

Maruti Udyog

Apr '07 unit sales: Company reports strong domestic sales growth - ALERT

- Maruti reported healthy unit sales growth (up 17% yoy) for April, with growth led by the domestic segment, up 17%, while exports were up 9% yoy.
- The domestic market sales growth was once again led by the A2 and Omni (C segment), which grew at 20% and 21% yoy. After a prolonged period of low growth, the M800 witnessed growth of 10% yoy. However, we expect sales to moderate over the next quarter as the high base comes into effect.
- After hiking prices over the past 3 months, Maruti actually cut prices in April by Rs.3,000-5,000 (1-2% of selling price) across models. Prices were lowered following a reduction in the concessionary central state tax from 3% to 2% by the government of Haryana, where Maruti's factory is located.
- In April, there were 4 model launches in the B&C segments – which constitute 85% of the market. The GM Spark (Rs.3.5L), Fiat Palio (Rs.3.5L), Hyundai Getz Prime (Rs.4.0L) and Renault Logan (Rs.4.5L) were the models introduced. Of these, Spark and Logan are new models while the Getz Prime is a lower priced variant of the Getz with a stripped down engine. The Palio has been relaunched post Fiat's tie up with Tata.
- We believe that 1HFY08 will be a challenging period for Maruti due to bunching up of competitor launches in April. Moreover, with higher interest rates, the company may be obliged to offer schemes and incentives to dealers and customers to push sales.
- After dropping plans to sell its residual stake in Maruti in the last fiscal year due to volatile financial markets, the government once again plans to invite bids to dispose of its remaining 10% stake in the month of May.
- The stock delivered a positive absolute return of 7% vs. 11% for the broad market over the past month. However, the stock price has been range bound in the past few months on concerns of high interest rates dampening sales.

Overweight

Rs803.10

30 April 2007

Automobile Manufacture

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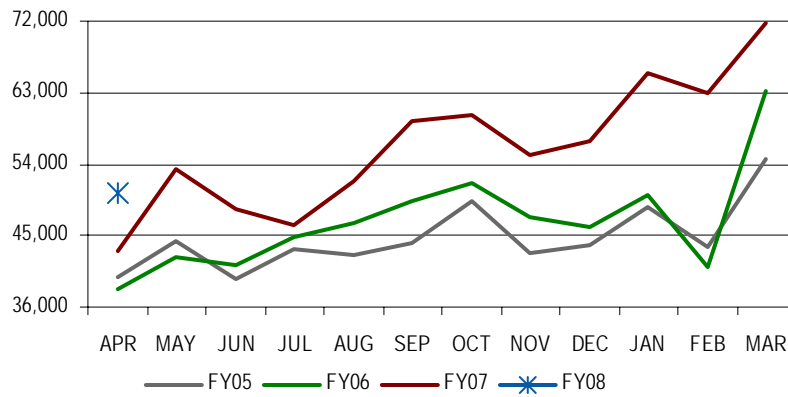
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Table 1: Monthly Sales Performance (In Unit Nos)

	Apr 07	Apr 06	%YoY	Mar 07	%MoM	FY08YTD	FY07 YTD	% YTD
A1	6,324	5,761	10	6,141	3	6,324	5,761	10
C	6,118	5,050	21	8,661	-29	6,118	5,050	21
A2	33,878	28,156	20	47,068	-28	33,878	28,156	20
A3	2,124	2,433	-13	2,414	-12	2,124	2,433	-13
MUV	208	174	20	272	-24	208	174	20
Domestic	48,652	41,574	17	64,556	-25	48,652	41,574	17
Export	1,700	1,553	9	7,216	-76	1,700	1,553	9
Total Sales	50,352	43,127	17	71,772	-30	50,352	43,127	17

Source: Company

Figure 1: Maruti's Volume Sales (In Unit Nos)



Source: Company

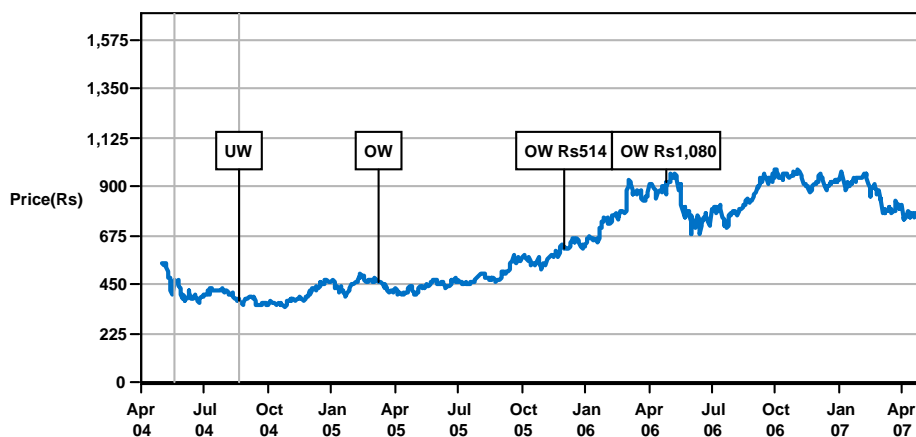
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Maruti Udyog (MRTI.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
19-Aug-04	UW	377.95	-
10-Mar-05	OW	459.55	-
30-Nov-05	OW	617.10	514.00
27-Apr-06	OW	923.45	1080.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
 Break in coverage May 19, 2004 - Aug 19, 2004. This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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