

November 14, 2014

Maruti Suzuki India Ltd.

BSE Code: 532500 NSE Code: MARUTI Reuters Code: MRTI.NS Bloomberg Code: MSIL:IN

Maruti Suzuki India Ltd, (MSIL) manufactures, purchases, and sells motor vehicles, components, and spare parts in India, Europe, Africa, Asia, Oceania, and Latin America; offering 14 different brands and approximately 150 variants. The company is also involved in the facilitation of pre-owned car sales, fleet management, and car financing. In addition, it provides motor insurance products, accessories, auto card, and driving school services. As of October 1, 2014, the company operated 1,421 sales outlets in 1,097 cities; and 3,060 service stations in 1,454 cities. The company has reported a 12.2% growth in its sales volumes till October this financial year at 7,25,765 units against 6,47,107 units in the same period last fiscal.

Investor's Rationale

Higher domestic sales boosted topline – MSIL registered a 17.5% YoY growth in its topline to ₹120 bn in Q2FY15 against ₹102.1 bn in Q2FY14, driven by higher domestic sales and positive foreign exchange impact. The revenue from domestic business, which represents 89.3% of its revenue stood at 2,87,687 units, up 19.09% while exports were at 34,211 units, up marginally by 0.54%.

Net profit grew impressively by 28.7% on strong topline – MSIL's profit grew handsomely by around 28.7% YoY to ₹8.6 bn in Q2FY15 as against ₹6.7 bn in Q2FY14 on the back of significant growth in domestic sales and cost reduction initiatives by the company. Further, interest cost declined by 19.8% at ₹0.34 bn in Q2FY15 against ₹0.43 bn. Other income grew robustly by 91.3% YoY to ₹1.93 bn, contributed significantly to bottom line growth during the quarter. Consequently, NPM expanded 56 bps YoY to 6.9% from 6.3%.

EBITDA grew by 15% on higher sales – EBITDA grew impressively by 15.1% YoY to ₹15.2 bn against ₹13.2 bn, mainly due to higher sales. On the contrary, the OPM contracted 26 bps YoY to 12.4% from 12.6% impacted by higher operational costs. Meanwhile, material cost grew by 24.2% YoY at ₹85.6 bn and other expenses also grew by 8.2% YoY at ₹16.4 bn. While, employee costs declined by 0.67% at ₹3.69 bn.

Planning to invest in R&D towards increasing product portfolio – Recently, MSIL has announced that they are planning to invest up to ₹40 bn in the next 2-3 years in key areas like product development, R&D and marketing infrastructure, focusing more on bringing out models with auto gear shift technology. With new products such as the SUV XA Alpha by first half FY16 and one more SUV in latter part of FY 16, along with an LCV, MSIL is expected to grow its domestic market share. On the exports front, MSIL is expected to get better traction from the geographies like Africa, Latin America and Middle East.

Market Data

52-week High-Low (₹)		3,350/1,450
Rise from 52WL (%)		117.6
Correction from 52WH (%)		1.25
Beta		1.02
1 year Average Volume (mn)		5.42
Stock Return (%)	3M-	20.55
	6M-	56.01
	1Y-	62.28
Market Cap (₹bn)		1002.0
Book Value (₹)		711.61

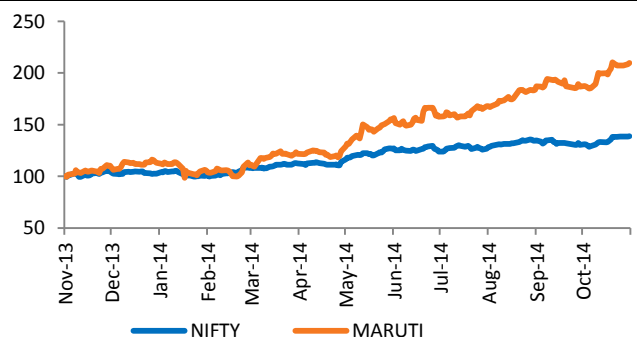
Shareholding Pattern

	Sep'14	Jun'14	Chg
Promoters (%)	56.21	56.21	0.00
FII (%)	21.74	22.04	(0.30)
DII (%)	14.49	14	0.49
Public & Others (%)	7.56	7.75	(0.19)

Quarterly Performance (Standalone)

(₹bn)	Q2 FY'15	Q2 FY'14	Q1 FY'15	YoY Change(%)	QoQ Change (%)
Sales	120.0	102.1	110.7	17.5	8.3
Op. exp	107.8	91.5	100.4	17.9	7.4
EBITDA	15.2	13.2	13.3	15.1	14.5
OPM (%)	12.4	12.6	11.7	(26bps)	67.9bps
Net profit	8.6	6.7	7.6	28.7	13.2
NPM (%)	6.9	6.3	6.5	56.1bps	36.8bps
EPS (₹)	28.6	22.2	25.2	28.7	13.2

One Year Price Chart





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