



Between the Lines

Daily Corporate News Analysis

May 7th, 2007

Maruti Udyog Ltd (MUL)

Update

Key Data

CMP	Rs 805.20
Date	May 7 th , 2007
Sector	Automobile
Face Value	5/-
BSE Code	532500
52 Week H/L	Rs 991.4 / 670.00
Market Cap	Rs 23545 Cr

Investment Rationale

On the back of increased sales from its newly introduced Zen Estilo and Swift diesel, Maruti Udyog Ltd. (MUL), India's largest passenger car manufacturing company, has posted strong sales numbers for the month of Mar.07 with a 13.57% Y-o-Y rise in total vehicle sales along with a consistent improvement in the product mix. The company for the year ended FY07 has reported highest ever annual sales numbers of 6,74,924 cars as compare to 5,61,819 FY06 (including export) registering a growth of 20.1% on YoY basis. The Net Sales for Q4FY07 and FY07 (including income from operation) has witness a impressive growth of 35.37 percent and 21.57 percent (Y-o-Y) at Rs.4,413.44 crore and Rs.14,592.24 crore respectively. Fueled by a robust growth in revenue and control over costs, the EBIDTA margin (including other income) for full year FY07 has improved marginally by 50 bps to 16.97%. Net profit for the quarter has grown significantly by 24.28 percent (YoY) to Rs 448.56 crore from Rs.360.92 crore for Q4FY06. The Net Profit for FY2007 stood at Rs.1561.98 crore, up 31.36 per cent over the same period last fiscal. Its profit would have been higher had it not been for the merger of the Manesar unit under Maruti Suzuki Automobile India Ltd (MSAIL) with Maruti Udyog Limited, which has registered a loss of Rs 113 crore for the fiscal. Car market leader Maruti is readying for some top-gear action with launch of five new models within the next five years including its new mid-size car SX4 to be launch in next 3-4 month, which would enable the company in maintaining its market share. Moreover, the company has also firmed up its plans to enter Europe and South Africa which are likely to add to enhance MUL's sales. With localization content, in production costs, expected to move up in the future, the company would be able to sustain its superior margins it enjoys. Moreover, MUL currently operates largely into the non-diesel car market and the company's entry in the diesel segment will further strengthen its position. We believe that, with a good product mix and new offerings on cards, the company is in a strong position to perform well in the growing automobile sector and within this, the rapidly growing A2 segment in particular.



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Key Developments:

Highest ever annual sales number for FY07

MUL's Annual sales number increased by 20.1% at 6,74,924 vehicles in financial year March 2007 as against 5,27,038 vehicle in FY06. The sales surge was led by the premium hatchback A+ segment cars - the Alto, Wagon-R, Zen Estilo and Swift diesel - which grew by 31.4 % on year-on-year basis to 4,40,375 units (3,35,136 in the corresponding last year). Sales in the C segment - the Omni and Versa - grew 25.2 % to 83,091 vehicles for the year FY07 compared with 66,366 vehicles in FY06. higher disposable income driven booming economy have fueled the demand for A2 and A3 segment cars and consumers are shifting towards better small size cars in A2 and A3 segments as a result the sales for Maruti 800 has decline by 11.2% in FY07 to 79,245 units as compare to 89,223 units in corresponding previous year.

Category	Mar.07	Mar.06	% Chg	Apr.06-Mar.07	Apr.06-Mar.06	% Chg
A1	6141	10937	-43.85	79245	89223	(11.2)
C	8661	8390	3.23	83091	66366	25.2
A2	47068	37279	26.26	440375	335136	31.4
A3	2414	3735	-35.37	29697	31939	(7.0)
Total Passenger cars	64284	60341	6.53	632408	522664	21.0
MUV	272	800	-66.00	3221	4374	(26.4)
Domestic	64556	61141	5.59	635629	527038	20.6
Export	7216	2055	251.14	39295	34781	13.0
Total Sales	71772	63196	13.57	674924	561819	20.1

Source: Company

Cumulative Sales for 12 months (April 06 -March 07 period grew by 20.1 % to touch 6,74,924 units. Sales are growing at a healthy pace and simultaneously there is an improvement in the product mix with more of C and A2 segment cars being sold with command higher realizations.

Financials:

Net profit surges up by 24.28 % y-o-y in Q4FY07

The company reported a sharp increase of 24.28 % to Rs 448.56 crore in net profit in Q4 FY07. This was primarily backed by strong top-line performance and control over material costs. The interest cost on increased by 4 fold to Rs.15.45 crore due to rise in the cost of debt, whereas the depreciation cost declined by 1% to Rs 71.82 crore. Net Profit margin has declined by 96 bps to 9.68% due rise in the interest cost for the quarter where as the Net Profit margin for the full year 2007 has improved by 71 bps to 10.24% as compare to 9.53% in FY06.

Valuations

At current market price of Rs 805.20, MUL is quoting at a PER of 15.28x. On EV/Sales and on EV/EBIDTA basis it is quoting at 1.52x and 8.58x of its TTM earnings respectively.

MUL



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