

COMPANY VALUATION: MARUTI SUZUKI



CONTENTS

- 1- ABOUT MARUTI
- 2- FINANCIAL HEALTH
- 3- ASSUMPTIONS AND FUTURE PREDICTIONS
- 4- FREE CASH FLOW VALUATION
- 5- EQUITY CASH FLOW VALUATION
- 6- CAPITAL CASH FLOW VALUATION
- 7- OVERVALUED OR UNDervalued?

ABOUT MARUTI SUZUKI

- Maruti Suzuki India Limited, formerly Maruti Udyog Limited, is an Indian automobile manufacturer, based in New Delhi.
- It was founded in 1981 and owned by the Government of India until 2003 when it was sold to the Japanese automaker Suzuki Motor Corporation.
- It boasts an impressive variety of automobiles ranging from compact, efficient and cheap cars like Alto, Wagon-R to premium cars such as Baleno, Grand Vitara through its new dealership network NEXA.
- It is the largest automobile manufacturer in India having a market share of 42% thanks to its yearly sales of 1.5M+.
- It is also traded on the NSE and has a market cap. of over 2.5 Lakh Crore.

FINANCIAL HEALTH

- A wide variety of automobiles has helped Maruti capture the Indian market generating upwards of 80,000 Cr in sales each year over the past few years.
- However, the company is unable to generate decent margins partly due to the nature of the industry.
- Despite such large amounts of production the company boasts virtually no debt, having a D/E ratio of less than 0.01.
- The company also have given out healthy dividend yields of 36.5%.
- The company has delivered a poor sales growth of 5.34% over the past five years.
- The company has had a low return on equity of 7.58% over the last 3 years.

ASSUMPTIONS AND FUTURE PREDICTIONS

- Risk-free rate - 10 years government bond
- D/E - Debt is negligible
- Market Rate of Return - Nifty's last 10 years CAGR
- Equity Beta - Market Model Regression (Slope) - Maruti Suzuki returns vs Nifty 50 returns
- We have taken a conservative growth rate of 3.5% as the company has lost market share over the past 2-3 years to TATA and Mahindra. They have also failed to make any promising developments in the EV sector which has a very promising future.
- The terminal growth rate is taken following the GDP Growth rate and its overall performance in the past decades.

FREE CASH FLOW VALUATION

AFTER TAX WACC CALCULATION

R _f	6.83%
D/E	0.00
Market Rate of Return	12.00%
Tax rate	22.80%
Equity beta	1.04
Cost of equity	12.21%
Cost of debt	-%
After tax WACC	12.21%
Terminal growth rate	5.50%

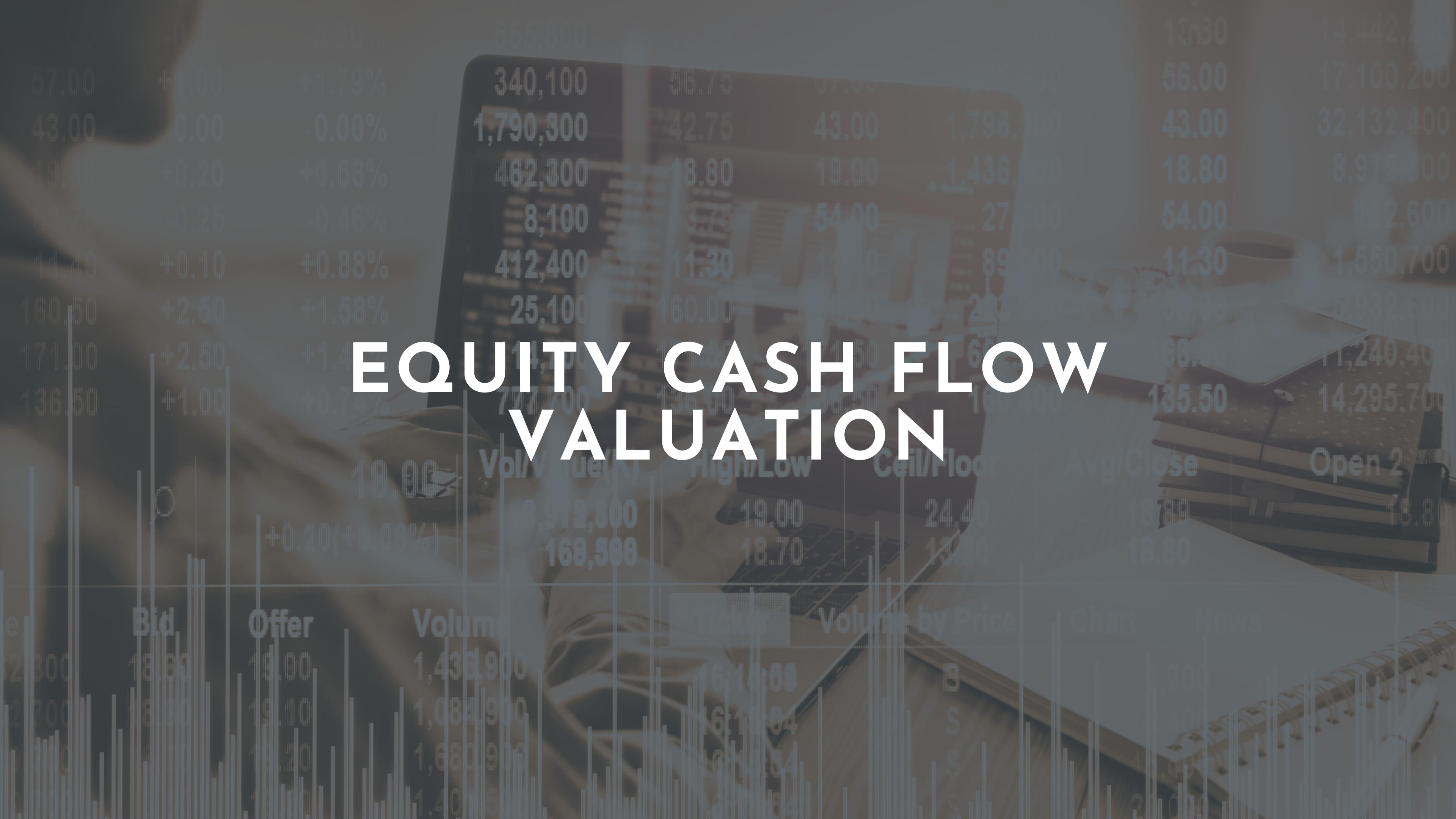
FCF

	2022	2023	2024	2025	2026	2027
Sales	88,329.80	91,482.85	94,748.44	98,130.61	101,633.51	105,261.44
Expenses	82,577.80	81,953.34	84,878.77	87,908.63	91,046.64	94,296.67
Operating Profit	5,752.00	9,529.50	9,869.67	10,221.98	10,586.87	10,964.78
Other Income	1,860.80	1,927.22	1,996.02	2,067.27	2,141.06	2,217.49
Depreciation	2,789.00	2,818.10	2,847.50	2,877.21	2,907.23	2,937.56
Profit before tax	4,697.20	8,638.63	9,018.19	9,412.04	9,820.70	10,244.71
Tax	817.70	1,969.61	2,056.15	2,145.94	2,239.12	2,335.79
Net profit	3,879.50	6,669.02	6,962.04	7,266.09	7,581.58	7,908.91
Depreciation	2,789.00	2,818.10	2,847.50	2,877.21	2,907.23	2,937.56
Capital expenditures	3,459.30	4,125.83	4,273.10	4,425.64	4,583.62	4,747.24
Change in net working capital	3,991.40	928.88	962.04	996.38	1,031.95	1,068.78
Free cash flow	-782.20	4,432.41	4,574.40	4,721.28	4,873.24	5,030.45
Discounted CF	-782.20	3,950.10	3,633.04	3,341.68	3,073.92	2,827.80
Sum of DCFs	16,044.35					

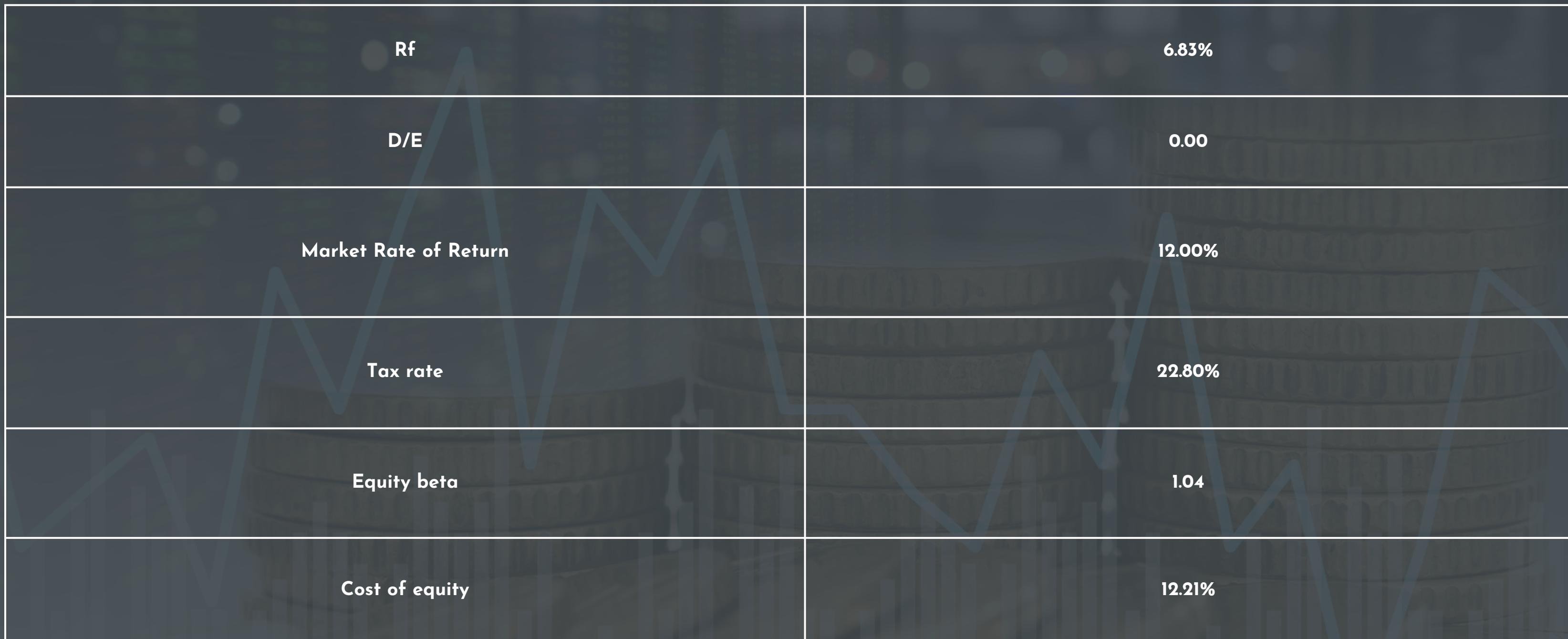
FINAL VALUATION

Terminal value estimates	
Terminal value assets	70,067.79
Terminal value debt	0.00
TV equity	70,067.79
PV of TV	35,101.77
Firm Value from FCF model	51,146.12

EQUITY CASH FLOW VALUATION



COST OF EQUITY CALCULATION



ECF

	2,022.00	2,023.00	2,024.00	2,025.00	2,026.00	2,027.00
Sales	88,329.80	91,482.85	94,748.44	98,130.61	101,633.51	105,261.44
Expenses	82,577.80	81,953.34	84,878.77	87,908.63	91,046.64	94,296.67
Operating Profit	5,752.00	9,529.50	9,869.67	10,221.98	10,586.87	10,964.78
Other Income	1,860.80	1,927.22	1,996.02	2,067.27	2,141.06	2,217.49
Depreciation	2,789.00	2,818.10	2,847.50	2,877.21	2,907.23	2,937.56
Profit before tax	4,697.20	8,638.63	9,018.19	9,412.04	9,820.70	10,244.71
Tax	817.70	1,969.61	2,056.15	2,145.94	2,239.12	2,335.79
Net profit	3,879.50	6,669.02	6,962.04	7,266.09	7,581.58	7,908.91
Depreciation	2,789.00	2,818.10	2,847.50	2,877.21	2,907.23	2,937.56
Capital expenditures	3,459.30	4,125.83	4,273.10	4,425.64	4,583.62	4,747.24
Change in net working capital	3,991.40	928.88	962.04	996.38	1,031.95	1,068.78
Cash Flow Available	-782.20	4,432.41	4,574.40	4,721.28	4,873.24	5,030.45
Principal Payments	0.00	0.00	0.00	0.00	0.00	0.00
Equity CF	-782.20	4,432.41	4,574.40	4,721.28	4,873.24	5,030.45
Discounted ECF	-782.20	3,950.10	3,633.04	3,341.68	3,073.92	2,827.80
Sum of DCF	16,044.35					

FINAL VALUATION

Terminal value estimates

Terminal value assets	70,067.79
Terminal value debt	0.00
TV equity	70,067.79
PV of TV	35,101.77
Firm Value from FCF model	51,146.12

CAPITAL CASH FLOW VALUATION

PRE TAX WACC CALCULATION

R _f	6.83%
D/E	0.00
Market Rate of Return	12.00%
Tax rate	22.80%
Equity beta	1.04
Cost of equity	12.21%
Cost of debt	-%
Pre tax WACC	12.21%
Terminal growth rate	5.50%

CCF

	2,022.00	2,023.00	2,024.00	2,025.00	2,026.00	2,027.00
Sales	88,329.80	91,482.85	94,748.44	98,130.61	101,633.51	105,261.44
Expenses	82,577.80	81,953.34	84,878.77	87,908.63	91,046.64	94,296.67
Operating Profit	5,752.00	9,529.50	9,869.67	10,221.98	10,586.87	10,964.78
Other Income	1,860.80	1,927.22	1,996.02	2,067.27	2,141.06	2,217.49
Depreciation	2,789.00	2,818.10	2,847.50	2,877.21	2,907.23	2,937.56
Profit before tax	4,697.20	8,638.63	9,018.19	9,412.04	9,820.70	10,244.71
Tax	817.70	1,969.61	2,056.15	2,145.94	2,239.12	2,335.79
Net profit	3,879.50	6,669.02	6,962.04	7,266.09	7,581.58	7,908.91
Depreciation	2,789.00	2,818.10	2,847.50	2,877.21	2,907.23	2,937.56
Capital expenditures	3,459.30	4,125.83	4,273.10	4,425.64	4,583.62	4,747.24
Change in net working capital	3,991.40	928.88	962.04	996.38	1,031.95	1,068.78
Free cash flow	-782.20	4,432.41	4,574.40	4,721.28	4,873.24	5,030.45
Interest Tax Shield	0.00	0.00	0.00	0.00	0.00	0.00
Capital CF	-782.20	4,432.41	4,574.40	4,721.28	4,873.24	5,030.45
Discounted CCF	-782.20	3,950.10	3,633.04	3,341.68	3,073.92	2,827.80
Sum of DCFs	16,044.35					

FINAL VALUATION

Terminal value estimates

Terminal value assets	70,067.79
Terminal value debt	0.00
TV equity	70,067.79
PV of TV	35,101.77
Firm Value from FCF model	51,146.12

COMPANY'S CURRENT NUMBER OF SHARES OUTSTANDING IS 302,071,492

THE BOOK VALUE OF A SHARE COMES OUT TO
₹ 1,693.18

THIS MARKET PRICE SEEKS (₹8050) OVERVALUED COMPARED
TO THE VALUATION BUT IT IS TO BE EXPECTED AS MARUTI IS
AN OLD AND TRUSTED BRAND WHICH HAS CONSISTENTLY
DELIVERED GREAT PRODUCTS AND FINANCIALS.

THANK YOU!

OPEN FOR DISCUSSION!



PRESENTED BY:

YUVRAJ TILARA (20HS20057)
MD ZAID ALAM(20HS20066)
MOHAMED ADHNAN (20HS20037)
BEGAN GOWSIK (20HS20015)