Shubh Nivesh

Maruti Suzuki (MARUTI)

CMP: ₹ 14,375 | Target: ₹ 16,550 (15%) | Target Period: 6-12 months | **BUY**

August 25, 2025

Fundamental levers for outperformance...

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%)

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 at ~30 cars per 1000 people vs. developed economies in the West (~500 cars per 1000 people) & China (~200 cars per 1000 people). With rising per capita income, this represents healthy long term growth longevity for domestic PV space with MSIL a clear beneficiary. The major income tax slab overhaul announced for FY26 is also 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 could further stimulate demand, benefiting Maruti.

- **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. 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

- **GST 2.0 reforms to revitalize auto demand:** Government has proposed GST 2.0 reform which aims to rationalize the current multi-slab structure into a simpler framework. Currently, automobiles are taxed at highest GST slab rate i.e. 28%. A compensation cess, ranging from 1-22%, is levied on top of this rate. If the base GST rate of 28% gets revised to 18%, this is positive for sector & is expected to drive demand. For compact cars effective taxation (GST+ cess) can get revised from 28- 31% to 21% while big SUV's effective taxation (GST+ cess) can potentially decline from ~50% to ~40%. **Entry level segment has been the real pain point and subject to muted volume growth in the recent past. We believe this space will be the biggest beneficiary of GST rate cut with Maruti as the key gainer.**

Rating and Target Price

- With macro-economic triggers in term of rationalisation of income tax rate, GST rate and 8th pay commission roll-out, amidst optimism around upcoming festive demand, exports & new launches, we upgrade the stock to **BUY** with revised target price of ₹ 16,550; valuing it at 28x PE on FY27E.

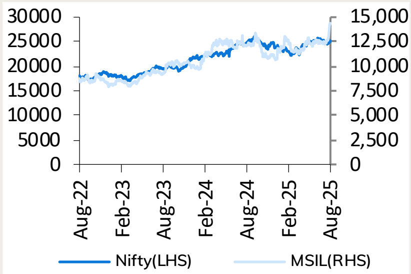
Particulars

Particular	₹ crore
Market Capitalization	451,950
Total Debt (FY25)	0
Cash & Invts. (FY25)	59,603
EV	392,347
52 week H/L (₹)	14,800 / 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

- GST 2.0 reforms to potentially lift auto demand; MSIL a key gainer
- Upgrading our volume & margins estimates for FY26-27E and assigning higher PE multiple for higher growth prospects
- Key Risk: (i)lower 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	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Total Operating Income	70,333	88,296	117,523	140,933	151,900	15.0%	176,326	198,070	14.2%
EBITDA	5,345	5,701	11,008	16,401	17,785	19.5%	20,255	23,777	15.6%
EBITDA Margins (%)	7.6	6.5	9.4	11.6	11.7		11.5	12.0	
Net Profit	4,230	3,766	8,049	13,209	13,955	19.8%	16,200	18,601	15.5%
EPS (₹)	140	125	266	420.1	443.9		515.3	591.6	
P/E	102.7	115.3	53.9	34.2	32.4		27.9	24.3	
RoNW (%)	8.2	7.0	13.3	15.7	14.8		15.3	15.6	
RoIC (%)	24.2	24.5	52.9	49.4	43.3		44.2	43.4	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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