

Industry  
Bloomberg  
BSE CODE

Automobiles  
MSIL IN  
532500

RATING	ACCUMULATE
CMP	6186
Price Target	6885
Potential Upside	11%

Rating Change	↑
Estimate Change	↑
Target Change	↑

STOCK INFO	
52wk Range H/L	7,755/4002
Mkt Capital (Rs Cr)	191722
Free float (%)	44%
Avg. Vol 1M (,000)	1310
No. of Shares (Cr)	30
Promoters Pledged %	0%

## RESEARCH ANALYST

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## Higher retail volumes suggest improving demand situation

### 1QFY21 Result update

- MARUTI's revenue de-grew by 79.2%YoY to Rs 4107 crores (vs our estimates of Rs. 3972 crores) due to decline in volumes by 82% YoY on account of COVID-19 led volumes disruption. However, realization grew by 9% YoY led by price hikes related to BS VI transition.
- Domestic revenues de-grew by 81.4% YoY to Rs.3215 crores on account of 82% YoY decline in volumes.
- Exports revenue declined by 67.2% YoY to Rs. 461 crores due to 66% YoY decline in volumes.
- Discounts for the quarter were Rs 25000 as against Rs 19051 in 4QFY20, up by 31% on sequential basis.
- Gross margin declined by 122 bps QoQ to 28.5%. However EBITDA margin declined by 2952 bps QoQ to -21% led by weaker operating leverage and lower sales volumes.
- Net Loss for the quarter stood at Rs. 249 crores (vs our estimates of Net loss Rs. 411 crores) with a de-growth of 117% YoY. PAT margin declined by 1317 bps QoQ to 8% due decline in EBITDA margin.

### View and Valuation

Higher retails as compared to wholesale volumes coupled with increased enquiry levels suggest that demand sentiments are coming back to previous year levels. Though some key geographies such as Maharashtra, Kerala and Tamil Nadu continues to be severely impacted due to lockdowns. Also, the demand for personal mobility will increase over shared mobility and in addition to that higher sales in rural and semi urban areas will lead to down trading which will be favorable for Maruti going ahead. Further the management is very aggressively working on to reduce fixed cost along with model cost reduction program which will protect the margins in near term. We increased our FY21 EPS estimates by 7%. We value the stock at 28x FY22e EPS to arrive at a target price of Rs 6858 and assign ACCUMULATE rating.

### Key Risks to our rating and target

- Continued slowdown in passenger vehicle industry.
- Increase in commodity prices.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY18	FY19	FY20	FY21E	FY22E
Net Sales	79809	86069	75660	54890	83810
EBITDA	12063	11003	7313	4992	10275
EBIT	9304	7982	3784	1709	6852
PAT	7881	7651	5678	3472	7399
EPS (Rs)	261	253	188	115	245
EPS growth (%)	4.9	(2.9)	(25.8)	(38.8)	113.1
ROE (%)	18.5	16.2	11.5	6.8	13.3
ROCE (%)	21.9	16.9	7.7	3.3	12.3
BV	1409	1559	1636	1702	1844
P/B (X)	6.3	4.4	2.6	3.6	3.4
P/E (x)	34.0	27.3	22.8	53.8	25.3

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## Sales above estimates

### 1QFY21 Results

Fig in Rs Cr

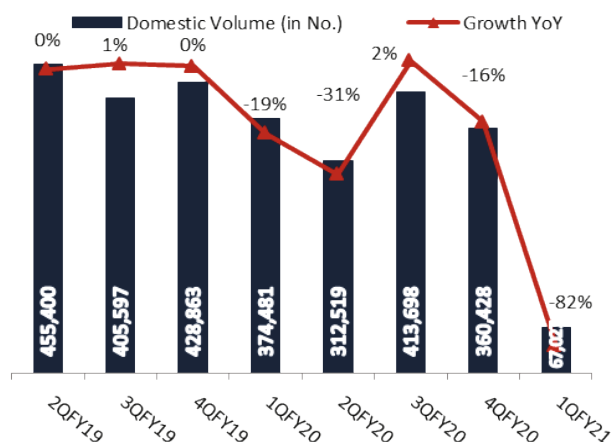
FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Volumes (000)	403	338	437	385	77	-81%	-80%	1,862	1,563	-16.1%
Realization	489,809	502,053	473,449	472,663	536,104	9%	13%	462,125	483,977	4.7%
Net Sales	19,719	16,985	20,707	18,199	4,107	-79%	-77%	86,069	75,660	-12.1%
Other Income	836	920	784	880	1,318	58%	50%	2,562	3,334	30.2%
Total Income	20,556	17,905	21,491	19,079	5,425	-74%	-72%	88,630	78,994	-10.9%
COGS	14,091	12,099	15,013	12,791	2,936	-79%	-77%	60,264	53,163	-11.8%
Staff Cost	859	838	867	819	730	-15%	-11%	3,285	3,416	4.0%
Other Exp.	2,722	2,441	2,725	3,042	1,303	-52%	-57%	3,562	11,890	233.8%
Expenditure	17,672	15,379	18,605	16,652	4,970	-72%	-70%	75,065	68,347	-8.9%
EBITDA	2,047	1,606	2,102	1,546	(863)	-142%	-156%	11,003	7,313	-33.5%
Depreciation	919	926	858	823	783	-15%	-5%	3,021	3,528	16.8%
EBIT	1,129	680	1,244	723	(1,647)	-246%	-328%	7,982	3,784	-52.6%
Interest	55	28	22	28	17	-68%	-39%	76	134	76.8%
PBT	1,911	1,572	2,006	1,576	(346)	-118%	-122%	10,468	6,984	-33.3%
Excpt. Item	-	-	-	-	-	0%	0%	-	-	0.0%
Tax	475	213	441	284	(96)	-120%	-134%	2,973	1,425	-52.1%
PAT	1,435	1,359	1,565	1,292	(249)	-117%	-119%	7,651	5,678	-25.8%

### Concall Highlights

- Demand: The current demand level is 80-90% of pre-covid demand. The bounce back is very encouraging and is reflected in consumer parameters.
- Like to like sales (on basis of independent stores) ratio varied in different regions due to local authority lockdown norms for example most of the states have lockdown on Sundays. Kerala, Maharashtra and Tamil Nadu remained most impacted states in the same category.
- 91-92% outlets are open and the range may vary between 80-90% according to time due to varying lockdown dates in different places.
- Retail Financing: Finance penetration is normal as of now and is seen in range of 78-80%.
- The company's exports for 1QFY21 amounted to Rs 461 crs.
- The company's average discounts for the quarter was Rs.25000.
- The company has inventory of 25 days, 80000 units as of 30th June 2020.
- It is difficult to give outlook on demand as of now; it may vary according to fundamentals of economy and market sentiments.
- Demand of pre-owned cars has increased much in the quarter and replacement buying demand has come down as people are preferring to continue with their cars were longer period.
- Exports: Most of the countries' lockdown is ending now. The management is quite ambitious for exports for the medium term outlook.
- The company's tie-up with Toyota will help in much deeper excess in exports market, especially in African market.
- The company is trying hard to bring down fixed costs and discretionary part was reduced in 1QFY21. Also, the company is looking for localization of input materials and reducing the model cost as well.
- Demand for subscription is increasing in covid period. The company is running a pilot project digitally in Bangalore and Gurugram (manesar). According to management, it could be a significant game changer going forward.
- Production: run rate of 4000+ units per day. Currently, Gujarat plant is running in single shift due to high COVID cases there. By September 2020, 2nd shift in Gujarat is expected to start, post that additional 900 units per day.

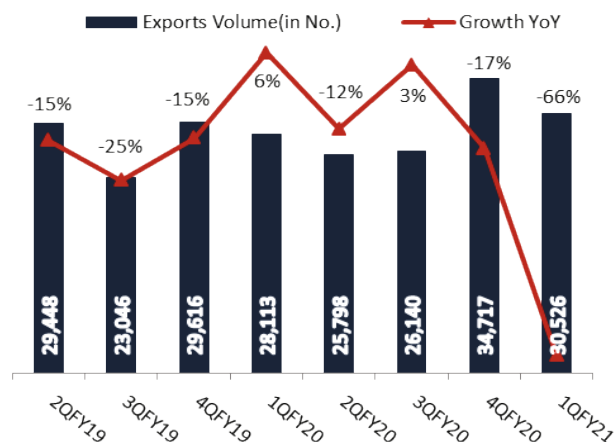
## Exhibit: Domestic Volume and Growth Trend

Domestic volume declined due to production shutdowns and closed dealerships in major part of quarter.



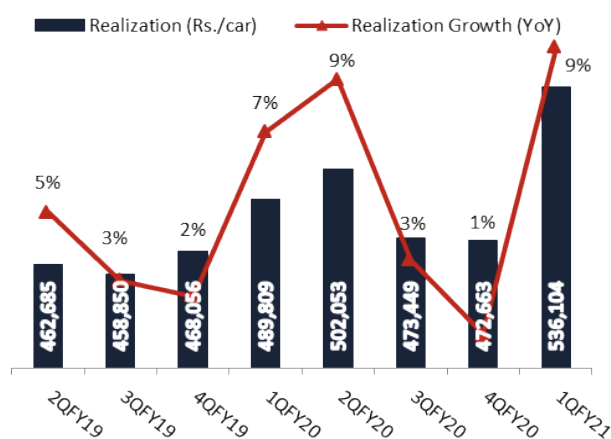
## Exhibit: Export Volume and Growth Trend

COVID-19 led lockdown resulted in decline in volumes in the quarter.



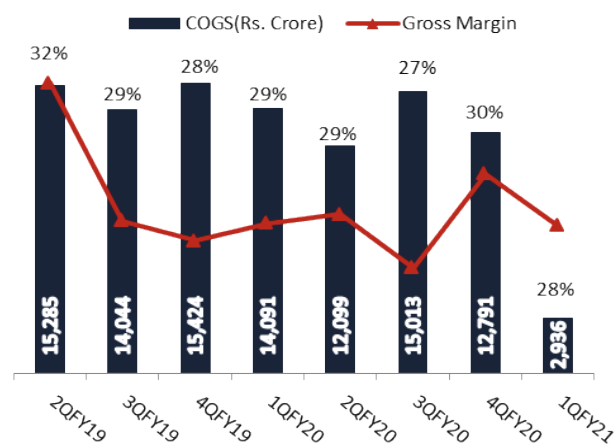
## Exhibit: Realization and Realisation Growth Trend

Transition from BS IV to BS-VI vehicles from 1st April, 2020 led to increase in overall realization.



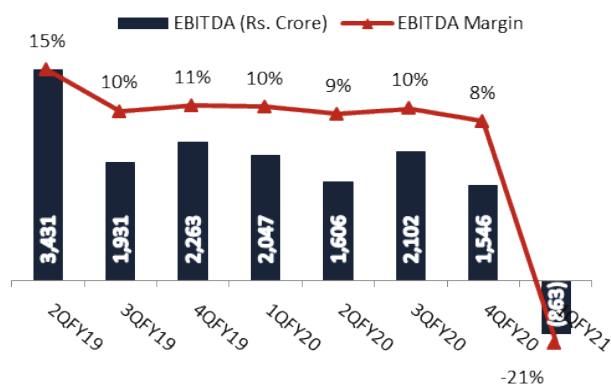
## Exhibit: COGS (Rs. Crore) and Gross Margin trend

Gross margin declined by 122 bps on sequential basis to 28.5%.



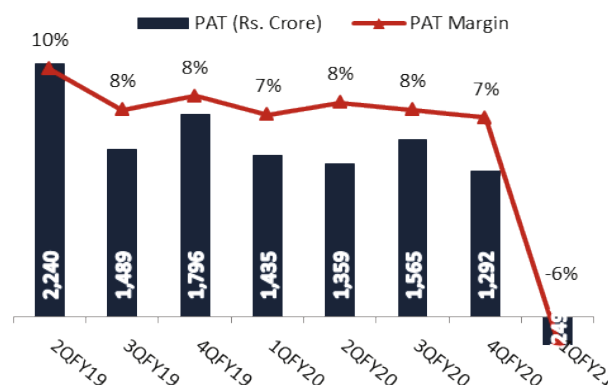
## Exhibit: EBITDA (Rs. Crore) and EBITDA Margin trend

EBITDA margin declined by 2952 bps QoQ to -21% led by weaker operating leverage and lower sales volumes.



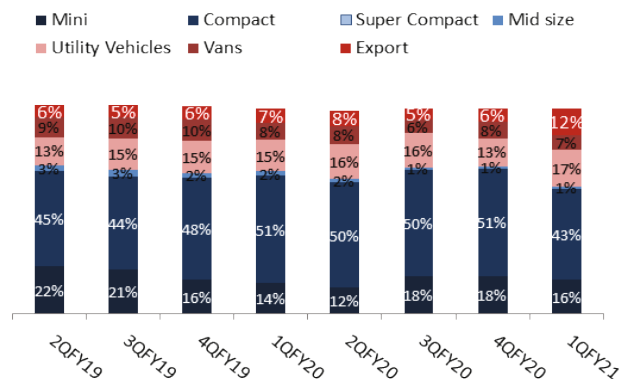
## Exhibit: PAT (Rs. Crore) and PAT Margin trend

Net Loss for the quarter stood at Rs. 249 crores. PAT margin declined by 1317 bps QoQ.



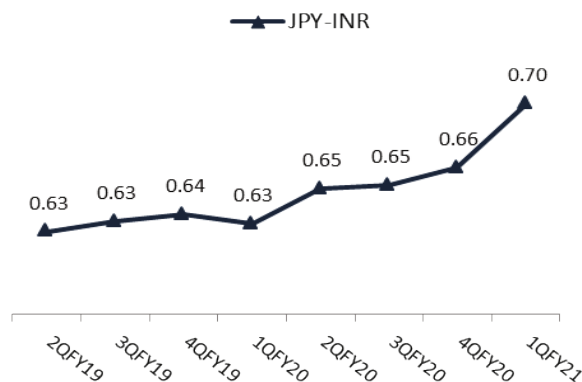
## Exhibit: Sales Mix

Increased exports contribution in the quarter amid headwinds of COVID-19.



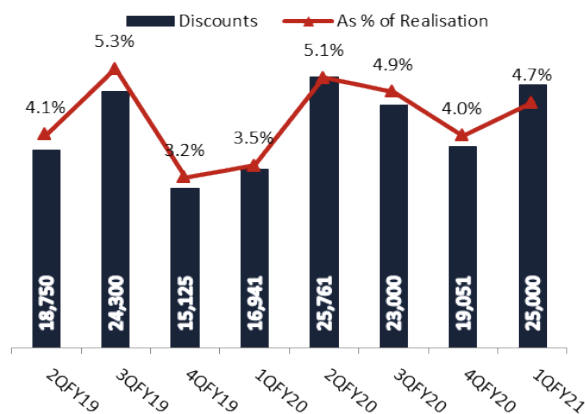
## Exhibit: YEN-INR movement

Approximately 8-10% imports are denominated in Yen so 1% movement in Yen leads to 1% impact in margins.



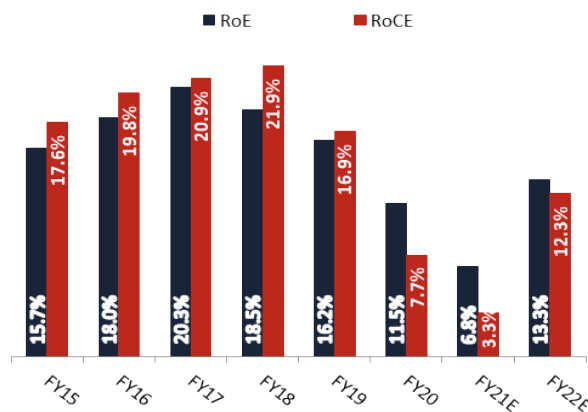
## Exhibit: Discounts (Rs) and As % of Realisation Trend

Discounts for the quarter were Rs 25000 as against Rs 19051 in 4QFY20, up by 31% on sequential basis.



## Exhibit: RoE and RoCE Trend

Increase in profitability will lead to expansion in return ratios going ahead.



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Share Capital	151	151	151	151	151	151	151	151
Reserves	24,167	30,465	36,924	42,408	46,941	49,262	51,269	55,546
Networth	24,318	30,616	37,075	42,559	47,092	49,413	51,420	55,697
Debt	331	77	484	121	158	112	419	223
Other Non Cur Liab	886	1,051	1,633	2,214	2,691	2,885	2,825	2,825
Total Capital Employed	24,649	30,693	37,559	42,680	47,250	49,525	51,839	55,920
Net Fixed Assets (incl CWIP)	14,380	13,537	14,563	15,521	17,044	17,160	15,998	15,615
Non Cur Investments	9,992	19,535	26,972	34,906	32,458	36,269	36,960	42,581
Other Non Cur Asst	44	1,680	1,603	1,859	2,059	1,722	1,722	1,722
Non Curr Assets	25,782	34,774	43,162	52,318	51,596	55,187	54,717	59,954
Inventory	2,674	3,133	3,264	3,160	3,323	3,214	2,406	3,674
Debtors	1,144	1,323	1,203	1,465	2,313	2,130	1,654	2,526
Cash & Bank	43	51	24	74	188	29	631	926
Other Curr Assets	327	1,661	1,541	1,314	564	798	579	883
Curr Assets	8,696	7,951	8,798	7,930	12,373	8,441	9,128	11,966
Creditors	5,657	7,409	8,369	10,499	9,638	7,499	5,715	8,725
Provisions (both)	1,652	414	472	587	665	732	545	806
Other Curr Liab	1,917	1,165	1,828	2,090	1,633	1,409	1,372	2,095
Curr Liabilities	8,930	10,967	12,753	15,338	14,011	11,199	9,181	13,175
Net Curr Assets	(234)	(3,016)	(3,955)	(7,408)	(1,638)	(2,759)	(53)	(1,209)
Total Assets	34,479	42,726	51,961	60,248	63,969	63,628	63,844	71,920

### Income Statement

Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Revenue from Operation</b>	<b>50,801</b>	<b>57,589</b>	<b>68,085</b>	<b>79,809</b>	<b>86,069</b>	<b>75,660</b>	<b>54,890</b>	<b>83,810</b>
Change (%)	14	13	18	17	8	(12)	(27)	53
Other Income	865	1,481	2,290	2,046	2,562	3,334	2,828	2,924
<b>EBITDA</b>	<b>6,844</b>	<b>8,889</b>	<b>10,358</b>	<b>12,063</b>	<b>11,003</b>	<b>7,313</b>	<b>4,992</b>	<b>10,275</b>
Change (%)	32	30	17	16	(9)	(34)	(32)	106
<b>Margin (%)</b>	<b>13</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>13</b>	<b>10</b>	<b>9</b>	<b>12</b>
Depr & Amor.	2,515	2,822	2,604	2,760	3,021	3,528	3,283	3,423
EBIT	4,329	6,067	7,754	9,304	7,982	3,784	1,709	6,852
Int. & other fin. Cost	218	82	89	346	76	134	63	33
<b>EBT</b>	<b>4,976</b>	<b>7,466</b>	<b>9,954</b>	<b>11,004</b>	<b>10,468</b>	<b>6,984</b>	<b>4,474</b>	<b>9,742</b>
Exp Item	-	-	-	-	-	-	-	-
Tax	1,185	2,087	2,616	3,286	2,973	1,425	1,109	2,455
Minority Int & P/L share of Ass.	18	119	173	163	156	118	107	112
<b>Reported PAT</b>	<b>3,807</b>	<b>5,497</b>	<b>7,511</b>	<b>7,881</b>	<b>7,651</b>	<b>5,678</b>	<b>3,472</b>	<b>7,399</b>
<b>Adjusted PAT</b>	<b>3,807</b>	<b>5,497</b>	<b>7,511</b>	<b>7,881</b>	<b>7,651</b>	<b>5,678</b>	<b>3,472</b>	<b>7,399</b>
Change (%)	35	44	37	5	(3)	(26)	(39)	113
<b>Margin(%)</b>	<b>7</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>9</b>	<b>8</b>	<b>6</b>	<b>9</b>

## Financial Details

### Key Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
ROE	16%	18%	20%	19%	16%	11%	7%	13%
ROCE	18%	20%	21%	22%	17%	8%	3%	12%
Asset Turnover	1.47	1.35	1.31	1.32	1.35	1.19	0.86	1.17
Debtor Days	8	8	6	7	10	10	11	11
Inv Days	19	20	17	14	14	16	16	16
Payable Days	41	47	45	48	41	36	38	38
Int Coverage	0	0	0	0	0	0	0	0
P/E	29	20	24	34	27	23	54	25
Price / Book Value	5	4	5	6	4	3	4	3
EV/EBITDA	16	13	18	22	19	18	37	18
FCF per Share	1,958	1,252	1,109	3,486	3,061	2,939	1,893	3,646
Div Yield	0.7%	0.7%	0.6%	0.8%	1.2%	1.9%	0.7%	1.4%

### Cash Flow Statement

Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PBT	4,976	7,585	10,127	11,167	10,624	7,103	4,474	9,742
(inc)/Dec in Working Capital	6,779	8,935	10,413	12,036	11,060	7,503	7,907	13,311
Non Cash Op Exp	2,515	2,822	2,604	2,760	3,021	3,528	3,283	3,423
Int Paid (+)	218	82	89	346	76	134	63	33
Tax Paid	(1,075)	(1,912)	(2,323)	(3,056)	(3,144)	(1,438)	(1,109)	(2,455)
others	(95)	1,021	1,868	2,928	(1,775)	(2,645)	(418)	1,662
CF from Op. Activities	6,539	8,483	10,282	11,788	6,601	3,496	6,293	12,406
(inc)/Dec in FA & CWIP	(3,263)	(2,456)	(3,236)	(3,885)	(4,577)	(3,158)	(2,121)	(3,040)
Free Cashflow	3,276	6,026	7,046	7,903	2,024	338	4,171	9,366
(Pur)/Sale of Inv	(2,084)	(12,044)	(17,694)	(47,069)	(52,957)	(44,205)	(1,587)	(99)
others	766	71	56	88	133	100	(691)	(5,621)
CF from Inv. Activities	(4,581)	(7,230)	(9,173)	(8,302)	(3,540)	(557)	(4,399)	(8,760)
inc/(dec) in NW						-	-	-
inc/(dec) in Debt	(1,358)	(235)	253	(709)	(35)	(46)	307	(196)
Int. Paid	(222)	(92)	(110)	-	-	(136)	(63)	(33)
Div Paid (inc tax)	(424)	(909)	(1,273)	(2,727)	(2,913)	(2,913)	(1,465)	(3,122)
others						-	-	-
CF from Fin. Activities	(2,004)	(1,237)	(1,129)	(3,436)	(2,948)	(3,104)	(1,221)	(3,351)
Inc(Dec) in Cash	(45)	16	(21)	50	113	(165)	673	295
Add: Opening Balance	89	28	43	23	73	186	29	631
Closing Balance	43	43	23	73	186	21	702	926



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#### Disclosure of Interest Statement-

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