

Navigating headwinds with export momentum...

About the stock: Maruti Suzuki (MSIL) is the market leader in the domestic passenger vehicle (PV) space with market share pegged at 40.9% as of FY25 and popular models being WagonR, Swift, Baleno, Dzire, Ertiga, Brezza, among others.

- Market leader in each sub-segment - cars (66.9%), UV (25.8%), vans (90%)

Q1FY26 Results: MSIL reported healthy performance in Q1FY26. Sales volume for the quarter stood at 5.28 lakh units, up 1.1% YoY. Total operating income for Q1FY26 came in at ₹ 38,414 crore with ensuing ASPs at ₹6.9 lakh/unit, up 8% QoQ. SUV share of sales in total domestic PV sales volume stood at ~38% vs. 37% in the last quarter. EBITDA margins for the quarter came in at 10.4%, down 10 bps QoQ. Consequent PAT in Q1FY26 came in at ₹3,712 crore, up ~1.7% YoY.

Investment Rationale:

- Structural positives: Low car penetration, rise in disposable incomes:** Although India is the world's third largest passenger vehicle market, car penetration still remains low vs. global average, developed economies in the West & China. With rising per capita income, this represents healthy long term growth longevity for domestic PV space with MSIL a clear beneficiary. While the broader PV market growth is expected to moderate to lower single digit in FY26E, Maruti is poised to outperform, supported by new model launches (E-Vitara, plus one new SUV). The major income tax slab overhaul announced for FY26 is expected to boost purchasing power, favourably impacting entry and mid-sized vehicle demand in our view. This coupled with Maruti's deep rural penetration and wide product portfolio across entry, CNG, hybrid, and SUV segments, provides strong tailwinds. Additionally, upcoming Pay Commission revisions (central + states) could further stimulate demand, benefiting Maruti's compact & SUV models.
- Scaling up Capacity, Exports & Multi fuel Focus- to Drive Long-Term Growth:** Maruti's ongoing capacity expansion (Kharkhoda plant commissioning in Q4FY25 and future Gujarat expansion) reinforces its readiness to scale from ~24 lakh units of capacity to ~40 lakh units by FY31. Exports, now constitute ~18% of volumes at 96k units in Q1FY26, are set to grow by 20% in FY26 led by e-Vitara exports to Europe, Japan, among others. Every 2nd car exported from India was a MSIL car in Q1FY26 (47% share in exports). Importantly, Maruti's pragmatic approach to decarbonization — spanning CNG, hybrids, and EVs — rather than EV-only bets, aligns better with India's evolving customer base and regulatory landscape. This diversification across technologies, geographies, and customer segments de-risks growth & earnings visibility over medium term

Rating and Target Price

- With optimism around upcoming festive demand along with support from exports & new launches, near term growth prospects are positive for Maruti. However, with valuations turning full and Maruti now trading at ~23x PE vs. its long period forward averages of ~25x PE, upsides are capped in our view. Consequent we downgrade the stock to HOLD with revised target price of ₹ 14,000; valuing the company at 26x PE on FY27E.

HOLD



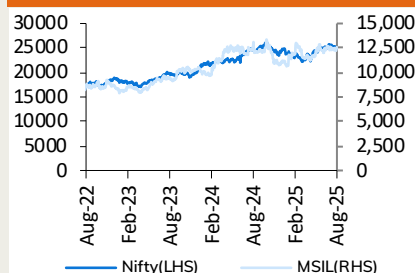
Particulars

Particular	₹ crore
Market Capitalization	3,91,428
Total Debt (FY25P)	0
Cash & Invt. (FY25P)	58,507
EV	3,32,921
52 week H/L (₹)	13,680 / 10,725
Equity capital	₹ 157.2 Crore
Face value	₹ 5

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	58.2	58.3	58.3	58.3
FII	17.7	15.5	15.0	15.2
DII	20.8	22.9	23.6	23.3
Other	3.4	3.4	3.2	3.3

Price Chart



Recent event & key risks

- Reports healthy ASP increase offsetting muted margins of 10.4% in Q1FY26
- Key Risk: (i) Higher than anticipated export volume growth amid trade uncertainty (ii) adverse currency and commodity pricing movements limiting margin gains.

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Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25P	5 year CAGR (FY20-25P)	FY26E	FY27E	2 year CAGR (FY25P-27E)
Total Operating Income	70,333	88,296	1,17,523	1,40,933	1,51,900	15.0%	1,72,345	1,90,234	11.9%
EBITDA	5,345	5,701	11,008	16,401	17,785	19.5%	18,846	21,561	10.1%
EBITDA Margins (%)	7.6	6.5	9.4	11.6	11.7		10.9	11.3	
Net Profit	4,230	3,766	8,049	13,209	13,955	19.8%	15,000	16,897	10.0%
EPS (₹)	140	125	266	420.1	443.9		477.1	537.4	
P/E	88.9	99.9	46.7	29.6	28.0		26.1	23.2	
RoNW (%)	8.2	7.0	13.3	15.7	14.8		14.4	14.5	
RoIC (%)	24.2	24.5	52.9	49.4	42.0		38.9	37.4	

Source: Company, ICICI Direct Research

Q1FY26 Earnings Conference Call highlights

- **Demand Outlook:** Maruti expects domestic demand growth to stay low in FY26 (~1–2%) but targets outperformance with upcoming model launches and rural strength. It also expressed optimism for the upcoming festive season. The entry-car segment continues to face affordability challenges, with industry trends showing increased consumer preference for SUVs (now over 55% of sales) and MPVs (about 11%), while hatchbacks have fallen to a 21% market share (down from 46% in FY19). CNG and diesel each comprise around 19% of the powertrain mix, with hybrids and EVs together accounting for 3% and 4% respectively.
- **Rural and Urban market:** Rural markets outpaced urban regions in both Q1FY26, aided by better sentiment and demand. Maruti continues to focus on rural outreach and channel health to sustain growth amidst subdued urban trends.
- **Focus on alternate fuels:** CNG penetration was at 33% for the quarter. Maruti remains committed to alternate fuels (CNG, hybrids, EVs) as key pillars of its decarbonization strategy. Hybrid share industry-wide is gaining traction, and Maruti is advocating for broader policy support.
- **Export:** In Q1FY26 exports rose 37%, and Maruti captured a 47.1% share of India's PV exports. FY26 export guidance is robust at 20% growth, with eVX exports forming a key driver. Revenue from exports was at ₹6,500 crores in Q1FY26. Japan has emerged as the company's second-largest export destination, and the Fronx became India's highest-exported car for the quarter.
- **New product launches:** In FY26E, two new SUVs will launch, one of which is the highly anticipated eVX electric SUV, slated for H1FY26 with an annual target of ~70,000 units, largely for exports.
- **Product Mix:** SUV share rose sequentially to 38% vs 37%.
- **Margin Hit Reasons:** The margin was affected by adverse operating leverage (-60 bps), steel commodity prices (-40 bps), forex (-40 bps), and higher employee costs from seasonality (+50 bps). The new Kharkhoda plant overheads and depreciation also affected margins (-30 bps). These negatives were partially offset by favorable model mix, lower advertising expenses, and some hedging gains accounted for outside the operating margin.
- **Capex and Capacity Expansion:** CapEx for FY26 remains on track, with an outlook of nearly ₹10,000 crore for the year—excluding investments in subsidiaries. The company retains a strong cash position and positive treasury yields. Spare part sales grew by about 13% year-on-year.
- **Policy and Regulatory Outlook:** Regarding CAFE norms and emissions regulations, ongoing discussions with the government may yield finalized regulations within a couple of months.
- **Others:** Maruti acknowledged ongoing challenges related to rare earth materials, especially for EVs, but is actively managing these with engineering efforts and diversification plans. The company emphasized a multi-powertrain strategy to balance regulatory and supply chain challenges, noting that supply chain resilience (especially for EVs) remains an open issue industry-wide.

Key tables and charts

Exhibit 1: Quarterly Analysis

	Q1FY26	Q1FY25	YoY (Chg %)	Q4FY25	QoQ (Chg %)
Total Operating Income	38,414	35,531	8.1	40,674	-5.6
Raw Material Expenses	27,730	24,933	11.2	29,235	-5.2
Employee Expenses	1,775	1,558	14.0	1,569	13.1
Other expenses	4,914	4,539	8.3	5,605	-12.3
Operating Profit (EBITDA)	3,995	4,502	-11.3	4,265	-6.3
EBITDA Margin (%)	10.4	12.7	-227 bps	10.5	-8 bps
Other Income	1,823	975	87.0	1,447	26.0
Depreciation	938	731	28.2	872	7.5
Interest	47	57	-18.7	47	-1.3
Total Tax	1,122.5	1,039.2	8.0	1,080.6	3.9
PAT	3,712	3,650	1.7	3,711	0.0
EPS	118.1	116.1	1.7	118.0	0.0
Key Metrics					
Sales Volume	5,27,861	5,21,868	1.1	6,04,635	-12.7
ASP (₹)	6,93,832	6,49,116	6.9	6,42,517	8.0
Discounts (₹)	28,000	21,700	29.0	28,000	0.0

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E
Total Volumes (lakh units)	18.6	15.6	14.6	16.5	19.7	21.4	22.3	23.8	25.4
Average ASPs (₹ lakh/unit)	4.46	4.59	4.57	5.07	5.72	6.32	6.49	6.93	7.16
RMC/Unit (₹ lakh/unit)	3.24	3.45	3.49	4.00	4.39	4.71	4.85	5.25	5.39
Discount (₹/unit)	18,334	23,688	19,771	14,700	14,538	17,929	27,500	24,500	20,000

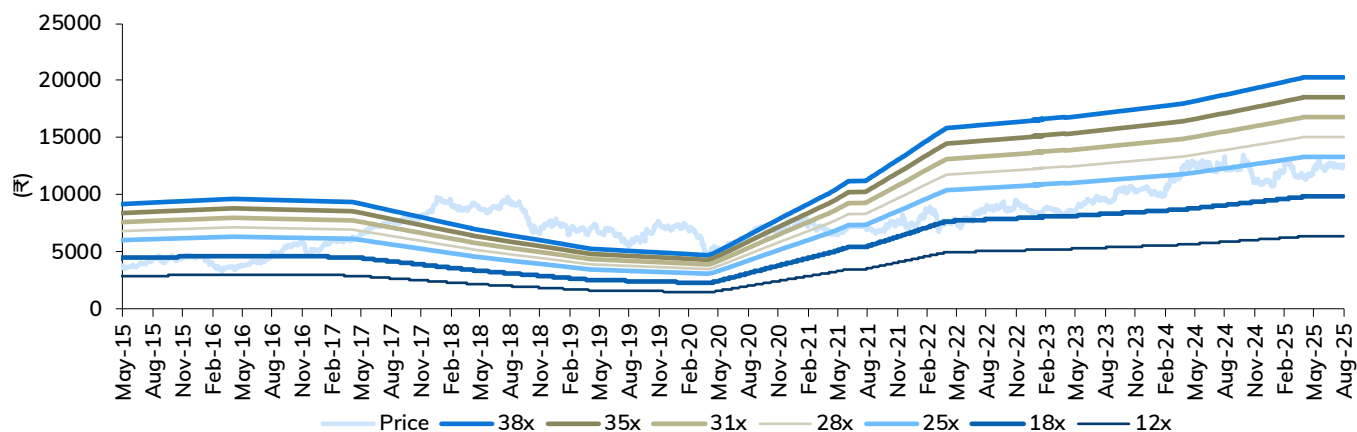
Source: ICICI Direct Research

Exhibit 3: Change in headline estimates

(₹ Crore)	FY26E			FY27E		
	Old	New	% Change	Old	New	% Change
Total Op. Income	1,65,389	1,72,345	4.2	1,84,927	1,90,234	2.9
EBITDA	18,357	18,846	2.7	21,216	21,561	1.6
EBITDA Margin (%)	11.1	10.9	-16 bps	11.5	11.3	-14 bps
PAT	14,776	15,000	1.5	16,928	16,897	-0.2
EPS (₹)	470.0	477	1.5	538.0	537	-0.2

Source: ICICI Direct Research

Exhibit 4: MSIL currently trades at ~23x PE on two year forward basis vs. its long period averages of ~25x PE



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 5: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Total operating Income	1,40,933	1,51,900	1,72,345	1,90,234
Growth (%)	19.9	7.8	13.5	10.4
Raw Material Expenses	1,00,607	1,08,471	1,24,766	1,37,150
Employee Expenses	5,478	6,137	6,645	7,289
Other expenses	18,446	19,507	22,087	24,235
Total Operating Expenditure	1,24,532	1,34,115	1,53,499	1,68,674
EBITDA	16,401	17,785	18,846	21,561
Growth (%)	49	8	6	14
Depreciation	3,022	3,159	3,792	4,185
Interest	193	193	174	156
Other Income	3,855	4,750	4,807	5,014
PBT	17,040	19,183	19,687	22,233
Total Tax	3,831	5,228	4,687	5,336
Tax Rate (%)	22.5	27.3	23.8	24.0
PAT	13,209	13,955	15,000	16,897
Growth (%)	64.1	5.6	7.5	12.6
EPS (₹)	420.1	443.9	477.1	537.4

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Profit after Tax	13,209	13,955	15,000	16,897
Add: Depreciation	3,022	3,159	3,792	4,185
Sub: Other Income	3,855	4,750	4,807	5,014
(Inc)/dec in Current Assets	-1,255	-3,855	-1,667	-1,773
Inc/(dec) in CL and Provisions	4,012	3,825	2,473	2,840
Others	193	193	174	156
CF from operating activities	15,327	12,527	14,964	17,292
(Inc)/dec in Investments	-7,468	-4,740	-4,500	-6,500
(Inc)/dec in Fixed Assets	-7,350	-8,596	-10,000	-10,000
Others	-12,957	162	-380	-280
Add: Other income	3,855	4,750	4,807	5,014
CF from investing activities	(23,919)	(8,424)	(10,073)	(11,766)
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-1,183	-33	0	0
Dividend paid & dividend tax	-3,930	-4,244	-4,559	-5,188
Others	14,127	161	-174	-156
CF from financing activities	9,015	(4,117)	(4,733)	(5,344)
Net Cash flow	422	-13	158	182
Opening Cash	38	460	446	604
Closing Cash	460	446	604	786

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Liabilities				
Equity Capital	157	157	157	157
Reserve and Surplus	83,825	93,889	1,04,331	1,16,040
Total Shareholders funds	83,982	94,047	1,04,488	1,16,197
Total Debt	33	0	0	0
Deferred Tax Liability	0	1,291	1,291	1,291
Others Liabilities	3,374	3,562	3,782	4,002
Total Liabilities	87,389	98,899	1,09,561	1,21,490
Assets				
Gross Block	44,999	54,541	62,398	74,898
Less: Acc Depreciation	26,273	29,432	33,224	37,409
Net Block	18,726	25,109	29,175	37,489
Capital WIP	6,303	5,358	7,500	5,000
Total Fixed Assets	25,029	30,466	36,675	42,489
Investments	68,514	74,506	79,506	86,406
Inventory	4,120	5,123	5,666	6,254
Debtors	4,601	6,538	7,083	7,818
Loans and Advances	33	43	49	54
Other Current Assets	4,637	5,542	6,115	6,560
Cash	460	446	604	786
Total Current Assets	13,850	17,692	19,517	21,472
Creditors	14,582	17,421	18,887	20,848
Provisions	1,207	1,442	1,564	1,726
Other current Liabilities	7,107	7,857	8,743	9,460
Total Current Liabilities	22,896	26,721	29,193	32,033
Net Current Assets	(9,046)	(9,029)	(9,676)	(10,562)
Other Assets	2,892	2,956	3,056	3,156
Application of Funds	87,389	98,899	1,09,561	1,21,490

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25P	FY26E	FY27E
Per share data (₹)				
EPS	420	444	477	537
Cash EPS	516	544	598	671
BV	2,671	2,991	3,323	3,696
DPS	130	135	145	165
Cash Per Share	1,711	1,861	2,009	2,222
Operating Ratios				
EBITDA Margin (%)	11.6	11.7	10.9	11.3
PBIT / Net sales (%)	9.5	9.6	8.7	9.1
PAT Margin (%)	9.4	9.2	8.7	8.9
Inventory days	10.7	12.3	12.0	12.0
Debtor days	11.9	15.7	15.0	15.0
Creditor days	37.8	41.9	40.0	40.0
Return Ratios (%)				
RoE	15.7	14.8	14.4	14.5
RoCE	15.3	14.8	13.8	14.3
RoIC	49.4	42.0	38.9	37.4
Valuation Ratios (x)				
P/E	29.6	28.0	26.1	23.2
EV / EBITDA	20.6	18.7	17.4	14.9
EV / Net Sales	2.4	2.2	1.9	1.7
Market Cap / Sales	2.8	2.6	2.3	2.1
Price to Book Value	4.7	4.2	3.7	3.4
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.8	0.9	0.9	0.9
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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