

Neutral
CMP: 564

BSE Code	532500
NSE Code	MARUTI

Key Data

Sensex	9788
52 week H/L (Rs)	1099/474
Oct month H/L (Rs)	747/508
Market Cap (Rs Cr)	16308
Avg. daily vol. (6m)	197436
Face Value (Rs)	5

Source: Capitaline

Shareholding Pattern (%)

Promoters	54.21
Institution	23.53
Foreign holding	15.78
Non-promoter corp. holding	3.49
Public & Others	2.99

Source: Capitaline

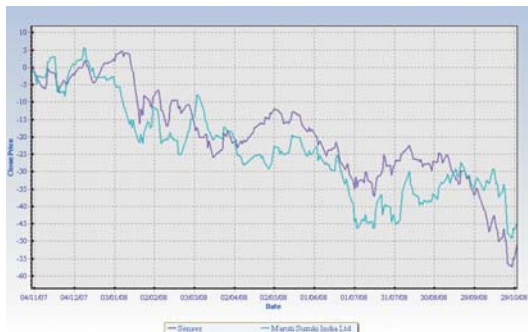
Result Highlights

- Net sales up by 6% as per our expectation. Volumes degrowth at 1% while average realisation up by 5% propelled by higher share of A3.
- Operating margins lower by 590 basis points as material cost, and royalty rise. Yen appreciation has also affected the margins as company's ~12% imports are yen denominated.
- Net profit down by 37% YoY due to lower margins and change in depreciation policy.

Financials

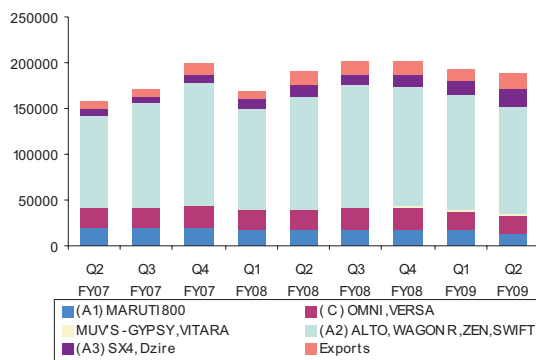
(Rs crores)	Q2 FY09	Q2 FY08	YoY (%)	Q1 FY09	QoQ (%)
Net Sales	4830.3	4547.4	6%	4753.6	2%
Total Expenditure	4477.9	3949.6	13%	4289.9	4%
Core EBITDA	352.4	597.8	-41%	463.6	-24%
EBITDA Margins(%)	7.3%	13.1%	-5.9%	9.8%	-2.5%
Other Income	259.4	188.5		328.8	
Depreciation	165.8	88.1		166.1	
EBIT	445.9	698.1	-36%	626.4	-29%
Interest	20.8	14.0		16.8	
Profit Before Tax	425.1	684.1		609.5	
Tax	129.0	217.6		143.7	
Net Profit	296.1	466.5	-37%	465.9	-36%
Adj Net Profit	296.1	466.5	-37%	465.9	-36%
NPM (%)	6.1%	10.3%		9.8%	
No of shares	14.4	14.4		14.4	
EPS (Ann.)	82.3	129.6	-37%	129.4	

One-Year Performance (Rel. to Sensex)

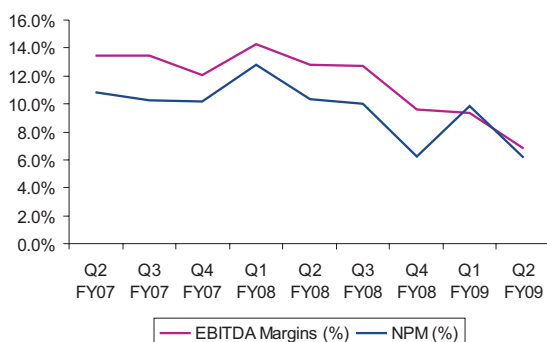


Source: Capitaline

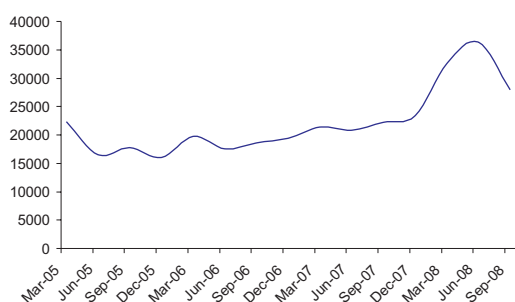
Sales Mix in favour of exports & A3 Segment- fetch higher realisation



Margins



Steel Prices



Other Highlights

Net sales grew in line with our expectation by 6%, propelled by higher average realization. Growth in exports and A3 segment accelerated the growth in volumes. We expect exports and A3 segment to be major volume driver going forward.

The company would launch 'A Star' in Nov '08 in Indian market. Also it would begin the export of A Star in early 2009 calendar year. It would launch Splash in financial year 2009-10. Manesar plant operating at full capacity will augment increase in production of Swift and Dzire. The company has inaugurated new generation KB series engine plant in Gurgaon.

Material cost increased by 240 basis points to 78.0% of sales. The company's steel consumption, from the domestic and import, are in ratio of 60:40. The company imports steel from Korea and Japan. The company's steel contracts are based on 6-month period. Margins will improve in quarters to come as steel contracts get renewed at lower prices.

Higher import bills due to yen appreciation (Yen appreciation by 13% in Q2 FY09) has resulted in 1% fall in margins.

Currently company pays Royalty on all models except Omni and Maruti800. We expect royalty to increase as proportion of royalty paying models increase.

VALUATION & RECOMMENDATION

The company has maintained more than 50% market share from last 20 years in passenger car segment which we think will be maintained going forward. The key positives for the company are: 1) Rise in disposable income – sixth pay commission & increased tax slab. 2) India becoming global hub for car manufacturers and Suzuki plans of one third of total production from Maruti by 2010. 3) Export targets set at 100000 units in FY 09 (which currently 53000 units) with launch of new model A-star. We expect the company will post healthy volume growth in export segment as it has taken and shift towards high end A3 segment to improve realisation. Availability of finance for four wheelers has been stringent once it improves volumes will pick up domestically.

At current market price the company trades at P/E of 5.3x its H1FY09 annualised EPS of Rs.105.8. We remain "Neutral" on the stock.

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RATING INTERPRETATION

Buy Expected to appreciate more than 20% over a 12-month period

Accumulate Expected to appreciate up to 20% over a 12-month period

Hold Expected to remain in a narrow range

Avoid Expected to depreciate up to 10% over a 12-month period

Exit Expected to depreciate more than 10% over a 12-month period

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