

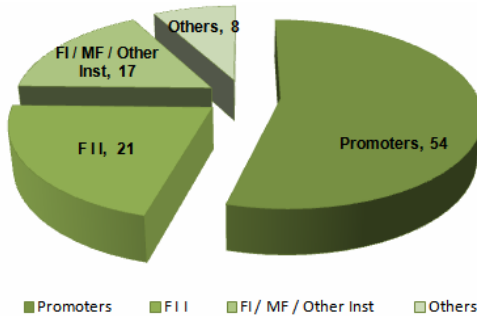
# Maruti Suzuki Ltd

30 April 2010

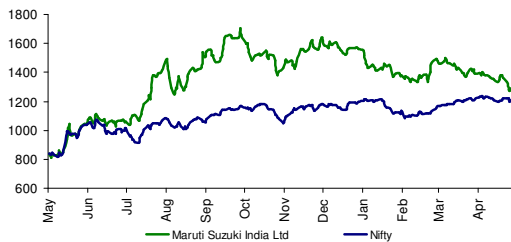
**ACCUMULATE**

Industry	Automobiles
CMP (INR)	1280
<b>Target</b>	1510
<b>(Upside / Downside)</b>	18%
52 week High/Low (INR)	1740 / 795
Market Cap (INR MN)	369,718
3M Avg. Daily Volumes	686,527
MS P/E (FY11E)	13.5x

## Shareholding Pattern (%)



## Stock Performance (Last one year)



## Performance (%)

	1 Month	3 Months	1 Year
MS	(9.1)	(7.9)	57.2
Nifty	0.3	8.1	51.9

\* Source: Capitaline, Unicon Research

Particulars	Actual	Estimates
Revenue from Operations	84,245	78,345
EBIDTA	11,111	9,870
EBIDTA (%)	13.2	12.6
Reported PAT	6565	6,480
PAT (%)	7.8	8.3

Source: Unicon Quarterly Estimates, Company Financials

## Analyst

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## Result Highlights

- Maruti Suzuki (MS) reported operating income of INR 84.25bn recording a growth of 31% and 12.3% on an annual and sequential basis respectively. The operating income was 7.5% above our estimate of INR 78.35bn
- Operating profit fell 2% sequentially to INR 11.1bn, despite a rise in operating income. This was however 12% above our estimate of INR 9.87bn. EBIDTA margin was 60 basis points above our estimates at 13.2%.
- Depreciation cost increased by 10% sequentially due to amortization of tooling. Tooling gets amortized over a short period (four years), so the impact is large. Interest costs increased more than 50% due to export loans
- Due to the steep rise in depreciation and interest costs, net income fell 4.5% sequentially to INR 6.56bn. This was in line with Unicon estimates (1.3% above estimates).
- The company currently has a capacity of 1 million units (700,000 units in Gurgaon and 300,000 units in Manesar).

## Valuation & Outlook

- MS has incurred capital expenditure of INR 13bn in FY10 and plans to spend INR 28bn in FY11 and INR 30bn in FY12.
- The company is in the process of increasing productivity at its plants. De-bottlenecking at Gurgaon would result in an increase in production by 90,000 units, with an investment of INR 1.4 bn
- The company is expanding its capacity at Manesar by 250,000 units per year which would be commissioned by the end of FY12.
- The company has also expanded its network drastically to cover 555 cities through 802 sales outlets and 1,335 cities with 2,747 outlets which would help it increase its rural sales by more than 100% this year.
- For MS, competition still remains a serious concern. The company has a waiting period on three of its top models, Swift, Dzire and Eco. This will definitely hurt its sales and market share.
- Also rising commodity prices and the appreciating exchange rate remain concerns for Maruti.
- At the CMP of INR 1280, the stock trades at 13.5x FY11e EPS. We reiterate our target of INR 1510 and upgrade our rating to Accumulate considering the recent correction in its price.



# Maruti Suzuki Ltd

Particulars	Mar-10	Mar-09	Y-o-Y (%)	Dec-09	Q-o-Q (%)
Net Sales	82,808.2	63,327.6	30.8	73,726.5	12.3
Other Operating Income	1,437.3	1,001.4	43.5	1,302.0	10.4
Other Income	789.7	1,054.4	-25.1	912.5	-13.5
Total Income	85,035.2	65,383.4	30.1	75,941.0	12.0
Total Expenditure	73,134.8	59,836.0	22.2	63,689.4	14.8
EBITDA	11,110.7	4,493.0	147.3	11,339.1	-2.0
EBITDA (%)	13.2	7.0	620 bps	15.1	-190 bps
Depreciation	2,230.4	1,971.4	13.1	2,027.8	10.0
EBIT	8,880.3	2,521.6	252.2	9,311.3	-4.6
EBIT (%)	10.5	3.9	660 bps	12.4	-190 bps
Interest	128.5	88.7	44.9	83.7	53.5
Tax	2,976.0	1,056.0	181.8	3,264.8	-8.8
PAT	6,565.5	2,431.3	170.0	6,875.3	-4.5
PAT (%)	7.8	3.8	400 bps	9.2	-140 bps
EPS	22.7	8.4	170.0	23.8	-4.5

\* Standalone Financials

Source: Cline



# Maruti Suzuki Ltd

## Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	$\geq 20\%$	10% to 20%	-10% to 10%	-10% to -20%	$\leq -20\%$

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