

CMP: Rs 6513
Target Price: Rs 6069
Recommendation: Reduce

Stock Info

BSE Group	A
BSE Code	532500
NSE Symbol	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.BO
BSE Sensex	36,025
NSE Nifty	10,780

Market Info

Market Capital	Rs 196,757 crores
Equity Capital	Rs 151 crores
6MAvg Trading Volume	672,043
52 Wk High / low	Rs 9922/6420
Face Value	Rs 5

Share Holding pattern as on Dec 18

Promoter	56.21
DII's	13.43
FII's	22.67
Others	7.69

Price Vs Sensex Chart



Q3 FY 19 Performance Highlights:

- The Company sold a total of 428,643 vehicles during the quarter, de growth of 0.6 per cent over the same period of the previous year.
- Sales in the domestic market stood at 405,597 units, growth of 1.3 per cent YoY. Exports stood at 23,046 units, de growth of 25% YoY.
- During the quarter, Company registered Net Sales of Rs 18,926 cr, down 0.1 per cent over the same period previous year.
- The operating profit stood at Rs 1,931 cr, de growth of 36 per cent over the same period previous year on account of higher commodity cost, higher advertisement expenses and forex movements.
- Net profit stood at Rs 1489 cr, down 17 per cent compared to the same period last year.

Conference call highlights:

- SIAM had projected a growth rate of 8-10%, but industry grew only 4%. Maruti outperform the industry by growing 7% YoY for the 9-month period.
- Higher sales promotion, commodity prices and adverse foreign currency movement impacted the margins.
- Discounts stood at Rs 24,300/ per vehicle.
- Markets to remain under pressure going into Q4. Industry growth is expected around 4.5% at the end of FY19.
- Rural is growing at 13%, whereas urban sales are flat.
- Company has taken a price hike of 70 bps in January 2019.
- Royalty rate stood at 5.5%.
- Exports revenue stood at Rs 1158 Crore.
- Inventory stood at 4-5 weeks.
- Ertiga and WagonR have seen good bookings. Waiting period for Ertiga stands at 28 weeks.
- Rural contribution is at 39%.
- Commodity price impact to follow in Q4 as well.
- Other income was higher due to higher fair value gain on invested surplus.

Valuation & Outlook: Management expects to outperform the industry growth in FY19 which is currently estimated to be around 4.5%. Exports markets are facing economic slowdown. Insurance cost, higher cost of financing and higher fuel prices are discouraging customers. However, this is expected to cool off in the coming quarters. High commodity prices are expected to continue and there would be a pressure on the margins. Uncertainty on foreign exchange, rising interest rate and commodity prices are a risk to the company. We value the stock at 21x FY20E EPS of Rs 289, and assign a price target of Rs 6069 with a **"Reduce"** rating on the stock.

Financial Snapshot:

Y/E March, (in Rs crore)	FY18	FY19 E	FY20 E
Total Unit Sales	1,779,574	1,883,970	2,110,046
Net Sales	79,763	84,236	99,061
yoy%	17.2%	5.6%	17.6%
Operating EBIDTA	12,062	11,201	14,364
EBITDA margin	15.1%	12.8%	13.9%
PAT	7,722	7,295	8,727
yoy%	5.2%	-5.5%	19.6%
EPS	256	241	289
P/E (x)	25.5	27.0	22.5

P&L (in Rs crore)	Q3FY19	Q2FY19	Q3FY18	YoY	QoQ
Domestic Vehicles	405,597	455,400	400,586	1%	-11%
Export Vehicles	23,046	29,448	30,526	-25%	-22%
Total Vehicles	428,643	484,848	431,112	-1%	-12%
Net Sales	18,926	21,552	18,940	0%	-12%
Other Income	742	881	343	116%	-16%
Total Income	19,668	22,433	19,283	2%	-12%
Total Raw Mat Cost	14,044	15,285	13,332	5%	-8%
Employee Cost	881	792	687	28%	11%
Other Expenditure	2,812	2,925	2,226	26%	-4%
Total Expenditure	17,737	19,002	16,245	9%	-7%
Operating EBITDA	1,931	3,431	3,038	-36%	-44%
margin %	10%	16%	16.0%	-36%	-36%
Depreciation	768	721	689	11%	6%
Op EBIT	1,163	2,710	2,349	-50%	-57%
Other Income	917	527	245	275%	74%
Interest (Net)	21	26	26	-22%	-20%
PBT	2,060	3,211	2,567	-20%	-36%
Tax Provision	571	971	768	-26%	-41%
PAT	1,489	2,240	1,799	-17%	-34%
PAT margin	8%	10%	9%	-17%	-24%
Tax rate	28%	30%	30%	-7%	-8%
Basic EPS	49	74	59.6	-17%	-34%

Profit and Loss Account, Year Ending March

Particulars, in Rs crore	FY18	FY19E	FY20E
Net Sales	79,763	84,236	99,061
YoY%	17.2	5.6	17.6
*Other Operating Income	-	3,369	3,962
Income from Operations	79,763	87,605	103,024
Materials Consumed	54,975	61,242	70,829
Total Expenditure	70,459	79,353	92,226
Operating EBITDA	12,062	11,201	14,364
Operating EBITDA margin %	15.1	12.8	13.9
Depreciation	2,758	2,948	3,566
Operating EBIT	9,304	8,253	10,798
Other Income	2,046	2,359	2,204
Interest	346	337	396
PBT	11,003	10,274	12,605
Tax Expense	3,282	2,980	3,878
Reported Net Profit	7,722	7,295	8,727
YoY%	5%	-6%	20%
Effective Tax Rate	29.8	29.0	30.8
Reported EPS	256	241	289

Cash Flow Statement, Year Ending March

Particulars, in Rs crore	FY18	FY19 E	FY20E
Operating Activities			
PBT	11,003	10,274	13,373
Add Depr	2,758	2,948	3,566
Others	(1,727)	(1,299)	(915)
Total	12,034	11,923	16,024
Cash Taxes	(3,055)	(2,980)	(3,878)
Changes in Working Cap	2,806	(2,671)	755
Cash Flow from Operations	11,785	11,471	15,118
Investing Activities			
Change in investments	(4,390)	(4,884)	(8,000)
Capex	(3,892)	(3,000)	(3,000)
Cash Flow from Investing	(8,282)	(7,884)	(11,000)
Financing Activities			
Dividends + Taxes paid	(2,727)	(3,262)	(3,697)
Change in Non Curr Liab	(719)	(310)	(398)
Cash Flow from Financing	(3,446)	(3,573)	(4,095)
Opening Cash	13	70	84
Changes during year	56.9	14.1	22.6
Amalgamation	-	-	-
Closing Cash	70	84	107

*FY18 Other operating income adjusted in Revenue

Balance Sheet, Year Ending March

Particulars, in Rs crore	FY18	FY19 E	FY20E
Liabilities + Equity			
(a) Share capital	151	151	151
(b) Reserves and surplus	41,606	45,639	51,436
Shareholders' funds	41,757	45,790	51,587
Non-current liab & Prov	2,171	2,341	594
Current liabilities	15,442	15,689	17,487
Total - Equity and liabilities	59,370	63,820	69,668
Assets			
Non-current assets			
Fixed assets	15,485	26,368	29,368
Long Term Inv	35,964	25,850	27,545
Current investment	1,217	1,900	1,900
Cash	70	84	107
Other Current Assets	7,850	9,702	10,749
Sub-total - Current assets	7,921	9,702	10,855
Total - Assets	59,370	63,820	69,668

Ratio Analysis

	FY18	FY19E	FY20E
Profitability			
Operating EBITDA%	15.1	12.8	13.9
Operating EBIT%	11.7	9.4	10.5
PAT%	9.7	8.3	8.5
ROAE%	2.0	1.7	1.8
Du Pont ROAE breakup			
PAT / Sales	9.7	8.7	8.8
Sales / Avg Total Assets	1.45	1.37	1.48
Avg Total Assets / Avg Eqty	1.4	1.4	1.4
ROE	19.8	16.7	17.9
Other Ratios			
Current Ratio	0.5	0.6	0.6
Long Term Debt / Equity	0.0	0.0	0.0
EPS	255.6	241.5	288.9
DPS	80.0	90.0	102.0
Dividend %	1,600.0	1,800.0	2,040.0
Dividend Payout ratio	31%	37%	35%
P/E	25.5	27.0	22.5
BVPS	1,377.3	1,510.8	1,702.7
P/BV	4.7	4.3	3.8

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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