

Maruti Udyog

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Shareholding (%)

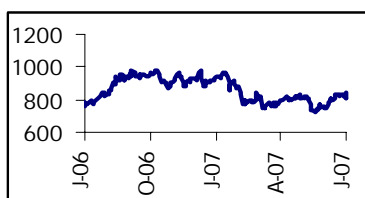
Promoters	58.7
FII's	12.9
MFs	6.1
Insurance Co.	11.3
Others	11.0

Share price performance

52-week high/low (Rs) 991/715			
	-1m	-3m	-12m
Abs (%)	11.4	5.3	9.9
Rel* (%)	4.4	-6.9	-38.7

*to Nifty

Stock chart



Results better than the expectations

- Topline shows robust growth:** In Q1FY08, Maruti Udyog Ltd's (MUL') sales increased by 26% YoY, but declined 11% sequentially at Rs 39.308 bn. The YoY increase was driven by a 17.1% YoY volume growth in the domestic market. The volumes of the company's 'A2' segment, comprising models such as *Alto*, *Zen Estilo*, *Swift*, and *Wagon R*, grew by 16% YoY. The maximum growth during the quarter, however, was reported by the 'A3' segment where models such as *SX4* and *Esteem* clocked a volume growth of 46%. Exports grew at a normal pace of 15.6% YoY. Overall, MUL's market share remained stable, at 47% for the quarter.
- Operating profit improve significantly:** MUL's EBDITA grew by 26% YoY at Rs 5747.9 mn. EBITDA margins, though flat on a YoY basis, improved significantly over the last quarter by 220 bps. This increase was driven by improved realisations due to the higher share of the 'A3' segment (especially *SX4*) in the product mix.
- Higher net profits, though inflated by other income:** MUL's net profits increased by 35% YoY at Rs 4996 mn, through driven by a 56% increase in other income at Rs 2232.5 mn. The increase in other income was due to higher non-operational income which included long term capital gain of around Rs 400 mn.
- Riding on the success of SX4:** MUL's SX4 made a grand entry in May 2007. Loaded with best-in-class features, *SX4* clocked excellent numbers in the first two months of its launch. The success of *SX4* has helped MUL in gaining a significant market share in the 'A3' segment and in securing higher realisations.
- Margins may come under pressure:** MUL was expecting an upward revision in raw material prices with its suppliers in this quarter. However, this has now been postponed to the next quarter. Going forward, this may exert some pressure on the margin the next half of this year.
- Maintains market share:** MUL's market share in passenger car market remains stable at 47% in Q1FY08 (see chart 1). This can mainly be attributed to the growing volumes of *Swift* and *Alto*. The company has managed to sell more than 200,000 *Altos* during this year.

Accumulate Rs839

27 July 2007

Market cap

Rs bn 243
US\$ bn 6

Avg 3m daily volume

696,077

Avg 3m daily value

USD mn 14

Shares outstanding (mn)

289

Reuters

MRTI.BO/MARUTI.NS

Bloomberg

MUL IN

Sensex

15,776

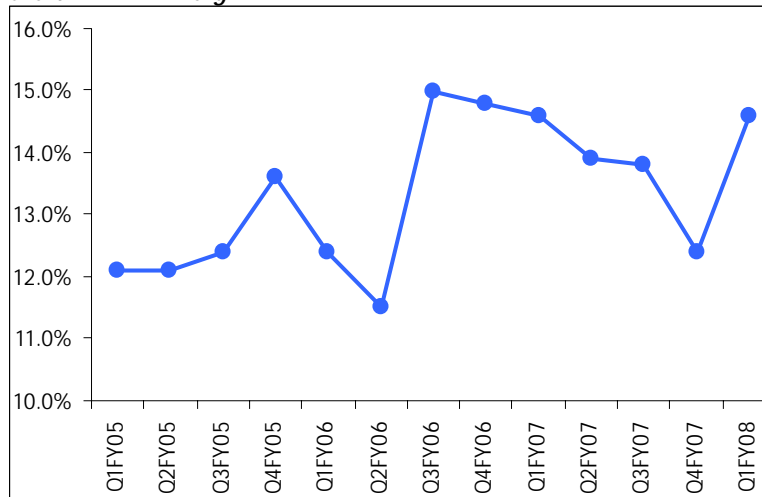
Nifty

4,620

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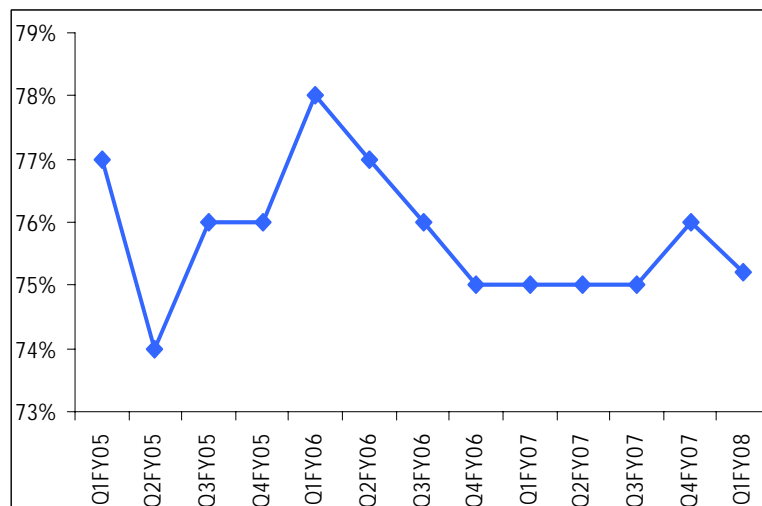
Valuations: We believe that MUL has reduced its dependence on 'A1' segment offerings and has transitioned to 'A2' segment offerings with the successful launch of models like *Swift*, *Wagor R* (new version), and *Zen Estilo*. Also, with the recent success of *sx4* and *Swift*-diesel variant, assures good volume growth for the company, going forward. At CMP of Rs.841, MUL is quoting at 15x FY08E and 12.7x FY09E. The company is likely to report a revenue growth of 15% CAGR over the next couple of years, We maintain our **Accumulate** rating on the stock.

Chart 1. EBIDTA Margin



Source: IISL research, company

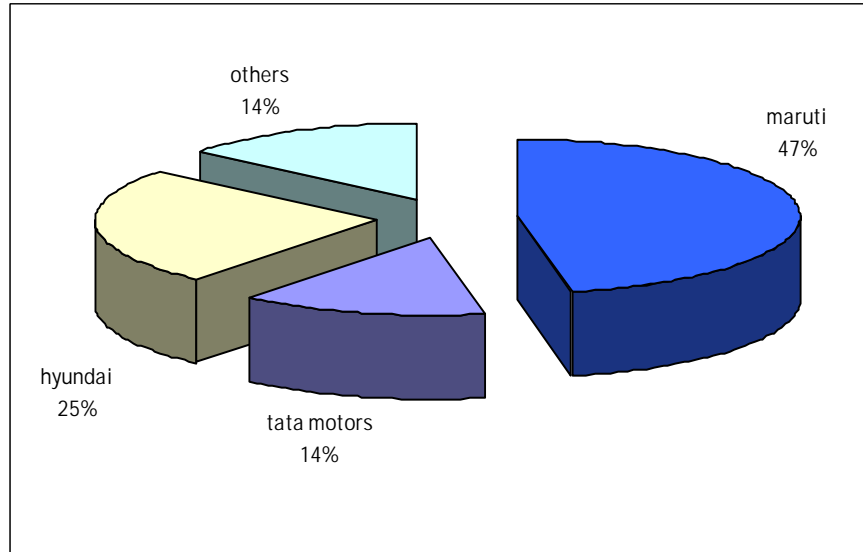
Chart 2. Raw materials/Sales



Source: IISL research, company

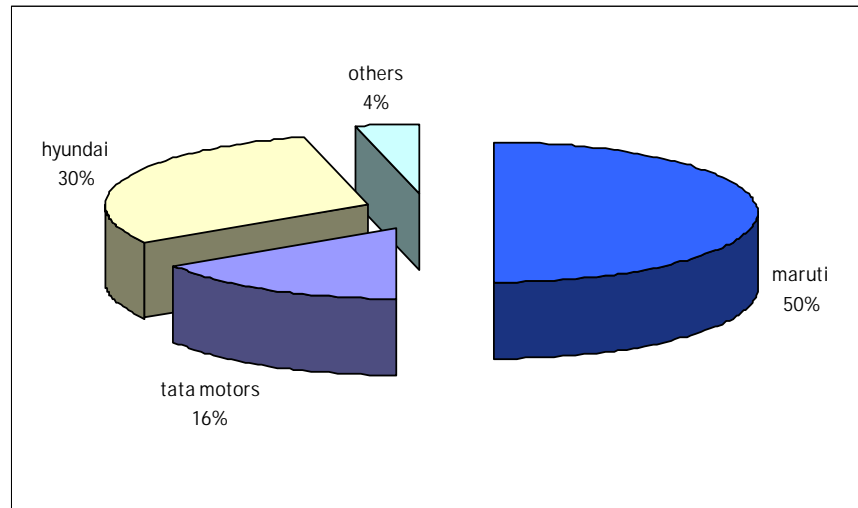
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Chart 3. Passenger cars market share Q1FY08



Source: IISL research, company

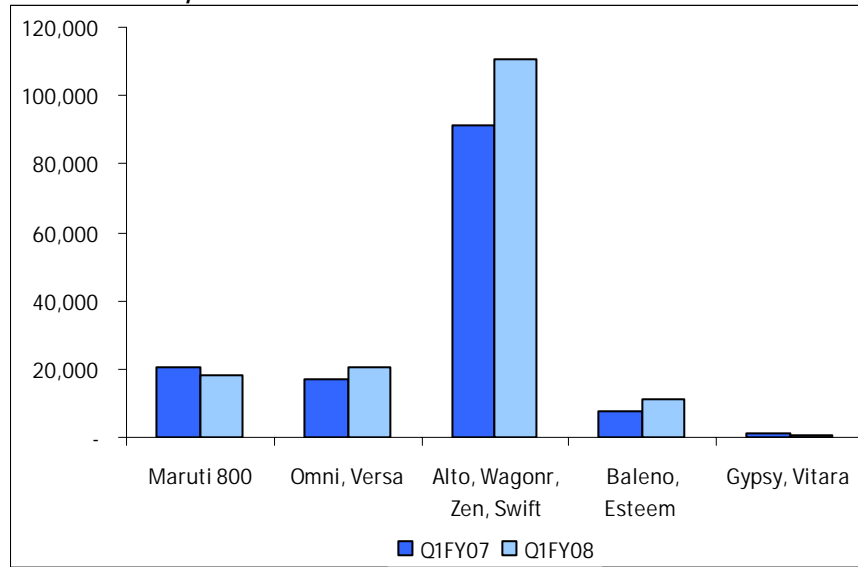
Chart 4. Compact cars market share Q1FY08



Source: IISL research, company

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Chart 5. Product portfolio



Source: IISL research, company

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Table 1. Quarterly result table

Rs mn	Q1FY08	Q1FY07	YoY (%)	Q4FY07	QoQ (%)
Net Sales	39,308.2	31,254.7	26%	44,297.6	-11%
Total Expenses	33,560.3	26,688.7	26%	38,787.3	-13%
Inc / Dec in stock	(1,471.2)	(217.2)		(249.1)	
Raw material consumed	31,041.2	23,812.5	30%	33,915.3	-8%
Employee cost	804.6	625.8	29%	806.6	0%
Other Expenses	3,185.7	2,467.6	29%	4,314.5	-26%
EBIDTA	5,747.9	4,566.0	26%	5,510.3	4%
Other Income	2,232.5	1,433.0	56%	2,049.8	9%
PBIDT	7,980.4	5,999.0	33%	7,560.1	6%
Interest	151.0	32.5	365%	155.6	-3%
Gross Profit	7,829.4	5,966.5	31%	7,404.5	6%
Depreciation	822.0	640.7	28%	718.2	14%
PBT	7,007.4	5,325.8	32%	6,686.3	5%
Tax	2,011.4	1,630.1	23%	2,200.7	-9%
PAT	4,996.0	3,695.7	35%	4,485.6	11%
Extraordinary items	-	-		-	
Adjusted Net profit	4,996.0	3,695.7	35%	4,485.6	11%
Equity	1,444.6	1,444.6		1,444.6	
EPS	17.3	12.8		15.5	
Key Ratios (%)					
EBIDTA Margin	14.6	14.6		12.4	
Interest / Sales	0.4	0.1		0.4	
Tax / PBT	28.7	30.6		32.9	
NPM	12.7	11.8		10.1	

Source: IISL research, company

Table 2. Estimates

Rs. mn	FY06	FY07	FY08E	Fy09E
Net Sales	120,582	147,884	168,520	192112.4979
% change		22.6%	14.0%	14.0%
EBIDTA	20,558	19,312	22,076	25839.13097
% change		-6.1%	14.3%	17.0%
PAT	11,891	15,883	16,158	19138.24704
% change		33.6%	1.7%	18.4%
EPS	41.1	55.0	55.9	66.2
% change		33.6%	1.7%	18.4%
P/E(x)	20.2	15.1	14.8	12.5
EBIDTA margin	17.0%	13.1%	13.1%	13.5%
Net Profit Margin	9.9%	10.7%	9.6%	10.0%

Source: IISL research, company

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