

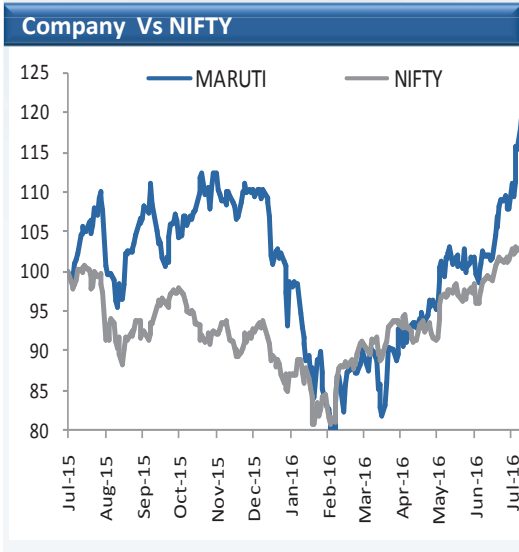
## Maruti Suzuki India Limited

Result Update	
CMP	4991
Target Price	4965
Previous Target Price	
Upside	
Change from Previous	-

Market Data	
BSE Code	532500
NSE Symbol	MARUTI
52wk Range H/L	5038/3202
Mkt Capital (Rs Cr)	150768
Av. Volume	64019
Nifty	8623

Stock Performance			
	1Month	1Year	YTD
Absolute	19.7	16.2	7.7
Rel.to Nifty	16.2	13.9	-0.6

Share Holding Pattern-%			
	1QFY17	4QFY16	3QFY16
Promoter	56.2	56.2	56.2
Public	43.8	43.8	43.8
Others	--	--	--
Total	100.0	100.0	100.0



Maruti reported 11% sales growth in 1QFY17 which was driven by 2% volume growth and 9% realization growth. Lower volume growth came due to fire in the facility of Subros Limited which supplies air conditioning solutions to the Maruti. Realization improved on account of higher demand of newly launched premium segment cars (Vitara Brezza and Baleno) and lower discounts during the quarter. Rural sector contribution in total volumes is 35%. Rural sales remain flat in 1QFY17 and it is expected to revive from second half of the year assuming a normal monsoon. Waiting period for Baleno and Brezza are increasing so the management is setting up temporary production line to cope up with increasing demand. Going forward we assume that strong portfolio commissioning of Gujarat plant in early January 2017 better than average monsoon expectation and double digit growth target given by management can be key growth drivers for Maruti Suzuki.

### Result Update

Maruti reported Rs.14927 crore of net sales in 4QFY16 a growth of 11% over previous year. This was driven by 2% volume growth and 9% realization growth YoY.

EBITDA margin declined to 14.8% by 150bps YoY higher steel prices and employee cost.

Royalty stood at Rs.561 crore (6.6% of sales) during the quarter due to appreciation in Yen.

Maruti reported a PAT of Rs. 1486 crore a growth of 24.6% YoY on account of higher other income in the quarter.

### Outlook and Valuation

Going forward we assume that strong product portfolio and new product launches commissioning of Gujarat plant in early January 2017 better than average monsoon expectation and double digit growth target given by management can be key growth drivers for Maruti Suzuki. 7th pay commission can also be revenue booster for Maruti in FY17. The stock seems to discount almost every positive trait in its current market price we therefore advise our investors to book profit at current levels .

	Rs. In crore				
Financials	1QFY17	4QFY16	1QFY16	QoQ	YoY
Sales	14927	15306	13425	-2%	11%
EBITDA	2216	2350	2189	-6%	1%
Net Profit	1486	1134	1193	31%	25%
EBIDTA%	14.8%	15.4%	16.3%		
PAT %	10.0%	7.4%	8.9%		

(Source: Company/Eastwind)

**Investment Argument**

>>Maruti is exploring new geographies to produce and market vehicles for the African, West Asian and some South Asian markets, has commenced feasibility studies to evaluate the potential of setting up a unit in Africa. Out of total export around 8 to 10% vehicles were shipped to Africa.

>>IMD is expecting better monsoon in 2016, which will lead better demand from rural sector. Rural sector contributes 35% of the total Maruti volumes.

>>We are expecting implementation of 7th pay-commission in FY17 which will lead two wheeler and four wheeler demand going forward.

>>Ban on 10 years old diesel vehicles & 15 years old petrol vehicles and Implementation of BS-IV norms from 1st April 2017 may also boost volumes in FY17.

**Management Highlight**

>>Management remain confident of double digit growth.

>>Capex guidance of Rs.4500 crores (Rs. 1000 crore for maintenance capex and rest on marketing investment and R&D).

>>Tax rate 30% for FY17.

>>Waiting period for Baleno is 6-7 months and 8-9 months for Brezza.

>>Rural demand was flat for the quarter; rural demand will pick up Oct-Dec onwards if the monsoon turns out to be as good as it has been predicted.

>>Average discounts were Rs.16800 for the quarter.

>>Management has shown uncertainty about the steel price hike.

>>First time buyer's preference has changed from Alto to upper middle segment hatchbacks.

>>Export declined due to Sri-Lanka import duty hike and fire at Subros.

>>The production was disrupted in the month of June, due to the unfortunate incident of Fire at Subros, a key vendor. The company expects to recover the production loss during the course of the year.

>>Till now 11400 are Baleno's exported and management sticks to it 50000 units of Baleno export guidance in FY17.

>>Forex exposure is Yen- 40%, Euro- 30% and USD- 30%.

>>The trial run for gujarat plant would begin in the period of January-March 2017 and commercial production from the next quarter.

>>Brezza royalty will be calculated in INR terms to eliminate exchange risk.

**About The Company**

Maruti Suzuki India Limited is an India-based company engaged in the manufacture, purchase and sale of motor vehicles, components and spare parts (automobiles). The Company's other activities consist of facilitation of pre-owned car sales, fleet management and car financing.

**Plant Location- The company has 5 plants in 3 locations.**

Plant Location	Capacity	No. of plants
Gurgaon	800000 units	2
Manesar	800000 units	3
Gujarat	750000 units	3

**Gujarat Plant-** The plant is fully financed by the parent Suzuki Motor Japan. The plant will be operational in 3 phases. First phase is expected to be start by January 2017 with an initial capacity of 250000 units and will hardly contribute in terms of volumes in FY17( 10000 units expected in 4QFY17).

## Financials Snap Shot

## INCOME STATEMENT

	FY13	FY14	FY15	FY16
Revenue (Net of Excise D	44304	44451	50801	58612
Other Income	830	831	865	472
Total Revenue	45135	45281	51666	59084
COGS	33051	31853	35615	39318
GPM	75%	72%	70%	67%
Other Expenses	5806	5970	6741	8115
EBITDA	4328	5204	6844	9119
EBITDA Margin (%)	10%	12%	13%	16%
Depreciation	1890	2116	2515	2867
EBIT	2438	3088	4329	6252
Interest	198	185	218	94
PBT	3070	3734	4976	6630
Tax	622	902	1185	1999
Tax Rate (%)	20%	24%	24%	30%
Reported PAT	2471	2855	3807	4699
Dividend Paid	283	424	884	1237
No. of Shares	30	30	30	30

Source: Eastwind/Company

## RATIOS

	FY13	FY14	FY15	FY16
EPS	82	94	126	156
Book Value	630	712	805	919
DPS	9	14	29	41
Payout (incl. Div. Tax.)	11%	15%	23%	26%
<b>Valuation(x)</b>				
P/E	16	24	29	24
Price / Book Value	2	3	5	4
Dividend Yield (%)	0.73%	0.62%	0.79%	1.10%
<b>Profitability Ratios</b>				
RoE	13%	13%	16%	17%
RoCE	12%	14%	18%	22%
<b>Turnover Ratios</b>				
Asset Turnover (x)	2	1	1	1
Debtors (No. of Days)	13	12	8	9
Inventory (No. of Days)	21	20	27	30
Creditors (No. of Days)	35	41	41	44
Net Debt/Equity (x)	0.04	0.03	0.01	0.01

Source: Eastwind/Company

## BALANCE SHEET

	FY13	FY14	FY15	FY16
Share Capital	151	151	151	151
Reserves	18877	21345	24167	27598
Net Worth	19028	21496	24318	27749
Long term Debt	705	627	278	147
Short term Debt	864	1238	53	91
Deferred Tax	418	596	484	475
Total Capital Employed	19733	22124	24597	27896
Net Fixed Assets	11988	13673	14380	13989
Capital WIP	1967	2640	1890	0
Debtors	1536	1489	1144	1387
Cash & Bank Balances	815	649	43	77
Trade payables	4277	5000	5657	7127
Total Provisions	868	873	1652	2137
Net Current Assets	5168	7561	-234	-3965
Total Assets	27517	31411	34479	40270

Source: Eastwind/Company

## CASH FLOW STATEMENT

	FY13	FY14	FY15	FY16E
OP/(Loss) before Tax	3070	3734	4976	6630
Depreciation	1890	2116	2515	2867
Direct Taxes Paid	(551)	(858)	(1075)	(1999)
Operating profit before w	4534	5111	6779	9591
CF from Op. Activity	4059	4995	6539	8996
	(12695)	(13100)	(17354)	2431
Capital expenditure on fix	(3573)	(3545)	(3279)	(2477)
CF from Inv. Activity	(3224)	(4997)	(4581)	(7566)
Repayment of Long Term	(459)	(22)	(211)	(131)
Interest Paid	(208)	(170)	(222)	(94)
Divd Paid (incl Tax)	(252)	(283)	(424)	(1237)
CF from Fin. Activity	(979)	(74)	(2004)	(1424)
Inc/(Dec) in Cash	(144)	(76)	(45)	6
Add: Opening Balance	203	165	89	43
Closing Balance	165	89	43	50

Source: Eastwind/Company