

September 5, 2025

GST 2.0 reform brings early festive cheer for Auto Space

Government has announced GST 2.0 reforms which aims to rationalize the current multi-slab structure into a simpler framework, with two main rates of 5% and 18%, and a higher 40% slab for luxury and sin goods. For the auto sector, this overhaul has slashed tax rates across segments. New rates are effective - 22nd September'25

- Small cars, motorcycles up to 350cc, and three-wheelers will now attract 18% GST vs. 28% earlier, while buses, trucks, & ambulances shift to 18%.
- A uniform 18% GST rate on all auto parts has been introduced (including tyres) which will ease compliance & support component suppliers.
- Farm machinery like tractors & their components have also seen a reduction from 12% to 5%, indirectly benefiting rural auto ecosystem
- GST has been hiked to 40% for larger passenger cars, SUVs while reducing the overall tax incidence from 43-50% to 40% (compensation cess: Nil)

Exhibit 1: Change in tax structure across segments

Vehicle category	GST+Cess (Old)	New GST Rate
Two-Wheelers upto 350cc Engine	28%	18%
Two-Wheelers >350cc Engine	31%	40%
Three Wheeled Vehicles	28%	18%
Passenger Vehicles (Petrol, CNG, Diesel)-<=4m length	28-31%	18%
Passenger Vehicles - SUVs (>4m in length)	43-50%	40%
Commercial goods & Passenger Vehicle	28%	18%
Tractor (except road tractors of >1800 cc engine)	12%	5%
Tractor (road tractors)	28%	18%
EV	5%	5%
Fuel Cell	12%	5%

Source: SIAM, PIB, ICICI Direct Research

Our View: The rate rationalisation marks a structural positive for the auto sector. Lower GST on entry-level cars, two-wheelers, and three-wheelers should lift demand in price-sensitive segments consequent to price cuts.

- For compact cars GST revision will result in price cut & demand upliftment wherein major beneficiaries will be Maruti Suzuki, Hyundai Motors, Tata motors and Mahindra & Mahindra. The segment is expected to grow 5-8% in FY26E, a sharp upgrade from earlier muted guidance (1-3%).
- Lower effective tax incidence on large cars & SUV is expected to benefit M&M the most followed by PV players like Maruti, Hyundai & Tata Motors
- Uniform GST rate of 5% on EV's is a welcome step as it removes ambiguity over rise in rates for high end premium EV's befitting M&M.
- For 2-W's <=350cc GST is revised from ~28-31% to 18% and will benefit Bajaj auto & Eicher motors. Only vehicle category which will witness a price hike will be the motorcycle category with >350cc which will now subject to 40% tax rate vs. 31% in the past and is sentimentally negative for Eicher Motors (drives ~9% volumes from this segment vs. ~1.4% for the industry).

In essence all Passenger Vehicles, Commercial Vehicles, 3-W & 2- W (<=350 cc) will witness a price cut. It shall benefit all players in the value chain ranging from OEMs to ancillary. With greater visibility of growth, we upgrade our valuation multiples for the mentioned players and await volume green shoots before building the same in our forward estimates. **Our top bet in the OEM space would be Maruti Suzuki (BUY, Target Price: ₹ 17,160), Mahindra & Mahindra (BUY, Target Price: ₹ 4,180) and Ashok Leyland (BUY, Target Price: ₹ 155). While we see maximum upsides in Sansera Engineering (BUY, Target Price: ₹ 1,620), Lumax Auto Tech (BUY, Target Price: ₹ 1,285) and Steel Strip Wheels (BUY, Target Price: ₹ 290) in our ancillary coverage.** While this is structurally positive for Hyundai Motors and Uno Minda as well, however we feel valuations are broadly full in both the counters and hence advising HOLD. **Exciting times lie ahead for auto sector going forward!**

Sector View

Positive

Top bets in Auto Coverage Universe

	Company	CMP (₹/share)	Target Price (₹/share)	Upside (%)	Rating
OEM's					
1	Maruti Suzuki	14,900	17,160	15%	BUY
2	Mahindra & Mahindra	3,550	4,180	18%	BUY
3	Hyundai Motors	2,520	2,560	2%	HOLD
4	Tata Motors	690	810	17%	BUY
5	Ashok Leyland	130	155	19%	BUY
6	Eicher Motors	6,550	7,680	17%	BUY
7	Bajaj Auto	9,100	10,565	16%	BUY
Auto Ancillary					
1	Uno Minda	1,300	1,400	8%	HOLD
2	Sansera Engineering	1,365	1,620	19%	BUY
3	Steel Strip Wheels	225	290	29%	BUY
4	Lumax Auto Technologies	1,080	1,285	19%	BUY
5	Exide Industries	410	480	17%	BUY
6	Apollo Tyre	485	565	16%	BUY

Fundamental Drives for growth

- Rationalisation of personal income tax (new regime)
- GST rate cut
- 8th pay commission roll out
- Benchmark interest rate cut

Research Analysts

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Exhibit 2: Mahindra & Mahindra

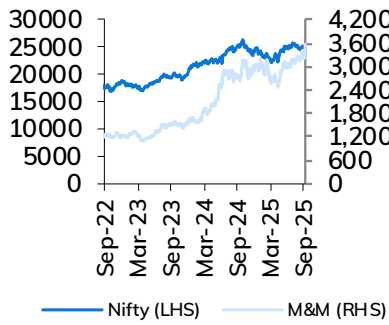


Exhibit 3: Maruti Suzuki

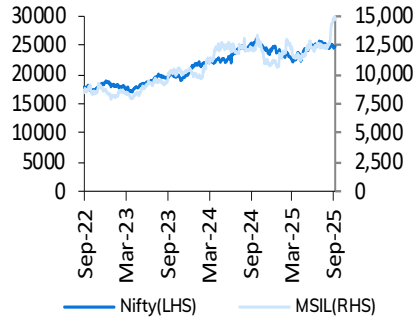


Exhibit 4: Tata Motors

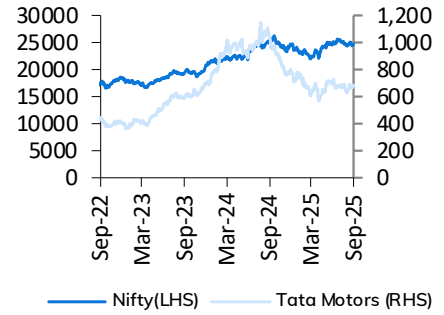


Exhibit 5: Hyundai Motor India

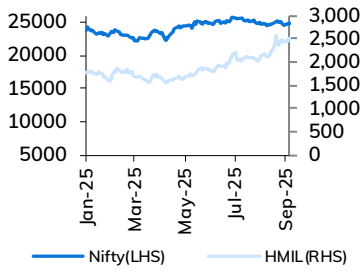


Exhibit 6: Ashok Leyland

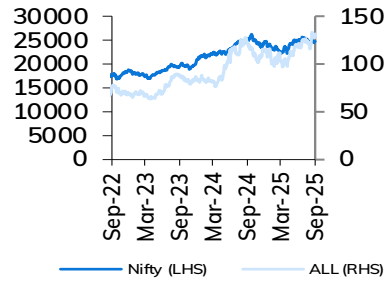


Exhibit 7: Bajaj Auto

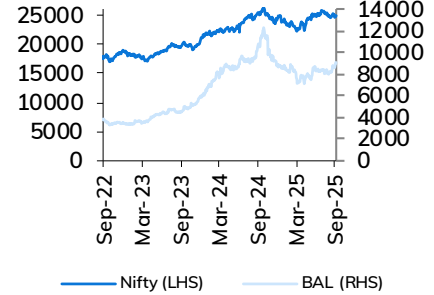


Exhibit 8: Eicher Motors

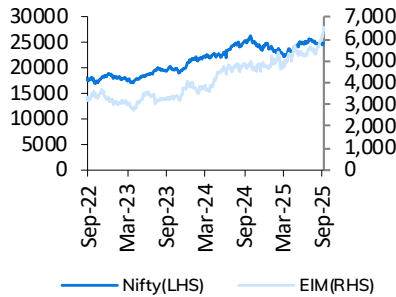


Exhibit 9: Apollo Tyres

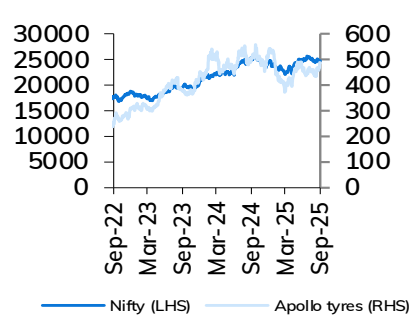


Exhibit 10: Exide Industries

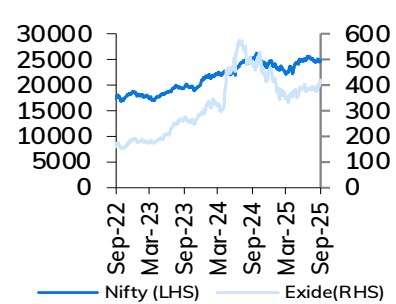


Exhibit 11: Lumax Auto technologies

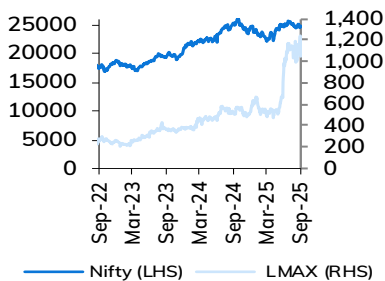


Exhibit 12: Sansera Engineering

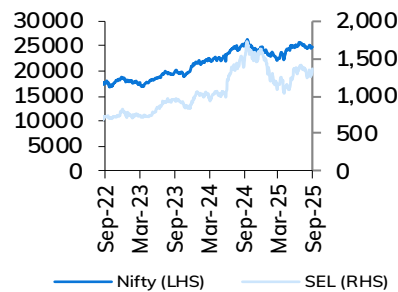


Exhibit 13: Steel Strips Wheels

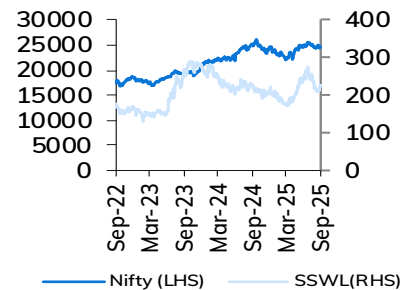
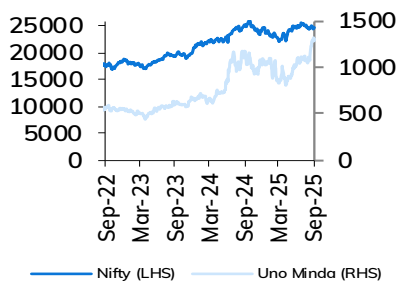


Exhibit 14: Uno Minda



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Sell: <-15%



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