

# Maruti Suzuki India Ltd

## GST cuts, festive mood and new launches to boost volumes

### 3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	✓	■	■

+ Positive = Neutral - Negative

### What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

### Company details

Market cap:	Rs. 5,03,044 cr
52-week high/low:	Rs. 16438/10725
NSE volume: (No of shares)	6.2 lakh
BSE code:	532500
NSE code:	MARUTI
Free float: (No of shares)	13.1 cr

### Shareholding (%)

Promoters	58.3
FII	15.2
DII	23.3
Others	3.2

### Price chart



Source: NSE India, Mirae Asset Sharekhan Research

### Price performance

(%)	1m	3m	6m	12m
Absolute	8.2	29.0	38.9	20.8
Relative to Sensex	7.5	32.9	35.0	25.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Automobiles	Sharekhan code: MARUTI		
Reco/View: Buy	↔	CMP: Rs. 16,000	Price Target: Rs. 18,400 ↑

### Summary

- We reiterate our Buy rating on Maruti Suzuki India Limited (MSIL), with a revised PT of Rs. 18,400, as demand would be spurred by GST rate cuts, festive demand and new launches. The stock trades at a P/E of 27.3x and EV/EBITDA of 18.0x on FY2027E earnings estimates.
- MSIL boasts of one of the most extensive and diverse portfolios in the sub-1,200 cc segment capturing the lion's share of the demand surge triggered by lower prices.
- SUVs, including EVs, would serve as the cornerstone of growth during the festive season and over the medium-term horizon. To strengthen its product portfolio further, Maruti has launched Victoris, a mid SUV and E Vitara powered by an ICE engine/ Electric drivetrains, respectively.
- Earnings are expected to post a 15% CAGR during FY2025-FY2028E, driven by a 14% revenue CAGR and a 90-bps improvement in EBITDA margin.

**We stay positive on Maruti Suzuki India Limited (MSIL), as we expect volumes to regain pace going forward, led by GST rate cuts, festive demand and new launches. The automobile industry has fresh reasons to cheer as GST reductions leading to reduction in prices for end customers. First-time car buyers have seen a significant increase in interest and purchases following the recent cut in Goods and Services Tax (GST) rates on small cars, which reduced the effective tax burden and lowered prices. The reduction has led to entry-level cars being more affordable and accessible where MSIL stands out with 60% of portfolio (taxes reduced from 28% to 18%). As per the management, Customer response after GST rate cuts has been phenomenal with day 1 recording 80,000 enquiries with around 15,000 bookings up nearly 50% and delivering over 25,000 cars. Further, the launch of new midsize SUV Victoris, along with the recent introduction of the E-Vitara, is expected to further strengthen SUV contribution going forward. The company continues to strengthen all its distribution network through increasing presence penetration. Exports are also witnessing robust growth (37% in Q1FY26) supported by demand for SUVs like Fronx and Jimmy 5 door. Management has guided a 20% exports growth in FY26 and have robust targets for FY31. Stock trading at P/E of 27.3x and EV/EBITDA of 18.0x its FY27 estimates. We reiterate a Buy recommendation on the stock price with a revised price target (PT) of Rs. 18,400.**

- New launches:** Notably, the company's market share in SUV segment is continuously rising led by entry level models such as Brezza and Fronx. The recent launch of new midsize SUV Victoris with the EV Vitara will be further strengthening SUV contribution going forward. The launch of the Victoris marks a significant shift in Maruti Suzuki's strategy - moving decisively toward safety-first engineering and premium feature offerings, all while maintaining a competitive price point. MSIL expects to deliver 70,000 units of e-Vitara in FY26, the bulk of which would be in export markets.
- Exports set to grow strongly:** Exports remained a strong pillar of growth for the company, cementing its position as India's leading PV exporter with an estimated 50.0% market share. Stronger volume offtake was led by stronger demand for Fronx variant and Suzuki's extended global distribution network of Suzuki. Developed markets including Japan and Europe witnessed encouraging traction. MSIL posted strong 37% YoY growth in exports in 1Q, while the industry (excl-MSIL) fell 2%. Export mix improved to 18% for MSIL. Management expects export volumes to maintain its positive traction, also supported by collaboration with Toyota.
- Q1 performance:** Q1FY26 revenue grew by 8% y-o-y majorly due to improvement in realizations with a strong momentum in exports. Volumes just grew by 1% yoy. Operating profit declined by 9.5% y-o-y due to contraction in gross margins on account of higher input costs and elevated operational expenses led by commencement of Kharkhoda facility. Management believes that with ramp-up of utilization of the new facility, OpEx structure is expected to moderate over H2FY26E. Management believed that SUV-led recovery, coupled with improving rural sentiment, could drive a meaningful turnaround in volumes.

### Our Call

**Valuation - Maintain Buy with a revised PT of Rs. 18,400:** MSIL is expected to witness a recovery in surge of demand led by positive triggers such as GST rates reduction, festive demand, high disposable income due to lower personal taxation, well supported by new launches and premiumization. Sales enquiries after GST rate reductions is at all time highs and growing by 50%. We expect growth momentum to continue in FY2026E, driven by the normalisation of economic activity and improving rural sentiments. Margins are expected to improve from 11.7% in FY2025 to 12.9% in FY2028E, driven by better product mix, operating leverage benefits, and cost-control measures. We stay positive on the company, led by its structural growth outlook, healthy balance sheet, and comfortable valuations. The stock is trading at a P/E of 27.3x and EV/EBITDA of 18.0x on FY2027E earnings estimates. We reiterate our Buy rating on the stock with a revised PT of Rs. 18,400, factoring gains in market shares through refreshed and new launches.

### Key Risks

Significant delay in the improvement of chips shortage could affect our volume estimates. Moreover, failure of new launches and increasing CNG prices could affect our volume estimates.

### Valuation (Standalone)

Particulars	FY24	FY25	FY26	FY27E	FY28E
Net sales	140,933	151,900	173,166	199,141	225,029
Growth (%)	19.9	7.8	14.0	15.0	13.0
EBITDA	16,401	17,785	20,780	24,295	28,354
EBITDA %	11.6	11.7	12.0	12.2	12.6
PAT	13,209	13,955	16,105	18,423	21,099
Growth (%)	64.1	5.6	15.4	14.4	14.5
FD EPS (Rs)	420.1	443.9	512.2	586.0	671.1
P/E (x)	38.1	36.0	31.2	27.3	23.8
P/B (x)	6.0	5.4	4.7	4.2	3.7
EV/EBITDA (x)	26.5	24.6	21.1	18.0	15.4
RoE (%)	18.3	15.7	16.1	16.3	16.6
RoCE (%)	18.3	15.8	16.3	16.5	16.7

Source: Company; Mirae Asset Sharekhan estimates

## Outlook and Valuation

### ■ Sector Outlook – Expect recovery in PV demand

The PV segment is expected to remain strong amid COVID-19, as a preference for personal transport, pent-up demand, and strong rural sentiments. Strong supply-side headwinds related to semi-conductor chip shortage are expected to slow down domestic PV sales to 17-20% in FY2023E. We expect shortage of semiconductor chips to ease going forward and normalise by CY2023. Moreover, a recovery in export destinations is expected to keep growth momentum favourable.

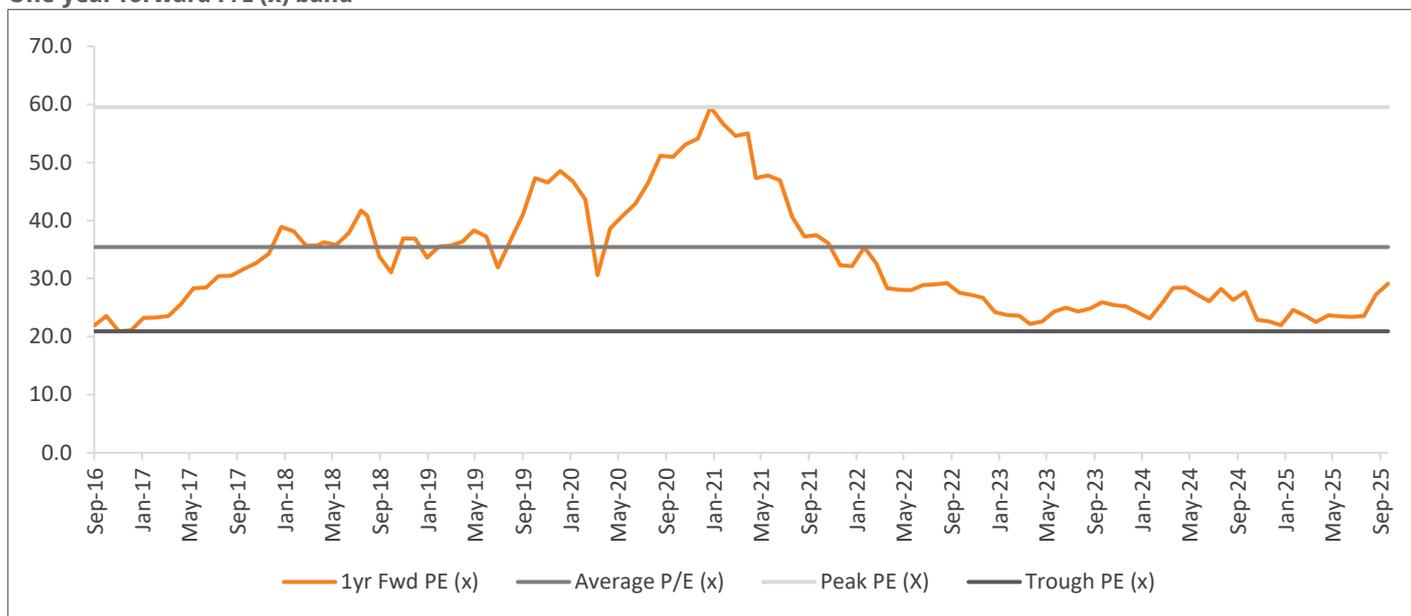
### ■ Company Outlook – Strong earnings growth from core business

Management was cautiously optimistic on the demand outlook for domestic as well as export markets. The company has witnessed strong demand from rural and semi-urban areas, where MSIL's distribution network and product portfolio fit aptly. Improving income levels of individuals, firms, and corporates are likely to keep demand strong in the medium term. However, near-term growth would be affected by shortage of electronic components. We expect FY2026-28 to be stronger for MSIL, driven by strong volume growth. New product launches will aid volume growth, quick economic recovery, upside from COVID-19 vaccines, and a low base. MSIL's strong distribution network in the segment and rural penetration are likely to drive strong revenue growth going forward.

### ■ Valuation – Maintain Buy with a revised PT of Rs. 18,400

MSIL is expected to witness a recovery in surge of demand led by positive triggers such as GST rates reduction, Festive demand, high disposable income due to lower personal taxation, well supported by new launches and premiumization. Sales enquiries after GST rate reductions is at all time highs and growing by 50%. We expect growth momentum to continue in FY2026E, driven by the normalisation of economic activity and improving rural sentiments. Margins are expected to improve from 11.7% in FY2025 to 12.9% in FY2028E, driven by better product mix, operating leverage benefits, and cost-control measures. We stay positive on the company, led by its structural growth outlook, healthy balance sheet, and comfortable valuations. The stock is trading at a P/E of 27.3x and EV/EBITDA of 18.0x on FY2027E earnings estimates. We reiterate our Buy rating on the stock with a revised price target (PT) of Rs. 18,400, factoring gains in market shares through refreshed and new launches.

#### One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

## About company

MSIL is India's largest PV car company accounting for ~45% of the domestic car market. The company is the undisputed leader in the mini and compact car segments in India and offers a full range of cars – entry-level, compact cars, and SUVs. MSIL's market share in passenger cars stands at 62%, utility vehicles (UV) at 25%, and vans at 90%. MSIL has been steadily ramping up its presence in the hinterlands, with rural sales currently contributing about 41% to overall sales. MSIL is a subsidiary of Suzuki Motor Corporation of Japan. The Japanese car major holds 56.2% stake in MSIL. The company has manufacturing plants in Gurgaon and Manesar.

## Investment theme

MSIL is likely to be the beneficiary of buoyant demand in the PV segment, driven by rising demand in tier-2 and tier-3 cities and rural areas. Sales from rural areas will continue to improve, driven by strong farm sentiments because of higher rainfall and Kharif sowing. We also expect the share of first-time buyers to increase going forward, aided by a preference for personal transportation. MSIL is expected to sustain its dominant market share, despite intense competition in the PV segment, aided by its strong product portfolio and position, brand appeal, and ability to launch new models frequently. MSIL has a stronghold in small and mid-size segments with over 50% market share and high success rates of its new launches. The company's brand positioning as a value-for-money product company is likely to remain intact due to its products' best fuel efficiency and lower maintenance cost. In addition, the high resale value of its products attracts customers. Moreover, MSIL has the strongest distribution network and rural penetration in the PV segment, which drives its revenue growth. We expect MSIL to be the beneficiary of rising rural demand, driven by its reach and low maintenance service costs.

## Key Risks

- ◆ MSIL has a weak SUV portfolio and can restrict growth once urban demand comes back strongly. However, we are more positive about rural demand and believe MSIL to be the main beneficiary.
- ◆ Rise in input prices may impact margins, if rising commodity prices could not be passed on to customers. In a scenario of price competition, MSIL's margin may get impacted negatively.
- ◆ Any significant delay in the improvement of chips shortage could affect our volume estimates.

## Additional Data

### Key management personnel

Name	Designation
R. C. Bhargava	Chairman
Kenichi Ayukawa	Managing Director and CEO
Ajay Seth	Chief Financial Officer
Shashank Srivastava	Executive director, marketing and sales

Source: Company Website

### Top shareholders

Sr. No.	Holder Name	Holding (%)
1	Suzuki Motor Corp.	58.8
2	Life Insurance Corp. of India	4.9
3	ICICI Prudential	4.0
4	SBI Funds Management Pvt. Ltd.	2.3
5	HDFC Asset Management	2.2
6	Vanguard Inc	1.8

Source: Bloomberg

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## Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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