

## Maruti Suzuki India Ltd

### Strike at the Manesar Plant - ALERT

**Neutral**

MRTI.BO, MSIL IN

Price: Rs1,232.00

06 June 2011

- **Strike at the Manesar facility:** Employees at Maruti's Manesar plant have declared a strike beginning Saturday. As per media reports (NDTV), the employees are demanding that the company recognize a new union at the Manesar unit (which is separate from the current union that is dominated by the Gurgaon plant employees). The Gurgaon plant, however, is functioning as usual. Management has indicated that negotiations are ongoing with the employees to meet their demands.
- **Manesar plant accounts for c.30% of production:** The Manesar plant has a capacity of c.375,000 units p.a. (c.30% of total capacity). The plant produces the SX4, Swift, Dzire and A-Star models.
- The timing of the strike is significant as the OEM is setting up its new unit with an annual installed capacity of 250,000 inside its Manesar facility, which is likely to come onstream by 2HFY12E. (This will raise the total capacity to 1.65m units annually).
- **Maruti has typically had a cordial work atmosphere:** the OEM has maintained a cordial relationship with its workers. The last time the company witnessed a major strike was back in November 2000.
- While the near-term impact of the strike is limited, in our view (given that the system inventories are comfortable), in case the strike were to prolong, it could impact product supplies.

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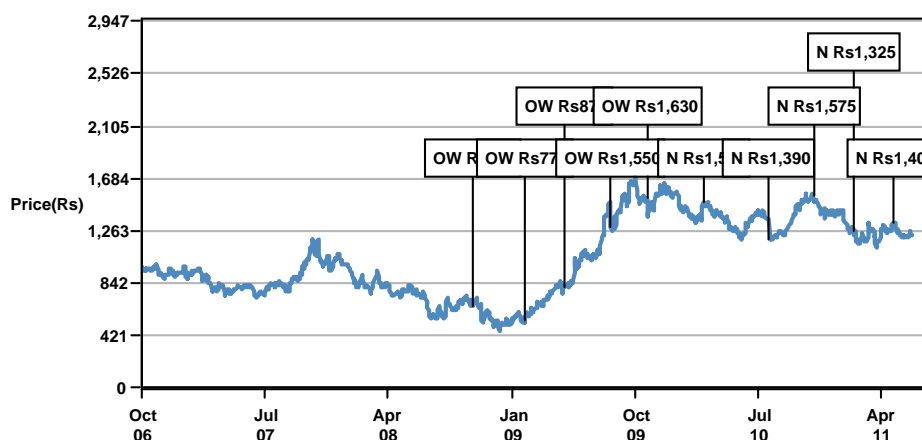
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**Maruti Suzuki India Ltd (MRTI.BO) Price Chart**



Date	Rating	Share Price (Rs)	Price Target (Rs)
07-Oct-08	OW	659.90	810.00
30-Jan-09	OW	544.80	776.00
26-Apr-09	OW	802.25	870.00
07-Aug-09	OW	1291.30	1550.00
26-Oct-09	OW	1518.80	1630.00
01-Mar-10	N	1491.10	1560.00
25-Jul-10	N	1191.45	1390.00
01-Nov-10	N	1551.60	1575.00
30-Jan-11	N	1252.85	1325.00
26-Apr-11	N	1326.45	1400.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Break in coverage May 18, 2004 - Aug 18, 2004. This chart shows J.P. Morgan’s continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
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