



# SVS Securities Private Ltd.

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## Maruti Suzuki India

Rs 6912

Take a ride in it

Sensex: 40,723

Nifty: 11,962

### FINANCIALS SUMMARY

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	TAX	PAT	EPS (Rs) *
1803 (12)	81994.4	14.7	12061.5	2045.5	14107	345.7	13761.3	2757.9	11003.4	3281.6	7721.8	255.6
1903 (12)	86068.5	12.8	10999.3	2561.0	13560.3	75.8	13484.5	3018.9	10465.6	2965	7500.6	248.3
2003 (12P)	80373.46	10.2	8167.16	3364.72	11531.88	126.6	11405.28	3634.43	7770.85	1632.34	6138.51	203.2
2103 (12P)	90018.27	11.0	9902.01	3633.89	13535.9	132.93	13402.97	3925.18	9477.79	2388.4	7089.39	234.7

\* Paid up equity capital is Rs 151.04 crore, Face value Rs 5. Figures in crore. (P): Projections. Source: Capitaline Databases

Maruti Suzuki India (MSIL), a 56.2% subsidiary of Japan headquartered Suzuki Motors (SMC) is the market leader in the Indian passenger car industry.

The company has manufacturing facilities in Gurgaon (two plants) and Manesar (three plants). Along with SMC's unit in Gujarat (2 plants), total installed capacity is around 2 million units per annum.

#### Dominant player in India's car industry

MSIL is a dominant player in the PV segment. As per SIAM data, the market share of the company in the first ten month of 2019-20 stood at about 51%. MSIL currently has 16 models with over 150 variants across various PV segments such as Entry Hatchback, compact Hatchback, mid size, Utility Vehicles, MPV/Vans. In the recent past, the company successfully launched new models Ignis, S-presso, which sold and revamped Wagon R, Baleno, and New Swift etc. in the mid-to-premium segments, which has improved its product portfolio.

Key models: In Entry Hatchback (Alto, S-Presso), Compact Hatchback (Wagon R, Swift, Celerio, Ignis); Premium Hatchback or Compact Sedan (Baleno & Dezire); Mid Size (Ciaz); UV (Gypsy, Ertiga, XL6, S-Cross, Vitara Brezza) and Vans (Omni and Eeco). In addition the company also has one model i.e. Super Carry in light commercial vehicles.

Success of existing models, combined with expanding product portfolio has led to a dominant market position. For instance, in the recent past, MSIL had 5-7 models in the list of top 10 models sold on a monthly basis. In Dec 2019, about 10 models of MSIL found place in the list of top 25 car models by volume. In Entry Hatchback, MSIL's Alto & S-Presso were the top two selling models in Dec 2019 and similarly in compact Hatchback it was Swift and Wagon R occupying first two and fourth spot by Celerio. The premium Hatchback sub segment was led by Baleno. Dezire leads the compact Sedan segment.

Armed with varied product offerings, and sales reach, the company outperforms the industry. In FY19 while the Indian passenger vehicle industry de-grew by 2.7%, the company outperformed the industry with a growth of 5.3%. In 10mFY20 while the volume of the industry declined by 21.7% that of the company was down by 22.7%. This is largely as the company launched BSVI complaint products which attracts higher price in most of its models compared to some of the peers who still prefer to sell BSIV models as well as decision to focus on production of petrol cars.



### STOCK DATA

BSE Code	:	532500
BSE Group	:	A
NSE Code	:	MARUTI
Reuters	:	MRTI.BO
Bloomberg	:	MSIL.IN
Par Value	:	Rs 5
52-week High/Low	:	Rs 7755 / Rs 5447
Sector	:	Automobile

### SHAREHOLDING PATTERN \*

Category	% of equity
Foreign	: 23.36
Institutions	: 15.61
Govt Holding	: -
Non Promoter	: 0.72
Promoters	: 56.21
Public & Others	: 4.12

\* as on 31/12/2019

Source: Capitaline Databases

#### **Dealer and service network throughout India**

The company is armed with largest dealership network in India compared to its peers. The company has two line of sales channel or dealership network i.e. Maruti Suzuki Arena, which is a youthful and modern destination that provides a dynamic, trendy, social and connected new age car buying and second is Nexa, which is an premium sales channel offering global car buying experience.

As end of FY19, the company has 2264 Maruti Suzuki Arena sales outlets/showrooms across 1859 cities across India and 360 Nexa (premium sales channel) at 204 cities. The company has about 3614 service channels spread across 1784 cities/towns in the country. In addition the company has True Value outlets, which targets the buyers of pre owned cars at fair and transparent prices.

MSIL's presence in the premium PV segment, though improving, remains modest. This segment is witnessing higher growth than the entry and sedan segments. Launch of its NEXA dealership, which is selling premium models, has enhanced its presence in the mid-to-premium segment.

#### **Strong parent support**

MSIL has effectively leveraged its association with its parent, Suzuki Motor Corporation (SMC), which has extended product development support, shared technological expertise, and provided access to a broad product range. It currently sources vehicles from SMC's wholly owned subsidiary in Gujarat under a contract manufacturing arrangement, wherein the vehicles will be sold to MSIL at cost.

Plant I at Gujarat was completed and started commercial production from March 2017 with an annual capacity of 2.5 lakh units. In January 2019, SMG completed the construction of Plant II and started production. Plant II also has an annual capacity of 2.5 lakh units. Along with Plant II, the powertrain plant has also become operational. Construction of Plant III has already begun and the same is expected to come online by 2020, taking the capacity of the Gujarat plant to 7.5 lakh units annually and cumulative capacity of MSIL to 23 lakh units.

SMC during fiscal 2018, has approved a new method of calculation of royalty wherein for all new models starting IGNIS (i.e IGNIS, Dzire, New Swift, Breza, New Ertiga and New Wagon R), royalty will be paid in Indian Rupee. Once a particular level of volume is achieved, royalty will come down.

#### **Negative trend in sales and profits halts**

Number of factors such as higher costs due to insurance and compulsory safety features, reduced availability of credit due to NBFC crisis, economic slowdown and weak consumer sentiments led to one of the severest slowdown in auto sales over the last few quarters.

Moreover in view of impending implementation of BS VI norms, auto industry has gone through one of the severest channel inventory reduction exercise. However in the recent festive season, there is some stability in sales as reflected in MSIL's December quarter results.

Standalone sales for the quarter ended December 31, 2019 was up by 5% to Rs 20706.80 crore driven by growth in volume as well as realisation. Growth

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MSIL the market share of the company in the first ten month of 2019-20 stood at about 51% MSIL as per SIAM data

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in volume for the quarter comes on the back of strong festival demand as well as aggressive sales promotional activity of the company. The early single digit growth in sales was largely due to 16% growth in compact cars and 8.7% growth in UVs.

Higher sales together with 40 bps expansion in OPM to 10.2%, facilitated 9% growth in operating profit to Rs 2102.10 crore. After accounting for lower other income, higher interest and depreciation cost, the PBT was down by 3% to Rs 2006.40 crore. With taxation down by 23% to Rs 441.60 crore, the PAT was up by 5% to Rs 1564.80 crore.

On a standalone basis, for the nine months ended December 31, 2019, the sales of the company was down by 11% to Rs 57411.9 crore. Lower sale together with 350 bps contraction in OPM has resulted in 34% fall in operating profit to Rs 5756.20 crore.

However the fall at PBT was restricted at 33% to Rs 5489.30 crore gained by higher other income even as the interest cost and depreciation stood higher for the period. With taxation stand lower by 54% to Rs 1130.4 crore, the fall at PAT level moderated further to stand at 24% to Rs 4358.90 crore.

MSIL had a debt of Rs 414.60 crore as end of Sep 2019 and an investment of Rs Rs 34254.20 crore and cash balance of RS 100.30 crore.

#### **Outlook**

While there are still concerns on impact of introduction of BS-VI norms on auto sales as BS-VI vehicles are costlier, MSIL is best placed in number of respects in the emerging scenario.

In BS-VI scenario, diesel cars will find themselves very difficult to compete with petrol cars, MSIL has very low presence in diesel cars and very strong presence in petrol cars and it will be least affected by the BS-VI transition.

MSIL has already run down the channel inventory to just 9 days, which means there will not be any pressure on MSIL to give discounts to clear inventory ahead of April 1 Bs-VI deadline. Moreover it has already launched and is selling BS-VI variants of most of its leading models and hence it will gain market share in the BS-VI race.

Rural economy is expected to revive on the back of good monsoon and MSIL is best placed to capitalise on rural demand recovery due to its dominant presence and popular models for rural segment.

There are reasonably good hopes that car industry in India will be one of the firsts to recover and best placed to outperform as Indian economic growth improves from the lowly base of 4.5% and MSIL should do better than peers.

#### **Valuation**

We expect the company to register a standalone EPS of Rs 203.2 for FY2020 and Rs 234.7 The scrip is trading around Rs 6912, which discounts the projected FY21 EPS by around 29.5 times.

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**MARUTI SUZUKI : RESULTS**

	1912 (3)	1812(3)	VAR.(%)	1912(9)	1812(9)	VAR.(%)	1903(12)	1803(12)	VAR.(%)
Sales	20706.80	19668.30	5	57411.90	64560.90	-11	86020.30	81994.40	5
OPM (%)	10.2	9.8		10.0	13.5		12.8	14.7	
OP	2102.10	1931.10	9	5756.20	8735.90	-34	10999.30	12061.50	-9
Other income	784.00	917.30	-15	2540.40	1693.30	50	2561.00	2045.50	25
PBIDT	2886.10	2848.40	1	8296.60	10429.20	-20	13560.30	14107.00	-4
Interest	21.70	20.60	5	104.60	67.00	56	75.80	345.70	-78
PBDT	2864.40	2827.80	1	8192.00	10362.20	-21	13484.50	13761.30	-2
Depreciation	858.00	767.70	12	2702.70	2208.70	22	3018.90	2757.90	9
PBT after EO	2006.40	2060.10	-3	5489.30	8153.50	-33	10465.60	11003.40	-5
Tax	441.60	570.80	-23	1130.40	2448.50	-54	2965.00	3281.60	-10
PAT	1564.80	1489.30	5	4358.90	5705.00	-24	7500.60	7721.80	-3
EPS (Rs)*	#	#		#	#		248.3	255.6	

\* Annualised on current equity of Rs 151.04 crore. Face Value: Rs 5. # EPS is not annualised due to seasonality of business. Var. (%) exceeding 999 has been truncated to 999. LP: Loss to Profit. PL: Profit to Loss. EO: Extraordinary items. EPS is based on PAT. Figures in Rs crore. *Source: Capitaline Corporate Database*

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