

➤ MSIL has continuously launched new models in the last few years and has been able to increase its market share to ~47% (9mFY17) vs 42% in FY14, despite fierce competition by other players. Recently the company launched IGNIS-Hatch back targeted at the urban consumers, the last two launches Brezza and Baleno has got strong response by customers. We expect the company to deliver double digit volume growth in FY18 backed by the recent new launches and higher rural income, increased disposable income due to 7th pay commission. We don't expect volumes to materially get impacted due to demonetisation.

➤ Gasoline prices have been benign in the last couple of quarters. Sales of Petrol variants which had been under pressure has picked up now. Higher petrol prices, was a key entry barrier for first time buyers and reduction in the same is helping higher volume in the compact car segment.

➤ Capacity Utilization of MSIL should improve in FY18, leading to enhanced EBITDA margins in the coming recent quarters. However in Q3FY17 input costs were higher and this impacted the margins. However, with new models being launched the average discounts per car will come down post Q4FY17 and this will help margin improving again.

➤ Valuations & Outlook: At the CMP of Rs 6060 the stock trades at 19.3x its FY18E EPS of Rs315 and 12x FY18E EV/EBITDA. Despite demonetization Maruti had one of the highest sales numbers in Dec-2016, which is testimony to its leadership in the passenger car segment in India. We recommend BUY on the stock with a target price of Rs 7200 over the next 12 months.

CMP : Rs 6062
Target Price : Rs 7200
Recommendation: BUY

Stock Code

Bloomberg MSIL.IN
Reuters MRTI.BO
Market Data
Market Cap. (Bn) 1832
Outstanding Shares (Mn) 302
52 Week High/Low 6230/3202

Shareholding

Promoter 56.2%
Institutions 36.5%
Public 2.3%
Other 5.0%

Particulars (Rs in Cr)	FY2015	FY2016	FY2017E	FY2018E
Net Revenues	49,863	56,350	67,100	82,500
EBITDA	6,605	8,978	10,800	13,350
EBITDA%	13.2%	15.9%	15.9%	16.2%
PAT	3,711	4,571	7,350	9,500
EPS	123	151.	243	315
P / E	49.3	40.2	24.9	19.3

Company Back Ground:

- MSIL is India's largest passenger vehicle manufacturer with ~50% market share. MSIL continues to dominate the compact car segment in India. The company offers 10 models, the largest by any passenger vehicle company in India. Suzuki Motor corporation Japan holds the largest stake at 56% in the company.
- MSIL has the widest presence compared to any other Passenger vehicle manufacturer in India with a ~1400 sales outlet across 1034 cities and 3053 service stations across 1449 cities.
- The manufacturing facilities of MSIL are based out of Gurgaon and Manesar with a combined production capacity of 1.45 Mn Units p.a. The Gurgaon facility manufactures Alto, Wagon R, Estilo, Omni, Gypsy & Eco Models. While the Manesar plant manufactures A-Star, Swift, Swift Dizre, SX4.





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Thank You