

1 February 2011

Maruti Suzuki India

Jan'11 volume: Good show, in line with expectations

Rating: **Buy**

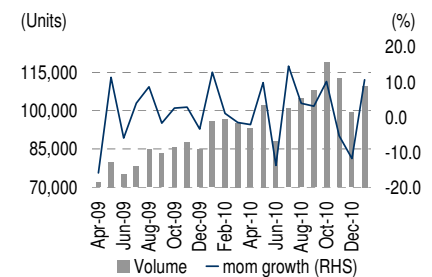
Target Price: ₹1,475

Share Price: ₹1,240

In Jan '11, Maruti Suzuki posted stable volume growth of 14.7% yoy (and 10.6% mom) to 109,743 units, in line with expectations. Volumes followed the normal January trend, being better mom.

- Good domestic performance.** Domestic volumes grew 23.8% yoy and 12.2% mom. Volumes were boosted by the A2 segment, +23.8% yoy and +12.4% mom. Other key segments were MPVs, +27.7% yoy and +2.9% mom, and A3, which also did well +32.6% yoy and +27.4% mom. The MPV sales were boosted by 'Eeco', launched in Jan'10; despite the base now kicking in, volume growth in the segment has been good.
- Lower exports.** The discontinuation of the scrappage benefits in Europe meant that MSIL's exports have plateaued in the 9-13,000 per month band in the near term. In Jan, MSIL's exports were 36% lower yoy (and 4.5% mom) to 9,321 units. MSIL has been strengthening its presence in non-EU markets to counter the shrinking demand in Europe, and thereby arrest the decline in its exports.
- Valuation and risks** MSIL has had a good growth rate in YTD FY11, of 25.5% yoy. The residual growth estimate ahead is 14.3%. The company is expanding its capacity to capture incremental demand ahead. MSIL trades at 12.6x FY12e and 10.4x FY13e EPS. We recommend a Buy. Risks: Slump in car demand, unfavourable currency movement, and rise in commodity costs.

M-o-M volume-growth trend



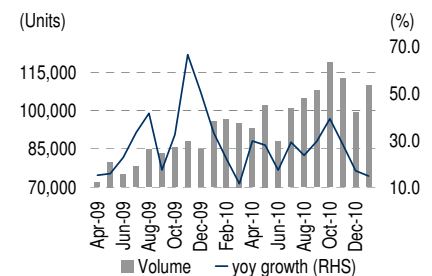
Source: Company

Volume data – Jan '11 (units)

Year-end 31 March	Jan-11	yoy chg (%)	mom chg (%)	ytd FY11	yoy chg (%)
A1 segment	1,876	-24.8	4.3	20,858	-23.0
A2 segment	72,479	23.8	12.4	658,002	27.0
A3 segment	11,930	32.6	27.4	104,348	32.7
Total cars	86,285	23.2	14.1	783,208	25.6
C segment	13,945	27.7	2.9	132,674	66.3
Cars incl. MPVs	100,230	23.8	12.4	915,882	30.2
UVs	192	42.2	-28.9	4,890	64.6
Total domestic	100,422	23.8	12.2	920,772	30.3
Exports	9,321	-36.0	-4.5	116,636	-2.9
Total volumes	109,743	14.7	10.6	1,037,408	25.5

Source: Company

Y-o-Y volume-growth trend



Source: Company

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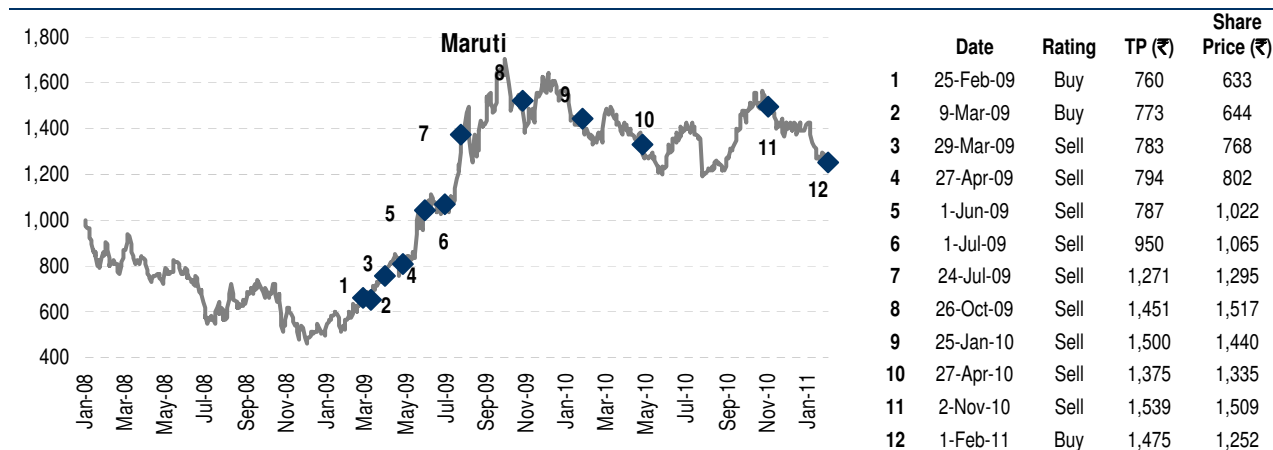
Appendix 1

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