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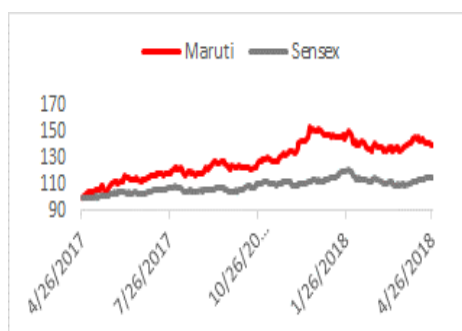
BUY

Current Price	Rs 8877
Target	Rs 10,475
Upside %	18%
52 Week Range	Rs 6,650 / Rs 10,000

Key Share Data

Market Cap (Rs.bn)	2681.5
No of o/s shares (mn)	302.1
Face Value	5.0
Monthly Avg. vol(BSE+NSE) Nos'000	478
BSE Code	532500
NSE Code	MARUTI
Bloomberg	MSIL:IN

Price performance



Maruti Suzuki Q4FY18 Revenue above our estimates but EBITDA and PAT miss.

Maruti Suzuki India Limited (MSIL), reported revenue of Rs 211656 mn, growth of 15.4% yoy for Q4FY18. Mainly on account of 11.5% and 3.6% growth in volume and realization respectively. EBITDA came in 17.8% higher yoy at Rs 3,0150 mn, while EBITDA margin expanded 20 bps yoy to 14.2%. EBITDA margin came below our expectation of 15.2% mainly due to royalty payment to Suzuki rose on Yen becoming stronger and higher employee cost due to variable pay which gone up from Rs 3000mn last quarter to Rs 4000 mn in Q4FY18. Gratuity provision changes has led to Rs 300 mn increase in provision led to impact EBITDA margin.

Net Profit reported was 10% higher yoy at Rs1, 8821 mn. This was 19% lower than our estimates of Rs. 22394 mn. PAT was dragged down by higher finance cost of Rs 2550mn due to Manesar land case one off and higher tax incidence (tax rate of 28.6% in Q4FY18 against 25.1% in Q4FY17).

Conference call key takeaways: - Management guided to maintain double digit volume growth, except industry to grow at 8-9% in volume terms.

The current order book remains at 110k units covering four models vs 120k units covering 2models same quarter last year.

36% penetration in rural market contributes 15% growth in FY18. Going forward growth momentum will be continued.

Contribution from diesel cars has come down from 40.1% in FY17 to 39.9% in FY18. Maruti's Product mix for Petrol: Diesel stands at 71:29

Gujrat ramp is in line target of 2,25,000 units in FY19 from 1,57,000 units now. Commencement of Phase 2 at Gujrat started.

Baleno, Vitara Brezza, New Swift and Dezire continue to have waiting period between 8-14 weeks

Royalty payments going forward will reduce directionally from 5.8% in FY17 to 5.4% in FY18. Going forward royalty will be paid in INR for newer model starting from IGNIS. FY18 reflects some part of new royalty payment structure.

CAPEX of Rs 5000 crs is guided for FY19, to be spend on land, new product development, capacity expansion and routine maintenance.

% Shareholding	Mar-18	Dec-16
Promoter	56.20	56.20
Institution	36.65	36.81
Public	7.15	6.99
Total	100.0	100.0

Management don't expect RMs prices to soften in near future as surge in steel and aluminum prices could be concern.

Nexa stands at 315 channels and contributes 20% to sales in FY18. Company is rolling out new format through Arena Dealership. LCV has ~190 outlets covering 159 cities.

Year	Net sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY17	680,348	18.2%	103,530	15.2%	73,377	37%	243	36.5	20%	20%
FY18	797,627	17.2%	120,615	15.5%	77,218	5%	256	34.7	19%	19%
FY19E	948,983	19.0%	151,251	16.0%	103,267	34%	342	26.0	21%	21%
FY20E	1,083,366	14.2%	182,215	16.2%	126,582	23%	419	21.2	21%	25%



Particulars (Rs in mn)	Q4FY18	Q4FY17	YOY (%)
Realization NET SALES	458355.08	442543.93	3.57
Volumes	461773	414273	11.5
Net Sales	205943	180052	14.38
Other Operating Income	5713	3282	74.07
Total Operating Income	211656	183334	15.45
Other Income	5950	4491	32.49
Total Revenue	217606	187825	15.86
Raw Material Cost	-143763	-127669	12.61
Staff Cost	-8282	-6160	34.45
Other Expenditure	-29461	-23910	23.22
Total Expenditure	-181506	-157739	15.07
EBIDTA	36100	30086	19.99
EBIDTA Excl Other Income	30150	25595	17.80
Interest Expense	-2731	-226	1108.41
Depreciation and Amortisation	-7025	-7010	0.21
Profit Before Tax	26344	22850	15.29
Provision for Tax	-7523	-5745	30.95
PAT before extraordinary item	18821	17105	10.03
Extraordinary item (Net of Tax)			
PAT after extraordinary item	18821	17105	10.03
Equity Capital	1510.4	1510.4	
EPS	62.30	56.62	
PBDITM %			
PBDITM % ON Op Inc	14.2%	14.0%	
PBDITM % (Excl. O Inc) on Sales	14.6%	14.2%	
PATM%			
Tax %	-28.6%	-25.1%	
<u>As % to Sales</u>			
Raw Material Cost	68%	70%	
Staff Cost	4%	3%	
Other Expenditure	14%	13%	

Outlook and Valuation:-At CMP of Rs 8877 26x its FY19 E EPS of Rs 342 and 21x its FY20 E EPS of Rs 419. We expect MSIL revenue is expected to grow by 16% CAGR over FY18-20. MSIL will continue to command its premium valuation on back of its robust revenue growth and strong product demand however we believe margins will sustain at 15% going forward. We recommend our investors to buy the stock for long term with the Target price of Rs 10475.



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Maruti Suzuki Ltd													
P&L (Rs mn)	FY15	FY16	FY17	FY18	FY19E	FY20E	Cash Flow St. (Rs. mn)	FY15	FY16	FY17	FY18	FY19E	FY20E
Net Operating Income	499,706.0	575,381.0	680,348.0	797,627.0	948,982.6	1,083,365.6	Net Profit	37,111.9	53,642.7	73,376.7	77,217.9	103,267.1	126,582.0
							Add: Dep. & Amort.	24,703.0	28,202.0	26,021.0	27,579.0	27,272.0	31,792.7
Raw Materials	(350,771.0)	(386,974.0)	(467,316.0)	(549,750.0)	(662,389.8)	(757,272.5)	Cash profits	61,814.9	81,844.7	99,397.7	104,796.9	130,539.1	158,374.7
Employee costs	(16,066.0)	(19,788.0)	(23,310.0)	(28,338.0)	(29,423.1)	(33,056.9)							
Other Expenses	(65,740.0)	(79,775.1)	(86,192.1)	(98,924.0)	(105,919.1)	(110,820.8)	(Inc)/Dec in						
Total Expenses	(432,577.0)	(486,537.1)	(576,818.1)	(677,012.0)	(797,732.0)	(901,150.2)	-Sundry debtors	2,980.0	(2,065.0)	1,230.0	(2,626.0)	(679.0)	(2,902.7)
							-Inventories	(9,800.0)	(4,462.0)	(1,301.0)	1,014.0	(12,987.4)	(6,315.0)
Operating Profit	67,129.0	88,843.9	103,529.9	120,615.0	151,250.6	182,215.4	-Loans/advances	28,868.0	(8.0)	7.0	(4.0)	-	-
Depreciation	(24,703.0)	(28,202.0)	(26,021.0)	(27,579.0)	(27,272.0)	(31,792.7)	-Current Assets	-8937	-3986	1202	-896	0	0
PBIT	42,426.0	60,641.9	77,508.9	93,036.0	123,978.6	150,422.7	-Sundry creditors	7,832.0	17,266.0	9,600.0	21,297.0	51,395.4	25,580.8
Other income	8,316.0	14,610.0	22,798.0	20,455.0	24,546.0	31,418.9	-Others	(4,041.0)	5,433.0	12,528.0	8,818.0	4,993.9	5,943.4
Interest	(2,060.0)	(815.0)	(894.0)	(3,457.0)	(1,000.0)	(1,010.0)	Change in working capital	16,902.0	12,178.0	23,266.0	27,603.0	42,722.9	22,306.4
Extraordinary Items							CF from Oper. activities	78,716.9	94,022.7	122,663.7	132,399.9	173,262.0	180,681.2
Profit before tax	48,682.0	74,436.9	99,412.9	110,034.0	147,524.6	180,831.6	CF from Inv. activities	(67,211.0)	(84,888.0)	(121,790.0)	(105,070.0)	(67,408.0)	(108,991.9)
Provision for tax	(11,570.0)	(20,794.0)	(26,036.0)	(32,816.0)	(44,257.3)	(54,249.4)	CF from Fin. activities	(67,211.0)	(84,888.0)	(121,790.0)	(105,070.0)	(67,408.0)	(108,991.9)
Reported PAT	37,112.0	53,642.9	73,376.9	77,218.0	103,267.3	126,582.1	Cash generated/(utilised)	(55,705.1)	(75,753.3)	(120,916.3)	(77,740.1)	38,446.0	(37,302.6)
Extraordinary Items							Cash at start of the year	6,297.0	183.0	391.0	138.0	711.0	178,195.5
Minority Interest							Cash at end of the year	183.0	391.0	138.0	711.0	178,195.5	214,310.2
Adjusted PAT	37,112	53,643	73,377	77,218	103,267	126,582							
Balance Sheet	FY15	FY16	FY17	FY18	FY19E	FY20E	Ratios	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity capital	1,510.0	1,510.0	1,510.0	1,510.0	1,510.0	1,510.0	OPM	13.4	15.4	15.2	15.1	15.9	16.8
Reserves	252,709	297,332	362,801	416,063	590,961	681,968	NPM	7.3	9.1	10.4	9.4	10.6	11.4
Net worth	254,219.0	298,842.0	364,311.0	417,573.0	592,470.7	683,478.1	Tax rate	(23.8)	(27.9)	(26.2)	(29.8)	(30.0)	(30.0)
Def. Tax Liab.+Minority Int.	884.0	1,943.0	4,662.0	5,589.0	5,589.0	5,589.0	Growth Ratios (%)						
Longterm Debt	1,448.0	-	-	-	-	-	Net Sales	14.1%	15.1%	18.2%	17.2%	19.0%	14.2%
Short Term Debt	354.0	774.0	4,836.0	1,108.0	1,108.0	1,108.0	Operating Profit	29.4%	32.3%	16.5%	16.5%	25.4%	20.5%
Total debt	1,802.0	774.0	4,836.0	1,108.0	1,108.0	1,108.0	PAT	33.4%	44.5%	36.8%	5.2%	33.7%	22.6%
CAPITAL EMPLOYED	256,905.0	301,559.0	373,809.0	424,270.0	599,167.7	690,175.1							
							Per Share (Rs.)						
Gross block	147,111.0	153,218.0	132,927.0	133,590.0	247,927.0	317,927.0	Net Earnings (EPS)	122.9	177.6	243.0	255.7	341.9	419.1
Accumulated depreciation	(26,989.0)	(28,118.0)	-	-	(70,000.0)	(70,000.0)	Cash Earnings (CPS)	40.9	54.2	65.8	69.4	86.4	104.9
Net block	120,122.0	125,100.0	132,927.0	133,590.0	177,927.0	247,927.0	Dividend	5.0	7.0	15.0	15.8	21.1	25.9
Capital WIP	18,169.0	10,069.0	12,523.0	21,259.0	10,000.0	10,000.0	Book Value	842	990	1,206	1,383	1,962	2,263
Total fixed assets	138,291.0	135,169.0	145,450.0	154,849.0	187,927.0	257,927.0	Free Cash Flow	38	30	3	90	351	237
Goodwill													
Investments	139,514.0	199,322.0	284,810.0	352,902.0	359,960.0	367,159.2	Valuation Ratios						
Inventories	26,859.0	31,321.0	32,622.0	31,608.0	44,595.4	50,910.4	P/E(x)	72.2	50.0	37	34.7	26.0	21.2
Sundry debtors	11,157.0	13,222.0	11,992.0	14,618.0	15,297.0	18,199.7	P/B(x)	10.5	9.0	7.4	6.4	4.5	3.9
Cash & bank	183.0	391.0	138.0	711.0	178,195.5	214,310.2	EV/EBITDA(x)	43.6	30.2	25.9	22.2	16.6	13.5
Loans & advances	27.0	35.0	28.0	32.0	32.0	32.0	Div. Yield(%)	0.1	0.1	0.2	0.2	0.2	0.3
Other current assets	31,667.0	35,086.0	32,612.0	34,872.0	34,872.0	34,872.0	FCF Yield(%)	0.4	0.3	0.0	1.0	3.9	2.7
Sundry creditors	(56,807.0)	(74,073.0)	(83,673.0)	(104,970.0)	(156,365.4)	(181,946.1)							
O. Current Liabilities	(34,610.0)	(39,631.0)	(50,315.0)	(58,596.0)	(62,768.8)	(67,776.2)	Return Ratios (%)						
Provisions	(4,292.0)	(4,137.0)	(4,709.0)	(5,865.0)	(6,686.1)	(7,622.2)	ROE	14.6	18.0	20.1	18.5	17.4	18.5
Working capital	(25,816.0)	(37,786.0)	(61,305.0)	(87,590.0)	47,171.6	60,979.9	ROCE	16.5	20.1	20.7	21.9	20.7	21.8
Deferred Tax Assets	4,916.0	4,854.0	4,854.0	4,109.0	4,109.0	4,109.0							
Miscellaneous exp.													
CAPITAL DEPLOYED	256,905.0	301,559.0	373,809.0	424,270.0	599,167.7	690,175.1							



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