

# Maruti Suzuki India

## Jan volume – Good start to the new year

- Total sales in January 2012 grew 5% yoy to 115,433 units – its highest sales number YTD FY12
- Sales was driven by strong 22% yoy growth in the compact segment and 54% yoy growth in exports
- All other segments' sales remained subdued
- We expect earnings to recover in FY13; the stock is attractively valued at 11x FY13E earnings; Maintain Outperform, with a price target of Rs1,381

**Highest sales for the year to date.** Maruti's total sales in Jan 2012 were up 5% yoy to 115,433 units – the highest sales number and growth for the year.

**Domestic sales flat yoy.** Total domestic sales remained flat yoy at 101,467 units, which is commendable in light of the adverse macro-factors. Sales growth was boosted by 22% yoy growth in the compact segment to 25,756 units – led primarily by strong demand for the new Swift. However, other segments' sales remained subdued – mini segment sales down 2% yoy, Dzire sales down 12% yoy, SX4 sales down 10% yoy and vans sales down 11% yoy.

**Exports drive overall growth.** Export grew 54% yoy to 14,386 units and was the key volume driver. This is the second consecutive month of strong export volumes and is encouraging.

**New Swift Dzire launched.** MSIL has launched a sub 4 meter variant of the Swift Dzire at a very competitive price between Rs480,000 and Rs620,000 for the petrol variant and Rs580,000-Rs710,000 for the diesel variant. Given its competitive positioning, we expect this new launch to drive incremental growth for the company going forward.

**Valuation.** While FY12 has been marred by operational issues (labour unrest, yen appreciation, subdued demand, rising competition), we expect FY13 to be much better on account of 1) strong volume outlook over a low base led by new launches – new Swift, new Swift Dzire, Ertiga and one more new launch, 2) continued localisation, 3) operating leverage benefits as the new plant would be fully operational in FY13, and 4) relatively stable macro-environment with a likely end to monetary tightening. Reiterate Outperform with a price target of Rs1,381 valued at 12x FY13E earnings.

## OUTPERFORM (unchanged)

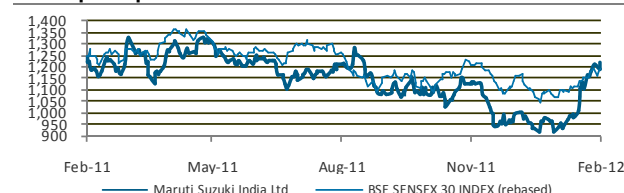
PRICE as at 01 February 2012      PRICE TARGET  
**Rs1,214.80**                              **Rs1,381.00**

<b>Bloomberg code</b> MSIL IN	<b>Reuters code</b> MRTI.BO
<b>Market cap</b> Rs351,077m (US\$7,100m)	<b>12 month range</b> Rs916.15 - 1,326.45
<b>EPS adj est change</b> 2012E	2013E
-	-

Year end: March	2011	2012E	2013E	2014E
Sales (Rsm)	370,401	367,251	473,648	563,190
EBITDA (Rsm)	37,038	30,298	49,449	61,388
EBIT (Rsm)	27,160	19,151	35,807	45,773
Pretax profit (Rsm)	31,088	24,528	42,841	53,551
Net profit adjusted (Rsm)	23,342	18,682	31,916	39,896
FCF (Rsm)	11,331	(11,584)	20,325	22,721
EPS adjusted (Rs)	80.77	64.64	110.44	138.05
DPS (Rs)	7.50	8.00	9.00	12.00
Book value/share (Rs)	479.84	536.54	637.98	764.03
EPS growth adj (%)	-7.3	-20.0	70.8	25.0
DPS growth (%)	25.0	6.7	12.5	33.3
EBITDA margin (%)	10.0	8.2	10.4	10.9
EBIT margin (%)	7.3	5.2	7.6	8.1
Net margin adj (%)	6.3	5.1	6.7	7.1
Div payout (%)	9.5	12.7	8.1	8.7
Net gearing (%)	-12.1	-2.0	-10.0	-12.1
ROE (%)	17.8	12.4	18.8	19.7
ROCE (%)	19.2	12.3	20.2	21.7
EV/Sales (x)	1.0	0.9	0.7	0.6
EV/EBITDA (x)	10.4	11.5	6.7	5.3
PBR (x)	2.6	2.3	1.9	1.6
<b>PER adj (x)</b>	<b>16.5</b>	<b>18.8</b>	<b>11.0</b>	<b>8.8</b>
<b>Dividend yield (%)</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>1.0</b>

Source: Company, Standard Chartered Research estimates

### Share price performance



Share price (%)	-1 mth	-3 mth	-12 mth
Ordinary shares	32	7	-2
Relative to Index	18	8	2
Relative to Sector	-	-	-
Major shareholder	Suzuki (54.2%)		
Free float	46%		
Average turnover (US\$)	17,248,305		

Source: Company, FactSet

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**Fig 1 – Maruti Suzuki: January 2012 monthly sales**

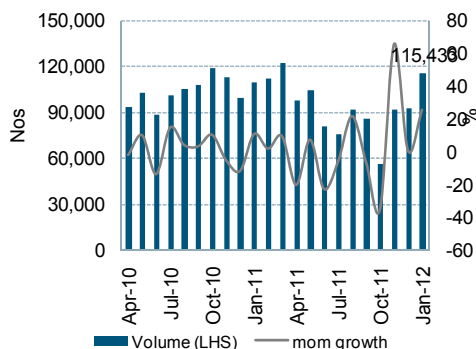
Company Sales	Jan-12	Jan-11	Dec-11	YoY (%) chg	MoM (%) chg	YTFDY12	YTFDY11	YoY (%) chg
Mini: M800, A-Star, Alto, WagonR	52,036	53,304	38,593	-2.4	34.8	389,459	460,924	-15.5
Compact: Swift, Estilo, Ritz	25,756	21,051	20,653	22.4	24.7	179,942	217,936	-17.4
Super compact: Dzire	8,637	9,771	9,189	-11.6	-6.0	78,613	88,187	-10.9
Mid-size: SX4	1,939	2,149	843	-9.8	130.0	14,444	16,151	-10.6
Executive: Kizashi	9	10	51	-	-82.4	396	10	NM
<b>Total PVs</b>	<b>88,377</b>	<b>86,285</b>	<b>69,329</b>	<b>2.4</b>	<b>27.5</b>	<b>662,854</b>	<b>783,208</b>	<b>-15.4</b>
UVs: Gypsy, Grand Vitara	231	192	238	20.3	-2.9	4,765	4,890	-2.6
Vans: Omni, Eeco	12,439	13,945	7,908	-10.8	57.3	118,320	132,674	-10.8
<b>Domestic sales</b>	<b>101,047</b>	<b>100,422</b>	<b>77,475</b>	<b>0.6</b>	<b>30.4</b>	<b>785,939</b>	<b>920,772</b>	<b>-14.6</b>
Exports	14,386	9,321	14,686	54.3	-2.0	102,855	116,636	-11.8
<b>Total sales</b>	<b>115,433</b>	<b>109,743</b>	<b>92,161</b>	<b>5.2</b>	<b>25.3</b>	<b>888,794</b>	<b>1,037,408</b>	<b>-14.3</b>

**Product mix**

Mini: M800, A-Star, Alto, WagonR	45.1	48.6	41.9	43.8	44.4
Compact: Swift, Estilo, Ritz	22.3	19.2	22.4	20.2	21.0
Super compact: Dzire	7.5	8.9	10.0	8.8	8.5
Mid-size: SX4	1.7	2.0	0.9	1.6	1.6
Executive: Kizashi	0.0	0.0	0.1	0.0	0.0
<b>Total PVs</b>	<b>76.6</b>	<b>78.6</b>	<b>75.2</b>	<b>74.6</b>	<b>75.5</b>
UVs: Gypsy, Grand Vitara	0.2	0.2	0.3	0.5	0.5
Vans: Omni, Eeco	10.8	12.7	8.6	13.3	12.8
<b>Domestic sales</b>	<b>87.5</b>	<b>91.5</b>	<b>84.1</b>	<b>88.4</b>	<b>88.8</b>
Exports	12.5	8.5	15.9	11.6	11.2
<b>Total sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

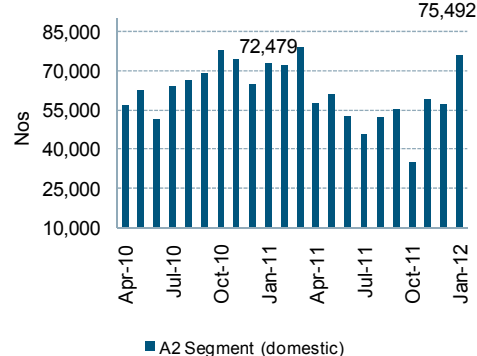
Source : Company, Standard Chartered Research

**Fig 2 – Total sales up 5% yoy**



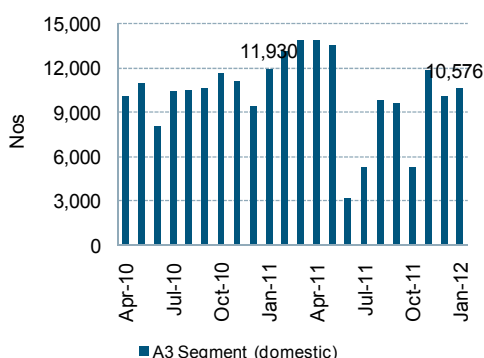
Source: Company, Standard Chartered Research

**Fig 3 – A2 sales have improved**



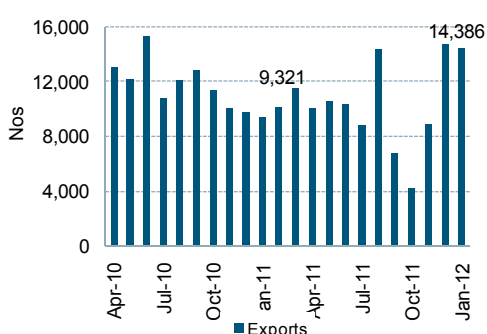
Source: Company, Standard Chartered Research

**Fig 4 –A3 segment sales have recovered**



Source: Company, Standard Chartered Research

**Fig 5 – Exports boost overall growth**



Source: Company, Standard Chartered Research

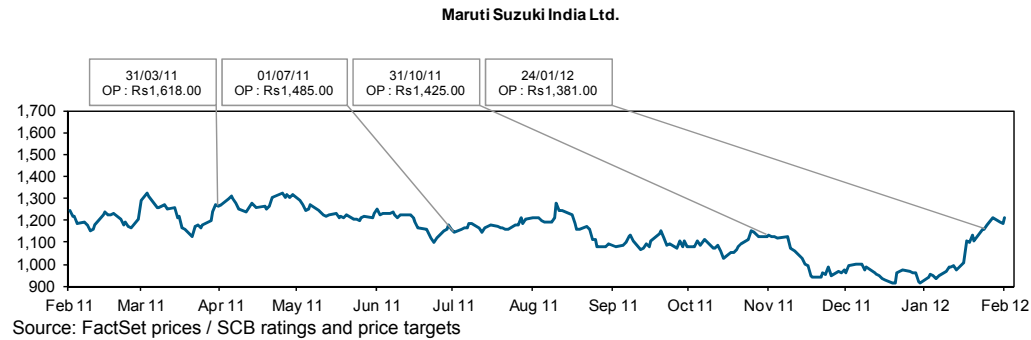


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IN-LINE	31.1%	9.7%
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As of 31 December 2011

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