

Rating:	BUY
Ticker:	MARUTI
CMP:	Rs. 7356
Target:	Rs. 8563
Upside:	16%

Key Stock Data

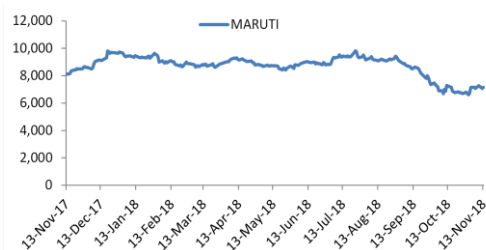
Sector	Automobiles
No. of shares	30.2 Crs
FV (Rs)	5
MCAP (Rs)	2,22,543 Crs
MCAP (\$)	3090 Crs

Key Financials (Rs. in Crs)

Y/E March	FY18 A	FY19 E	FY20 E
Revenue	84040	91382	1,00520
EBITDA	14106	15338	16872
PAT	7722	8397	9236
EPS /sh.	255.6	278	305.84
BV /sh.	1424	1466	1525
P/BV (x)	5.02	4.83	4.60
PE (x)	28.83	26.50	24.09
ROE (%)	18%	19%	20%

Shareholding Pattern

Promoters	56.21%
FIIs	22.78%
DIIIs	7.16%
Others	13.85%



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Maruti Suzuki Ltd. – MARUTI**2QFY19 Result Update**

The Company reported decent set of 2QFY19 numbers on all the counts both on a yearly as well as on a quarterly basis. The topline of the company grew by 3% Y-o-Y and 1% Q-o-Q to Rs. 22,960 Crs in 2QFY19 as against Rs. 22921 Crs in 2QFY18. EBITDA for the quarter grew by 9% Q-o-Q and de-grew by 6% Y-o-Y to Rs. 3958 Crs in 2QFY19 as against Rs.4200 Crs in 2QFY18 and Rs. 3623 Crs in 1QFY19. PAT for the quarter grew by good 13% Q-o-Q and de-grew by 10% Y-o-Y to Rs. 2240 Crs in 2QFY19 against Rs 2484 Crs in 2QFY18 and Rs.1975 Crs in 1QFY19. EBITDA Margin increased by good 130 bps Q-o-Q and decreased by 160 bps Y-o-Y to 17.24% in 2QFY19 as against 18.84% in 2QFY17 and 15.94% in 1QFY19. PAT Margin increased by 107 bps Q-o-Q and 138 bps Y-o-Y to 9.76% in 2QFY19 as against 8.69% in 1QFY19.

Attractive Valuations

MARUTI has delivered a strong operating performance in 2QFY19 and reported healthy operating margin, better product-mix. Better product-mix and price hike helped MARUTI to report Yearly growth in ASP. Currently the stock witnessed steep correction and has come to an attractive valuation. The stock is trading at mere 23x FY20E PE compared to its earlier rich valuations. The company witnessed steep correction on account of sluggish demand due to kerla floods but now we feel demand should be back to normalcy supported by attractive valuations.

Outlook & Valuations

MARUTI remains well placed to sustain market share gains given its robust new model launch pipeline, relatively weak competitive intensity, expanding distribution and consumer shift to petrol models. On account of its new launches and stable financial performance, we would like to allot a PE multiple of 23x on an FY20E and would like to allot a PE of 28x on FY20E on an EPS of Rs. 305 per share to arrive at a target price of Rs. 8563.

Quarterly Financial Highlight Table (Rs. In Crs)

Particulars	2QFY19	1QFY19	2QFY17	Q/Q	Y/Y	FY2018
Revenue	22,960	22,731	22,291	1%	3%	84040
EBITDA	3958	3623	4200	9%	-6%	14,106
PAT	2240	1975	2484	13%	-10%	7722
EPS	74.17	65.39	82.24	13%	-10%	255.68
EBITDA M	17.24%	15.94%	18.84%	130 bps	(160 bps)	16.78%
PAT M	9.76	8.69	11.14%	107 bps	(138 bps)	9.19%

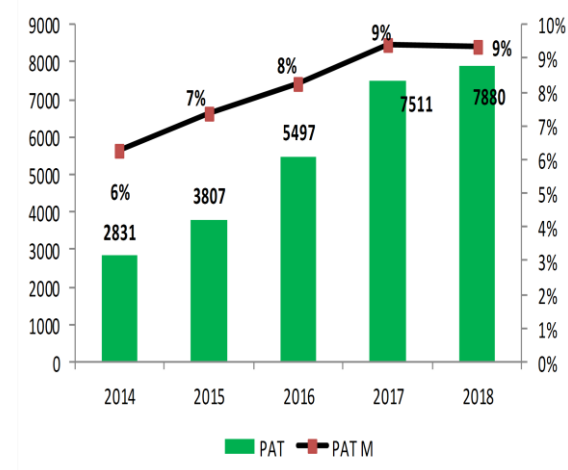
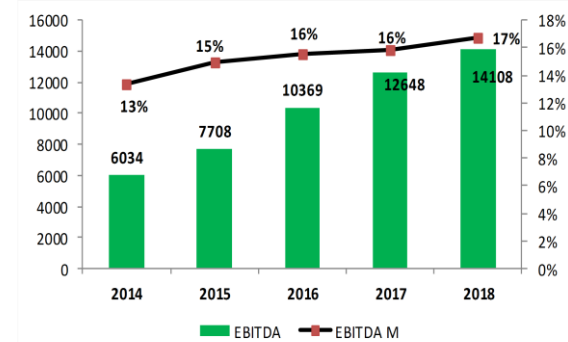
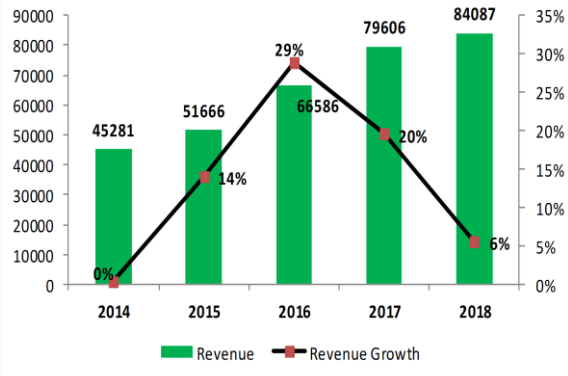
Investment Rationale

1. On Track of gaining Market share

MARUTI’s market share grew by 1.2% Y-o-Y in domestic PV segment to 51.7% in 2QFY19. Its market share in passenger car segment increased by 0.8% Y-o-Y to 58.3% during the same period while the market share in UV segment increased by 1% and stood at 27.9%. In MPV segment, MSIL’s market share decreased by 1.9% Y-o-Y to 79.7%. In 2QFY19, MSIL’s total volume fell by 1.4% YoY and 1.1% QoQ to 4,84,848 units, due to 1.2% YoY decline in domestic volume, while its exports decreased by 14% YoY. Its domestic car volume fell by 1% YoY to 3,41,620 units compared to industry volume decline of 2.1% YoY. MSIL’s domestic volume in compact car segment rose by 5% YoY to 2,19,478 units, supported by healthy sales of new Swift. Its volume in mini car segment declined by 6.6% YoY to 1,08,576 units. Total MPV volume grew by 2% YoY to 44,099 units.

2. Volume on track with New Launches and capacity addition

MARUTI has been banking on success of its new launches. All the new launches which include Baleno, Brezza, S-Cross and new Swift etc. have been successful. We expect the Company to launch one new model by FY19-end and another in FY20E. All these new models at better pricing would expand its average realisation/vehicle and help in maintaining margin thereby mitigating cost inflation. Further, we believe that the Management is suitably addressing the capacity issue by putting forth additional capacity at Gujarat plant before indicated time. Though the industry has been facing near-term volume pressure due to unfavorable economic condition, we expect strong revival in FY20E. The bookings for new ERTIGA has also opened which will also augur well for the company.



November 15, 2018

MARUTI offers the widest product range in passenger cars with special focus on compact car segment

MARUTI India's largest passenger vehicle (PV) has 47.4% market share.

MARUTI enjoyed success in the executive segment as well post launch of Ciaz and Brezza.

Maruti is yet to showcase its success with higher CC engines (upwards of 1.6 litres).

MARUTI has improved product mix And higher share of Baleno/Brezza/Ignis/new Dzire

On account of its new launches and stable financial performance, we would like to allot a PE multiple of 28x on an FY20 E basis on an EPS of Rs. 305 per share to arrive at a target price of Rs. 8563

Company Background

Maruti Suzuki (MARUTI) is India's largest passenger vehicle (PV) manufacturer with ~47.4% market share. The company is a key player in the mini and compact cars segment with dominant market share and has enjoyed success in the executive segment as well post launch of Ciaz and Brezza. Suzuki Motor Corporation (Suzuki) of Japan holds 56% stake in the company. MARUTI offers the widest product range in passenger cars with special focus on compact car segment.

Risk & Concerns

1. The Company is exposed to the risks associated with fluctuations in foreign exchange rates mainly on import of components, raw materials, royalty payments and export of vehicles.
2. MARUTI is yet to showcase its success with higher CC engines (upwards of 1.6 litres). With expansion of executive segment, we believe it become imperative for MARUTI to address the product portfolio gap.

Outlook & Valuations

MARUTI remains well placed to sustain market share gains given its robust new model launch pipeline, relatively weak competitive intensity, expanding distribution and consumer shift to petrol models. MARUTI has Improved product mix along with higher share of Baleno/Brezza/Ignis/new Dzire should help boost realisations and margins by lowering average discounts. We believe the long waiting period for key models, superior franchise and robust free cash flow generations will help to sustain its premium valuations. Currently the stock is available at attractive valuations after a steep decline. At current market price the stock is trading at 28x PE on a trailing basis and is trading at 24x PE on an FY20E basis. On account of its new launches and stable financial performance, we would like to allot a PE multiple of 28x on an FY20 E basis on an EPS of Rs. 305 per share to arrive at a target price of Rs. 8563.

November 15, 2018

Analyst Stock Rating	
Ratings	Expected absolute returns over 12 months
BUY	>15%
HOLD	10- 15%
REDUCE	<10%

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Indiabulls Ventures Limited is a SEBI Registered Research Analyst having registration number: INH100004906

Disclosure:

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