

Maruti Suzuki India Ltd.

September 2018

3 Year
XIRR RETURNS
35%

5 Year
XIRR RETURNS
39%

10 Year
XIRR RETURNS
33%

Why to start SIP in Maruti Suzuki?

1. Market leader in India's passenger car segment

- More than 50% market share (up from 39% in FY13)
- Annual production capacity: 1.75 million units
- Production spread across three plants in Gurugram, Manesar, and Gujarat

2. Strong sales distribution network within India provides an edge

- Approximately 3,280 outlets in 1,785 cities
- Around 3,475 service workshops spread across the country
- Rural sector responsible for a third of domestic sales volumes
- Exports comprise less than 10% of total production volumes

3. Big improvements in key numbers in last 5 years

- Volumes up from 1.17 million units to 1.78 million units
- Average selling price (ASP) increased from Rs 3.72 lakh to Rs 4.61 lakh
- Return on equity (ROE) rose from 14.2% to 19.8%

4. Armed with a vision to capture future demand

- Gujarat plant to add capacity of 0.75 million units by 2020
- Plans to build a fourth plant with production capacity of 1.5 million units
- Goal of increasing capacity to 4.5 million units (up from 1.75 million units)
- Target of selling 2 million units by 2020 and 3 million units by 2025

5. Better outlook for the company

- Improved sales mix in favour of higher-priced cars leading to higher margins
- R&D within India reducing royalty payments to Suzuki Motor Corporation
- Tie-up with Toyota to gain access to advanced electric and hybrid vehicle technology
- Focus on own alternate technology vehicles (i.e. CNG, hybrid, and electric vehicles)

Risks and concerns

- Lower than anticipated growth
- Higher commodity prices
- Adverse currency (Yen and Rupee) movements

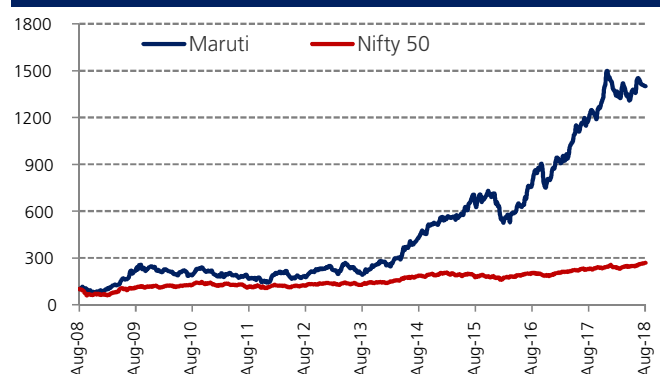
Valuation & prospect

- Strong earnings growth expected in coming years
- Return on equity (ROE) and return on capital employed (ROCE) at multi-year highs of 20% and 28%

FINANCIALS (Rs.cr)	FY16	FY17	FY18
Net Sales	57,538	68,035	79,763
Growth	15.1%	18.2%	17.2%
EBITDA	16,015	17,228	18,760
EBITDA margin	15.4%	15.2%	15.1%
PBT	7,444	9,960	11,003
Net profit	5,364	7,350	7,722
EPS (Rs)	177.6	243.3	255.6
EPS Growth	44.7%	37.0%	5.1%
BVPS(Rs)	989	1,206	1,382
DPS (Rs)	35.0	75.0	80.0
ROE (%)	20.0	22.2	19.8
ROCE (%)	39.8	29.7	28.4

Source: Capitaline, Kotak Institutional Equities and Kotak PCG

10 Year Performance



Source: Company, Kotak PCG

Analyst: Amit Agarwal (agarwal.amit@kotak.com / +91 22 6218 6439)

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RATING SCALE

Definitions of ratings

XIRR returns : These are extended internal rate of return (XIRR) returns generated by the stock over various time frames. For XIRR returns we have assumed investment of Rs.10,000 made on a monthly basis for different time frames. For example XIRR Return over 3 years means returns on investment of Rs,10,000 done per month for 3 years (including dividends).

Note : The time frame and investment objective for auto invest stocks is five years with decent expected XIRR returns. Since the time frame is very long (i.e. 5 years) we have not provided any target price. To this extent the views and write-ups prepared in this document may or may not match with the views of Kotak Institutional Equities research or Kotak Private Client Group research for the company.

For past XIRR calculation we have considered the entire Rs.10,000 invested by an investor per month. For the calculation purpose we have considered fractional shares. We have not considered any brokerage or statutory charges while calculating the XIRR. In the XIRR calculation we have considered annual or any special dividends to be reinvested and deployed along with the next SIP instalment. Kindly note that real time investments may not be able to capture these minute working of fractional shares and hence to that extent it may defer with actual returns.

FUNDAMENTAL RESEARCH TEAM

Rusmik Oza Head of Research rusmik.oz@kotak.com +91 22 6218 6441	Arun Agarwal Auto & Auto Ancillary arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439	Nipun Gupta Information Tech, Midcap nipun.gupta@kotak.com +91 22 6218 6433	Krishna Nain M&A, Corporate actions krishna.nain@kotak.com +91 22 6218 7907
Sanjeev Zarbade Cap. Goods & Cons. Durables sanjeev.zarbade@kotak.com +91 22 6218 6424	Ruchir Khare Cap. Goods & Cons. Durables ruchir.khare@kotak.com +91 22 6218 6431	Jatin Damania Metals & Mining, Midcap jatin.damania@kotak.com +91 22 6218 6440	Cyndrella Carvalho Pharmaceuticals cyndrella.carvalho@kotak.com +91 22 6218 6426	K. Kathirvelu Support Executive k.kathirvelu@kotak.com +91 22 6218 6427
Teena Virmani Construction, Cement, Building Mat teena.virmani@kotak.com +91 22 6218 6432	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Pankaj Kumar Midcap pankajr.kumar@kotak.com +91 22 6218 6434	Jayesh Kumar Economist kumar.jayesh@kotak.com +91 22 6218 5373	

TECHNICAL RESEARCH TEAM

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350
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DERIVATIVES RESEARCH TEAM

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 6607 2231	Malay Gandhi malay.gandhi@kotak.com +91 22 6218 6420	Prashanth Lalu prashanth.lalu@kotak.com +91 22 6218 5497	Prasenjit Biswas, CMT, CFTE prasenjit.biswas@kotak.com +91 33 6625 9810
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Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com / www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No. INZ000200137 (Member of NSE, BSE, MSE, MCX & NCDEX), AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022-4285 8484, or Email: ks.compliance@kotak.com. Investments in securities market are subject to market risks, read all the related documents carefully before investing.

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