

January 31, 2011

Reco	Previous Reco
Accumulate	Hold
CMP	Target Price
Rs1,234	Rs 1,470
EPS change FY11E/12E (%)	-6.6 / -5.2
Target Price change (%)	-8
Nifty	5,512
Sensex	18,396

Price Performance

(%)	1M	3M	6M	12M
Absolute	(13)	(19)	3	(11)
Rel. to Nifty	(4)	(12)	0	(21)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Automobiles
Bloomberg	MSIL@IN
Equity Capital (Rs mn)	1445
Face Value(Rs)	5
No of shares o/s (mn)	289
52 Week H/L	1,658/1,171
Market Cap (Rs bn/USD mn)	448/10,062
Daily Avg Volume (No of sh)	622062
Daily Avg Turnover (US\$mn)	19.0

Shareholding Pattern (%)

	S'10	J'10	M'10
Promoters	54.2	54.2	54.2
FII/NRI	20.2	20.2	21.2
Institutions	17.0	17.0	16.7
Private Corp	6.0	6.0	5.6
Public	2.6	2.6	2.3

Source: Capitaline

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- **Results in line. EBIDTA was in line with est. at Rs 9.4bn. Margins at 9.9% (est. of 9.6%) was above est. Net profit at Rs 6bn (est. Rs 5.8bn) was above est. due to lower tax rate**
- **Demand outlook remains strong. Currency risks increase as company has not hedged its Yen position as it expects currency to depreciate**
- **Lowered FY11E/FY12E EPS by 6.6%/5.2 to Rs. 80.1/93.1 due to adverse product mix assumption. Upgrade rating to ACCUMULATE post price correction with a TP of Rs 1470**
- **At our TP of Rs 1470 the stock trades at 8x our FY12 EV/EBIDTA (on the lower side of our auto universe) due to lack of intent to raise prices**

Net Sales – below expectation

Net sales at Rs 94.9bn was below est. of Rs 97.3bn primarily due to lower average selling price (ASP) per vehicle. Volume grew by 28.2% YoY and 5.4% QoQ to 330,687 units. ASP stood at Rs 280,529 (-1.3% YoY, -1.5% QoQ) against expectation of Rs 288,489 due to adverse product mix. Also other operating income was below est.

Product mix %	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11
M-800	3.4	2.9	2.4	1.7	2.1
Omni, Versa	9.5	11.3	11.8	13.3	13.2
Alto, Wagon -R, Zen, Swift	61.9	60.4	60.2	63.4	65.3
Esteem, SX4, Dzire	9.8	10.3	10.2	10.0	9.7
Gypsy, Vitara	0.3	0.4	1.1	0.3	0.3
Exports	15.2	14.6	14.3	11.4	9.4
Units sold (nos)	258,026	287,422	283,324	313,654	330,687
YoY change	48.7	21.5	25.0	27.4	28.2

Source: SIAM, Emkay research

EBIDTA margins at 9.9% ahead of our est of 9.6%

EBIDTA at Rs 9.4bn was in line est due to better than expected performance on margins front. This was driven by significantly lower other operating expenses. S&D cost were under control due to strong demand. RM to sales at 80.3% was higher than our est of 79.8%. It should be noted that there was a complete draw down of inventory created in 2QFY11.

APAT marginally above est due to lower tax rate

Net profits stood at Rs 6bn was marginally above est. of Rs 5.8bn due to lower tax rate. Tax rate at 27.5% was lower by 150 bps against our est.

Financial Snapshot

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/EBITDA	P/BV
Mar										
FY09	206,546	15,731	7.6	11,577	40.1	(33.7)	13.0	30.8	19.9	3.8
FY10	293,253	36,695	12.5	25,106	86.9	116.9	23.7	14.2	8.0	3.0
FY11E	365,925	34,399	9.4	23,136	80.1	(7.8)	18.0	15.4	8.1	2.6
FY12E	425,298	40,438	9.5	26,916	93.1	16.3	17.8	13.2	6.4	2.2

Source: Company. Emkay Research

Quarterly Summary

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Revenue	75,029	84,246	82,315	91,473	94,945	26.5	3.8	268,733	211,985	26.8
Expenditure	63,689	73,135	73,909	81,727	85,587	34.4	4.7	241,103	183,553	31.4
as % of sales	84.9	86.8	89.8	89.3	90.1			89.9	91.1	
Consumption of RM	55,901	64,127	64,102	70,443	74,455	33.2	5.7	209,222	160,007	30.8
as % of sales	74.5	76.1	77.9	77.0	78.4			232669.5	175699.2	
Employee Cost	1,325	1,534	1,780	1,738	1,985	49.8	14.2	5,162	3,923	31.6
as % of sales	1.8	1.8	2.2	1.9	2.1			5740.8	4307.5	
Other expenditure	6,464	7,474	8,027	9,545	9,147	41.5	(4.2)	26,719	19,623	36.2
as % of sales	8.6	8.9	9.8	10.4	9.6			29713.3	21547.5	
EBITDA	11,339	11,111	8,407	9,746	9,358	(17.5)	(4.0)	27,630	28,432	(2.8)
Depreciation	2,028	2,230	2,417	2,382	2,369	16.8	(0.5)	7,168	6,020	19.1
EBIT	9,311	8,880	5,990	7,364	6,988	(24.9)	(5.1)	20,461	22,412	(8.7)
Other Income	913	790	1,002	1,340	1,283	40.6	(4.3)	3,624	4,178	(13.2)
Interest	84	129	80	97	4			181	207	(12.5)
PBT	10,140	9,542	6,912	8,607	8,268	(18.5)	(3.9)	23,905	26,383	(9.4)
Total Tax	3,265	2,976	1,962	2,575	2,276	(30.3)	(11.6)	6,806	7,973	(14.6)
Adjusted PAT	6,875	6,566	4,950	6,032	5,992	(12.9)	(0.7)	17,099	18,410	(7.1)
(Profit)/loss from JV's/Ass/MI	-	1	2	3	4			10	-	
Adj. PAT after MI	6,875	6,565	4,948	6,029	5,988	(12.9)	(0.7)	16,618	18,410	(9.7)
Extra ordinary items	-	-	(467)	(219)	-			(471)	-	#DIV/0!
Reported PAT	6,875	6,565	4,482	5,809	5,988	(12.9)	3.1	16,628	18,410	(9.7)
Reported EPS	23.8	22.7	15.5	20.1	20.7	(12.9)	3.1	57.6	63.7	(9.7)

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	15.1	13.2	10.2	10.7	9.9	(526)	(80)	10.3	13.4	(313)
EBIT	12.4	10.5	7.3	8.1	7.4	(505)	(69)	7.6	10.6	(296)
EBT	13.5	11.3	8.4	9.4	8.7	(481)	(70)	8.9	12.4	(355)
PAT	9.2	7.8	6.0	6.6	6.3	(285)	(28)	6.4	8.7	(232)
Effective Tax rate	32.2	31.2	28.4	29.9	27.5	(467)	(239)	28.5	30.2	(175)

Source: Company, Emkay Research

Valuations and View

At CMP of Rs 1,234 the stock trades at PER of 13.2x and EV/EBIDTA of 6.4x our FY12 estimates. We have revised our EPS estimate downward for FY11 & FY12 by 6.6% & 5.2% to Rs 80.1 & Rs 93.1 respectively due to adverse product mix assumptions (resulting in lower topline). We have valued the stock at EV/EBIDTA of 8x of FY12 estimates which at the lower end of our auto universe. We continue to have concerns with lack of intent of the company to raise price tp provide cushion against cost pressures.

Revision in Estimates

Rs mn	FY11E			FY12E		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Volumes	1,256,638	1,256,638	0.0	1,436,671	1,436,671	(0.0)
Sales	383,646	365,925	(4.6)	444,747	425,298	(4.4)
EBIDTA	36,496	34,399	(5.7)	42,268	40,438	(4.3)
EBIDTA margins (%)	9.5	9.4		9.5	9.5	
Net Profits	24,756	23,136	(6.5)	28,390	26,916	(5.2)
EPS	85.7	80.1	(6.6)	98.2	93.1	(5.2)

Source: Emkay Research

Financials

Income Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	206,546	293,253	365,925	425,298
<i>Growth (%)</i>	14.0	42.0	24.8	16.2
Expenditure	190,815	256,558	331,526	384,859
Materials Consumed	160,672	221,998	284,508	331,633
Employee Cost	4,711	5,456	7,216	8,391
Other Exp	25,432	29,104	39,802	44,835
EBITDA	15,731	36,695	34,399	40,438
<i>Growth (%)</i>	(36.3)	133.3	(6.3)	17.6
EBITDA margin (%)	7.6	12.5	9.4	9.5
Depreciation	7,065	8,250	9,526	11,226
EBIT	8,666	28,445	24,874	29,213
EBIT margin (%)	4.2	9.7	6.8	6.9
Other Income	7,992	7,945	7,784	8,731
Interest expenses	510	335	300	300
PBT	16,148	36,055	32,357	37,644
Tax	4,571	10,949	9,222	10,729
<i>Effective tax rate (%)</i>	28.3	30.4	28.5	28.5
Adjusted PAT	11,577	25,106	23,136	26,916
<i>Growth (%)</i>	(33.1)	116.9	(7.8)	16.3
Net Margin (%)	5.6	8.6	6.3	6.3
(Profit)/loss from JV's/Ass/MI	-	-	-	-
Adj. PAT After JVs/Ass/MI	11,577	25,106	23,136	26,916
E/O items	610	(130)	(652)	-
Reported PAT	12,187	24,976	22,484	26,916
<i>Growth (%)</i>	(29.6)	116.9	(7.8)	16.3

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
PBT (Ex-Other income)	8,156	28,110	24,574	28,913
Depreciation	7,065	8,250	9,526	11,226
Interest Provided	510	335	300	300
Other Non-Cash items	2,901	2,647	-	-
Chg in working cap	(2,128)	481	(2,679)	(443)
Tax paid	(4,571)	(10,949)	(9,222)	(10,729)
Operating Cashflow	11,933	28,874	22,498	29,267
Capital expenditure	(15,603)	(12,124)	(14,124)	(17,000)
Free Cash Flow	(3,670)	16,750	8,374	12,267
Other income	7,992	7,945	7,784	8,731
Investments	17,125	(43,654)	(8,000)	(8,000)
Investing Cashflow	25,117	(35,709)	(216)	731
Equity Capital Raised	-	-	-	-
Loans Taken / (Repaid)	(2,013)	1,225	-	-
Interest Paid	(510)	(335)	(300)	(300)
Dividend paid (incl tax)	(1,183)	(2,021)	(2,098)	(2,511)
Income from investments	-	-	-	-
Others	-	-	-	-
Financing Cashflow	(5,362)	551	(2,398)	(2,811)
Net chg in cash	16,085	(18,408)	5,761	10,187
Opening cash position	3,305	19,390	982	6,743
Closing cash position	19,390	982	6,743	16,930

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	1,445	1,445	1,445	1,445
Reserves & surplus	92,004	116,906	137,292	161,696
Net worth	-	-	-	-
Minority Interest	93,449	118,351	138,737	163,141
Secured Loans	1	265	265	265
Unsecured Loans	6,988	7,949	7,949	7,949
Loan Funds	6,989	8,214	8,214	8,214
Net deferred tax liability	1,551	1,370	1,370	1,370
Total Liabilities	101,989	127,935	148,321	172,725
Gross Block	87,206	104,067	112,067	132,067
Less: Depreciation	46,498	53,820	63,346	74,571
Net block	40,708	50,247	48,721	57,496
Capital work in progress	8,613	3,876	10,000	7,000
Investment	31,733	71,766	79,766	87,766
Current Assets	54,911	37,724	65,015	84,418
Inventories	9,023	12,088	14,911	17,304
Sundry debtors	9,189	8,099	14,911	17,304
Cash & bank balance	19,390	982	6,743	16,930
Loans & advances	16,328	15,707	27,602	32,031
Other current assets	981	848	848	848
Current lia & Prov	33,976	35,678	54,530	63,302
Current liabilities	30,169	29,394	46,414	53,880
Provisions	3,807	6,284	8,116	9,422
Net current assets	20,935	2,046	10,486	21,116
Misc. exp	-	-	-	-
Total Assets	101,989	127,935	148,973	173,377

Key Ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	7.6	12.5	9.4	9.5
Net Margin	5.6	8.6	6.3	6.3
ROCE	16.9	31.7	23.6	23.6
ROE	13.0	23.7	18.0	17.8
RoIC	23.2	60.8	47.9	51.2
Per Share Data (Rs)				
EPS	40.1	86.9	80.1	93.1
CEPS	64.5	115.4	113.0	132.0
BVPS	323.4	409.5	480.1	564.5
DPS	3.5	6.0	6.2	7.5
Valuations (x)				
PER	30.8	14.2	15.4	13.2
P/CEPS	19.1	10.7	10.9	9.4
P/BV	3.8	3.0	2.6	2.2
EV / Sales	1.5	1.0	0.8	0.6
EV / EBITDA	19.9	8.0	8.1	6.4
Dividend Yield (%)	0.3	0.5	0.5	0.6
Gearing Ratio (x)				
Net Debt/ Equity	(0.4)	(0.5)	(0.5)	(0.6)
Net Debt/EBITDA	(2.6)	(1.7)	(2.1)	(2.3)
Working Cap Cycle (days)	(21.1)	(11.5)	(16.5)	(24.6)

Recommendation History: Maruti Suzuki India – MSIL IN

Date	Reports	Reco	CMP	Target
29/10/2010	Maruti Q2FY11 Result Update	Hold	1,551	1,600
26/07/2010	Maruti Q1FY11 Result Update	Reduce	1,358	1,275
27/04/2010	Maruti Q4FY10 Result Update	Accumulate	1,335	1,600
25/01/2010	Maruti 3QFY10 Result Update	Hold	1,440	1,480

Recent Research Reports

Date	Reports	Reco	CMP	Target
24/01/2011	Ashok Leyland Q3FY11 Result Update	Accumulate	59	68
21/01/2011	TVS Motor Q3FY11 Result Update	Accumulate	62	72
20/01/2011	Bajaj Auto Q3FY11 Result Update	Buy	1,297	1,650
12/01/2011	Mahindra & Mahindra Management Meet Update	Buy	736	880

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