

Maruti Suzuki India

Performance Update

Y/E March (₹ cr)	3QFY19	3QFY18	% yoy	2QFY19	% qoq
Net sales	19,668	19,283	2.0	22,433	(12.3)
EBITDA	1,931	3,038	(36.4)	3,431	(43.7)
EBITDA margin (%)	9.8	15.8	(594bp)	15.3	(548bp)
Adjusted PAT	1,489	1,799	(17.2)	2,240	(33.5)

Source: Company, Angel Research

For 3QFY2019, Maruti Suzuki India (MSIL) posted below expectation results both on top-line and bottom-line fronts. MSIL reported ~2% yoy top-line growth to ₹19,668cr on the back of price hike (up ~2% yoy). The company's operating margins contracted by 594bps yoy. On the bottom-line front, MSIL reported de-growth of ~17% yoy to ₹1,489cr on the back of lower sales and poor operating performance.

Top-line remains flat: MSIL's top-line grew by ~2% yoy to ₹19,668cr on the back of price hike (up ~2% yoy). Overall volume growth declined by ~0.6% yoy, mainly due to weak domestic market conditions and sluggish export markets during the quarter.

Subdued volume and poor operating performance impacted profitability: On the operating front, the company reported contraction in margins, down 594bps yoy at 9.8%. Operating margin was impacted mainly due to an increase in material prices, higher discounts, unfavorable currency movement, higher selling expense, adverse foreign exchange variation and higher depreciation expense due to introduction of new models and new engine. On the bottom-line front, MSIL reported de-growth of ~17% yoy to ₹1,489cr

Outlook and Valuation: We expect MSIL to report net revenue CAGR of ~9% to ~₹94,790cr over FY2018-20E mainly due to new launches and upcoming facelift in various models. Further, on the bottom-line front, we expect CAGR of ~6% to ₹8,670cr over the same period on the back of healthy sales. **Thus, we maintain our Buy recommendation on MSIL with Target Price of ₹8,552.**

Key Financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
Net sales	68,085	79,809	85,396	94,790
% chg	18.2	17.2	7.0	11.0
Adj. Net profit	7,511	7,881	7,504	8,670
% chg	36.6	4.9	(4.8)	15.5
EBITDA margin (%)	15.2	15.1	13.5	14.2
EPS (₹)	248.7	261.0	248.5	287.1
P/E (x)	28.3	27.0	28.3	24.5
P/BV (x)	5.7	5.0	4.5	4.1
RoE (%)	20.3	18.5	16.0	16.7
RoCE (%)	20.6	21.6	18.1	19.7
EV/Sales (x)	2.7	2.2	2.0	1.8
EV/EBITDA (x)	17.8	14.7	14.9	12.4

Source: Company, Angel Research Note

BUY

CMP	₹7,040
Target Price	₹8,552
Investment Period	12 months

Stock Info

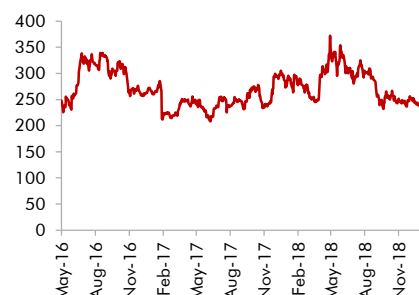
Sector	Automobile
Market Cap (₹ cr)	2,11,971
Net Debt (₹ cr)	(35,713)
Beta	1.0
52 Week High / Low	9923/6324
Avg. Daily Volume	62,647
Face Value (₹)	5
BSE Sensex	35,876
Nifty	10,746
Reuters Code	MRTI.BO
Bloomberg Code	MSIL.IN

Shareholding Pattern (%)

Promoters	56.1
MF / Banks / Indian Fls	13.4
FII / NRIs / OCBs	22.9
Indian Public / Others	7.6

Abs. (%)	3m	1yr	3yr
Sensex	2.1	5.0	52.3
MSIL	(22.7)	(22.9)	92.2

Price Chart



Source: Company, Angel Research

Research Analyst

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Exhibit 1: 3QFY2019 Performance

Y/E March (₹ cr)	3QFY19	3QFY18	% yoy	2QFY19	% qoq	9MFY19	9MFY18	% chg
Net Sales	19,668	19,283	2.0	22,433	(12.3)	64,561	58,597	10.2
Consumption of RM	14044	13,332	5.3	15285	(8.1)	44,831	40,599	10.4
(% of Sales)	71.4	69.1		68.1		69.4	69.3	
Staff Costs	881	687	28.3	792	11.3	2,438	2,006	21.6
(% of Sales)	4.5	3.6		3.5		3.8	3.4	
Other Expenses	2,812	2,226	26.3	2,925	(3.9)	8,556.4	6,946.3	23.2
(% of Sales)	14.3	11.5		13.0		13.3	11.9	
Total Expenditure	17,737	16,245	9.2	19,002	(6.7)	55,825	49,551	12.7
Operating Profit	1,931	3,038	(36.4)	3,431	(43.7)	8,736	9,047	(3.4)
OPM	9.8	15.8		15.3		13.5	15.4	
Interest	21	26	(21.7)	26	(19.8)	67	73	(7.7)
Depreciation	768	689	11.4	721	6.4	2209	2055	7.5
Other Income	917	245	274.6	527	74.2	1693	1451	16.7
PBT (excl. Ext Items)	2,060	2,567	(19.8)	3,211	(35.8)	8,154	8,369	(2.6)
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	2,060	2,567	(19.8)	3,211	(35.8)	8,154	8,369	(2.6)
(% of Sales)	10.5	13.3		14.3		12.6	14.3	
Provision for Taxation	571	768	(25.7)	971	(41.2)	2,449	2,529	(3.2)
(% of PBT)	27.7	29.9		30.2		30.0	30.2	
Reported PAT	1,489	1,799	(17.2)	2,240	(33.5)	5,705	5,840	(2.3)
PATM	7.6	9.3		10.0		8.8	10.0	
Minority Interest After NP								
Reported PAT	1,489	1,799	(17.2)	2,240	(33.5)	5,705	5,840	(2.3)

Source: Company, Angel Research

Outlook and Valuation

We expect MSIL to report net revenue CAGR of ~9% to ~₹94,790cr over FY2018-20E mainly due to new launches and upcoming facelift in various models. Further, on the bottom-line front, we expect CAGR of ~6% to ₹8,670cr over the same period on the back of healthy sales. **Thus, we maintain our Buy recommendation on MSIL with Target Price of ₹8,552.**

Downside risks to our estimates

- Strong launches and facelift of existing models from competitors like Hyundai Motors, M&M, Ford, etc. can grab the market share from MSIL.
- Slowdown of economy can impact the overall buying sentiment of automobile segment.

Company Background

Maruti Suzuki, a subsidiary of Suzuki Motor Corporation of Japan, is India's largest passenger car company, accounting for over 45% of the domestic car market. The company offers 14 brands spanning across cars, UV and MPV segments. WagonR, Swift, DZire, Baleno, Brezza and Ciaz are the most popular models and dominate the market in their respective segments. It has three manufacturing facilities in Gurgaon and Manesar with installed capacity of c.1.55mn units. It has the most extensive distribution network among all PV companies in India.

Profit & Loss Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Net Sales	57,589	68,085	79,809	85,396	94,790
% chg	13.4	18.2	17.2	7.0	11.0
Total Expenditure	48,700	57,727	67,746	73,868	81,329
Raw Material	38,706	46,742	54,986	60,204	66,542
Personnel	2,000	2,360	2,863	3,074	3,412
Others Expenses	7,994	8,624	9,897	10,589	11,375
EBITDA	8,889	10,358	12,063	11,528	13,460
% chg		16.5	16.5	(4.4)	16.8
(% of Net Sales)	15.4	15.2	15.1	13.5	14.2
Depreciation & Amortisation	2,822	2,604	2,760	2,917	3,100
EBIT	6,067	7,754	9,304	8,611	10,360
% chg		27.8	20.0	(7.4)	20.3
(% of Net Sales)	10.5	11.4	11.7	10.1	10.9
Interest & other Charges	82	89	346	92	95
Other Income	1,600	2,462	2,209	2,200	2,300
(% of PBT)	21.1	24.3	19.8	20.5	18.3
Recurring PBT	7,585	10,127	11,167	10,719	12,565
% chg		33.5	10.3	(4.0)	17.2
Tax	2,088	2,616	3,286	3,216	3,895
(% of PBT)	27.5	25.8	29.4	30.0	31.0
PAT (reported)	5,497	7,511	7,881	7,504	8,670
Extraordinary Items	-	-	-	-	-
ADJ. PAT	5,497	7,511	7,881	7,504	8,670
% chg		36.6	4.9	(4.8)	15.5
(% of Net Sales)	9.5	11.0	9.9	8.8	9.1
Basic EPS (₹)	182.0	248.7	261.0	248.5	287.1
Fully Diluted EPS (₹)	182.0	248.7	261.0	248.5	287.1
% chg	44.4	36.6	4.9	(4.8)	15.5

Balance Sheet

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	151	151	151	151	151
Reserves & Surplus	30,465	36,924	42,389	46,872	51,918
Shareholders Funds	30,616	37,075	42,540	47,023	52,069
Total Loans	231	484	484	484	484
Deferred Tax Liability	861	1,110	1,110	1,110	1,110
Total Liabilities	31,722	38,684	44,148	48,632	53,678
APPLICATION OF FUNDS					
Gross Block	15,343	18,680	22,086	24,586	27,086
Less: Acc. Depreciation	2,813	5,370	8,129	11,046	14,147
Net Block	12,530	13,311	13,957	13,540	12,940
Capital Work-in-Progress	1,007	1,252	1,252	1,252	1,252
Investments	20,676	29,151	36,123	39,823	44,623
Current Assets	8,513	8,247	7,148	9,239	11,841
Inventories	3,133	3,264	3,160	3,509	3,895
Sundry Debtors	1,323	1,203	1,465	1,638	2,078
Cash	51	24	74	1,701	2,076
Loans & Advances	2,303	2,129	439	427	1,422
Other Assets	1,703	1,628	2,010	1,964	2,370
Current liabilities	11,636	13,881	14,936	15,826	17,582
Net Current Assets	(3,122)	(5,634)	(7,788)	(6,587)	(5,741)
Deferred Tax Asset	632	604	604	604	604
Mis. Exp. not written off	-	-	-	-	-
Total Assets	31,722	38,684	44,148	48,632	53,678

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	7585	10127	11167	10719	12565
Depreciation	2822	2604	2760	2917	3100
Change in Working Capital	1460	2192	2204	426	(470)
Interest / Dividend (Net)	(70)	52	346	92	95
Direct taxes paid	(1912)	(2323)	(3286)	(3216)	(3895)
Others	(1402)	(2370)	0	0	0
Cash Flow from Operations	8483	10282	13191	10939	11395
(Inc.)/ Dec. in Fixed Assets	(2456)	(3236)	(3406)	(2500)	(2500)
(Inc.)/ Dec. in Investments	(4774)	(5937)	(6973)	(3700)	(4800)
Cash Flow from Investing	(7230)	(9173)	(10379)	(6200)	(7300)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	(235)	253	0	0	0
Dividend Paid (Incl. Tax)	(755)	(1057)	(2416)	(3020)	(3624)
Interest / Dividend (Net)	(239)	(331)	(346)	(92)	(95)
Cash Flow from Financing	(1229)	(1136)	(2762)	(3112)	(3719)
Inc./(Dec.) in Cash	23	(27)	50	1627	376
Opening Cash balances	28	51	24	74	1701
Closing Cash balances	51	24	74	1701	2076

Key Ratio

Y/E March	FY2016	FY2017	FY2018	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	38.7	28.3	27.0	28.3	24.5
P/CEPS	25.6	21.0	20.0	20.4	18.1
P/BV	6.9	5.7	5.0	4.5	4.1
Dividend yield (%)	0.5	1.1	1.1	1.4	1.7
EV/Sales	3.3	2.7	2.2	2.0	1.8
EV/EBITDA	21.6	17.8	14.7	14.9	12.4
EV / Total Assets	6.1	4.8	4.0	3.5	3.1
Per Share Data (₹)					
EPS (Basic)	182.0	248.7	261.0	248.5	287.1
EPS (fully diluted)	182.0	248.7	261.0	248.5	287.1
Cash EPS	275.5	334.9	352.3	345.1	389.7
DPS	35.0	75.0	80.0	100.0	120.0
Book Value	1,013.8	1,227.7	1,408.6	1,557.1	1,724.1
Returns (%)					
ROCE	19.7	20.6	21.6	18.1	19.7
Angel ROIC (Pre-tax)	59.9	92.5	136.3	143.9	177.0
ROE	18.0	20.3	18.5	16.0	16.7
Turnover ratios (x)					
Asset Turnover (Gross Block)	3.8	3.6	3.6	3.5	3.5
Inventory / Sales (days)	20	17	14	15	15
Receivables (days)	8	6	7	7	8
Payables (days)	51	49	45	45	45
Working capital cycle (ex-cash) (days)	(23)	(25)	(24)	(23)	(22)

Source: Company, Angel Research

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1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Returns):
Buy (> 15%)
Reduce (-5% to -15%)
Accumulate (5% to 15%)
Sell (< -15%)
Neutral (-5 to 5%)