

4 January 2011

## Maruti Suzuki India

*Dec '10 volume: Sustains expected trend*

Rating: **Sell**

Target Price: ₹1,539

Share Price: ₹1,427

In Dec '10, Maruti Suzuki India (MSIL) registered good volume growth of 17% yoy, albeit lower by 11.8% mom, at 99,225 units, which was in line with expectations. The mom decline is on account of seasonal impact in December as well as the planned three-day plant shutdown.

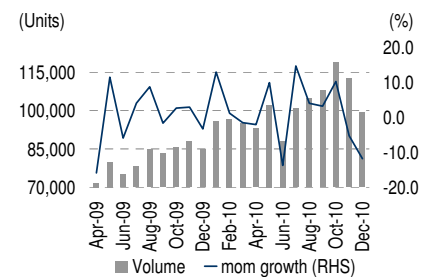
- Healthy domestic performance.** Domestic volumes grew 26% yoy (although lower 12.7% mom), boosted by the A2 segment that saw +23.5% yoy growth (albeit lower 12.9% mom). The other key segments – MPVs (+67.5% yoy and -7.8% mom) and A3 (+19.4% yoy and -15.8% mom) also performed well. MPV sales were boosted by launch of the MPV 'Eeco' in Jan '10; the base effect in this segment will come into play hereafter.
- Exports lower.** Discontinuation of scrappage benefits in Europe imply that MSIL's exports are plateauing at the 9-13,000/month band. In Dec '10, MSIL's exports were lower 29.3% yoy and 2.9% mom at 9,756 units.
- Valuation and risks.** MSIL sustained a good yoy growth rate of 26.9% YTD FY11. We estimate residual growth at 16.1%. MSIL is expanding capacity to capture incremental demand ahead. New launches – Toyota's Etios (in Dec '10) and Honda's Brio (likely by Nov '11) – would be added competitors. MSIL trades at 16.5x FY11e and 13.9x FY12e EPS. We retain Sell. Risks: Better car demand, lower competitor success rate, and sharp decline in commodity costs.

### Volume data – Dec '10 (units)

Year-end 31 March	Dec-10	yoy chg (%)	mom chg (%)	YTD FY11	yoy chg (%)
A1 segment	1,798	-30.1	-26.3	18,982	-22.8
A2 segment	64,492	23.5	-12.9	585,523	27.4
A3 segment	9,362	19.4	-15.8	92,418	32.8
<b>Total cars</b>	<b>75,652</b>	<b>20.7</b>	<b>-13.7</b>	<b>696,923</b>	<b>25.9</b>
C segment	13,547	67.5	-7.8	118,729	72.4
<b>Cars incl. MPVs</b>	<b>89,199</b>	<b>26.1</b>	<b>-12.8</b>	<b>815,652</b>	<b>31.0</b>
UVs	270	4.2	35.7	4,698	65.7
<b>Total domestic</b>	<b>89,469</b>	<b>26.0</b>	<b>-12.7</b>	<b>820,350</b>	<b>31.2</b>
Exports	9,756	-29.3	-2.9	107,315	1.7
<b>Total volumes</b>	<b>99,225</b>	<b>17.0</b>	<b>-11.8</b>	<b>927,665</b>	<b>26.9</b>

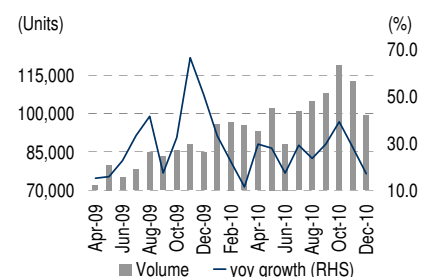
Source: Company

### M-o-M volume-growth trend



Source: Company

### Y-o-Y volume-growth trend



Source: Company

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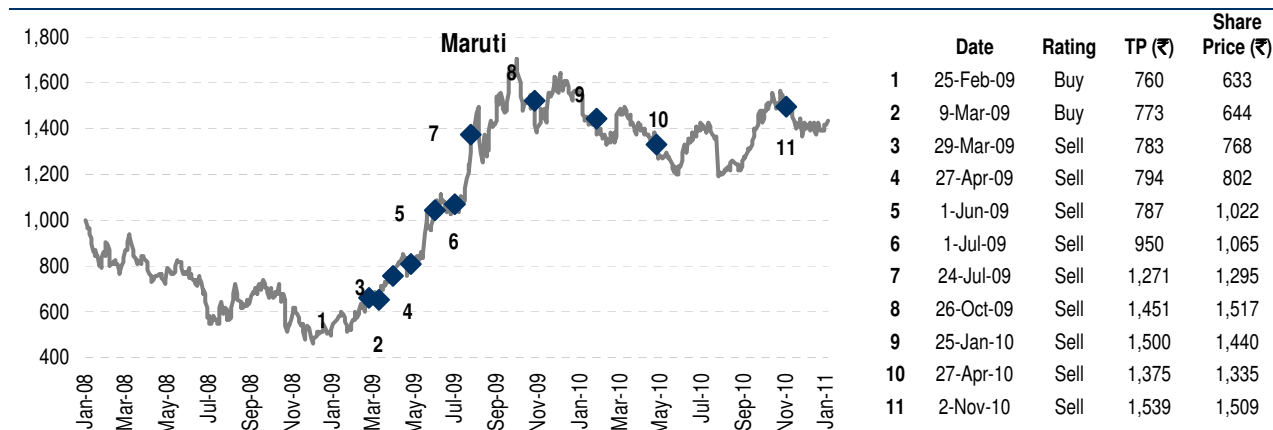
## Appendix 1

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