

MARUTI SUZUKI INDIA

Supreme franchise but rich valuations

India Equity Research | Automobiles

We are downgrading Maruti Suzuki (MSIL) to 'HOLD' as the following factors would cap its valuations: 1) change in earnings driver – now volume-led instead of average selling price (ASP)/margins as seen during FY15–18; 2) availability of more models without waiting period; 3) potential spike in competitive intensity post BSVI norms rollout from April 2020. While MSIL will continue to gain market share, benefiting from its virtually impregnable franchise, the change in revenue profile is likely to keep margins range-bound. Empirical data indicates that valuations track margin trend. We continue to value MSIL at 22x FY20E core EPS plus cash per share of INR 1,607 with a TP of INR 7,331. The key risks to our call are sharper-than-expected demand revival, success of the new 1.5 litre engine and hybrids, and re-badged Toyota Corolla.

Revenue growth: Shifting from realisation to volume

From FY15-18, EBIT margin improved from 8.1% to 11.7% on the back of strong 5% CAGR in ASP as filing product gaps helped upward value migration. Over the same period, MSIL clocked a volume CAGR of 11%. Going forward, we estimate MSIL will deliver volume CAGR of 10% from FY18–21; however, muted ASP growth will restrict significant margin improvement in our view.

Additional headwinds: Weak demand and intensifying competition

We envisage the recent tepid demand to aggravate pressure on margins, particularly given all models (except *Brezza*) are readily available. Moreover, margins may come under pressure from rising competitive intensity post-BSVI deadline of April 2020. That said, our base case FY18–21 assumption is that the recent fall in commodity prices will cushion margin in case of demand pans out to be weaker than expected.

Outlook and valuation: No major trigger; downgrade to 'HOLD'

We expect slower FY18–21E core EPS CAGR of 12.4% versus 28.5% during FY15–18. Given its undisputed franchise, strong RoE and FCF, MSIL would continue to gain market share and maintain margins. That said, we do not see re-rating potential. Hence, we are downgrading the stock from 'BUY/SO' to 'HOLD/SP'.

Financials

(INR mn)

Year to March	FY18	FY19E	FY20E	FY21E
Revenues	797,627	884,856	1,005,112	1,124,130
Rev. growth (%)	17.2	10.9	13.6	11.8
Adjusted Profit	77,303	81,807	97,561	109,900
Adjusted diluted EPS (INR)	256.0	270.9	323.0	363.9
EPS Growth (%)	5.4	5.8	19.3	12.6
Diluted P/E (x)	28.6	27.0	22.6	20.1
EV/EBITDA (x)	15.4	13.9	11.5	9.7
ROAE (%)	19.8	18.5	19.5	19.2

EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	High
Sector Relative to Market	Overweight

MARKET DATA (R: MRTI.BO, B: MSIL IN)

CMP	: INR 7,336
Target Price	: INR 7,331
52-week range (INR)	: 9,929 / 6,500
Share in issue (mn)	: 302.1
M cap (INR bn/USD mn)	: 2,216 / 31,174
Avg. Daily Vol.BSE/NSE('000)	: 672.9

SHARE HOLDING PATTERN (%)

	Current	Q2FY19	Q1FY19
Promoters *	56.2	56.2	56.2
MF's, FI's & BK's	13.4	13.4	12.7
FII's	22.8	22.8	23.7
Others	7.6	7.6	7.4
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Auto Index
1 month	(5.1)	0.2	(5.0)
3 months	6.5	4.3	0.7
12 months	(21.2)	1.1	(23.2)

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FY15–18: The dream run

MSIL had a dream run from FY15–18 as most of its launches were successful. More importantly, the company upgraded its portfolio to plug product gaps. This led to a sharp improvement in the way customers perceive MSIL.

Table 1: Models launched at a glance

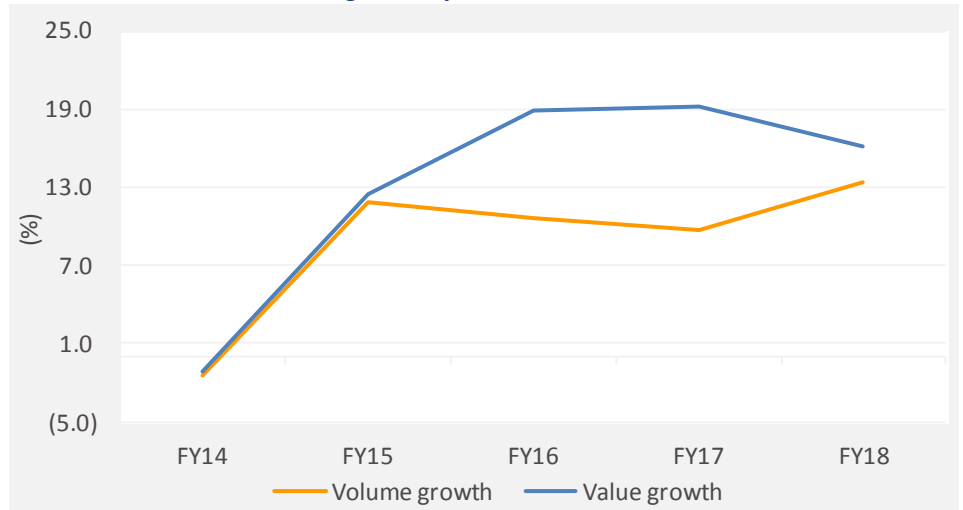
Year	Model	Category	Price (INR 000s)*	% of FY15 volumes	% of FY18 volumes
FY14	Celerio	Entry	549	5.8	5.8
FY15	Ciaz	Executive	1,020	2.8	3.6
FY16	Baleno	Mid Size	718	0.0	11.6
FY16	S-Cross	Executive	1,173	0.0	1.9
FY17	Brezza**	Executive	990	0.0	9.0

Source: Edelweiss research; *Price of the mid variant. ~10–15% range between the base and top model; **Launched in March 2016

Key benefits of strong product upgrade cycle

- Rising value addition:** Product upgradation led to a sharp jump in ASP. As a result, vehicle revenue growth outpaced volume growth by ~6% over the period (refer to the chart below). It's pertinent to note that MSIL clocked a robust 11% volume CAGR during the period versus 8.8% 10-year CAGR.

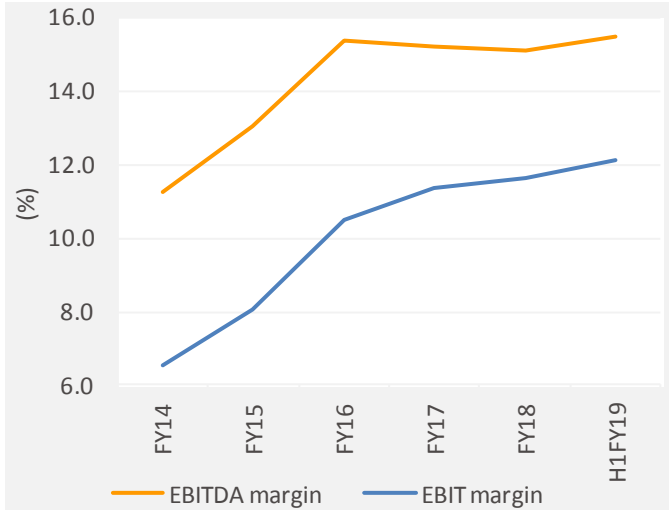
Chart 1: MSIL's visible value migration cycle



Source: Company, Edelweiss research

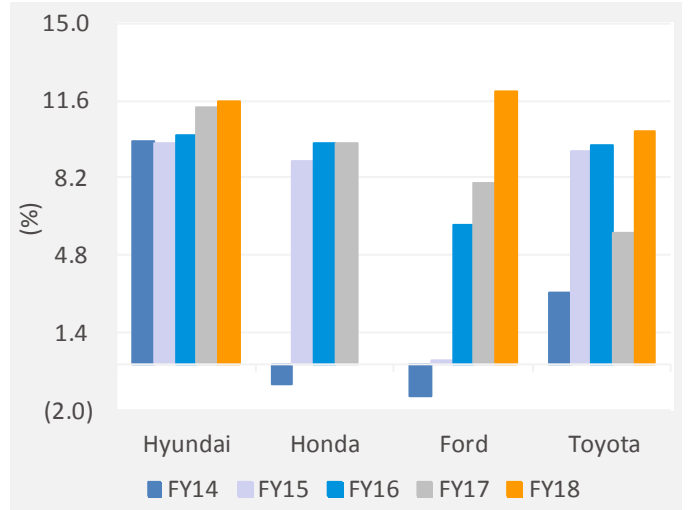
- Sharp margin improvement:** We attribute the 360bps improvement in EBIT margin to 11.7% over FY15–18 to value addition. We have used EBIT margin due to incorporation of Suzuki Motor Gujarat (SMG) from Q4FY17, thereby understating EBITDA margin. MSIL had uninterrupted four years of margin expansion. What also helped was that most of its peers were focusing on improving margins and FCF generation during the period (refer to table 2).

Chart 2: MSIL's EBITDA and EBIT margin trend



Source: Company, Edelweiss research

Chart 3: EBITDA margin trend of select competitors



Source: Capital Line, Edelweiss research

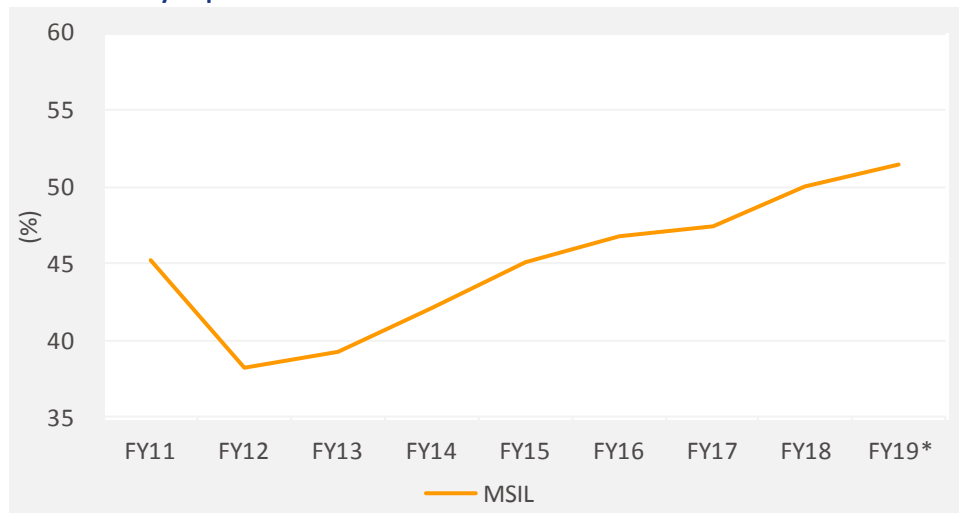
Table 2: Improving FCF profile of select competitors

Company	FY15	FY16	FY17	FY18
MSIL	7.7	10.2	10.2	9.9
Hyundai	1.9	5.5	4.0	8.2
Honda	6.8	(6.6)	11.0	NA
Ford	(34.4)	(8.9)	(1.0)	4.4
VW	8.3	0.3	13.6	0.8
Toyota	2.0	(4.1)	(0.3)	5.0

Source: Company, Capital Line, Edelweiss research

- **Strong market share gain:** Riding new launches and improved value addition, MSIL's share in the domestic PV market has jumped to ~51% currently from 42% in FY14.

Chart 4: Steady improvement in MSIL's market share



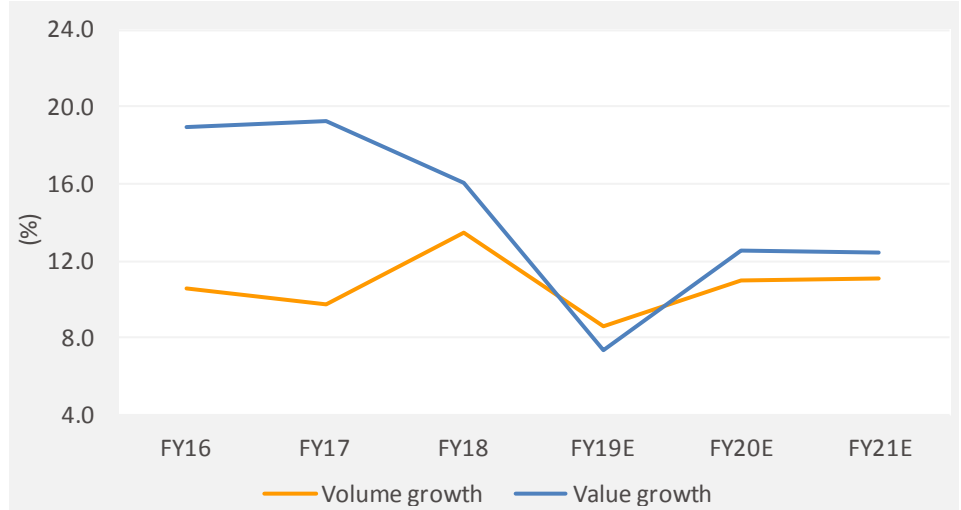
Source: SIAM, Edelweiss research; YTFY19 is till December

Value migration slowing down

MSIL’s strong franchise is undisputed. However, we believe, Street is ignoring a key change in the company’s revenue composition – from value- to volume-driven growth – a key catalyst that spurred margin and free cash flow, leading to the stock’s re-rating.

All the models are now readily available (*refer table 3 below*) and its launch pipeline too is relatively muted in the near term. This, we believe, dims MSIL’s pricing power versus its recent past. Hence, ASP growth over the next couple of years is likely to be lower than its recent past.

Chart 5: Changing profile of revenue growth – From value to volume



Source: Company, Edelweiss research

Table 3: Declining waiting period for key models

Model	Wait period	As of	Wait period	As of	Wait period	As of	Wait period	As of
Baleno	24 weeks	Q3FY17	16 weeks	Q1FY18	2-4 weeks	Q1FY19	Available	Current
Dzire	NA	Q3FY17	16 weeks	Q1FY18	2-4 weeks	Q1FY19	Available	Current
Swift	NA	Q3FY17	NA	Q1FY18	4 weeks	Q1FY19	Available	Current
Vitara Brezza	18 weeks	Q3FY17	20 weeks	Q1FY18	4 weeks	Q1FY19	1-3 weeks	Current

Source: Edelweiss research; Company transcripts

Comprehensive product portfolio

Over the years, MSIL has plugged product gaps and its product portfolio currently has offerings across most key categories. What it lacks though is more engine options, which management is already trying to address.

Table 4: MSIL – Current product portfolio

Model	Launch year	Segment	Fuel	Engine (litre)	Price (INR 000s)*
Alto	>5 years	Entry	Petrol	0.8	317
Wagon R	>5 years	Entry	Petrol	1.0	507
Celerio	FY14	Entry	Petrol	1.0	549
Ignis	FY17	Mid Size	Petrol	1.2	671
Swift	>5 years	Mid Size	Petrol	1.2	694
Swift	>5 years	Mid Size	Diesel	1.3	819
Baleno	FY16	Mid Size	Petrol	1.2	718
Baleno	FY16	Mid Size	Diesel	1.3	861
Dzire	>5 years	Mid Size	Petrol	1.2	759
Dzire	>5 years	Mid Size	Diesel	1.3	885
Ertiga	>5 years	Executive	Petrol	1.4	952
Ertiga	>5 years	Executive	Diesel	1.3	1,132
Brezza	FY17	Executive	Diesel	1.3	990
Ciaz	FY15	Executive	Petrol	1.4	1,020
Ciaz	FY15	Executive	Diesel	1.3	1,155
Ciaz**	FY18	Executive	Petrol	1.5	1,080
S-Cross	FY16	Executive	Diesel	1.3	1,173

Source: Edelweiss research; *On road price of the mid variant in Mumbai. ~10-15% range between the base and top model; ** 2018 facelift

Given MSIL's strong presence in key segments, existing engine options and price points, new launches in price point upwards of INR1.2mn are imperative. That's easier said than done as not only is the current market opportunity minuscule in this category (refer to table 5), but it will also entail bigger engine options, wherein MSIL does not have a presence.

Table 5: Strong presence across key segments

Category	Price range INR*	% of domestic industry sales	MSIL presence	% of MSIL's FY18 sales	MSIL market share
Entry	300-500K	28.7	Alto, Wagon R, Celerio	41.2	71.8
Mid Size	500-800K	36.7	Ignis, Swift, Dzire, Baleno	40.3	54.9
Executive	800-1,200K	28.6	Ertiga, Brezza, Ciaz, S-Cross	18.5	32.4
Premium	>1,200K	6.0	NA	NA	NA
Total		100.0		100.0	

Source: SIAM, Edelweiss research; *Indicative price range

Margin: Balance between weak demand and falling commodity prices

The recent correction in commodity prices (~12% from peak) offers some solace with respect to margin in a weak demand environment. However, demand could remain muted due to: a) slower income growth scenario; b) limited launches; and c) stagnating finance penetration (refer to [Financing: Joker in the pack](#)). Finance penetration in MSIL vehicles has also jumped to 81% in FY18 from 74% in FY14. Hence, we believe the company will be able to hold on to margins in spite of weak demand.

Higher-than-expected margins is a possibility only if demand recovers in a subdued commodity prices environment.

Table 6: Commodity price and margin trend

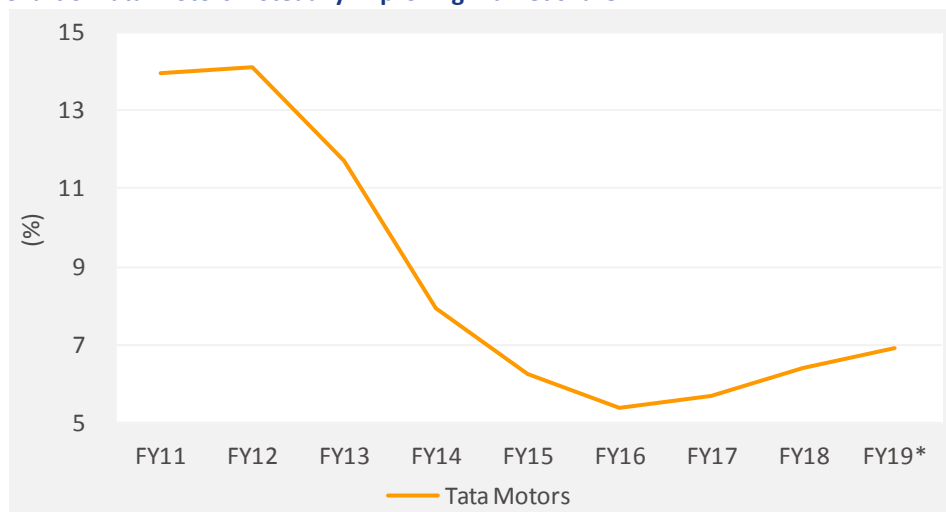
Particular	FY15 - 18	FY18 - 21E
Volume Growth (% CAGR)	11.3	10.2
Price change - India HRC (INR/t)*	10.2	(4.5)
EBITDA margin change (bps)	210	(20)
EBIT margin change (bps)	360	(10)

Source: Company, Steel mint, Edelweiss research; *FY18-21 price change is YTD

Competitive intensity: Expected to increase

We expect competitive intensity to increase as most players are bound to refresh their product portfolio post BSVI expected from April 2020.

In smaller towns, Tata Motors and Mahindra & Mahindra (M&M), apart from Hyundai, can emerge strong contenders given their distribution presence as well as brand recognition. Tata Motors is seeing robust volume revival (largely driven by tier-II cities and beyond). M&M is also trying to change its brand perception from being a pure off-roader to a crossover with the launch of *Marazzo* and *XUV300*.

Chart 6: Tata Motors – Steadily improving market share

Source: SIAM, Edelweiss research; *YTD till December

Where's the next opportunity?

The recently launched 1.5 litre gasoline engine gives MSIL the option to expand offerings in its existing portfolio or launch more products in the utility vehicle portfolio. However, these are unlikely to be big needle movers given that the company has already covered a large part of the opportunity space.

Table 7: Maruti Suzuki CIAZ comparison versus competition (Honda City & Hyundai Verna)

Specifications	Maruti Ciaz (Old)	Maruti Ciaz (2018 facelift)	Honda City	Hyundai Verna
Engine	1.4L	1.5L	1.5L	1.4 / 1.6L
Torque	130Nm @ 4,400rpm	138Nm @ 4,400rpm	145Nm @ 4,600rpm	132Nm @ 4,000rpm / 151Nm @ 4,850rpm
Price (INR)	7.9 - 10.6L	8.2 - 11.0L	8.8 - 13.9L	8.0 - 14.0L

Source: Edelweiss research

Table 8: Maruti Suzuki Ertiga – Current versus upcoming 2019 facelift*

Specifications	Old	Upcoming facelift
Engine	1.4L	1.5L
Torque	130Nm @ 4,000rpm	138Nm @ 4,400rpm
Price (INR)	6.3 - 10.7L	7.4 - 10.9L

Source: Edelweiss research; *Company also offers 1.2litre engine variant

However, hybrid gasoline options can be a key ‘white space’ for MSIL, especially post transition to BSVI norms in 2020 as demand could shift from diesel to hybrid engines if the latter’s fuel efficiency and engine performance matches diesel engines. MSIL has scope to gain market share in the diesel segment (assuming competition is lagging) as diesel accounts for ~40% of the industry.

Similarly, the arrangement with Toyota (details not yet available) entails opportunity to enter the premium segment (with 1.8 litre petrol and 1.4 liter diesel engine used in *Toyota Corrolla Altis*).

Valuations: Sustainable, but further re-rating unlikely

We acknowledge that MSIL has built a franchise that has now created a virtuous cycle of structured product upgrades, strong cash flow and balance sheet, a well-established vendor base as well as unmatched customer insights. This bolsters our conviction that the company will dominate the market for a reasonable time. Hence, we believe the current premium valuation would sustain or improve marginally.

However, we do not expect a significant improvement in EBITDA or FCF from current levels. Given the slowdown in its earnings trajectory (core EPS CAGR of 12.4% over FY18–21E versus 29% during FY15–18), we do not expect a sharp re-rating hereon. Hence, we are downgrading the stock ‘**HOLD/SP**’ from ‘**BUY/SO**’.

Earnings revision

We have revised down FY20 volume estimate by 2.6% to factor in a weak FY19, but estimate 11% volume growth for FY20 assuming an improving demand environment (easing of interest rates and liquidity and pre-buying ahead of BSVI implementation). We also introduce FY21E numbers assuming volume growth of 11%.

Table 9: Change in Estimates

	FY19E			FY20E			Comments
	New	Old	% change	New	Old	% change	
Volume (units)	1,932,737	1,978,612	(2.6)	2,143,988	2,200,008	(2.9)	
Net Revenue	884,856	911,454	(2.9)	1,005,112	1,027,165	(2.1)	
EBITDA	129,257	135,164	(4.4)	150,303	152,917	(1.7)	
EBITDA Margin	14.6	14.8		15.0	14.9		
Adjusted PAT	81,807	90,269	(9.4)	97,561	104,988	(7.1)	
Net Profit Margin	9.2	9.9		9.7	10.2		
Capex	40,000	40,000	0.0	40,000	40,000	0.0	

Long term valuation trends

After the recent correction, the stock is trading at 22.6x FY20E PER, within one standard deviation of its historical trading range. While the valuation is sustainable, we do not expect the stock to re-rate over the next couple of years.

Chart 7: Long-term trend in P/E and margins

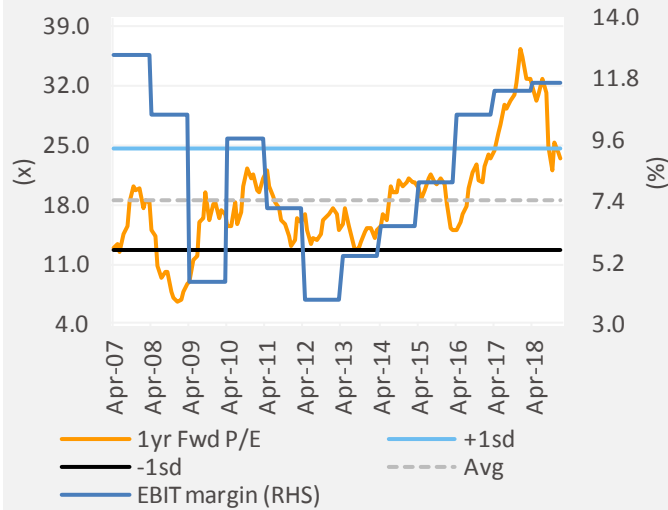
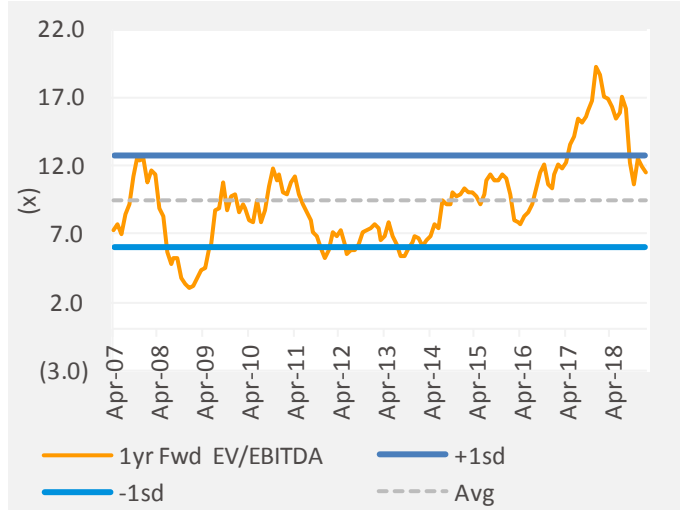
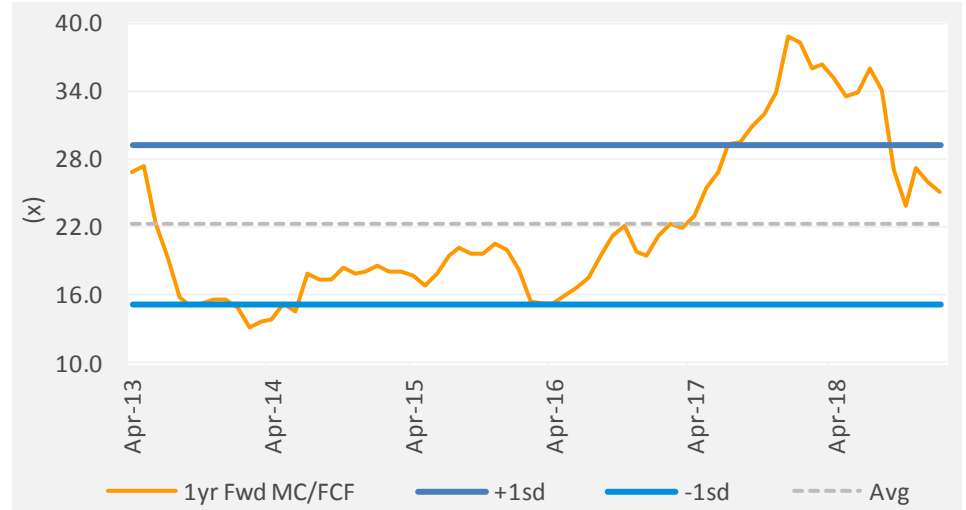


Chart 8: Long term EV/EBITDA trend



Source: Bloomberg, Edelweiss research

Chart 9: Long term Mcap / FCF trend



Source: Bloomberg, Edelweiss research

Company Description

Maruti Suzuki (MSIL) is India's largest passenger vehicle (PV) manufacturer with market share of about 50%. It is a key player in the mini and compact cars segment with a dominant market share and has enjoyed success in the executive segment on the back of the Ciaz and Brezza launches. Suzuki Motor Corporation (Suzuki) of Japan holds a 56% stake in the company. MSIL offers the widest product range in passenger cars in India with particular focus on the entry segment.

Investment Theme

We expect Maruti Suzuki (MSIL) to continue to gain market share driven by its unchallenged franchise. However, margins are expected to remain range-bound as: 1) earnings are likely to be largely driven by volume growth than improvement in average selling price (ASP)/margins (as seen during FY15–18); 2) more models are readily available; and 3) competitive intensity may rise after the implementation of BSVI norms from April 2020. This is not adequately captured in MSIL's current valuation in our view.

Key Risks

The key risk to our all includes a sharp revival in domestic demand. Besides, the hybrid gasoline option is likely to be a key portfolio gap for MSIL, especially after the transition to BSVI norms.

Similarly, the arrangement with Toyota (details not yet available) entails an opportunity to foray into the premium segment (with 1.8 litre petrol and 1.4 litre diesel engine options in *Toyota Corolla*).

Financial Statements

Key Assumptions

Year to March	FY18	FY19E	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	6.7	7.1	7.1	7.3
Inflation (Avg)	3.6	3.7	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.8	5.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
Sector				
Cars - domestic vol. (% YoY)	3.3	4.0	8.0	8.0
UV - domestic vol. (% YoY)	21.0	3.0	12.0	12.0
Company				
Revenue assumptions				
Volume growth (% YoY)				
Cars - domestic vol. (% YoY)	14.5	10.0	11.5	11.6
Exports	1.6	(9.5)	2.0	1.5
Avg realisation (INR)	399,538	406,343	412,400	418,041
Price hike	(0.3)	1.2	1.0	-
Cost assumptions				
RM cost/vehicle	308,922	316,998	327,644	331,981
Employee cost/vehicle	15,924	16,397	16,234	16,181
Royalty (% sales)	4.7	4.4	5.0	5.0
Promotion cost (% revenue)	2.1	2.1	2.1	2.0
EBITDA/vehicle	67,777	66,878	70,104	70,463
Financial assumptions				
Depreciation rate (%)	12.9	11.4	11.2	11.2
Currency (JPY/INR)	0.6	0.6	0.6	0.6
B/S assumptions				
Tax rate (%)	27.0	27.0	27.0	-
Dividend payout (%)	35.3	37.8	33.5	31.4
Capex (INR mn)	38,653	40,000	40,000	40,000
Debtor days	6	5	5	5
Inventory days	18	17	16	16
Payable days	53	56	55	56
Cash conversion cycle	(29)	(33)	(34)	(35)

Income statement

(INR mn)

Year to March	FY18	FY19E	FY20E	FY21E
Total volume (nos)	1,779,574	1,932,737	2,143,988	2,381,739
% Growth in volume	13.4	8.6	10.9	11.1
Income from operations	797,627	884,856	1,005,112	1,124,130
Materials costs	549,750	612,675	702,464	790,692
Manufacturing expenses	98,924	111,235	117,539	127,076
Employee costs	28,338	31,690	34,806	38,538
Total operating expenses	677,012	755,600	854,809	956,306
EBITDA	120,615	129,257	150,303	167,824
Depreciation	27,579	28,983	33,022	37,512
EBIT	93,036	100,273	117,280	130,312
Less: Interest Expense	3,457	1,050	1,050	1,050
Add: Other income	20,455.00	18,378.09	24,345.1	28,870.1
Profit Before Tax	110,034	117,602	140,575	158,132
Less: Provision for Tax	32,816	35,795	43,015	48,232
Reported Profit	77,218	81,807	97,561	109,900
Exceptional Items	(85)	-	-	-
Adjusted Profit	77,303	81,807	97,561	109,900
Shares o /s (mn)	302	302	302	302
Adjusted Basic EPS	256.0	270.9	323.0	363.9
Diluted shares o/s (mn)	302	302	302	302
Adjusted Diluted EPS	256.0	270.9	323.0	363.9
Adjusted Cash EPS	347.3	366.9	432.4	488.1
Dividend per share (DPS)	75.0	85.0	90.0	95.0
Dividend Payout Ratio(%)	35.3	37.8	33.5	31.4

Common size metrics

Year to March	FY18	FY19E	FY20E	FY21E
Materials costs	68.9	69.2	69.9	70.3
Staff costs	3.6	3.6	3.5	3.4
S G & A expenses	12.4	12.6	11.7	11.3
Operating expenses	84.9	85.4	85.0	85.1
Depreciation	3.5	3.3	3.3	3.3
Interest Expense	0.4	0.1	0.1	0.1
EBITDA margins	15.1	14.6	15.0	14.9
Net Profit margins	9.7	9.2	9.7	9.8

Growth ratios (%)

Year to March	FY18	FY19E	FY20E	FY21E
Revenues	17.2	10.9	13.6	11.8
EBITDA	16.5	7.2	16.3	11.7
PBT	10.7	6.9	19.5	12.5
Adjusted Profit	5.4	5.8	19.3	12.6
EPS	5.4	5.8	19.3	12.6

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19E	FY20E	FY21E	
Share capital	1,510	1,510	1,510	1,510	
Reserves & Surplus	416,063	466,974	531,822	607,192	
Shareholders' funds	417,573	468,484	533,332	608,702	
Short term borrowings	1,108	1,108	1,108	1,108	
Total Borrowings	1,108	1,108	1,108	1,108	
Def. Tax Liability (net)	5,589	5,589	5,589	5,589	
Sources of funds	424,270	475,181	540,029	615,399	
Gross Block	214,239	254,239	294,239	334,239	
Net Block	133,590	144,607	151,584	154,073	
Capital work in progress	21,259	21,259	21,259	21,259	
Total Fixed Assets	154,849	165,866	172,843	175,332	
Cash and Equivalents	353,613	410,318	487,770	581,313	
Inventories	31,608	34,228	38,879	43,653	
Sundry Debtors	14,618	11,803	13,407	15,053	
Loans & Advances	32	35	40	45	
Other Current Assets	38,981	38,981	38,981	38,981	
Current Assets (ex cash)	85,239	85,047	91,307	97,732	
Trade payable	104,970	115,266	131,276	148,057	
Other Current Liab	64,461	70,784	80,615	90,921	
Total Current Liab	169,431	186,049	211,891	238,978	
Net Curr Assets-ex cash	(84,192)	(101,003)	(120,584)	(141,246)	
Uses of funds	424,270	475,181	540,029	615,399	
BVPS (INR)	1,382.7	1,551.3	1,766.0	2,015.6	

Free cash flow		(INR mn)			
Year to March	FY18	FY19E	FY20E	FY21E	
Reported Profit	77,218	81,807	97,561	109,900	
Add: Depreciation	27,579	28,983	33,022	37,512	
Interest (Net of Tax)	2,426	730	729	730	
Others	38,176	15,563	15,139	12,774	
Less: Changes in WC	27,549	16,811	19,581	20,662	
Operating cash flow	117,850	110,273	126,870	140,254	
Less: Capex	38,653	40,000	40,000	40,000	
Free Cash Flow	79,197	70,273	86,870	100,254	

Cash flow metrics				
Year to March	FY18	FY19E	FY20E	FY21E
Operating cash flow	117,850	110,273	126,870	140,254
Financing cash flow	(34,453)	(31,946)	(33,763)	(35,580)
Investing cash flow	(82,821)	(77,122)	(94,155)	(101,630)
Net cash Flow	576	1,205	(1,048)	3,043
Capex	(38,653)	(40,000)	(40,000)	(40,000)
Dividend paid	27,268	30,896	32,713	34,530

Profitability and efficiency ratios				
Year to March	FY18	FY19E	FY20E	FY21E
ROAE (%)	19.8	18.5	19.5	19.2
ROACE (%)	28.9	26.7	28.2	27.8
Inventory Days	18	17	16	16
Debtors Days	6	5	5	5
Payable Days	53	56	55	56
Cash Conversion Cycle	(29)	(33)	(34)	(35)
Current Ratio	2.6	2.7	2.7	2.8
Gross Debt/EBITDA	-	-	-	-
Gross Debt/Equity	-	-	-	-
Adjusted Debt/Equity	-	-	-	-
Net Debt/Equity	(0.8)	(0.9)	(0.9)	(1.0)
Interest Coverage Ratio	26.9	95.5	111.7	124.1

Operating ratios				
Year to March	FY18	FY19E	FY20E	FY21E
Total Asset Turnover	2.0	2.0	2.0	1.9
Fixed Asset Turnover	6.0	6.4	6.8	7.4
Equity Turnover	2.0	2.0	2.0	2.0

Valuation parameters				
Year to March	FY18	FY19E	FY20E	FY21E
Adj. Diluted EPS (INR)	256.0	270.9	323.0	363.9
Y-o-Y growth (%)	5.4	5.8	19.3	12.6
Adjusted Cash EPS (INR)	347.0	366.9	432.4	488.1
Diluted P/E (x)	28.7	27.1	22.7	20.2
P/B (x)	5.3	4.7	4.2	3.6
EV / Sales (x)	2.3	2.0	1.7	1.5
EV / EBITDA (x)	15.4	14.0	11.5	9.7
Dividend Yield (%)	1.0	1.2	1.2	1.3

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		P/B (X)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Maruti Suzuki India Ltd	31,032	27.0	22.6	13.9	11.5	4.7	4.1
Mahindra & Mahindra Ltd	12,688	16.7	12.9	10.1	7.3	2.5	2.1
Tata Motors Ltd	8,229	14.2	6.3	3.3	2.5	0.6	0.6
Median	-	16.7	12.9	10.1	7.3	2.5	2.1
AVERAGE	-	19.3	13.9	9.1	7.1	2.6	2.3

Source: Edelweiss research

Additional Data

Directors Data

Pallavi Shroff	Non-Executive Independent Director	Davinder Singh Brar	Non-Executive Independent Director
R C Bhargava, Chairman	Non-Executive Director	Osamu Suzuki	Non-Executive Director
Kazuhiko Ayabe	Non-Executive Director	Kazunari Yamaguchi	Executive Director
Kenichi Ayukawa	Executive Director	Kinji Saito	Non-Executive Director
R P Singh	Non-Executive Director	Toshiaki Hasuike	Non-Executive Director
Toshihiro Suzuki	Non-Executive Director	Renu Sud Karnad	Non-Executive Independent Director

Auditors - Deloitte Haskins & Sells LLP

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Suzuki motor corp	56.21	Life insurance corp	4.98
Blackrock inc	1.46	Vanguard group inc/t	1.41
Sbi funds management	1.09	Nomura holdings inc	0.96
Axis asset managemen	0.89	Fmr llc	0.75
Jpmorgan chase & co	0.7	Uti asset management	0.69

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
01 Jan 2019	Srs Partners (Cayman) Llc	Sell	74001	7462.30
01 Jan 2019	Srs Partners Master Fund Lp	Buy	74001	7462.30

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Amara Raja Batteries	BUY	None	None	Ashok Leyland	BUY	SO	H
Bajaj Auto	HOLD	SU	L	Ceat Ltd	BUY	None	None
Eicher Motors	BUY	SO	M	Exide Industries	BUY	None	None
Hero MotoCorp	HOLD	SU	H	Mahindra & Mahindra Ltd	BUY	SO	M
Maruti Suzuki India Ltd	HOLD	SP	H	Minda Corporation	BUY	SO	M
Motherson Sumi Systems	BUY	SO	H	Suprajit Engineering	BUY	None	H
Tata Motors Ltd	HOLD	SP	H				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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Aditya Narain

Head of Research

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Coverage group(s) of stocks by primary analyst(s):

Ashok Leyland, Amara Raja Batteries, Bajaj Auto, Ceat Ltd, Eicher Motors, Exide Industries, Hero MotoCorp, Minda Corporation, Mahindra & Mahindra Ltd, Maruti Suzuki India Ltd, Motherson Sumi Systems, Suprajit Engineering, Tata Motors Ltd

Recent Research

Date	Company	Title	Price (INR)	Recos
27-Dec-18	Hero MotoCorp	Success of new models critical ; <i>Visit Note</i>	3,129	Hold
19-Dec-18	Automobiles 'Speeds & Bumps'	Dealer check: Channel inventory riding high; <i>Sector Update</i>		
18-Dec-18	Minda Corporation	Harnessing growth; <i>Visit Note</i>	136	Buy

Distribution of Ratings / Market Cap

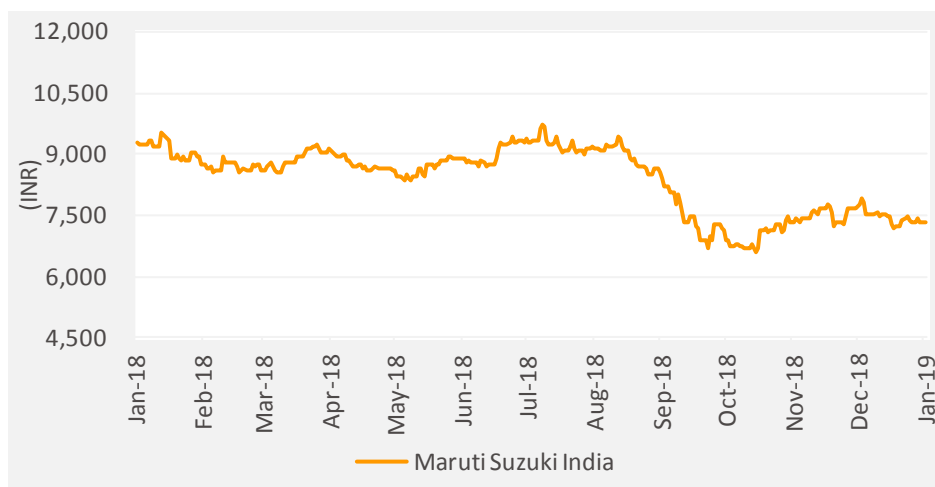
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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