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FIRST GLOBAL

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India Research

Sector: Indian Auto

Upgrade

Maruti Udyog Limited (MUL.IN)(MRTI.BO)

To Moderate Outperform

(CMP: Rs.802.3, Mkt. Cap: Rs.231.8bn, $5.7 bn, May 09, '07)
Relevant Index: S & P CNX Nifty: 4079.3, May 09, '07)

Interest rates appear to have peaked for now: that's good news for MUL, which is already off to a running start in FY08

MUL's A2 segment to receive a boost with production of Swift's diesel version in full swing at Manesar plant…launch of SX-Sedan to replace Baleno will provide boost to company's prospects in A3 segment

JV between Suzuki and Maruti to manufacture 1.3 litre CRDI engines, with technical license from FIAT, a positive

Last report's recommendation: Market Perform (MP: Rs.841.70, Feb. 28, '07)
Relevant Index: CNX Nifty: 3745.30 (Feb. 28, '07)
Relative performance since last rating change (Feb. 28, '07): CNX Nifty: Up: 8.9%, MUL: Down: 4.7%

May 10, 2007

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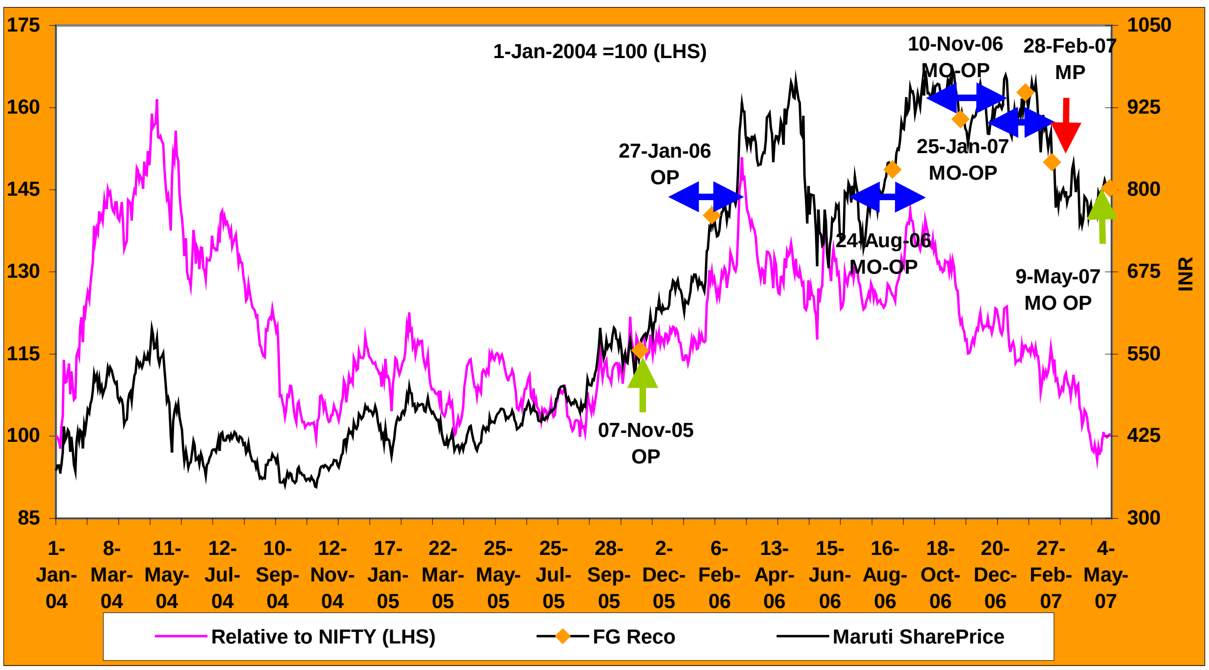
Price and Ratings History Chart

Ratings Key

Positive Ratings	B = Buy	BD = Buy at Declines	OP = Outperform
	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP = Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Ratings	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate Underperform	S-UP = Sector Underperform

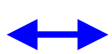
ST: Short Term **MT: Medium Term** **LT: Long Term**

Maruti Udyog Ltd. (MRTI.BO/MUL.IN)



 *Represents an Upgrade*

 *Represents a Downgrade*

 *Represents Reiteration of Existing Rating*

Details of First Global's Rating System given at the end of the report

Financial Snapshot - Standalone

Key Financials					
(YE March 31st) (Rs. mn)	**2005**	**2006**	**2007**	**2008E**	**2009E**
Total Volumes	**536,301**	**561,819**	**674,924**	**783,090**	**880,578**
Total Volume Growth (Y-o-Y)	*13.6%*	*4.8%*	*20.1%*	*16.0%*	*12.4%*
Net Sales	**109,624**	**120,582**	**146,539**	**175,749**	**203,442**
Net Sales Growth (Y-o-Y)	*20.35%*	*10.00%*	*21.53%*	*19.93%*	*15.76%*
EBIDTA	**14,345**	**16,266**	**19,904**	**23,106**	**25,813**
EBIDTA Growth (Y-o-Y)	*42.72%*	*13.39%*	*22.37%*	*16.09%*	*11.71%*
Proforma Net Profit	**8,614**	**11,891**	**15,620**	**17,790**	**19,910**
Proforma Net Profit Growth (Y-o-Y)	*58.44%*	*38.04%*	*31.36%*	*13.89%*	*11.92%*
Total Common shareholders equity	**43,788**	**54,690**	**68,788**	**84,887**	**102,938**
Number of Diluted shares (mn)	289	289	289	289	289

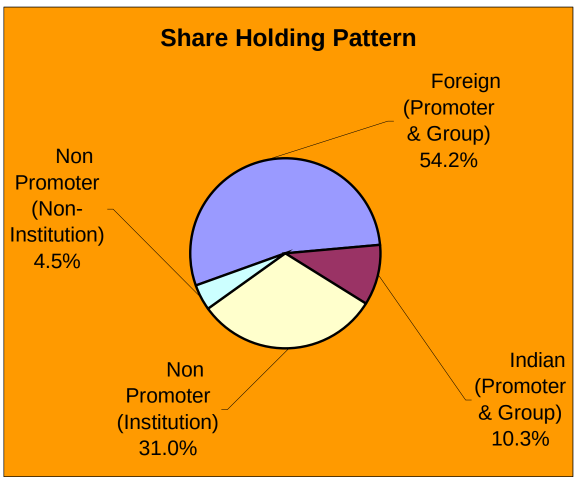
Key Operating Ratios					
(YE March 31st)	**2005**	**2006**	**2007**	**2008E**	**2009E**
EPS (Rs) (Diluted)	**29.8**	**41.2**	**54.1**	**61.6**	**68.9**
EPS Growth (Y-o-Y)	*58.4%*	*38.0%*	*31.4%*	*13.9%*	*11.9%*
Book Value per share (Rs.)	151.6	189.3	238.1	293.8	356.3
CEPS (Rs.)	46.3	51.0	63.5	73.8	83.5
NPM (%)	**7.9%**	**9.9%**	**10.7%**	**10.1%**	**9.8%**
EBIDTA (%)	**13.1%**	**13.5%**	**13.6%**	**13.1%**	**12.7%**
RoE (%)	**21.4%**	**23.9%**	**25.0%**	**22.9%**	**21.0%**
RoCE (%)	**19.8%**	**22.8%**	**24.7%**	**22.8%**	**20.9%**
RoCE (Operating) (%)	22.8%	36.3%	43.6%	45.3%	49.1%
RoCE (Non-Operating) (%)	19.2%	15.8%	16.4%	14.1%	11.9%
Debt/Equity (x)	**0.07**	**0.01**	**0.01**	**0.00**	**0.00**
Payout Ratio	7.7%	8.3%	9.7%	9.5%	9.3%

Valuation Ratios					
(YE March 31st)	**2005**	**2006**	**2007**	**2008E**	**2009E**
P/E (x)				**13.0**	**11.6**
P/BV (x)				2.7	2.2
P/CEPS (x)				10.8	9.6
EV/EBIDTA (x)				9.1	8.1
Market Cap./ Sales (x)				**1.3**	**1.1**
Dividend Yield				0.7%	0.8%

DuPont Model					
(YE March 31st)	**2005**	**2006**	**2007**	**2008E**	**2009E**
PBDIT/Sales (%)	13.1%	13.5%	13.6%	13.1%	12.7%
Sales/Net Assets (x)	2.5	2.3	2.3	2.2	2.1
Sales/Operating Assets(x)	3.3	3.6	4.2	4.6	5.0
Operating Assets/Net Assets(x)	0.7	0.6	0.6	0.5	0.4
PBDIT/Net Assets (%)	**32.3%**	**31.2%**	**31.3%**	**29.4%**	**27.0%**
PAT/PBDIT (%)	60.0%	73.1%	78.5%	77.0%	77.1%
Net Assets/Net Worth (x)	1.1	1.0	1.0	1.0	1.0
Rtn. on Net Worth (RONW) (%)	**21.4%**	**23.9%**	**25.0%**	**22.9%**	**21.0%**

Common Sized Profit & Loss Account					
(YE March 31st)	**2005**	**2006**	**2007**	**2008E**	**2009E**
Total Income	**100%**	**100%**	**100%**	**100%**	**100%**
Net RM	77.1%	76.4%	75.4%	75.9%	76.5%
Manufacturing Expenses	1.4%	1.3%	1.3%	1.3%	1.3%
Personnel Expenses	1.8%	1.9%	2.0%	1.9%	1.8%
S,G & Admin	6.6%	6.9%	7.7%	7.8%	7.7%
Operating Expenses	86.9%	86.5%	86.4%	86.9%	87.3%
EBIDTA	**13.1%**	**13.5%**	**13.6%**	**13.1%**	**12.7%**
Depreciation & Amortisation	4.3%	2.4%	1.9%	2.0%	2.1%
EBIT	**8.8%**	**11.1%**	**11.7%**	**11.1%**	**10.6%**
Other Income	3.6%	3.6%	4.1%	3.9%	3.8%
Interest Expenses	0.3%	0.2%	0.3%	0.3%	0.1%
Extraordinary Expenses (net)	0.1%	0.0%	0.0%	0.0%	0.0%
PBT	**11.9%**	**14.5%**	**15.6%**	**14.8%**	**14.3%**
Total Taxes	4.1%	4.7%	4.9%	4.7%	4.5%
Reported PAT	**7.8%**	**9.9%**	**10.7%**	**10.1%**	**9.8%**

Key Statistics



Industry	**Auto**
52 Week High/Low	Rs.991/655
CMP	Rs. 802.3
Avg.Daily Volume (20 Days)	0.71 mn
Avg.Daily Value (20 Days)	Rs.559.65 mn
Performance over 52 weeks:	
Maruti Udyog Ltd.	Down 16.93%
CNX Nifty	Up 9.64%

Maruti Udyog's Business in Pictures… (FY06)

(All figures are in Rs. Mn except where stated otherwise. All percentages are percent of revenues, unless otherwise stated. Balance sheet figures taken on FY06 data)

Operations/Value added
Total Revenues: 1,20,582 (100%)

Exports: 6% of total Volumes

Chief export markets: UK, Algeria, Hungary, Denmark, Netherlands etc.

Sources
Auto
Ancillaries
In house
Manufacturing

RM
92,170
(76.4%)

Manpower:
2,287 (1.9%)
Other Expenses:
9,859 (8.2%)

Finished Products
Passenger Cars, UVs, MPVs

Markets
Domestic & Foreign.

Pricing
Contracts/Spot
Bulk of the requirement is contracted.
Normally contract period is one year.
Prices depend on expectation of the Principal raw material prices like steel and aluminium and also on volume Commitments.

EBIDTA
16,266
(13.5%)

Volumes (FY06)
PC: 48,9895 (88.1%)
UV: 4468 (0.8%)
MPV: 61,966 (11.1%)

Pricing (FY06)*
Avg. Realization
Rs 0.247 mn

Below Operating Line.

Net Interest: 204 (0.2%)
Depreciation: 2,854 (2.4%)
Non –Operating Income: 4,292 (3.6%).

Competition
Tata Motors
Hyundai Motors
Toyota Kirloskar
M&M

Profit Before Tax
17,500 (14.5%)

Market Share (FY06)
PC: 46.6%
UV: 2.2%
MPV: 100%

Taxes
5,609 (4.7%)

Profit After Tax
11,891 (9.9%)

Assets

Balance Sheet
64,044 (100%)

Liabilities

Fixed Assets:19,883 (25.9%)
Investments: 24,194 (31.5%)
a) Trade Investments: 4,800 (6.3%)
b) Others: 19,394 (25.3%)
Loans & Advances: 7,238 (9.4%)
Debtors: 5,262 (6.9%)
Inventory: 6,677 (8.7%)
Cash: 12,349(16.1%)

Debt: 700 (0.9%)
Sundry Creditors: 5,050(6.6%)
Provisions: 6,598 (8.6%)
Reserves: 53,245 (69.4%)
Equity: 1,445 (1.9%)
Others: 9,653 (12.6%)

Long – Term
(0%)

Short – Term
(0%)

The Story…

A couple of months ago, there were some uncertainty on the horizon for Maruti Udyog Ltd. (MRTI.BO/MUL.IN) (as also many other auto players), with hardening interest rates and the spectre of slowing sales. That's when we'd downgraded the stock…and Maruti did underperform somewhat since then. In March 2007, the Indian car market's volume growth of 7.4% was also a downer.

In our view, we are over the hump: interest rates which have been at their highest real levels in decades are likely to head down, April showed a heartening 16.7% volume growth for MUL, the company also has enough up its sleeve in terms of product launches and the Suzuki-Fiat JV will add the icing on the cake. Most importantly, MUL appears very reasonably valued, given its high RoCE of 22.8% (FY08E) even after factoring in a margin decline; and an EPS growth of 13.9%, relative to a low P/E of 13x FY08 earnings and low EV/EBIDTA (9.5x FY07 and 9.1x FY08E)

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Higher volumes and better realisations in the A2 and MPV segments drove the growth in revenues and earnings for MUL in Q4 FY07. MUL's revenues rose by 35.2% Y-o-Y to Rs.44, 298 mn in the quarter (as against our estimate of Rs.38, 785 mn), while the EPS came in at Rs.15.53 (as compared to our estimate of Rs.13.3), marking an increase of 24.3% Y-o-Y.

Total volumes increased by 29.6% to 200,112 vehicles in Q4 FY07, led by a growth of 47% in the A2 segment (comprising of Swift, Alto, and Wagon R), vis-à-vis the industry growth of 35% in the segment. Volumes in the A1 segment declined by 14% Y-o-Y, while MPV volumes rose by 36% to 246,86 vehicles. In the A3 segment, volumes declined by 24% due to the failure of Baleno and Esteem to penetrate the market.

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Despite increasing raw material prices, MUL managed to control costs, which rose by merely 80 bps sequentially to 76% of the total revenues in the quarter. However, the EBIDTA margin declined for the fifth consecutive quarter in Q4 FY07 and fell by 1.4 percent points sequentially and 2.4 percent points Y-o-Y to 12.4% due to rising raw material costs, overhead costs at the company's new Manesar plant and higher advertisement expenses for the new versions of Alto, Zen and Swift. The Manesar plant, which currently has a capacity of 100,000 vehicles per year, recorded lower production volumes with a capacity utilisation of 75%, resulting in higher overhead costs.

Although the competition in the overall passenger car industry, particularly the A2 & A3 segments, is expected to intensify with the launch of new vehicles, such as GM's Spark, M&M-Renault's Logan, and Indica's high end variant, MUL is well positioned to capitalize on the opportunities arising in the compact car segment, which is growing at an all time high rate of 35%, led by the company's entry in the diesel car segment. With the introduction of SX-Sedan in May 2007, MUL is poised to make an impact in the A3 and A4 segment of luxury cars and compete with the likes of Honda City, Ford Fiesta, Toyota Corolla, Hyundai Accent, etc.

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We expect MUL's A2 segment to receive a boost with the production of Swift's diesel version in full swing at the company's Manesar plant. Moreover, within the Manesar site, the diesel engine plant with a capacity of 1 lakh units per annum began operating in Q4 FY07. The plant, which would produce 1.3 litre CRDI engines, is a 70:30 JV between Suzuki and MUL, with technical license from FIAT.

MUL plans to hive off most of its existing engines and replace them with the new Euro-4 and Euro-5 compliant M-Series engines in order to meet emission norms in India and the export markets. The contribution of exports to the company's total volumes is expected to rise from the current 6% to 9% in FY08, led by the production of Euro-4 and Euro-5 compliant M-Series engines and the export of 50,000 vehicles through the Nissan deal.

Considering the intensifying competition and the expected rise in raw material costs as well as advertising expenses to support new launches, we have made a downward revision to our revenue and EPS estimates. ***In view of the hike in raw material costs, fuel costs, royalty payments, advertisement and marketing expenses for the company's new models, partly offset by an increase in the Manesar's plant capacity utilisation in the current year, we have modelled for a lower EBIDTA margin of 13.1% for FY08 from 13.6% in FY07.***

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Our EPS estimate for Q1 FY08 now stands at Rs.12.6, on revenues of Rs.36.94 bn. For FY08, we estimate MUL to post an EPS of Rs.61.6 on revenues of Rs.175.75 bn, down from our earlier estimates of Rs.64.2 on revenues of Rs.179.31 bn. We are introducing our FY09 EPS and revenue estimates of Rs.68.9 and Rs.203.44 bn respectively. We estimate MUL's volumes to increase by 13.5% Y-o-Y to 164,450 vehicles in Q1 FY08 and by 16% Y-o-Y to 783,090 vehicles in FY08.

Comparative Valuation Ratios – Four-Wheeler Companies

	P/E (x)		P/S (x)		P/BV (x)		EV/EBIDTA (x)		EV/Sales (x)		EBITDA %	ROE %	ROCE %	Annual EPS Growth	Annual Sales Growth
Company	**FY08E**	**FY09E**	**FY08E**	**FY09E**	**FY08E**	**FY09E**	**FY08E**	**FY09E**	**FY08E**	**FY09E**	**FY08E**	**FY08E**	**FY08E**	**09/08**	**09/08**
MUL	13	11.6	1.3	1.1	2.7	2.2	6.3	5.3	1	0.9	13.1%	22.9%	22.8%	13.9%	19.93%
Tata Motors	13.5	12	1.2	1.1	3.3	2.8	6.8	5.7	1.1	1	12.3%	26.4%	20.7%	12.1%	15.33%
M&M	18	16	1.6	1.5	4.1	3.3	7.4	5.6	1.9	1.7	13.1%	25.6%	23.6%	12.2%	15.5%

Source: Consensus figures and FG estimates

Section I: Earnings Analysis

In Rs. Mn	Q4 FY07	Q4 FY06	Y-o-Y %	Q3 FY07	Seq. Q-o-Q %
Total Vehicles sold (In numbers)	**200,112**	**154,400**	***29.6%***	**172,181**	***16.2%***
Net Sales	**44,298**	**32,770**	***35.2%***	**36,795**	***20.4%***
Less: Total Expenditure					
Net Raw Materials Consumed	**33,666**	**24,367**	*38.2%*	**27,662**	*21.7%*
Other Expenses	**4,315**	**2,975**	*45.0%*	**3,323**	*29.8%*
Staff Cost	**807**	**567**	*42.3%*	**738**	*9.3%*
Total Expenditure	**38,787**	**27,909**	***39.0%***	**31,723**	***22.3%***
EBIDTA	**5,510**	**4,862**	***13.3%***	**5,072**	***8.7%***
Less: Depreciation	718	726	*-1.0%*	759	*-5.3%*
EBIT	**4,792**	**4,136**	***15.9%***	**4,313**	***11.1%***
Add: other income	2,050	1,153	*77.8%*	1,284	*59.6%*
Less: Interest & Financing Charges	156	34	*356.3%*	157	*-1.1%*
Profit Before Extraordinary items and Tax	**6,686**	**5,255**	***27.2%***	**5,440**	***22.9%***
Profit Before Tax	**6,686**	**5,255**	***27.2%***	**5,440**	***22.9%***
Less: Total Tax	**2,201**	**1,645**	***33.8%***	**1,676**	***31.3%***
Profit After Tax	**4,486**	**3,609**	***24.3%***	**3,764**	***19.2%***
Proforma Net Profit	**4,486**	**3,609**	***24.3%***	**3,764**	***19.2%***
Shares outstanding (mn)	289	289		289	
EPS (Non-Annualised) (Rs.)	**15.53**	**12.5**	***24.3%***	**13.03**	***19.2%***
Net Sales/Unit (Rs.)	221,364	212,242	*4.30%*	213,698	*3.59%*
RM/Unit (Rs.)	168,237	157,817	*6.60%*	160,657	*4.72%*
Net RM/Net Sales	76.0%	74.4%		75.2%	
Other Expenses/Net Sales	9.7%	9.1%		9.0%	
Staff Cost/Net Sales	1.8%	1.7%		2.0%	
EBIDTA Margin	12.4%	14.8%		13.8%	
Proforma NPM	10.1%	11.0%		10.2%	
Effective Tax Rate	32.9%	31.3%		30.8%	

In Q4 FY07, MUL delivered a strong performance on the volume front, with a growth of almost 30% Y-o-Y, driven by the new Wagon R, Swift, Alto and the newly launched Zen Estilo. MPV sales, led by Versa and Omni's LPG version, were up 36% Y-o-Y in the quarter. Revenues increased by 35% Y-o-Y in Q4 FY07, on the back of better realisation and higher volumes in the A2 and MPV segments. The EBITDA margin declined by 240bps Y-o-Y to 12.4% in the quarter, due to higher input costs in the form fuel price hike, higher advertisement expenses, raw material price contract hikes, and rising expenses at the company's Manesar plant. The EPS for the quarter came in at Rs.15.53, up 19.2% sequentially and 24.3% Y-o-Y.

The EBITDA margin declined by 240bps Y-o-Y to 12.4% in the quarter, due to higher input costs in the form fuel price hike, higher advertisement expenses, raw material price contract hikes, and rising expenses at the company's Manesar plant. The EPS for the quarter came in at Rs.15.53, up 19.2% sequentially and 24.3% Y-o-Y.

Other income increased by 78% Y-o-Y and 60% sequentially, due to interest income from mutual fund units, thereby pushing the PBT up by 27.2% Y-o-Y to Rs.6,686 mn, despite a decline of 2.4 percent points Y-o-Y in the EBIDTA margin. The Proforma net profit for the quarter came in at Rs.4486 mn, marking a rise of 19.2% sequentially and 24.3% Y-o-Y.

Section II: Volume Analysis

	Domestic			Exports			Total		
	FY06	FY07	Change	FY06	FY07	Change	FY06	FY07	Change
MUL									
PCs	456,298	549,317	*20.4%*	33,597	37,760	*12.4%*	489,895	587,077	*19.8%*
Uvs	4,374	3,221	*-26.4%*	94	204	*117.0%*	4,468	3,425	*-23.3%*
MPVs	60,964	83,091	*36.3%*	1002	1330	*32.7%*	61,966	84,421	*36.2%*
Total	**521,636**	**635,629**	*21.9%*	**34,693**	**39,294**	*13.3%*	**556,329**	**674,923**	*21.3%*
Industry									
PCs	882,208	1,076,408	*22.0%*	168,459	192,745	*14.4%*	1,050,667	1,269,153	*20.8%*
Uvs	194,502	220,199	*13.2%*	4,489	4,403	*-1.9%*	198,991	224,602	*12.9%*
MPVs	66,366	83,091	*25.2%*	1093	1330	*21.7%*	67,459	84,421	*25.1%*
Total	**1,143,076**	**1,379,698**	*20.7%*	**174,041**	**198,478**	*14.0%*	**1,317,117**	**1,578,176**	*19.8%*
Market share									
PCs	51.7%	51.0%	-1.3%	19.9%	19.6%	-1.8%	46.6%	46.3%	-0.8%
Uvs	2.2%	1.5%	-35.0%	2.1%	4.6%	121.3%	2.2%	1.5%	-32.1%
MPVs	91.9%	100.0%	8.9%	91.7%	100.0%	9.1%	91.9%	100.0%	8.9%
Total	45.6%	46.1%	1.0%	19.9%	19.8%	-0.7%	42.2%	42.8%	1.2%

The overall passenger car industry recorded a growth of 22% in volumes in FY07, while MUL's passenger car volumes increased by 20.4%, resulting in a decline of 70bps in the company's market share. The MPV segment recorded a growth of 36% in the domestic market with a 100% market share. MUL's UV segment, led by Gypsy, took a big hit in FY07, as sales declined by almost 35%, as a result of the success of the new version of Tata Safari, and market share gains by Ford Endeavour, Honda CRV and Toyota Qualis. Of course, this is a small business for MUL anyway.

On the export front, MUL's passenger car sales increased by 12.4%, with Europe being the key market. The contribution of exports to the company's total volumes is expected to rise from the current 6% to 9% in FY08, led by the production of Euro-4 and Euro-5 compliant M-Series engines and the export of 50,000 vehicles through the Nissan deal.

Considering the launch of Swift's diesel version, the SX-Sedan with the M-Series engine and the new versions of Zen and Wagon R, coupled with MUL's steady performance in the MPV segment, we expect the company's volumes to increase by 16% to 7,83,090 vehicles in FY08 from the current 6,75,000 vehicles.

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Section III: Segments in focus and Other Highlights

New launches

Going forward, MUL will introduce 5 new models over the next five years, including the SX-Sedan that was launched in May. With the diesel version of Swift being assembled in the 3rd platform of the company's Manesar plant, the fourth platform is lying vacant for the assembling of new models using the Euro-4, 5 compliant M-Series engines.

CAPEX plans

MUL has decided to scale up its expansion plans in a big way. The company had earlier announced an investment of Rs.60 bn towards a new plant, a diesel engine facility, launch of new models, and up gradation of its Gurgaon plant. This has now been raised to Rs.90 bn over the next 3 years. The state-of-the-art car plant located at Manesar in Haryana has commenced production with an initial capacity of 100,000 units per year, which is over and above the total capacity of more than 600,000 units at the company's existing facility in Gurgaon. By 2009, the Manesar plant's capacity is expected to increase to 300,000 from the current 100,000 units. The company also plans to produce a new compact car model in the Manesar facility, a large part of which is meant for export to Europe, beginning 2008. The diesel engine plant will manufacture a state-of-the-art 1.3-liter diesel engine for cars. The company will increase the manufacturing capacity to 0.3 mn diesel engines per year. According to management's guidance, MUL will incur a capex of Rs.20 bn in FY08 and FY09 each and the balance Rs.50 bn in 2010.

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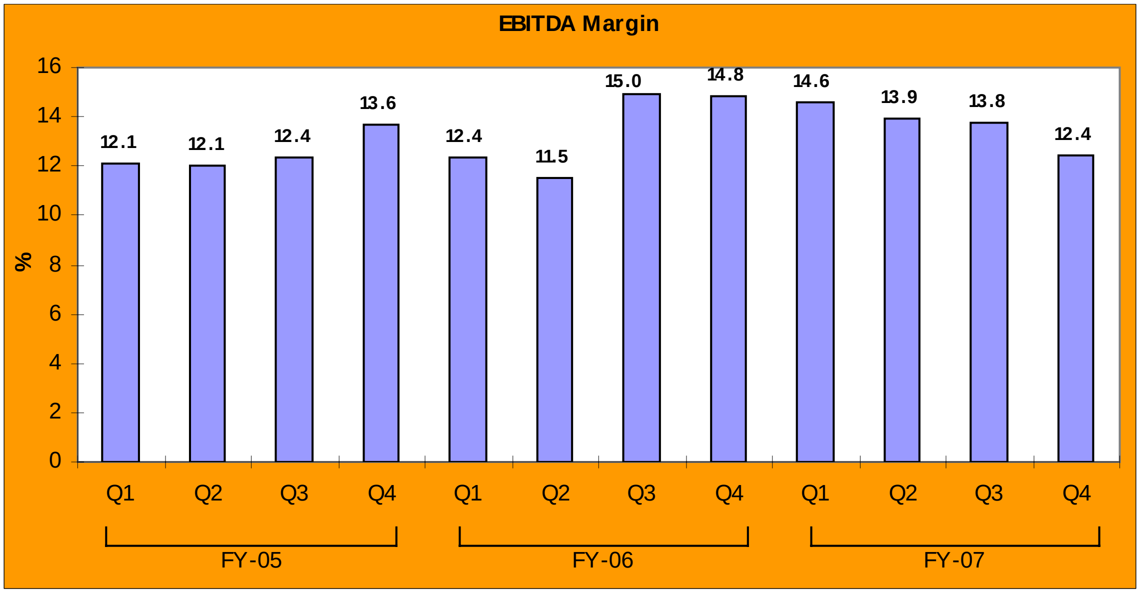
EBITDA Margin Trend



The EBIDTA margin declined for the fifth consecutive quarter in Q4 FY07 and fell by 1.4 percent point sequentially and 2.4 percent points Y-o-Y to 12.4% due to rising raw material costs, overhead costs at the company's Manesar plant and higher advertisement expenses for the new versions of Alto, Zen and Swift. We expect the EBIDTA margin remain under pressure due to a hike in raw material costs, fuel costs, royalty payments, advertisement and marketing expenses for the company's new models, partly offset by an increase in the Manesar's plant capacity utilisation in the current year.

Earnings Model of Maruti Udyog Limited. (MUL.IN) (MRTI.BO) – Standalone Basis

In Rs. Million	Q1 FY07	Q2 FY07	Q3 FY07	Q4 FY07	FY07	Q1 FY08E	Q2 FY08E	Q3 FY08E	Q4 FY08E	FY08E	FY09E
Net Income	**31,255**	**34,192**	**36,795**	**44,298**	**146,539**	**36,943**	**42,189**	**47,434**	**49,183**	**175,749**	**203,442**
Less: Operating Expenditure											
Net Raw Material	23,595	25,570	27,662	33,666	110,494	28,077	32,064	35,955	37,281	133,376	155,633
Personnel	626	714	738	807	2,884	691	790	889	922	3,291	3,686
Other Expenses	2,468	3,152	3,323	4,315	13,257	3,399	3,881	4,269	4,426	15,976	18,310
Total Operating Expenditure	26,689	29,436	31,723	38,787	126,635	32,167	36,735	41,113	42,629	152,643	177,629
EBIDTA	**4,566**	**4,756**	**5,072**	**5,510**	**19,904**	**4,776**	**5,454**	**6,321**	**6,554**	**23,106**	**25,813**
Less: Depreciation	641	596	759	718	2,714	884	884	778	990	3,536	4,223
EBIT	**3,925**	**4,160**	**4,313**	**4,792**	**17,191**	**3,892**	**4,570**	**5,543**	**5,564**	**19,570**	**21,590**
Add: Other income	1,433	1,217	1,284	2,050	**5,984**	**1,514**	**1,583**	**1,583**	**2,271**	**6,882**	**7,776**
Less: Interest & Financing Charges	33	31	157	156	**376**	**90**	**113**	**113**	**135**	**450**	**300**
Profit Before Extraordinary items and Tax	5,326	5,346	5,440	6,686	**22,798**	**5,316**	**6,040**	**7,014**	**7,700**	**26,002**	**29,066**
Profit Before Tax	**5,326**	**5,346**	**5,440**	**6,686**	**22,798**	**5,316**	**6,040**	**7,014**	**7,700**	**26,002**	**29,066**
Less: Total Tax	**1,630**	**1,672**	**1,676**	**2,201**	**7,179**	**1,675**	**1,903**	**2,209**	**2,426**	**8,212**	**9,156**
Profit After Tax	**3,696**	**3,674**	**3,764**	**4,486**	**15,620**	**3,642**	**4,138**	**4,804**	**5,275**	**17,790**	**19,910**
Proforma Net Profit	**3,696**	**3,674**	**3,764**	**4,486**	**15,620**	**3,642**	**4,138**	**4,804**	**5,275**	**17,790**	**19,910**
Shares Outstanding (mn)	289	289	289	289	289	289	289	289	289	289	289
EPS (Non-Annualised) (Rs.)	**12.8**	**12.7**	**13.0**	**15.5**	**54.1**	**12.6**	**14.3**	**16.6**	**18.3**	**61.6**	**68.9**
EBIDTA Margin	**14.6%**	**13.9%**	**13.8%**	**12.4%**	**13.6%**	**12.9%**	**12.9%**	**13.3%**	**13.3%**	**13.1%**	**12.7%**
NPM	**11.8%**	**10.7%**	**10.2%**	**10.1%**	**10.7%**	**9.9%**	**9.8%**	**10.1%**	**10.7%**	**10.1%**	**9.8%**
Effective Tax Rate	30.6%	31.3%	30.8%	32.9%	31.5%	31.5%	31.5%	31.5%	31.5%	31.6%	31.5%

Source: Company Reports, FG Estimates.

IMPORTANT DISCLOSURES

Price Target

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and non-financial data of the concerned company using a combination of P/E, P/Sales, earnings growth, discounted cash flow (DCF) and its stock price history.

The risks that may impede achievement of the price target/investment thesis are -

- Change in regulatory environment affecting the policies of the government towards auto emission norms.
- Higher than expected increase in raw material prices, for instance, steel, rubber, etc. may impact the margins of the company.
- Unanticipated market share changes due to any reason including new product offerings from competitors
- Shift of demand due to unanticipated price cuts/discounts/special offers made by competitors.

Rating system of First Global

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

Rating in this report is relative to: S&P CNX Nifty Index

Positive Ratings

(i) Buy (B) *– This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.*

(ii) Buy at Declines (BD) *– This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.*

(ii) Outperform (OP) *– This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.*

Neutral Ratings

(i) Hold (H) *– This rating means that we expect no substantial move in the stock price over the specified time period.*

(ii) Marketperform (MP) *– This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.*

Negative Ratings

(i) Sell (S) *– This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.*

(ii) Sell into Strength (SS) *– This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.*

(iii) Underperform (UP) *– This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.*

(iv) Avoid (A) *– This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment*

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