Maruti Suzuki (MARUTI)

ICICI Direct

CMP: ₹14,235 | Target ₹ 16,450 (16%) | Target Period: 12 months | BUY

August 3, 2026

Capacity commissioned, demand outlook strong…

About the stock: Maruti Suzuki (MSIL) is the market leader in the domestic passenger vehicle (PV) space with market share pegged at 39.3% as of FY26 and popular models being WagonR, Swift, Baleno, Dzire, Ertiga, Brezza, among others.

- Market leader in each sub-segment - cars (66.9%), UV (24.5%), vans (88%)

Q1FY27 Result: MSIL reported mixed results. Sales volume for Q1'27 stood at 6.8 lakh units, up 29.3% YoY. Total operating income for Q1FY27 came in at ₹ 52,456 crore with ensuing ASPs at ₹7.3 lakh/unit, down 1% QoQ. EBITDA margins for the quarter came in at 8.2%, down 350 bps QoQ lowest ever because of commodity inflation and ~110 bps resulted from a temporary change in supplier settlement cycles. Consequent PAT in Q1FY27 came in at ₹3,352 crore, down ~11% YoY.

Investment Rationale:

- **Structural Demand Tailwind Backed by Policy Reform:** GST 2.0 have had a positive influence on the auto industry and have resulted in improved sentiments in the domestic market. In Q1FY27 PV volumes delivered a record-breaking performance, with sales hitting 12.7 lakh units, up 26% YoY, making it the strongest Q1 on record on the back of improved affordability following the GST rate reduction. With ~130,000 unserved vehicle order on the books, and dealer inventory at a mere 13 days, MSIL is short of capacity to meet market demand. During the quarter, Maruti commissioned the second Kharkhoda plant and subsequently commenced commercial production at the fourth manufacturing line in Gujarat, together adding 500,000 units of annual installed capacity (now pegged at 29 lakh units). As the GST reform continues to pull in 2-W upgraders and first-time buyers (at 54%) from both urban and rural markets — with its unmatched product breadth in the sub-₹10 lakh segment, MSIL is best positioned to capture the next leg of India's PV penetration story.

- **Margin Headwinds Appear Temporary While exports continue to outperform:** Although Q1 margins declined materially, the primary drivers were temporary in nature, including exceptional supplier support measures, elevated commodity prices and accelerated cost pass-through arising from revised settlement cycles. Management expects these factors to normalize over the coming quarters, supported by recent price hikes and easing commodity prices. Simultaneously, Export volumes increased approximately 28.6% YoY while passenger vehicle exports by the rest of the Indian industry declined 8.4%. The company accounted for more than 55% of India's passenger vehicle exports during the quarter, exporting to nearly 120 countries, with South Africa, Japan and Europe emerging as key contributors during the quarter., reinforcing its long-term competitive positioning across evolving customer preferences.

Rating and Target Price

- With strong demand revival and market leadership along with capacity commissioning within short period, amidst healthy macro-economic triggers in term of rationalisation of income tax rate, GST rate and 8th pay commission roll-out, & new launches, we maintain our **BUY rating** on the stock with **target price of ₹ 16,450; valuing it at 30x PE on of FY28E EPS**

MARUTI SUZUKI Way of Life!

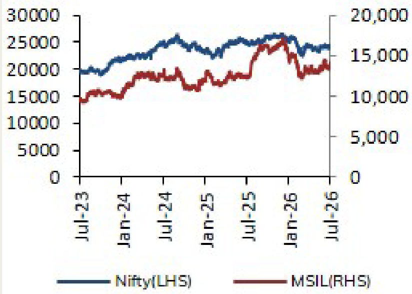
Particulars

Particular	₹ crore
Market Capitalization	4,47,548
Total Debt (FY26P)	0
Cash & Invts. (FY26P)	59,001
EV	3,88,548
52 week H/L (₹)	17,372 / 12,201
Equity capital	₹ 157.2 Crore
Face value	₹ 5

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	58.3	58.3	58.5	58.7
FII	15.8	15.8	14.1	12.8
DII	22.6	22.8	24.1	25.1
Other	3.4	3.1	3.3	3.4

Price Chart



Recent event & key risks

- Reports mix Q1FY27 with EBITDA margins down 350 bps QOQ. Guides for margin recovery going forward.
- Key Risk: (i) adverse currency and commodity pricing movements limiting margin gains (ii) lower than anticipated volume growth over FY26-28E

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY23	FY24	FY25	FY26P	5-year CAGR (FY21-26P)	FY27E	FY28E	2-year CAGR (FY26P-28E)
Total Operating Income	1,17,523	1,40,933	1,52,868	1,83,266	21.1%	2,09,838	2,34,004	13.0%
EBITDA	11,008	16,401	20,149	22,044	32.8%	20,444	25,857	8.3%
EBITDA Margins (%)	9.4	11.6	13.2	12.0		9.7	11.0	
Net Profit	8,049	13,209	14,298	14,445	27.8%	13,408	17,241	9.2%
EPS (₹)	266	420.1	454.8	459.5		426.5	548.4	
P/E	53.4	33.9	31.3	31.0		33.4	26.0	
RoNW (%)	13.3	15.7	15.1	14.2		11.7	13.7	
RoIC (%)	52.9	49.4	33.9	36.7		25.0	33.5	

Source: Company, ICICI Direct Research

Q1FY27 Earnings Conference Call Highlights

- **Demand Recovery Strengthened by GST Reduction:** The reduction in GST has significantly revived demand, particularly in the small car segment where volumes grew 34% YoY, reversing a prolonged period of weakness. SUV demand also remained exceptionally strong with 44.6% YoY growth, enabling Maruti to approach leadership in the SUV category while simultaneously improving its domestic market share by 230 bps to 41.2%. Demand remained broad-based across urban and rural markets, supported by healthy first-time buyer participation, indicating that the recovery is structural rather than restricted to premium segments.
- **Capacity Expansion Positioned to Capture Strong Demand:** Management emphasized that FY27 continues to be supply-constrained rather than demand-constrained. During the quarter, Maruti commissioned the second Kharkhoda plant and subsequently commenced commercial production at the fourth manufacturing line in Gujarat, together adding 500,000 units of annual installed capacity. Total manufacturing capacity has consequently increased to nearly 2.9 million units annually, although both facilities will ramp up progressively over the next four to five months. Dealer inventory remains significantly below the optimal level at only 13 days, while the order book stands at approximately 130,000 vehicles, suggesting substantial latent demand that can be serviced as production ramps up.
- **Commodity Inflation Temporarily Pressured Margins**: Despite reporting record domestic wholesale volumes of over 534,000 units, profitability declined meaningfully due to extraordinary supply-chain actions undertaken during the West Asia conflict. Commodity inflation reduced EBIT margins by approximately 300 bps, of which around 110 bps resulted from a temporary change in supplier settlement cycles from quarterly to monthly pricing for commodities such as aluminium, plastics and rubber. Management clarified that this is a temporary accounting impact and expects both commodity normalization and a gradual return to quarterly settlement cycles over the coming quarters, allowing part of the margin pressure to reverse.
- **Pricing Actions and Margin Recovery Outlook:** To partially offset commodity inflation, Maruti implemented calibrated price increases beginning in June, with another round announced from August. Management expects pricing benefits to flow into Q2, while commodity prices, particularly aluminium, have already started moderating from their peak levels. Combined with normalization of supplier settlement mechanisms, management expects sequential improvement in margins during Q2 and Q3, although the ultimate extent will remain dependent on commodity price movements.
- **Product Portfolio Becoming Increasingly Competitive**: Management highlighted the newly launched Brezza featuring a 1.0-litre turbo-petrol engine, ADAS features, underbody CNG option and a five-star Bharat NCAP safety rating as a key product intervention. Initial customer response has been highly encouraging with bookings running at nearly 2,000 units per day immediately after launch.
- Exports Continue to Outperform Despite Geopolitical Disruptions: Maruti maintained its leadership in exports despite Middle East geopolitical disruptions. Export volumes increased approximately 28.6% YoY while passenger vehicle exports by the rest of the Indian industry declined 8.4%. The company accounted for more than 55% of India's passenger vehicle exports during the quarter, exporting more vehicles than the remaining 16 passenger vehicle manufacturers combined.
- Customer Mix Reflects Healthy Market Expansion: The recovery in entry-level vehicles translated into an improvement in first-time buyer contribution, increasing from 51% in Q4 FY26 to 54% in Q1 FY27. CNG penetration remained robust at around 40% of domestic sales, while discounts stayed broadly unchanged sequentially. Company also shared that Government employees constituted ~15% of sales volume for MSIL.

Key tables & Charts

Exhibit 1: Quarterly Valuation

	Q1FY27	Q1FY26	YoY (Chg %)	Q4FY26	QoQ (Chg %)
Total Operating Income	52,456	38,593	35.9	52,449	0.0
Raw Material Expenses	40,352	27,358	47.5	38,484	4.9
Employee Expenses	2,457	2,043	20.2	2,247	9.3
Other expenses	5,336	4,571	16.7	5,561	-4.1
Operating Profit (EBITDA)	4,311	4,621	-6.7	6,157	-30.0
EBITDA Margin (%)	8.2	12.0	-375 bps	11.7	-352 bps
Other Income	1,874	1,888	-0.8	500	274.9
Depreciation	1,780	1,556	14.4	1,748	1.8
Interest	64	47	35.7	73	-13.0
Total Tax	989.2	1,147.9	-13.8	1,245.5	-20.6
PAT	3,352	3,758	-10.8	3,590	-6.6
EPS	106.6	119.5	-10.8	114.2	-6.6
Key Metrics					
Sales Volume	6,82,724	5,27,861	29.3	6,76,209	1.0
ASP (₹)	7,31,761	6,93,755	5.5	7,40,580	-1.2

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	**FY25**	**FY26**	**FY27E**	**FY28E**
Total Volumes (lakh units)	18.6	15.6	14.6	16.5	19.7	21.4	**22.3**	**24.2**	**26.9**	**29.2**
Average ASPs (₹ lakh/unit)	4.46	4.59	4.57	5.07	5.72	6.32	**6.49**	**7.20**	**7.43**	**7.64**
RMC/Unit (₹ lakh/unit)	3.24	3.45	3.49	4.00	4.39	4.71	**4.83**	**5.47**	**5.89**	**5.97**
Discount (₹/unit)	18,334	23,688	19,771	14,700	14,538	17,929	**27,500**	**27,913**	**24,000**	**25,000**

Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

	FY27E			FY28E		
(₹ Crore)	**Old**	**New**	**% Change**	**Old**	**New**	**% Change**
Total Op. Income	2,09,402	2,09,838	0.2	2,31,794	2,34,004	1.0
EBITDA	23,085	20,444	-11.4	27,251	25,857	-5.1
EBITDA Margin (%)	11.0	9.7	-128 bps	11.8	11.0	-71 bps
PAT	15,166	13,408	-11.6	18,119	17,241	-4.8
EPS (₹)	482.0	426	-11.6	576	548	-4.8

Source: ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Total operating Income	**1,52,868**	**1,83,266**	**2,09,838**	**2,34,004**
Growth (%)	8.5	19.9	14.5	11.5
Raw Material Expenses	1,07,484	1,32,567	1,58,444	1,74,272
Employee Expenses	7,006	8,435	9,502	10,474
Other expenses	18,229	20,220	21,449	23,400
Total Operating Expenditure	1,32,719	1,61,222	1,89,394	2,08,147
EBITDA	**20,149**	**22,044**	**20,444**	**25,857**
Growth (%)	23	9	-7	26
Depreciation	5,607	6,741	7,554	8,424
Interest	194	239	227	215
Other Income	5,065	4,392	4,823	5,319
PBT	19,413	18,863	17,486	22,537
Total Tax	5,115	4,418	4,078	5,296
Tax Rate (%)	26.3	23.4	23.3	23.5
PAT	**14,298**	**14,445**	**13,408**	**17,241**
Growth (%)	8.2	1.0	-7.2	28.6
EPS (₹)	**455**	**459**	**426**	**548**

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Profit after Tax	14,298	14,445	13,408	17,241
Add: Depreciation	5,607	6,741	7,554	8,424
Sub: Other Income	5,065	4,392	4,823	5,319
(Inc)/dec in Current Assets	-6,247	-2,273	-1,149	-2,422
Inc/(dec) in CL and Provisions	6,718	6,864	2,516	4,257
Others	194	239	227	215
CF from operating activities	**15,505**	**21,623**	**17,732**	**22,396**
(Inc)/dec in Investments	4,983	-9,087	-3,500	-11,500
(Inc)/dec in Fixed Assets	-21,478	-10,190	-14,000	-10,000
Others	94	-1,709	-280	-380
Add: Other income	5,065	4,392	4,823	5,319
CF from investing activities	**(11,336)**	**(16,594)**	**(12,957)**	**(16,561)**
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-33	0	0	0
Dividend paid & dividend tax	-4,244	-4,402	-4,402	-5,502
Others	198	400	-227	-215
CF from financing activities	**(4,080)**	**(4,002)**	**(4,628)**	**(5,717)**
Net Cash flow	89	1,028	147	118
Opening Cash	460	549	1,576	1,723
Closing Cash	**549**	**1,576**	**1,723**	**1,841**

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Liabilities				
Equity Capital	157	157	157	157
Reserve and Surplus	94,270	1,04,953	1,13,959	1,25,697
Total Shareholders funds	94,427	1,05,110	1,14,116	1,25,855
Total Debt	0	0	0	0
Deferred Tax Liability	1,525	1,711	1,711	1,711
Others Liabilties	3,567	3,444	3,664	3,884
Total Liabilities	**99,520**	**1,10,265**	**1,19,491**	**1,31,450**
Assets				
Gross Block	65,253	73,564	91,971	1,01,971
Less: Acc Depreciation	31,880	38,620	46,175	54,599
Net Block	33,373	34,944	45,796	47,372
Capital WIP	7,527	9,406	5,000	5,000
Total Fixed Assets	40,900	44,350	50,796	52,372
Investments	64,442	74,766	78,666	90,666
Inventory	6,909	11,315	8,623	9,617
Debtors	6,535	5,336	8,623	9,617
Loans and Advances	43	44	50	56
Other Current Assets	6,150	5,216	5,762	6,192
Cash	**549**	**1,576**	**1,723**	**1,841**
Total Current Assets	20,186	23,487	24,783	27,322
Creditors	16,921	22,131	22,996	25,644
Provisions	1,564	2,069	2,150	2,397
Other current Liabilities	11,128	12,277	13,847	15,208
Total Current Liabilities	29,613	36,477	38,993	43,249
Net Current Assets	(9,427)	(12,990)	(14,210)	(15,927)
Other Assets	3,604	4,140	4,240	4,340
Application of Funds	**99,520**	**1,10,265**	**1,19,491**	**1,31,450**

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26P	FY27E	FY28E
Per share data (₹)				
EPS	455	459	426	548
Cash EPS	633	674	667	816
BV	3,003	3,343	3,630	4,003
DPS	135	140	140	175
Cash Per Share	1,555	1,877	1,993	2,362
Operating Ratios				
EBITDA Margin (%)	13.2	12.0	9.7	11.0
PBIT / Net sales (%)	9.5	8.4	6.1	7.4
PAT Margin (%)	9.4	8.1	6.4	7.4
Inventory days	16.5	22.5	15.0	15.0
Debtor days	15.6	10.6	15.0	15.0
Creditor days	40.4	44.1	40.0	40.0
Return Ratios (%)				
RoE	15.1	14.2	11.7	13.7
RoCE	14.6	13.9	10.8	13.3
RoIC	33.9	36.7	25.0	33.5
Valuation Ratios (x)				
P/E	31.3	31.0	33.4	26.0
EV / EBITDA	19.8	17.6	18.8	14.4
EV / Net Sales	2.6	2.1	1.8	1.6
Market Cap / Sales	2.9	2.4	2.1	1.9
Price to Book Value	4.7	4.3	3.9	3.6
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.1	0.9	0.9	0.9
Quick Ratio	**0.7**	**0.4**	**0.6**	**0.6**

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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