

## Maruti Udyog

|                    |              |
|--------------------|--------------|
| STOCK INFO.        | BLOOMBERG    |
| BSE Sensex: 10,742 | MUL IN       |
|                    | REUTERS CODE |
| S&P CNX: 3,156     | MRTI.BO      |

27 July 2006

**Buy**
*Previous Recommendation: Buy*
**Rs781**

|                     |         |
|---------------------|---------|
| Equity Shares (m)   | 289.0   |
| 52-Week Range       | 974/457 |
| 1,6,12 Rel.Perf.(%) | 2/-6/21 |
| M.Cap. (Rs b)       | 225.9   |
| M.Cap. (US\$ b)     | 4.8     |

| YEAR  | TOTAL INC. | PAT    | Adj. EPS | EPS        | P/E  | P/BV | ROE  | ROCE | EV/   | EV/    |
|-------|------------|--------|----------|------------|------|------|------|------|-------|--------|
| END   | (RS M)     | (RS M) | (RS)     | GROWTH (%) | (X)  | (X)  | (%)  | (%)  | SALES | EBITDA |
| 3/06A | 123,812    | 12,116 | 41.9     | 41.9       | 18.6 | 4.1  | 21.8 | 30.8 | 1.6   | 9.9    |
| 3/07E | 149,565    | 15,279 | 52.9     | 26.1       | 14.8 | 3.3  | 22.4 | 31.5 | 1.2   | 7.7    |
| 3/08E | 171,907    | 17,940 | 62.1     | 17.4       | 12.6 | 2.7  | 21.4 | 30.4 | 1.0   | 6.1    |

- Maruti Udyog reported 18.9% YoY growth in volumes and flat realisations, leading to a 19% YoY growth in sales in 1QFY07 to Rs31.2b. Sales were driven by the A2 segment, which grew by 25.3% YoY. The runaway success of Swift and sustained performance of Alto have been the growth drivers. Swift model has been well accepted.
- RM/sales declined 240bp YoY due to value engineering and ongoing localisation process in 1QFY07. Strong growth in sales coupled with savings on the RM front led to margins expanding to 16.5%, up 130bp YoY but down 190bp QoQ v/s our expectation of 15.8%.
- Maruti reported 68% growth in adjusted PAT to Rs3.7b v/s our expectation of Rs3.1b due to EBITDA margin expansion, higher other income (due to one-time capital gain on mutual fund of Rs316m (v/s our expectation of Rs600m), lower depreciation and marginally lower tax rate.
- In the quarter MUL announced formation of a joint venture to manufacture sheet metal components which will be used internally as well as in SMC's motorcycles in India. MUL will hold 30% in the JV along with Japanese component manufacturer - Bellsonica.
- We remain positive on Maruti's growth prospects. We expect volumes to grow at 13% CAGR over FY06-FY08; aggressive model launches could result in positive surprises in both domestic and export markets. We forecast stable margins over the next two years. The stock trades at valuations of 14.8x FY07E and 12.6x FY08E EPS. Maintain **Buy**.

**QUARTERLY PERFORMANCE**

(Rs Million)

|                        | FY06          |               |               |               | FY07          |               |               |               | FY06           | FY07E          |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
|                        | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2QE           | 3QE           | 4QE           |                |                |
| Total Volumes (nos)    | 121,863       | 140,540       | 145,016       | 154,400       | 144,948       | 159,300       | 164,700       | 167,499       | 561,819        | 636,447        |
| Change (%)             | -1            | 8             | 7             | 5             | 19            | 13            | 14            | 8             | 5              | 13             |
| <b>Total Income</b>    | <b>26,271</b> | <b>30,399</b> | <b>31,142</b> | <b>36,000</b> | <b>31,255</b> | <b>36,525</b> | <b>37,845</b> | <b>43,941</b> | <b>123,812</b> | <b>149,565</b> |
| Change (%)             | 6.0           | 15.7          | 10.8          | 18.3          | 19.0          | 20.1          | 21.5          | 22.1          | 11.7           | 20.8           |
| Total Cost             | 23,024        | 26,901        | 26,483        | 27,849        | 26,689        | 30,608        | 31,752        | 36,791        | 104,256        | 125,839        |
| <b>EBITDA</b>          | <b>3,739</b>  | <b>4,094</b>  | <b>5,107</b>  | <b>6,617</b>  | <b>5,168</b>  | <b>5,917</b>  | <b>6,093</b>  | <b>7,150</b>  | <b>19,556</b>  | <b>24,328</b>  |
| As % of Sales          | 14.2          | 13.5          | 16.4          | 18.4          | 16.5          | 16.2          | 16.1          | 16.3          | 15.8           | 16.3           |
| Change (%)             | 14.6          | 15.1          | 27.2          | 45.1          | 38.2          | 44.5          | 19.3          | 8.1           | 27.1           | 21.3           |
| Non-Operating Income   | 491           | 434           | 618           | 350           | 831           | 650           | 685           | 397           | 1,350          | 2,563          |
| Interest               | 91            | 61            | 17            | 34            | 33            | 70            | 75            | 84            | 204            | 261            |
| <b>Gross Profit</b>    | <b>4,139</b>  | <b>4,467</b>  | <b>5,708</b>  | <b>6,040</b>  | <b>5,967</b>  | <b>6,497</b>  | <b>6,703</b>  | <b>7,464</b>  | <b>20,353</b>  | <b>26,630</b>  |
| Less: Depreciation     | 783           | 665           | 681           | 726           | 641           | 850           | 975           | 981           | 2,854          | 3,447          |
| <b>PBT</b>             | <b>3,356</b>  | <b>3,802</b>  | <b>5,027</b>  | <b>5,314</b>  | <b>5,326</b>  | <b>5,647</b>  | <b>5,728</b>  | <b>6,482</b>  | <b>17,499</b>  | <b>23,183</b>  |
| Tax                    | 1,091         | 1,236         | 1,637         | 1,645         | 1,630         | 1,825         | 1,850         | 2,221         | 5,609          | 7,526          |
| Effective Tax Rate (%) | 32.5          | 32.5          | 32.6          | 31.0          | 30.6          | 32.3          | 32.3          | 34.3          | 32.1           | 32.5           |
| <b>PAT</b>             | <b>2,265</b>  | <b>2,566</b>  | <b>3,390</b>  | <b>3,669</b>  | <b>3,696</b>  | <b>3,822</b>  | <b>3,878</b>  | <b>4,262</b>  | <b>11,889</b>  | <b>15,657</b>  |
| <b>Adjusted PAT</b>    | <b>2,265</b>  | <b>2,566</b>  | <b>3,390</b>  | <b>3,896</b>  | <b>3,696</b>  | <b>3,822</b>  | <b>3,878</b>  | <b>4,262</b>  | <b>12,116</b>  | <b>15,657</b>  |
| Change (%)             | 32.5          | 39.7          | 41.4          | 50.2          | 63.2          | 49.0          | 14.4          | 9.4           | 36.5           | 31.7           |

E:MOST Estimates

Maruti reported strong growth in 1QFY07 with volumes growing by 18.9% YoY and flat realizations, leading to 19% YoY growth in sales at Rs31.2b.

RM/sales declined 240bp YoY due to value engineering and ongoing localisation process in 1QFY07. Strong growth in sales coupled with savings on the RM front led to margins expanding to 16.5%, up 130bp YoY but down 190bp QoQ v/s our expectation of 15.8%.

Maruti reported 68% growth in adjusted PAT to Rs3.7b v/s our expectation of Rs3.1b due to EBITDA margin expansion, higher other income (due to one-time capital gain on mutual fund of Rs316m (v/s our expectation of Rs600m), lower depreciation and marginally lower tax rate.

### Volume growth

In 1QFY07, sales grew by 18.9% YoY at 144,948 units, led by domestic sales growth of 19.2% YoY. In 1QFY07, Maruti's sales have been driven by the A2 segment, which has grown by 25.3% YoY. The runaway success of Swift and sustained performance of the Alto, Wagon R have been the growth drivers. Swift model has been well accepted and has clocked 15,000-16,000 units in the quarter (average 5,000 per month).

Maruti's sales have been boosted by continuous offers of innovative schemes targeted at a particular segment of customers. Its teacher's scheme in FY06 resulted in sales of 10,000 cars. Maruti is now targeting the PSUs and railway employees through a similar incentive scheme. Maruti's product portfolio and its superior understanding of the consumer have enabled the company to offer these innovative schemes ahead of competition.

#### QUARTER VOLUME BREAK UP (UNITS)

|                         | 1QFY07         | 1QFY06         | CH.(%)      | 4QFY06         | CH.(%)      |
|-------------------------|----------------|----------------|-------------|----------------|-------------|
| A1                      | 20,300         | 19,413         | 4.6         | 25,273         | -19.7       |
| C                       | 16,809         | 14,765         | 13.8        | 17,870         | -5.9        |
| A2                      | 91,450         | 73,013         | 25.3        | 92,715         | -1.4        |
| A3                      | 7,571          | 6,758          | 12.0        | 9,050          | -16.3       |
| <b>Total Pass. Veh.</b> | <b>136,130</b> | <b>113,949</b> | <b>19.5</b> | <b>144,908</b> | <b>-6.1</b> |
| MUV                     | 974            | 1,024          | -4.9        | 1,367          | -28.7       |
| <b>Domestic</b>         | <b>137,104</b> | <b>114,973</b> | <b>19.2</b> | <b>146,275</b> | <b>-6.3</b> |
| Export                  | 7,844          | 6,893          | 13.8        | 8,125          | -3.5        |
| <b>Total Sales</b>      | <b>144,948</b> | <b>121,866</b> | <b>18.9</b> | <b>154,400</b> | <b>-6.1</b> |

Source: Company/ Motilal Oswal Securities

The product mix has improved in 1QFY07 with the (A2+A3) segment contributing to 68.3% of total volumes as against 65.4% in 1QFY07, 69.7% in 1QFY06 and 65.9% in 4QFY06.

#### SEGMENT WISE SALES BREAK-UP (%)

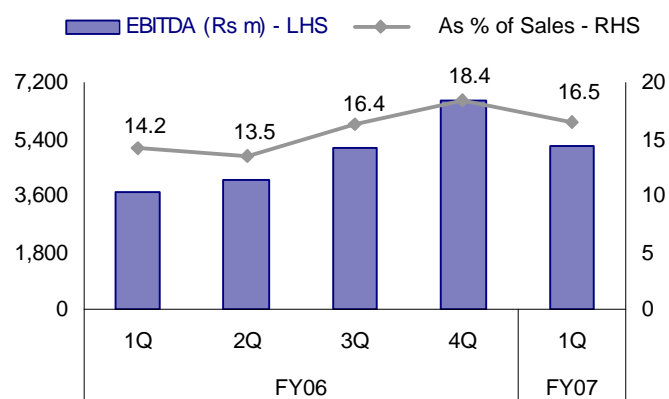
|     | 1QFY07 | 1QFY06 | CH.(%) | 4QFY06 | CH.(%) |
|-----|--------|--------|--------|--------|--------|
| A1  | 14.0   | 15.9   | -192.5 | 16.4   | -236.4 |
| C   | 11.6   | 12.1   | -51.9  | 11.6   | 2.3    |
| A2  | 63.1   | 59.9   | 317.9  | 60.0   | 304.3  |
| A3  | 5.2    | 5.5    | -32.2  | 5.9    | -63.8  |
| MUV | 0.7    | 0.8    | -16.8  | 0.9    | -21.3  |

Source: Company/ Motilal Oswal Securities

### Operating performance improved

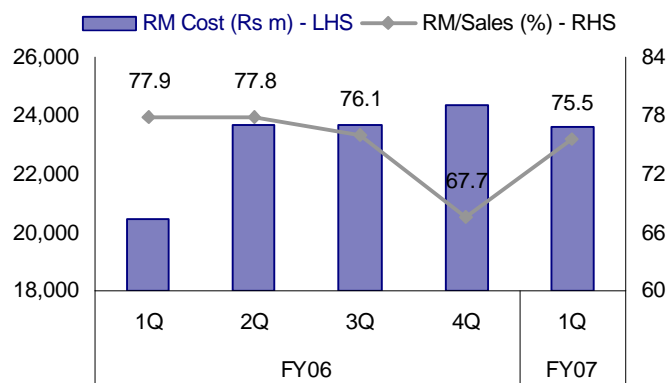
The strong growth in sales coupled with savings on the RM front, led to margins expanding to 16.5% (+130bp YoY) in 1QFY07. Margin improvement was driven by richer mix with the A2+A3 segments accounting for a higher percentage of sales (68.3%), and falling raw material cost to sales (down 240bp). The RM/sales was lower due to value engineering and ongoing localisation of import components.

#### EBITDA MARGINS IMPROVED 130BP YOY



Source: Company/ Motilal Oswal Securities

RM/SALES DECLINE 240BP YOY



Source: Company/ Motilal Oswal Securities

### Forms JV to manufacture sheet metal components

In the quarter MUL announced formation of a joint venture to manufacture sheet metal components which will be used internally as well as in SMC's motorcycles in India. MUL will hold 30% in the JV along with Japanese component manufacturer - Bellsonica.

### Investment arguments

#### Expect double-digit volume growth in passenger cars:

We expect the demand for cars in India to grow at a CAGR of 12% over FY06-FY08, driven by changing lifestyles, rapid growth in high-income-earning households, vibrancy in the service sector and rapid improvement in road network. Our optimistic view is also influenced by a reduction in excise duty on small cars from 24% to 16% in the recent Union Budget.

#### Dominance in small cars to help Maruti outpace industry growth:

Maruti enjoys a share of 64% in small cars (A1+A2) compared to a share of 52% in the domestic car business. Besides, Maruti's impending debut in the diesel car segment through the diesel version of its most successful new launch – *Swift* – would qualify for the lower excise duty of 16%. Diesel cars account for 22% of the total cars sold in India. We expect Maruti's passenger car volumes to grow at 13% CAGR over FY06-FY08.

#### EBITDA margin growth the highest in auto sector

**despite cost pressures:** Its internal efficiencies and superior product mix make Maruti the most efficient car manufacturer in India. Despite a series of price cuts across its product range, competitive pressure and cost inflation, Maruti has consistently expanded its margins over the last 8 quarters. Maruti's EBITDA margins have expanded by 270bp over FY04-FY06 to 15.8%, which is amongst the highest in the industry. We expect Maruti's EBITDA margins to sustain at 16% over the next two years.

#### Timely capacity expansion to support strong growth:

The company has announced that its 70% subsidiary, Maruti Suzuki Automobile India Limited (MSAIL), which is setting up a 50,000-car assembly plant, will be merged with it. Maruti will buy out the entire 30% stake held by Suzuki Motor Company (SMC) at par and the merger will be effective April 2006. This alleviates the concerns relating to transfer pricing if the two entities existed independently. Also, Maruti has bought SMC's stake at par, putting to rest concerns on the valuation front. Maruti will fund the assembly plant through internal accruals; it has Rs20b cash surplus and an estimated annual cash generation of Rs15b. The capacity expansion comes at the opportune time, in our opinion, and would help Maruti to sustain double digit volume growth.

#### Aggressive new model launches could result in positive surprises:

*Swift* has helped Maruti to increase its domestic market share in FY06 by 90bp, despite a sharp 23% contraction in volumes of *M800* and increased competition in the A2 and A3 segment. Maruti will be launching five new models over the next five years, which include the diesel car in December 2006 and an export model in FY09. A repeat of the success of *Swift* without a corresponding decline in older models could result in positive surprises in volume growth.

**Valuations attractive; maintain Buy**

We remain extremely positive on Maruti's growth prospects. While we expect its volumes to grow at 13% CAGR over FY06-FY08, aggressive new model launches could result in positive surprises. We forecast stable margins

over the next two years and estimate EPS at Rs52.9 for FY07 and Rs62.1 for FY08. The stock trades at valuations of 14.8x FY07E and 12.6x FY08E EPS. We maintain **Buy** with a target price of Rs1,056 (17x FY08E EPS), an upside of 35%.

## Maruti Udyog: an investment profile

### Company description

Maruti is the largest passenger vehicle manufacturer in India with a strong presence in the small car A1 & A2, where it enjoys 64% market share. The company was initially set up as a JV between the Government of India and Suzuki Motors of Japan but subsequently the government divested part of its stake, giving Suzuki a majority stake in the company.

### Key investment arguments

- ☞ The outlook for passenger vehicles continues to be buoyant due to structural changes in the Indian economy.
- ☞ Maruti continues to be the largest passenger vehicle company in India, and its product mix has also tilted in favour of more profitable models, thereby aiding margin expansion.

### Key investments risks

- ☞ Intense competition faced by Maruti in the various segments.
- ☞ Maruti's absence in the highly growing diesel segment (currently 22% market share) allows it to compete only in the remaining market. However, the company is setting up a diesel engine plant in the near future.

### Recent developments

- ☞ MUL announced formation of a 30-70 JV with Japanese component manufacturer Bellsonica.
- ☞ MUL will be launching 5 new models over the next 5 years, including the diesel car in December 2006 and an export car in 2009.
- ☞ The MUL–Nissan tie-up is also likely to be positive, although most details are yet to be clarified.

### Valuation and view

- ☞ We are revising our FY07 and FY08 estimates upwards by 1.9% and 1.3% in FY07 and FY08 respectively to take into account savings on RM front, and lower depreciation charges.
- ☞ We now expect an EPS of Rs 52.9 (+26.1% YoY) in FY07E and Rs62.1 (+17.4% YoY) in FY08E. Stock trades at a PE of 14.8x and 12.6x on FY07 and FY08 EPS respectively.

### Sector view

- ☞ Passenger vehicle segment is expected to continue its growth momentum.
- ☞ Penetration in India at 7 per '000 is extremely low even when compared with its immediate neighbors such as Pakistan and Sri Lanka.
- ☞ We maintain an overweight stance on the sector.

#### COMPARATIVE VALUATIONS

|               |       | MARUTI | MAHINDRA | TATA MOTORS |
|---------------|-------|--------|----------|-------------|
| P/E (x)       | FY07E | 14.8   | 11.6     | 13.9        |
|               | FY08E | 12.6   | 9.6      | 11.7        |
| EPS Gr (%)    | FY07E | 26.1   | 25.5     | 24.3        |
|               | FY08E | 17.4   | 20.9     | 18.9        |
| RoE (%)       | FY07E | 22.4   | 23.9     | 26.8        |
|               | FY08E | 21.4   | 23.3     | 25.9        |
| EV/EBITDA (x) | FY07E | 7.7    | 10.2     | 8.3         |
|               | FY08E | 6.1    | 8.8      | 7.0         |

#### SHAREHOLDING PATTERN (%)

|                       | JUN.06 | MAR.06 | JUN.05 |
|-----------------------|--------|--------|--------|
| Promoters             | 64.5   | 64.5   | 72.5   |
| Domestic Institutions | 16.9   | 15.3   | 8.1    |
| FII's/FDIs            | 14.4   | 15.6   | 15.4   |
| Others                | 4.2    | 4.6    | 4.0    |

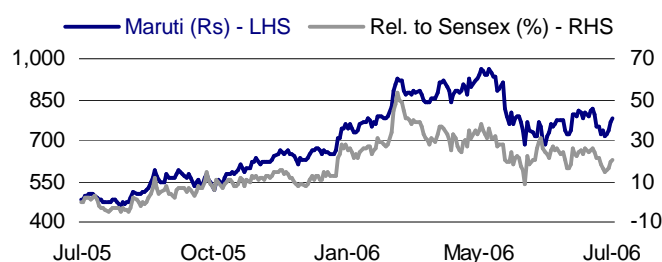
#### EPS: MOST FORECAST VS CONSENSUS (RS)

|      | MOST FORECAST | CONSENSUS FORECAST | VARIATION (%) |
|------|---------------|--------------------|---------------|
| FY07 | 52.9          | 50.0               | 5.9           |
| FY08 | 62.1          | 57.8               | 7.4           |

#### TARGET PRICE AND RECOMMENDATION

| CURRENT PRICE (RS) | TARGET PRICE (RS) | UPSIDE (%) | RECO. |
|--------------------|-------------------|------------|-------|
| 781                | 1,056             | 35.2       | Buy   |

#### STOCK PERFORMANCE (1 YEAR)



| INCOME STATEMENT       |               | (Rs Million)   |                |                |                |  |
|------------------------|---------------|----------------|----------------|----------------|----------------|--|
| Y/E MARCH              | 2004          | 2005           | 2006           | 2007E          | 2008E          |  |
| <b>Net Sales</b>       | <b>91,739</b> | <b>110,426</b> | <b>123,262</b> | <b>148,915</b> | <b>171,257</b> |  |
| Change (%)             | 27.4          | 20.4           | 116            | 20.8           | 15.0           |  |
| Operating Other Income | 278           | 444            | 550            | 650            | 650            |  |
| <b>Total Income</b>    | <b>92,017</b> | <b>110,870</b> | <b>123,812</b> | <b>149,565</b> | <b>171,907</b> |  |
| Total Cost             | 79,995        | 95,488         | 104,256        | 125,839        | 144,356        |  |
| <b>EBITDA</b>          | <b>12,022</b> | <b>15,382</b>  | <b>19,556</b>  | <b>23,726</b>  | <b>27,551</b>  |  |
| Change (%)             | 129.3         | 27.9           | 27.1           | 21.3           | 16.1           |  |
| % of Net Sales         | 13.1          | 13.9           | 15.8           | 15.9           | 16.0           |  |
| Depreciation           | 4,949         | 4,568          | 2,854          | 3,447          | 3,996          |  |
| <b>EBIT</b>            | <b>7,073</b>  | <b>10,814</b>  | <b>16,702</b>  | <b>20,279</b>  | <b>23,555</b>  |  |
| Other Income           | 2,849         | 2,595          | 1,350          | 2,563          | 3,244          |  |
| Non-recurring Expense  | 1,196         | 0              | 349            | 0              | 0              |  |
| <b>PBT</b>             | <b>7,696</b>  | <b>13,049</b>  | <b>17,499</b>  | <b>22,805</b>  | <b>26,777</b>  |  |
| Tax                    | 2,277         | 4,513          | 5,609          | 7,526          | 8,836          |  |
| Effective Rate (%)     | 29.6          | 34.6           | 32.1           | 33.0           | 33.0           |  |
| <b>PAT</b>             | <b>5,419</b>  | <b>8,536</b>   | <b>11,889</b>  | <b>15,279</b>  | <b>17,940</b>  |  |
| % of Net Sales         | 5.9           | 7.7            | 9.6            | 10.3           | 10.5           |  |
| <b>Adj. PAT</b>        | <b>6,196</b>  | <b>8,536</b>   | <b>12,116</b>  | <b>15,279</b>  | <b>17,940</b>  |  |
| Change (%)             | 263.4         | 37.8           | 419            | 26.1           | 17.4           |  |

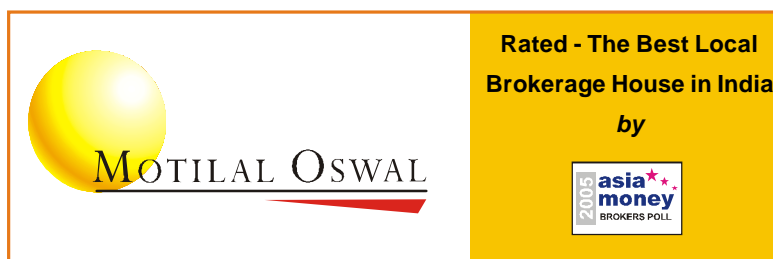
| BALANCE SHEET                    |               | (Rs Million)  |               |               |               |  |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|--|
| Y/E MARCH                        | 2004          | 2005          | 2006E         | 2007E         | 2008E         |  |
| Share Capital                    | 1,445         | 1,445         | 1,445         | 1,445         | 1,445         |  |
| Reserves                         | 34,467        | 42,343        | 53,037        | 66,789        | 82,576        |  |
| <b>Net Worth</b>                 | <b>35,912</b> | <b>43,788</b> | <b>54,482</b> | <b>68,234</b> | <b>84,021</b> |  |
| Loans                            | 3,119         | 3,076         | 3,076         | 3,076         | 3,076         |  |
| Deferred Tax Liability           | 1,833         | 1,100         | 1,100         | 1,100         | 1,100         |  |
| <b>Capital Employed</b>          | <b>40,864</b> | <b>47,964</b> | <b>58,658</b> | <b>72,410</b> | <b>88,197</b> |  |
| Gross Fixed Assets               | 45,667        | 50,531        | 54,952        | 59,952        | 63,952        |  |
| Less: Depreciation               | 27,359        | 31,794        | 34,853        | 38,300        | 42,296        |  |
| <b>Net Fixed Assets</b>          | <b>18,308</b> | <b>18,737</b> | <b>20,099</b> | <b>21,652</b> | <b>21,656</b> |  |
| Capital WIP                      | 749           | 421           | 0             | 0             | 0             |  |
| Investments                      | 16,773        | 15,166        | 15,166        | 15,166        | 15,166        |  |
| <b>Curr.Assets, Loans</b>        | <b>20,189</b> | <b>29,720</b> | <b>40,183</b> | <b>53,591</b> | <b>70,825</b> |  |
| Inventory                        | 4,398         | 6,666         | 6,683         | 8,195         | 9,891         |  |
| Sundry Debtors                   | 6,894         | 5,995         | 6,349         | 7,376         | 8,478         |  |
| Cash & Bank Balances             | 2,402         | 10,294        | 20,385        | 31,255        | 45,692        |  |
| Loans & Advances                 | 5,744         | 6,082         | 6,082         | 6,082         | 6,082         |  |
| Others                           | 751           | 683           | 683           | 683           | 683           |  |
| <b>Current Liab. &amp; Prov.</b> | <b>15,318</b> | <b>16,080</b> | <b>16,790</b> | <b>17,999</b> | <b>19,450</b> |  |
| Sundry Creditors                 | 12,114        | 12,188        | 12,898        | 14,107        | 15,558        |  |
| Provisions                       | 3,204         | 3,892         | 3,892         | 3,892         | 3,892         |  |
| <b>Net Current Assets</b>        | <b>4,871</b>  | <b>13,640</b> | <b>23,393</b> | <b>35,592</b> | <b>51,375</b> |  |
| Misc. Expenditures               | 163           | 0             | 0             | 0             | 0             |  |
| <b>Appl. of Funds</b>            | <b>40,864</b> | <b>47,964</b> | <b>58,658</b> | <b>72,410</b> | <b>88,197</b> |  |

E: MOST Estimates

| RATIOS                          |             |             |             |             |             |  |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|--|
| Y/E MARCH                       | 2004        | 2005        | 2006E       | 2007E       | 2008E       |  |
| <b>Basic (Rs)</b>               |             |             |             |             |             |  |
| <b>Adjusted EPS</b>             | <b>21.4</b> | <b>29.5</b> | <b>41.9</b> | <b>52.9</b> | <b>62.1</b> |  |
| EPS Growth (%)                  | 263.4       | 37.8        | 419         | 26.1        | 17.4        |  |
| Cash EPS                        | 38.6        | 45.3        | 51.8        | 64.8        | 75.9        |  |
| Book Value per Share            | 124.3       | 151.5       | 188.5       | 236.1       | 290.7       |  |
| DPS                             | 15          | 2.0         | 3.5         | 5.3         | 7.4         |  |
| Payout (Incl. Div. Tax) %       | 7.0         | 6.8         | 8.4         | 10.0        | 12.0        |  |
| <b>Valuation (x)</b>            |             |             |             |             |             |  |
| P/E                             |             | 26.5        | 18.6        | 14.8        | 12.6        |  |
| EV/EBITDA                       |             | 13.2        | 9.9         | 7.7         | 6.1         |  |
| EV/Sales                        |             | 1.8         | 1.6         | 1.2         | 1.0         |  |
| Price to Book Value             |             | 5.2         | 4.1         | 3.3         | 2.7         |  |
| Dividend Yield (%)              |             | 0.3         | 0.4         | 0.7         | 1.0         |  |
| <b>Profitability Ratios (%)</b> |             |             |             |             |             |  |
| RoE                             |             | 15.1        | 19.5        | 21.8        | 22.4        |  |
| RoCE                            |             | 22.8        | 28.0        | 30.8        | 31.5        |  |
| <b>Turnover Ratios</b>          |             |             |             |             |             |  |
| Debtors (Days)                  |             | 23          | 16          | 16          | 15          |  |
| Asset Turnover (x)              |             | 2           | 2           | 2           | 2           |  |
| <b>Leverage Ratio</b>           |             |             |             |             |             |  |
| Debt/Equity (x)                 |             | 0.1         | 0.1         | 0.1         | 0.0         |  |

| CASH FLOW STATEMENT           |                | (Rs Million)  |               |               |               |  |
|-------------------------------|----------------|---------------|---------------|---------------|---------------|--|
| Y/E MARCH                     | 2004           | 2005          | 2006E         | 2007E         | 2008E         |  |
| OP/(Loss) before Tax          | 6,477          | 10,814        | 16,702        | 20,279        | 23,555        |  |
| Int./Dividends Received       | 2,849          | 2,595         | 1,350         | 2,563         | 3,244         |  |
| Depreciation & Amort.         | 4,949          | 4,568         | 2,854         | 3,447         | 3,996         |  |
| Direct Taxes Paid             | -2,515         | -5,246        | -5,609        | -7,526        | -8,836        |  |
| (Inc)/Dec in Wkg. Capital     | 679            | -877          | 338           | -1,329        | -1,347        |  |
| <b>CF from Oper. Activity</b> | <b>12,439</b>  | <b>11,854</b> | <b>15,635</b> | <b>17,435</b> | <b>20,612</b> |  |
| Extra-ordinary Items          | -1,196         | 0             | -349          | 0             | 0             |  |
| Other Items                   | 724            | 163           | 0             | 0             | 0             |  |
| <b>CF after EO Items</b>      | <b>11,967</b>  | <b>12,017</b> | <b>15,285</b> | <b>17,435</b> | <b>20,612</b> |  |
| (Inc)/Dec in FA+CWIP          | -1,356         | -4,669        | -3,795        | -4,776        | -4,000        |  |
| (Pur)/Sale of Invest.         | -15,741        | 1,607         | 0             | 0             | 0             |  |
| <b>CF from Inv. Activity</b>  | <b>-17,097</b> | <b>-3,062</b> | <b>-3,795</b> | <b>-4,776</b> | <b>-4,000</b> |  |
| Change in Networth            | -54            | -82           | -182          | 0             | 0             |  |
| Inc/(Dec) in Debt             | -1,441         | -43           | 0             | 0             | 0             |  |
| Interest Paid                 | -434           | -360          | -204          | -261          | -246          |  |
| Dividends Paid                | -433           | -578          | -1,013        | -1,528        | -2,153        |  |
| <b>CF from Fin. Activity</b>  | <b>-2,362</b>  | <b>-1,063</b> | <b>-1,399</b> | <b>-1,789</b> | <b>-2,399</b> |  |
| <b>Inc/(Dec) in Cash</b>      | <b>-7,492</b>  | <b>7,892</b>  | <b>10,091</b> | <b>10,870</b> | <b>14,213</b> |  |
| Add: Beginning Balance        | 9,894          | 2,402         | 10,294        | 20,385        | 31,255        |  |
| <b>Closing Balance</b>        | <b>2,402</b>   | <b>10,294</b> | <b>20,385</b> | <b>31,255</b> | <b>45,468</b> |  |

**N O T E S**



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**Disclosure of Interest Statement**

**Maruti Udyog**

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|---|----|
| 1. Analyst ownership of the stock                       | No |
| 2. Group/Directors ownership of the stock               | No |
| 3. Broking relationship with company covered            | No |
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