

## MARUTI SUZUKI INDIA

BUY  
CMP Rs1,158  
TP Rs1,594

# Event Update

### New Challenger - Etios Liva Launched

Toyota India launched the 'Etios Liva' which is the hatchback version of the entry level sedan Etios. The launch marks Toyota's entry into the highly competitive compact car segment. The Etios Liva has been priced aggressively by Toyota at Rs400k to Rs600k (ex-showroom Delhi).

**Aggressive pricing albeit on severe cost cutting:** The Etios platform has been developed by Toyota specially to cater to Indian market. Aggressive pricing has been affected through cost cutting measures such as absence of headrest, single wiper and lower plastic quality, helping the company price the Liva at Rs400k to Rs600k.

**Highly competitive segment:** The compact car segment accounts for roughly 75% of the vehicles sold in India. The premium compact car segment (B+) i.e. pricing Rs400k to Rs650k has seen the highest growth and maximum number of launches. Over the past 18 months the segment has witnessed launch of the Chevrolet *Beat*, Ford *Figgo*, Volkswagen *Polo* and Nissan *Micra* in addition to earlier incumbents such as Maruti's (MSIL's) *Swift*, *Ritz* and Hyundai's *i10*, *i20*, Skoda *Fabia*, Tata *Indica Vista* and Fiat *Grande Punto*.

**MSIL marketshare loss of 200bps over FY09-11:** During FY09-11, MSIL compact segment volumes grew at 25.7% CAGR against the segment CAGR of 27.9% i.e. a marketshare loss of 200bps. In the same period Hyundai lost 160bps while Tata Motor's loss is at a whopping 580bps. Of the recent launches, the *Figgo* has been largely successful, helping Ford garner a marketshare of 5% in the segment. The *Beat*, after tasting initial success fizzled out. *Polo* ramp up has been slow due to capacity constraints and monthly runrate has stabilized near the 3k mark, exceeding 200bps marketshare.

**Honda to launch Brio:** Honda Siel is expected to launch its compact car *Brio* by CY11 end. The earlier launch by Honda in this segment i.e. *Jazz* was a failure due to a steep price tag. Renault's entry in this segment is not expected in the immediate future.

**PINC Views:** Although the *Liva* base version has a sticker price lower than even the *Swift* and *Ritz*, this version is sans basic features like power steering. Adjusting for the same the *Etios Liva* is priced roughly Rs10-15k higher than the *Swift*. In addition, the absence of a diesel engine for starters would affect volumes as the price differential between petrol and diesel continues to remain high. The *Etios* sedan had received a large pre-booking. However, it faced significant cancellations when the vehicle was displayed in flesh. Although the price point for the *Liva* is lower, competition is offering superior quality in a similar price range. We do not expect a significant impact on MSIL due to its inherent strength of strong product lineup and large service network. Additionally, the new *Swift* expected in the coming months would benefit volumes.

**Outlook:** More than the competition, macroeconomic environment is a far greater treat to MSIL's volume growth. We are reducing MSIL's volume estimate by 4.6% and 2.6% for FY12 and FY13 respectively. Consequently our earnings estimate for FY12 and FY13 is lower by 5.9% and 3% respectively.

### VALUATIONS AND RECOMMENDATION

The stock of the company is trading at 10.9x its FY13E earnings of Rs106.2. We maintain a 'BUY' recommendation on the stock with a reduced target price of Rs1,594 discounting FY13E earnings 15x.

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### KEY FINANCIALS

	FY11P	FY12E	FY13E
Net Sales	361,282	403,887	479,340
YoY Gr. (%)	24.8	11.8	18.7
EBITDA	36,644	40,468	48,795
EBITDA Marg. (%)	9.9	9.8	9.9
Adj. Net Profit	22,886	25,097	30,696
YoY Gr. (%)	(8.4)	9.7	22.3

	FY11P	FY12E	FY13E
Dil. EPS (Rs)	79.2	86.9	106.2
ROCE (%)	22.9	22.2	23.4
RoE (%)	17.8	16.8	17.6
PER (x)	14.6	13.3	10.9
EV/Net sales (x)	0.7	0.7	0.5
EV/EBITDA (x)	7.2	6.7	4.9

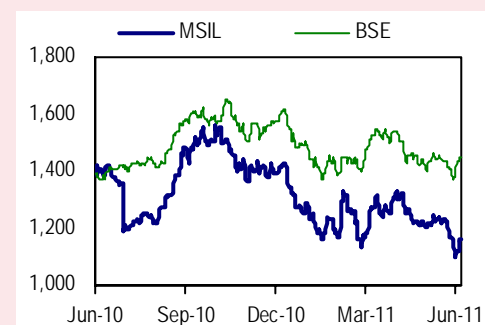
### STOCK DATA

Market Cap	Rs334.7bn.
Book Value per share	Rs480
Eq Shares O/S (F.V. Rs5)	289mn.
Free Float	45.8%
Avg Traded Value (6 mnths)	Rs587mn
52 week High/Low	Rs1,600/1,087
Bloomberg Code	MSIL IN
Reuters Code	MRTI.BO

### PERFORMANCE (%)

	1M	3M	12M
Absolute	(4.7)	(6.5)	(17.0)
Relative	(6.0)	(3.3)	(21.1)

### RELATIVE PERFORMANCE

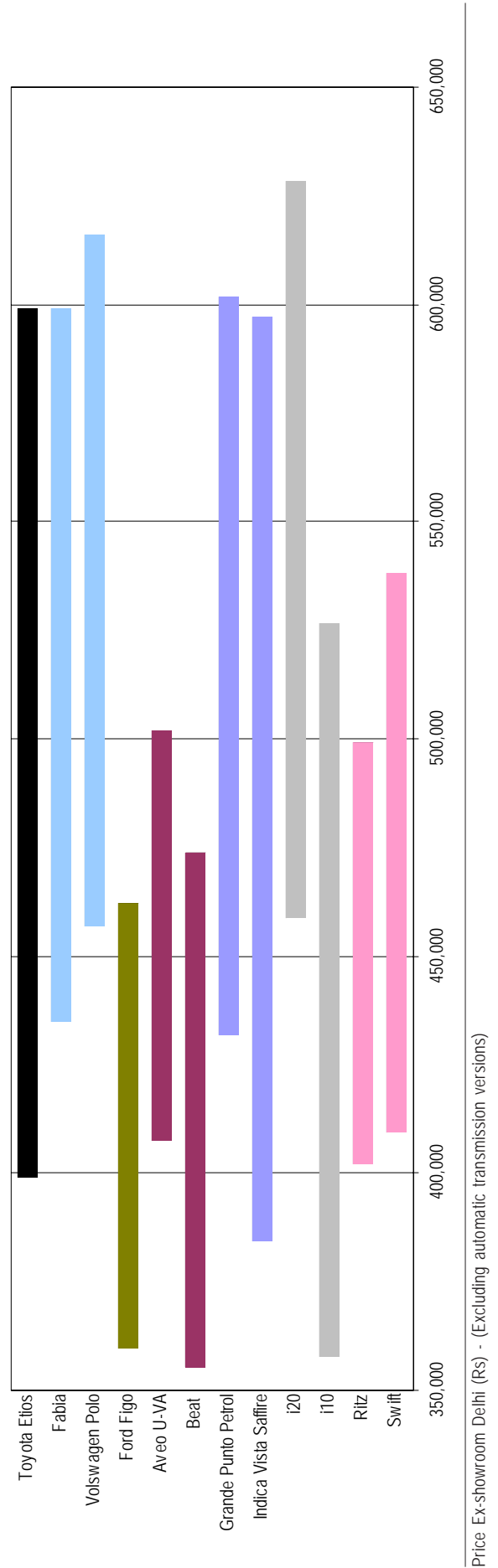


**B Segment Comparison - Petrol Models**

Company Model	Maruti Swift	Maruti Ritz	Hyundai i10	Hyundai i20	GM Beat	GM Aveo U-VA	Tata Indica Vista	Skoda Fabia	Fiat Grande Punto	Nissan Micra	Toyota Etios Liva	Volkswagen Polo
<b>Dimensions</b>												
Length (mm)	3,760	3,715	3,565	3,940	3,640	3,880	3,795	3,992	3,987	3,780	3,775	3,970
Width (mm)	1,690	1,680	1,595	1,710	1,595	1,670	1,695	1,642	1,687	1,665	1,695	1,682
Height (mm)	1,530	1,620	1,550	1,505	1,520	1,495	1,550	1,513	1,495	1,530	1,510	1,453
Wheelbase (mm)	2,390	2,360	2,380	2,525	2,375	2,480	2,470	2,462	2,510	2,450	2,460	2,456
Ground Clearance (mm)	170	170	165	165	165	188	165	146	173	158	170	168
Kerb Weight (kgs)	1,010	1,030	927	1,033-1106	965	1,075	1,035	1,070-1,100	1,090-1,115	930	890-920	1,045-1,095
<b>Specifications</b>												
Engine Capacity (cc)	1,197	1,197	1,086/1,197	1,197	1199	1150	1,172/1,398	1,198/1,598	1,172/1,368	1198	1197	1,198/1,598
Power (PS)	85	85	69 / 80	80	80.5	76	65 / 90	75 / 105	68 / 90	76	80	75 / 105
No. Of Cylinders	4	4	4 / 4	4	4	4	4 / 4	3 / 4	4 / 4	3	4	3 / 4
Mileage (km/l)*	17.9	17.7	19.8 / 20.4	18.2	18.6	15.3	16.7 / -	16.3 / 14.8	15.2 / 13.8	18.06	18.3	17.2 / 15.3
<b>Price (Ex-Showroom Delhi)</b>												
Base Variant	409,341	402,251	357,692	458,599	355,490	407,579	384,457	435,000	431,558	405,500	399,000	457,000
Top End	538,227	499,072	526,434	628,558	473,824	501,768	597,297	599,000	601,871	535,800	599,000	616,000

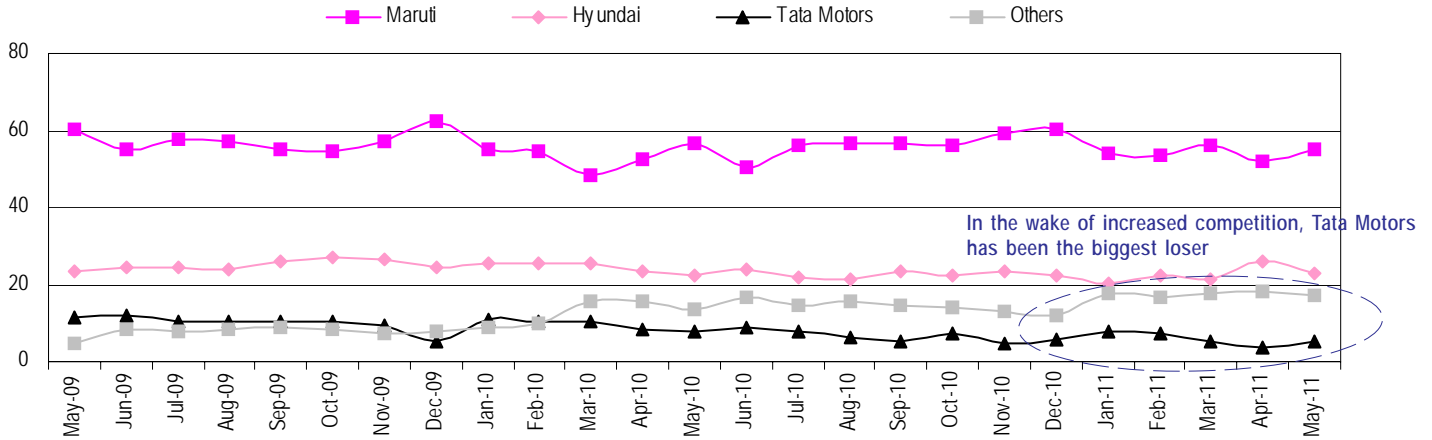
\* Mileage as certified by ARAI

**Price Range Modelwise - Petrol**



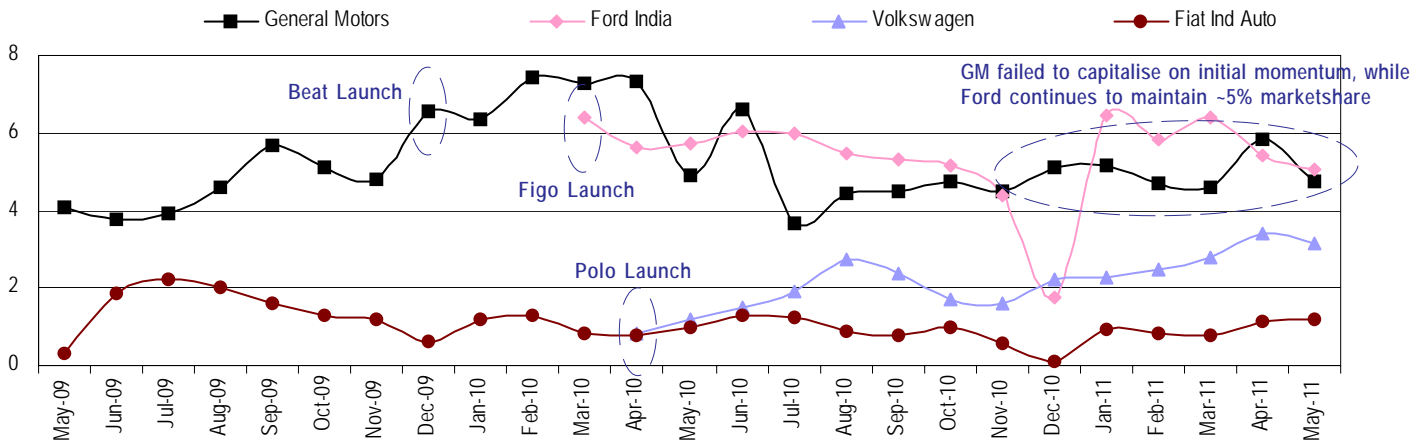
Price Ex-showroom Delhi (Rs) - (Excluding automatic transmission versions)

**Compact Car Segment Incumbents Marketshare (%)**



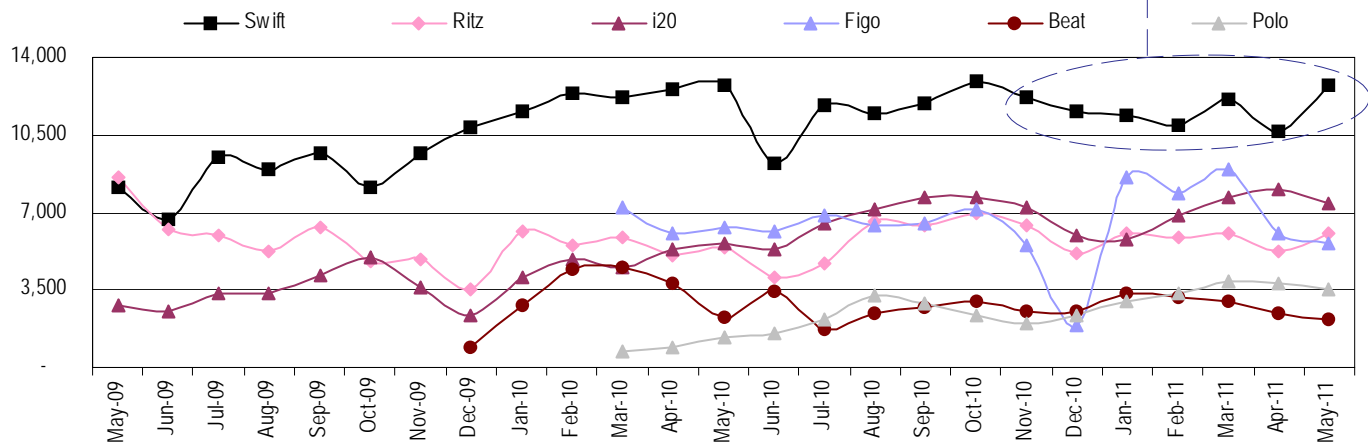
Source: SIAM, PINC Research

**Compact Car Segment Challengers Marketshare (%)**



Source: SIAM, PINC Research

**Modelwise Monthly Sales**



Source: Crisil Research, PINC Research

Year Ended March (Figures in Rs mn)

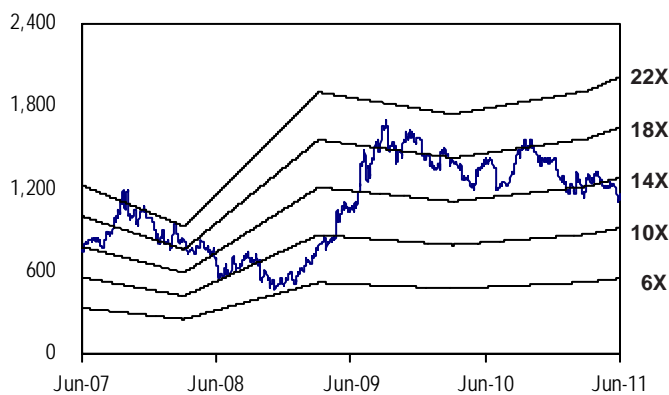
Income Statement	FY09	FY10	FY11P	FY12E	FY13E
Net sales	203,583	289,585	361,282	403,887	479,340
Growth (%)	14.0	42.2	24.8	11.8	18.7
Operating profit	15,345	33,140	27,525	29,835	36,379
Other operating income	3,100	6,511	9,119	10,633	12,416
EBITDA	18,445	39,651	36,644	40,468	48,795
Growth (%)	(32.6)	115.0	(7.6)	10.4	20.6
Depreciation	(7,065)	(8,250)	(10,135)	(11,701)	(13,571)
Other income	5,888	4,859	4,823	5,578	6,457
EBIT	17,268	36,260	31,332	34,345	41,681
Interest paid	(510)	(335)	(244)	(200)	(200)
PBT (before E/o items)	16,758	35,925	31,087	34,145	41,481
Tax provision	(4,571)	(10,949)	(8,201)	(9,048)	(10,785)
E/o Income / (loss)	-	-	-	-	-
Net profit	12,187	24,976	22,886	25,097	30,696
Adjusted net profit	12,187	24,976	22,886	25,097	30,696
Growth (%)	(29.6)	104.9	(8.4)	9.7	22.3
Diluted EPS (Rs)	42.2	86.4	79.2	86.9	106.2
Diluted EPS Growth (%)	(29.6)	104.9	(8.4)	9.7	22.3

Cash Flow Statement	FY09	FY10	FY11P	FY12E	FY13E
Pre-tax profit	16,758	35,925	31,087	34,145	41,481
Depreciation	6,610	7,322	10,135	11,701	13,571
Total tax paid	(4,310)	(10,007)	(9,093)	(8,801)	(10,461)
Chg in working capital	(2,031)	(1,480)	4,044	(2,824)	1,735
Other operating activities	(1,709)	1,947	-	-	-
Cash flow from oper. (a)	15,318	33,707	36,173	34,221	46,326
Capital expenditure	(15,603)	(12,124)	(25,592)	(37,532)	(12,175)
Chg in investments	(675)	(10)	-	-	-
Other investing activities	-	-	-	-	-
Cash flow from inv. (b)	(16,278)	(12,134)	(25,592)	(37,532)	(12,175)
Free cash flow (a+b)	(960)	21,573	10,581	(3,311)	34,151
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	(2,013)	1,225	(5,121)	(1,400)	(1,400)
Chg in Minorities int.	-	-	-	-	-
Dividend (incl. tax)	(1,691)	(1,183)	(2,021)	(2,527)	(3,032)
Other financing activities	-	-	-	-	-
Cash flow from fin. (c)	(3,704)	42	(7,142)	(3,927)	(4,432)
Net chg in cash (a+b+c)	(4,664)	21,615	3,439	(7,238)	29,719

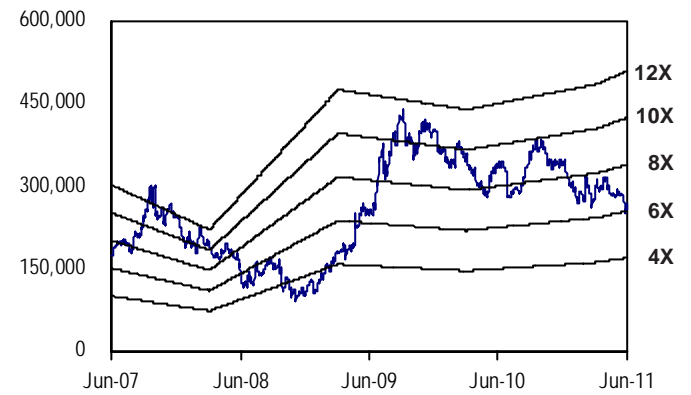
Balance Sheet	FY09	FY10	FY11P	FY12E	FY13E
Equity capital	1,445	1,445	1,445	1,445	1,445
Reserves & surplus	92,004	116,906	137,265	159,330	186,657
Shareholders' funds	93,449	118,351	138,710	160,775	188,102
Preference Share Capital	-	-	-	-	-
Total Debt	6,989	8,214	3,093	1,693	293
Capital Employed	100,438	126,565	141,803	162,468	188,395
Net fixed assets	49,321	54,123	69,580	95,411	94,015
Cash & Cash Eq.	47,297	68,912	72,351	65,113	94,832
Net other Current Assets	1,545	1,064	(2,320)	(98)	(2,344)
Investments	3,826	3,836	3,836	3,836	3,836
Net Deferred Tax Assets	(1,551)	(1,370)	(1,644)	(1,794)	(1,944)
Total assets	100,438	126,565	141,803	162,468	188,395

Key Ratios	FY09	FY10	FY11P	FY12E	FY13E
EBITDA (%)	8.9	13.4	9.9	9.8	9.9
Net margin (%)	6.0	8.6	6.3	6.2	6.4
Dividend yield (%)	0.3	0.5	0.6	0.8	0.9
Net debt/Equity (x)	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)
Net Working Capital (days)	(17)	(8)	(8)	(9)	(9)
Asset turnover (x)	1.6	1.9	2.1	2.0	1.9
ROCE (%)	17.4	31.3	22.9	22.2	23.4
RoE (%)	13.7	23.6	17.8	16.8	17.6
EV/Net sales (x)	1.4	0.9	0.7	0.7	0.5
EV/EBITDA (x)	16.0	6.9	7.2	6.7	4.9
PER (x)	27.5	13.4	14.6	13.3	10.9
Price/Book (x)	3.6	2.8	2.4	2.1	1.8

P/E Band



EV/EBITDA



**T E A M**

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