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Surjit Arora
surjitarora@plindia.com
+91-22-66322235

Rating	Accumulate
Price	Rs1,388
Target Price	Rs1,597
Implied Upside	15.1%
Sensex	18,938
Nifty	5,747

(Prices as on October 05, 2012)

Trading data

Market Cap. (Rs bn)	400.9
Shares o/s (m)	288.9
3M Avg. Daily value (Rs m)	1416.8

Major shareholders

Promoters	54.21%
Foreign	19.35%
Domestic Inst.	17.38%
Public & Other	9.06%

Stock Performance

(%)	1M	6M	12M
Absolute	18.2	5.5	27.8
Relative	8.8	(2.8)	7.9

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	66.0	66.6	-0.8
2014	106.1	95.0	11.7

Price Performance (RIC: MRTI.BO, BB: MSIL IN)



Source: Bloomberg

According to our interaction with the vendors/component manufacturers of Maruti Suzuki (MSIL), the company is currently working on a production schedule of 800 cars/day for the New 800cc Alto to be launched on October 16, 2012. Being an indigenised product, the pricing is likely to be very attractive at around ~Rs2.5lacs with better features and more space compared to the earlier car. At the same time, Manesar is ramping up production (~1,200 cars/day currently) to 1,700 cars/day by mid-October and 2,000/day by mid-November. In our view, the above developments are huge positives for MSIL, leading to higher volumes than previously estimated.

■ **Revise our earnings estimates upwards by ~12% for FY13 as well as FY14E** : We revise our volume estimates by 4-7% and earnings estimates by ~12% for FY13E and FY14E. Given the strong product portfolio of 'Swift', 'Dzire', 'Ertiga' (total order book of 1.4lac units) and the New 800cc Alto, we maintain our long-term positive view on the stock and expect a strong recovery in FY14E (volume growth of 22.0%).

■ **Re-iterate our positive stance on MSIL and retain it as our top-pick in Autos**: We re-iterate that MSIL is the best play on the recovery in the macroeconomic situation and lower interest rates. We expect the margins to improve by ~190bps over the next two years, mainly on account of currency hedging, operating leverage and better product mix. Maintain MSIL as top-pick in Auto space and retain '**Accumulate**' rating, with a revised TP of Rs1,597 based on 14.5x FY14E consolidated EPS (MSIL +SPIL) of Rs110.

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Key financials (Y/e March)

	2011	2012	2013E	2014E
Revenues (Rs m)	366,184	355,871	436,253	551,846
Growth (%)	23.6	(2.8)	22.6	26.5
EBITDA (Rs m)	37,037	25,130	32,709	49,551
PAT (Rs m)	23,538	16,352	19,080	30,669
EPS (Rs)	81.4	56.6	66.0	106.1
Growth (%)	(6.6)	(30.5)	16.7	60.7
Net DPS (Rs)	7.5	7.5	10.0	11.0

Profitability & Valuation

	2011	2012	2013E	2014E
EBITDA margin (%)	10.1	7.1	7.5	9.0
RoE (%)	18.3	11.3	11.9	16.9
RoCE (%)	17.7	10.9	11.8	17.3
EV / sales (x)	1.0	1.1	0.9	0.7
EV / EBITDA (x)	10.2	15.4	11.5	7.5
PE (x)	17.0	24.5	21.0	13.1
P / BV (x)	2.9	2.6	2.4	2.1
Net dividend yield (%)	0.5	0.5	0.7	0.8

Source: Company Data; PL Research

- **New 800cc car to add ~30,000 to FY13E volumes:** According to our interaction with the vendors/component manufacturers of MSIL, the company is currently working on a production schedule of 800 cars/day for the New 800cc to be launched on October 16, 2012. Currently, the old Alto production is pegged at 500-600cars/day. Hence, in our view, the incremental volumes from the new car could be 200 cars/day. This would add around 30,000 units to our FY13E volume estimate.
- **Manesar ramp-up to 2,000 cars/day by mid-November:** Manesar is ramping up production (~1,200 cars/day currently) to 1,700 cars/day by mid-October and 2,000/day by mid-November. Given the strong order book for 'Swift' and the 'Dzire' (1lac units), the timely ramp-up will help MSIL to cater to the festive season demand beginning October 16.
- **H2FY13E profit likely to grow by ~52%:** Led by 10% YoY growth in H2FY13E volumes (~33% YoY growth in Q3FY13E volumes), the profitability of MSIL is likely to improve by 52% YoY in H2FY13E. As a result, H2FY13E profit would be Rs11.7bn, thereby, accounting for ~62% of full year profit in FY13E.
- **Revision in volume estimates by 4-7%:** We have built-in incremental 30,000 units from the New 800cc Alto in our FY13E volumes. For FY14E, we see strong recovery for the petrol car demand as well as strong growth for the diesel vehicles (lower base of FY13E). Hence, we revise our volumes upwards by 4.4% in FY13E to 1.19m and 7.3% in FY14E to 1.46m units. As a result, we assume a 5.5% and 22.0% volume growth in FY13E and FY14E, respectively. Given higher volumes, lower discounting and better product mix, we expect EBITDA margins to improve 150bps to 9.0% in FY14E. In light of the above assumptions, we revise our FY13 and FY14 EPS upwards by 12.0% each.

Exhibit 1: Revision in estimates

Particulars	Old estimates		New estimates	
	FY13E	FY14E	FY13E	FY14E
Volumes (Nos)	1,146,331	1,360,995	1,196,425	1,460,596
<i>% growth</i>	<i>1.1</i>	<i>18.7</i>	<i>5.5</i>	<i>22.0</i>
<i>% change</i>			<i>4.4</i>	<i>7.3</i>
Top-line (Rs m)	417,032	512,049	436,253	551,846
<i>% change</i>			<i>4.6</i>	<i>7.8</i>
EBITDA (Rs m)	29,667	44,210	32,709	49,551
<i>% change</i>			<i>10.3</i>	<i>12.1</i>
<i>EBITDA margin (%)</i>	<i>7.1</i>	<i>8.6</i>	<i>7.5</i>	<i>9.0</i>
PAT (Rs m)	16,995	27,384	19,080	30,669
EPS (Rs)	58.8	94.8	66.0	106.1
<i>% change</i>			<i>12.3</i>	<i>12.0</i>

Source: PL Research

Income Statement (Rs m)

Y/e March	2011	2012	2013E	2014E
Net Revenue	366,184	355,871	436,253	551,846
Raw Material Expenses	283,382	280,656	341,446	428,251
Gross Profit	82,803	75,215	94,807	123,595
Employee Cost	7,036	8,438	10,635	12,704
Other Expenses	38,730	41,647	51,464	61,340
EBITDA	37,037	25,130	32,709	49,551
Depr. & Amortization	10,135	11,384	12,998	14,606
Net Interest	250	552	900	1,000
Other Income	4,436	7,509	6,800	7,500
Profit before Tax	31,087	20,703	25,611	41,445
Total Tax	8,201	5,111	6,531	10,776
Profit after Tax	22,886	15,592	19,080	30,669
Ex-Od items / Min. Int.	(652)	(760)	—	—
Adj. PAT	23,538	16,352	19,080	30,669
Avg. Shares O/S (m)	289.0	289.0	289.0	289.0
EPS (Rs.)	81.4	56.6	66.0	106.1

Cash Flow Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
C/F from Operations	39,279	31,381	36,857	55,856
C/F from Investing	(5,292)	(39,857)	(23,464)	(46,827)
C/F from Financing	(9,885)	7,752	(13,851)	(3,890)
Inc. / Dec. in Cash	24,103	(724)	(457)	5,139
Opening Cash	982	25,085	24,362	23,904
Closing Cash	25,085	24,362	23,904	30,238
FCFF	23,047	6,643	2,696	27,980
FCFE	15,145	17,115	(8,087)	27,980

Key Financial Metrics

Y/e March	2011	2012	2013E	2014E
Growth				
Revenue (%)	23.6	(2.8)	22.6	26.5
EBITDA (%)	(6.9)	(32.1)	30.2	51.5
PAT (%)	(6.6)	(30.5)	16.7	60.7
EPS (%)	(6.6)	(30.5)	16.7	60.7
Profitability				
EBITDA Margin (%)	10.1	7.1	7.5	9.0
PAT Margin (%)	6.4	4.6	4.4	5.6
RoCE (%)	17.7	10.9	11.8	17.3
RoE (%)	18.3	11.3	11.9	16.9
Balance Sheet				
Net Debt : Equity	(0.2)	(0.1)	(0.1)	(0.2)
Net Wrkng Cap. (days)	(19)	(26)	(33)	(38)
Valuation				
PER (x)	17.0	24.5	21.0	13.1
P / B (x)	2.9	2.6	2.4	2.1
EV / EBITDA (x)	10.2	15.4	11.5	7.5
EV / Sales (x)	1.0	1.1	0.9	0.7
Earnings Quality				
Eff. Tax Rate	26.4	24.7	25.5	26.0
Other Inc / PBT	16.0	38.5	26.6	18.1
Eff. Depr. Rate (%)	8.2	7.6	7.2	7.0
FCFE / PAT	64.3	104.7	(42.4)	91.2

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
Shareholder's Funds	138,675	151,874	168,166	195,093
Total Debt	312	10,784	—	—
Other Liabilities	3,999	5,671	3,023	3,023
Total Liabilities	142,987	168,329	171,189	198,117
Net Fixed Assets	63,919	77,446	96,324	108,594
Goodwill	—	—	—	—
Investments	62,223	78,580	66,514	84,418
Net Current Assets	16,844	12,303	8,351	5,105
<i>Cash & Equivalents</i>	<i>25,085</i>	<i>24,362</i>	<i>23,904</i>	<i>30,238</i>
<i>Other Current Assets</i>	<i>31,161</i>	<i>38,889</i>	<i>49,858</i>	<i>65,476</i>
<i>Current Liabilities</i>	<i>39,402</i>	<i>50,947</i>	<i>65,411</i>	<i>90,609</i>
Other Assets	—	—	—	—
Total Assets	142,986	168,329	171,189	198,117

Quarterly Financials (Rs m)

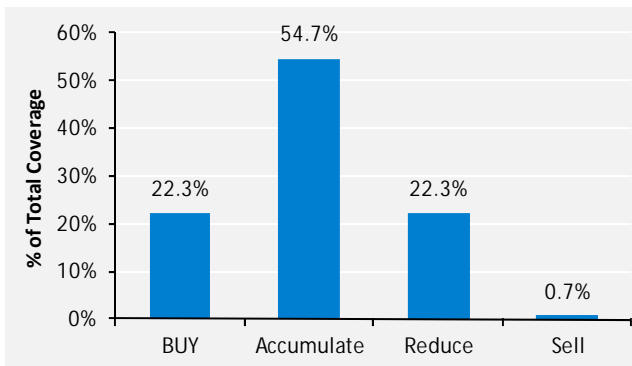
Y/e March	Q3FY12	Q4FY12	Q1FY13	Q2FY13E
Net Revenue	78,824	117,270	107,782	82,237
EBITDA	4,562	8,585	7,863	5,127
<i>% of revenue</i>	<i>5.8</i>	<i>7.3</i>	<i>7.3</i>	<i>6.2</i>
Depr. & Amortization	2,989	3,306	3,399	3,275
Net Interest	174	208	332	200
Other Income	1,604	2,969	1,123	1,600
Profit before Tax	2,613	8,040	5,256	3,252
Total Tax	557	1,642	1,018	846
Profit after Tax	2,056	6,398	4,238	2,407
Adj. PAT	2,446	6,398	4,238	2,407

Key Operating Metrics

Y/e March	2011	2012	2013E	2014E
A2 Seg. Vol. (nos)	808,552	709,430	686,147	857,684
Total Domestic Vol. (nos)	1,132,739	1,006,316	1,076,425	1,320,596
Export Vol. (nos)	138,266	127,379	120,000	140,000
Total Vol. (nos)	1,271,005	1,133,695	1,196,425	1,460,596
Net Realization/Unit (Rs)	288,106	313,904	364,631	377,822
RM Cost/Unit (Rs)	222,959	247,559	285,389	293,203
Other Exp./Unit (Rs)	30,472	36,736	43,014	41,996
EBITDA/Unit (Rs)	29,140	22,166	27,339	33,925
Net Profit/Unit (Rs)	18,006	14,424	15,948	20,998

Source: Company Data, PL Research.

Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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