buy recommendation on MSIL with Target Price of ₹8,552.**

Key Financials

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E
Net sales	79,809	86,069	95,691	107,023
% chg	17.2	7.8	11.2	11.8
Adj. Net profit	7,881	7,651	8,518	9,697
% chg	4.9	(2.9)	11.3	13.8
EBITDA margin (%)	15.1	12.8	13.8	14.3
EPS (₹)	261.0	253.3	282.1	321.1
P/E (x)	25.9	26.7	24.0	21.1
P/BV (x)	4.8	4.3	3.9	3.6
RoE (%)	18.5	16.2	16.4	16.9
RoCE (%)	21.6	16.9	19.0	20.2
EV/Sales (x)	2.1	1.9	1.7	1.4
EV/EBITDA (x)	14.0	15.0	12.1	10.0

Source: Company, Angel Research Note

BUY

CMP	₹6,832
Target Price	₹8,552
Investment Period	12 months

Stock Info

Sector	Automobile
Market Cap (₹ cr)	2,04,443
Net Debt (₹ cr)	(37,534)
Beta	1.0
52 Week High / Low	9923/6324
Avg. Daily Volume	61,575
Face Value (₹)	5
BSE Sensex	38,928
Nifty	11,691
Reuters Code	MRTI.BO
Bloomberg Code	MSIL.IN

Shareholding Pattern (%)

Promoters	56.2
MF / Banks / Indian FIs	13.4
FII / NRIs / OCBs	22.3
Indian Public / Others	8.1

Abs. (%)	3m	1yr	3yr
Sensex	7.5	12.3	50.8
MSIL	5.9	(22.8)	84.9

Price Chart



Source: Company, Angel Research

Research Analyst

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Exhibit 1: 4QFY2019 Performance

Y/E March (₹ cr)	4QFY19	4QFY18	% yoy	3QFY19	% qoq	FY2019	FY2018	% chg
Net Sales	21,459	21,166	1.4	19,668	9.1	86,020	81,994	4.9
Consumption of RM	15424	14,376	7.3	14044	9.8	60,254	57,207	5.3
(% of Sales)	71.9	67.9		71.4		70.0	69.8	
Staff Costs	817	828	(1.4)	881	(7.3)	3,255	2,834	14.9
(% of Sales)	3.8	3.9		4.5		3.8	3.5	
Other Expenses	2,956	2,946	0.3	2,812	5.1	11,512	9,892	16.4
(% of Sales)	13.8	13.9		14.3		13.4	12.1	
Total Expenditure	19,196	18,151	5.8	17,737	8.2	75,021	69,933	7.3
Operating Profit	2,263	3,015	(24.9)	1,931	17.2	10,999	12,062	(8.8)
OPM	10.5	14.2		9.8		12.8	14.7	
Interest	9	273	(96.8)	21	(57.3)	76	346	(78.1)
Depreciation	810	703	15.3	768	5.5	3019	2758	9.5
Other Income	868	595	45.8	917	(5.4)	2561	2046	25.2
PBT (excl. Ext Items)	2,312	2,634	(12.2)	2,060	12.2	10,466	11,003	(4.9)
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	2,312	2,634	(12.2)	2,060	12.2	10,466	11,003	(4.9)
(% of Sales)	10.8	12.4		10.5		12.2	13.4	
Provision for Taxation	517	752	(31.3)	571	(9.5)	2,965	3,282	(9.6)
(% of PBT)	22.3	28.6		27.7		28.3	29.8	
Reported PAT	1,796	1,882	(4.6)	1,489	20.6	7,501	7,722	(2.9)
PATM	8.4	8.9		7.6		8.7	9.4	
Minority Interest After NP								
Reported PAT	1,796	1,882	(4.6)	1,489	20.6	7,501	7,722	(2.9)

Source: Company, Angel Research

Outlook and Valuation

We expect MSIL to report net revenue CAGR of ~12% to ~`1,07,023cr over FY2019-21E mainly due to new launches and upcoming facelift in various models. Further, on the bottom-line front, we expect CAGR of ~13% to `9,697cr over the same period on the back of healthy sales and improvement in operating margin (due to ramp-up of Gujarat plant over next 6-12 months, royalty rate reduction on the back of volume growth and cost reduction efforts). **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)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Net Sales	68,085	79,809	86,069	95,691	107,023
% chg	18.2	17.2	7.8	11.2	11.8
Total Expenditure	57,727	67,746	75,065	82,486	91,719
Raw Material	46,742	54,986	60,264	66,984	74,916
Personnel	2,360	2,863	3,285	3,445	4,067
Others Expenses	8,624	9,897	11,516	12,057	12,736
EBITDA	10,358	12,063	11,003	13,205	15,304
% chg	16.5	16.5	(8.8)	20.0	15.9
(% of Net Sales)	15.2	15.1	12.8	13.8	14.3
Depreciation & Amortisation	2,604	2,760	3,021	3,265	3,655
EBIT	7,754	9,304	7,982	9,940	11,649
% chg	27.8	20.0	(14.2)	24.5	17.2
(% of Net Sales)	11.4	11.7	9.3	10.4	10.9
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	20.3	17.8
Recurring PBT	10,127	11,167	10,468	12,345	14,054
% chg	33.5	10.3	(6.3)	17.9	13.8
Tax	2,616	3,286	2,973	3,827	4,357
(% of PBT)	25.8	29.4	28.4	31.0	31.0
PAT (reported)	7,511	7,881	7,495	8,518	9,697
Extraordinary Items	-	-	-	-	-
ADJ. PAT	7,511	7,881	7,651	8,518	9,697
% chg	36.6	4.9	(2.9)	11.3	13.8
(% of Net Sales)	11.0	9.9	8.9	8.9	9.1
Basic EPS (₹)	248.7	261.0	253.3	282.1	321.1
Fully Diluted EPS (₹)	248.7	261.0	253.3	282.1	321.1
% chg	36.6	4.9	(2.9)	11.3	13.8

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	42,389	47,019	51,914	57,383
Shareholders Funds	37,075	42,540	47,170	52,065	57,534
Total Loans	484	484	158	158	158
Deferred Tax Liability	1,110	1,110	1,110	1,110	1,110
Total Liabilities	38,684	44,148	48,453	53,347	58,816
APPLICATION OF FUNDS					
Gross Block	18,680	22,086	25,660	28,760	32,160
Less: Acc. Depreciation	5,370	8,129	11,150	14,415	18,071
Net Block	13,311	13,957	14,510	14,345	14,090
Capital Work-in-Progress	1,252	1,252	1,252	1,252	1,253
Investments	29,151	36,123	39,823	44,623	49,623
Current Assets	8,247	7,148	8,257	10,340	13,163
Inventories	3,264	3,160	3,301	3,670	4,105
Sundry Debtors	1,203	1,465	2,358	2,622	3,519
Cash	24	74	188	412	1,258
Loans & Advances	2,129	439	430	1,435	1,605
Other Assets	1,628	2,010	1,980	2,201	2,676
Current liabilities	13,881	14,936	16,149	17,973	20,071
Net Current Assets	(5,634)	(7,788)	(7,892)	(7,633)	(6,908)
Deferred Tax Asset	604	604	604	604	605
Mis. Exp. not written off	-	-	-	-	-
Total Assets	38,684	44,148	48,453	53,347	58,816

Consolidated Cashflow Statement

Y/E March (` cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Profit before tax	10127	11167	10468	12345	14054
Depreciation	2604	2760	3021	3265	3655
Change in Working Capital	2192	2204	218	(35)	121
Interest / Dividend (Net)	52	346	76	95	95
Direct taxes paid	(2323)	(3286)	(2973)	(3827)	(4357)
Others	(2370)	0	0	0	0
Cash Flow from Operations	10282	13191	10810	11843	13569
(Inc.)/ Dec. in Fixed Assets	(3236)	(3406)	(3574)	(3100)	(3400)
(Inc.)/ Dec. in Investments	(5937)	(6973)	(3700)	(4800)	(5000)
Cash Flow from Investing	(9173)	(10379)	(7274)	(7900)	(8400)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	253	0	(326)	0	0
Dividend Paid (Incl. Tax)	(1057)	(2416)	(3020)	(3624)	(4228)
Interest / Dividend (Net)	(331)	(346)	(76)	(95)	(95)
Cash Flow from Financing	(1136)	(2762)	(3422)	(3719)	(4323)
Inc./(Dec.) in Cash	(27)	50	114	224	846
Opening Cash balances	51	24	74	188	412
Closing Cash balances	24	74	188	412	1258

Key Ratio

Y/E March	FY2017	FY2018	FY2019	FY2020E	FY2021E
Valuation Ratio (x)					
P/E (on FDEPS)	27.2	26.0	26.8	24.0	21.1
P/CEPS	20.2	19.2	19.5	17.4	15.3
P/BV	5.5	4.8	4.3	3.9	3.6
Dividend yield (%)	1.1	1.2	1.5	1.8	2.1
EV/Sales	2.6	2.1	1.9	1.7	1.4
EV/EBITDA	17.0	14.0	15.0	12.1	10.1
EV / Total Assets	4.5	3.8	3.4	3.0	2.6
Per Share Data (₹)					
EPS (Basic)	248.7	261.0	253.3	282.1	321.1
EPS (fully diluted)	248.7	261.0	253.3	282.1	321.1
Cash EPS	334.9	352.3	348.2	390.2	442.1
DPS	75.0	80.0	100.0	120.0	140.0
Book Value	1,227.7	1,408.6	1,561.9	1,724.0	1,905.1
Returns (%)					
ROCE	20.6	21.6	16.9	19.0	20.2
Angel ROIC (Pre-tax)	92.5	136.3	109.1	138.3	171.0
ROE	20.3	18.5	16.2	16.4	16.9
Turnover ratios (x)					
Asset Turnover (Gross Block)	3.6	3.6	3.4	3.3	3.3
Inventory / Sales (days)	17	14	14	14	14
Receivables (days)	6	7	10	10	12
Payables (days)	49	45	46	46	46
Working capital cycle (ex-cash) (days)	(25)	(24)	(22)	(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%)