



## Result Update@ Dalal & Broacha

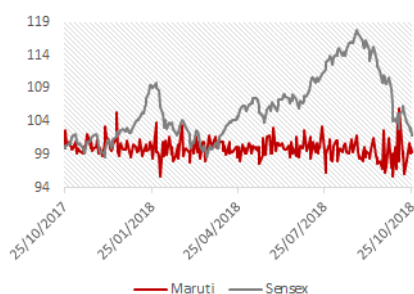
### BUY

Current Price	Rs 6684
Target	Rs 8184
Upside %	22%
52 Week Range	Rs 6,501 / Rs 10,000

### Key Share Data

Market Cap (Rs.bn)	2020.1
No of o/s shares (mn)	302.3
Face Value	5.0
Monthly Avg. vol(BSE+NSE)	1171
Nos'000	
BSE Code	532500
NSE Code	MARUTI
Bloomberg	MSIL:IN

### Price performance



### Maruti Suzuki Q2FY19 Results above our estimates

Maruti Suzuki India Limited (MSIL), reported revenue of Rs 224332 mn, growth of 3.1% yoy for Q2FY19. Mainly due to shift in festive season and Kerala floods led to decline in volumes -1.48%.

EBITDA de grew 6.7% at Rs 3, 4313 mn, while EBITDA margin contracted 120 bps yoy to 15.9%. EBITDA margin contracted due to higher commodity cost and adverse exchange rate movement.

Net Profit was down 9.8% yoy at Rs 2,2404mn.

### Conference call takeaways

- Rural/Urban growth– rural market grew 13% YoY whereas urban market remained flat.
- Production from SMG was for Q2FY19 was ~67k units. SMG next line will be commissioned by early FY20.
- Export revenue for the quarter was Rs14.2bn.
- Currently hold +200 outlets for LCV division.
- MSIL domestic sales from petrol was ~63% of total sales.
- Domestic market outlook – Higher interest rates, higher fuel prices and additional insurance cost (Rs8k additional 3rd party insurance cost) impacted the customer sentiments. States like Kerala, UP, Uttarakhand and some eastern part of the county where demand was muted. Expect pent up demand should emerge over period of time. Maintain double digit volume growth for FY19.
- Export market outlook – Currency devaluation and export restrictions impacted the export sales. Do not see to achieve this year's export sales target.
- EBITDA margin impact – ~350 bps impact on margins. ~120 bps from foreign exchange fluctuation, ~120 bps from discounts whereas remaining from commodity prices.
- Discounts - Avg discounts for Q2FY19 was Rs18, 750 which was Rs3, 500 higher on YoY basis.
- Festive demand- Festive sales is so far remained flat on retail side. Expect sales to pick up during Dhanteras and Diwali.
- Royalty – Royalty for the quarter stood at ~5.7% to net sales whereas ~0.7% to RM cost. ~60% of royalty is paid in YEN whereas remaining ~40% is paid in rupee terms.
- Royalty on products like Brezza, DZIRE, Ignis and Ciaz are in rupee terms.
- RM prices- Expect steel prices to inch up going ahead.

### Outlook and Valuation

At CMP of Rs 6753 21.3x its FY19 E EPS of Rs 316 and 18x its FY20 E EPS of Rs 372. We recommend our investor to BUY stock for Long term

% Shareholding	Sep-18	Jun-16
Promoter	56.21	56.21
Institution	36.15	36.35
Public	7.64	7.44
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Year	Net sales	% Growth	EBIDTA	OPM (%)	PAT	EPS	PE (x)	RoE (%)	RoCE (%)
FY17	680,348	18.2%	103,517	15.2%	73,502	243.4	27.5	20.3	20.9
FY18	797,627	17.2%	120,615	15.1%	77,218	255.7	26.2	18.1	21.3
FY19E	930,812	16.7%	147,824	15.9%	95,488	316.2	21.2	19.4	23.4
FY20E	1,066,747	14.6%	171,419	16.1%	112,341	372.0	18.0	19.9	24.3



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Maruti Suzuki Ltd											
P&L (Rs.mn)	FY16	FY17	FY18	FY19E	FY20E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Net Operating Income	575,381.0	680,348.0	797,627.0	930,811.8	1,066,746.7	Net Profit	53,642.7	73,501.8	77,217.9	95,487.8	112,340.7
Raw Materials	(386,974.0)	(467,316.0)	(549,750.0)	(649,706.7)	(745,656.0)	Add: Dep. & Amort.	28,202.0	26,021.0	27,579.0	30,421.4	32,155.8
Employee costs	(19,788.0)	(23,310.0)	(28,338.0)	(29,423.1)	(33,056.9)	<b>Cash profits</b>	<b>81,844.7</b>	<b>99,522.8</b>	<b>104,796.9</b>	<b>125,909.2</b>	<b>144,496.5</b>
Other Expenses	(79,775.1)	(86,205.0)	(98,924.0)	(103,858.4)	(116,615.4)	(Inc)/Dec in					
Total Expenses	(486,537.1)	(576,831.0)	(677,012.0)	(782,988.2)	(895,328.2)	-Sundry debtors	(2,065.0)	1,230.0	(1,055.8)	(2,249.2)	(2,554.2)
						-Inventories	(4,462.0)	(1,301.0)	(4,860.8)	(6,258.7)	(6,388.0)
						-Loans/advances	(8.0)	7.0	-	-	-
<b>Operating Profit</b>	<b>88,843.9</b>	<b>103,517.0</b>	<b>120,615.0</b>	<b>147,823.7</b>	<b>171,418.5</b>	-Current Assets	-3986	1207	0	0	0
Depreciation	(28,202.0)	(26,021.0)	(27,579.0)	(30,421.4)	(32,155.8)	-Sundry creditors	17,266.0	9,600.0	(2,688.1)	13,724.0	14,746.3
PBIT	60,641.9	77,496.0	93,036.0	117,402.3	139,262.7	-Others	5,433.0	12,577.0	9,205.2	9,546.8	11,179.0
Other income	14,610.0	23,001.0	20,455.0	22,500.5	24,750.6	Change in working capital	12,178.0	23,320.0	600.6	14,762.9	16,983.1
Interest	(815.0)	(894.0)	(3,457.0)	(3,491.6)	(3,526.5)	<b>CF from Oper. activities</b>	<b>94,022.7</b>	<b>122,842.8</b>	<b>105,397.5</b>	<b>140,672.1</b>	<b>161,479.5</b>
Extraordinary Items						CF from Inv. activities	(84,888.0)	(119,229.0)	(103,950.4)	(106,472.6)	(111,312.2)
Profit before tax	74,436.9	99,603.0	110,034.0	136,411.2	160,486.8	CF from Fin. activities	(84,888.0)	(119,229.0)	(103,950.4)	(106,472.6)	(111,312.2)
Provision for tax	(20,794.0)	(26,101.0)	(32,816.0)	(40,923.3)	(48,146.0)	<b>Cash generated/(utilised)</b>	<b>(75,753.3)</b>	<b>(115,615.2)</b>	<b>(102,503.3)</b>	<b>(72,273.1)</b>	<b>(61,144.8)</b>
<b>Reported PAT</b>	<b>53,642.9</b>	<b>73,502.0</b>	<b>77,218.0</b>	<b>95,487.9</b>	<b>112,340.8</b>	Cash at start of the year	183.0	391.0	131.0	(10,175.6)	(6,510.5)
Extraordinary Items	-	-	-	-	-	Cash at end of the year	391.0	131.0	(10,175.6)	(6,510.5)	3,423.6
Minority Interest											
<b>Adjusted PAT</b>	<b>53,643</b>	<b>73,502</b>	<b>77,218</b>	<b>95,488</b>	<b>112,341</b>						
<b>Balance Sheet</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>Ratios</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	
Equity capital	1,510.0	1,510.0	1,510.0	1,510.0	1,510.0	OPM	15.4	15.2	15.1	15.9	16.1
Reserves	297,332	360,201	425,564	490,518	562,625	NPM	9.1	10.5	9.4	10.0	10.3
<b>Net worth</b>	<b>298,842.0</b>	<b>361,711.0</b>	<b>427,074.2</b>	<b>492,027.6</b>	<b>564,135.0</b>	Tax rate	(27.9)	(26.2)	(29.8)	(30.0)	(30.0)
Def. Tax Liab.+Minority Int.	1,943.0	4,640.0	4,741.0	4,741.0	4,741.0	<b>Growth Ratios (%)</b>					
Longterm Debt	-	-	-	-	-	Net Sales	15.1%	18.2%	17.2%	16.7%	14.6%
Short Term Debt	774.0	4,836.0	4,836.0	4,836.0	4,836.0	Operating Profit	32.3%	16.5%	16.5%	22.6%	16.0%
Total debt	774.0	4,836.0	4,836.0	4,836.0	4,836.0	PAT	44.5%	37.0%	5.1%	23.7%	17.6%
<b>CAPITAL EMPLOYED</b>	<b>301,559.0</b>	<b>371,187.0</b>	<b>436,651.2</b>	<b>501,604.6</b>	<b>573,712.0</b>						
Gross block	153,218.0	186,558.0	231,558.0	276,558.0	321,558.0	<b>Per Share (Rs.)</b>					
Accumulated depreciation	(28,118.0)	(53,666.0)	(45,000.0)	(45,000.0)	(45,000.0)	Net Earnings (EPS)	177.6	243.4	255.7	316.2	372.0
Net block	125,100.0	132,892.0	186,558.0	231,558.0	276,558.0	Cash Earnings (CPS)	54.2	65.9	69.4	83.4	95.7
Capital WIP	10,069.0	12,523.0	7,000.0	7,000.0	7,000.0	Dividend	5.0	7.0	19.3	23.9	28.1
<b>Total fixed assets</b>	<b>135,169.0</b>	<b>145,415.0</b>	<b>193,558.0</b>	<b>238,558.0</b>	<b>283,558.0</b>	Book Value	990	1,198	1,414	1,629	1,868
Goodwill						Free Cash Flow	30	12	5	113	166
Investments	199,322.0	282,284.0	310,512.4	341,563.6	375,720.0	<b>Valuation Ratios</b>					
Inventories	31,321.0	32,622.0	37,482.8	43,741.5	50,129.5	P/E(x)	37.7	28	26.2	21.2	18.0
Sundry debtors	13,222.0	11,992.0	13,047.8	15,297.0	17,851.2	P/B(x)	6.8	5.6	4.7	4.1	3.6
Cash & bank	391.0	131.0	(10,175.6)	(6,510.5)	3,423.6	EV/EBITDA(x)	22.8	19.6	16.9	13.8	11.8
Loans & advances	35.0	28.0	28.0	28.0	28.0	Div. Yield(%)	0.1	0.1	0.3	0.4	0.4
Other current assets	35,086.0	32,607.0	32,607.0	32,607.0	32,607.0	<b>FCF Yield(%)</b>	<b>0.5</b>	<b>0.2</b>	<b>0.1</b>	<b>1.7</b>	<b>2.5</b>
Sundry creditors	(74,073.0)	(83,673.0)	(80,984.9)	(94,709.0)	(109,455.3)						
O. Current Liabilities	(39,631.0)	(50,364.0)	(58,910.0)	(67,705.2)	(78,027.4)	<b>Return Ratios (%)</b>					
Provisions	(4,137.0)	(4,709.0)	(5,368.3)	(6,119.8)	(6,976.6)	ROE	18.0	20.3	18.1	19.4	19.9
<b>Working capital</b>	<b>(37,786.0)</b>	<b>(61,366.0)</b>	<b>(72,273.2)</b>	<b>(83,371.1)</b>	<b>(90,420.0)</b>	ROCE	20.1	20.9	21.3	23.4	24.3
Deferred Tax Assets	4,854.0	4,854.0	4,854.0	4,854.0	4,854.0						
Miscellaneous exp.											
<b>CAPITAL DEPLOYED</b>	<b>301,559.0</b>	<b>371,187.0</b>	<b>436,651.2</b>	<b>501,604.6</b>	<b>573,712.0</b>						



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