

CMP: INR 14,877

Rating: Accumulate

Target Price: INR 17,305

Stock Info

BSE	532500
NSE	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.NS
Sector	Automobiles
Face Value (INR)	5
Equity Capital (INR mn)	1572
Mkt Cap (INR Bn)	4677
52w H/L (INR)	17,370/ 11,059
Avg Yearly Vol (in 000')	390

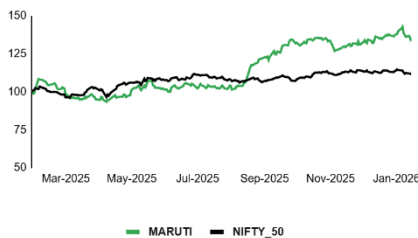
Shareholding Pattern %

(As on Dec, 2025)

Promoters	58.28
Public & Others	41.72

Stock Performance (%)	1m	3m	12m
Maruti Suzuki	-10.3	-8.79	22.7
Nifty 50	1.5	4.1	6.5

Maruti Vs Nifty 50



Maruti's (MSIL) reported Estimates below largely reflect the impact of a one-time provision arising from the New Labour Codes, leading to higher employee costs, along with adverse commodity prices and supply-related challenges due to Rare Earth Element constraints. In addition, margins were affected by unfavourable Fixed Cost Incidence due to inventory depletion and price reductions in certain models. Standalone revenue stood at INR 4,98,915 Mn, slightly below our estimate of INR 5,14,460 Mn registering a growth of 28.7% YoY/ 17.9% QoQ. EBITDA stood at INR 55,717 Mn, above our estimate of INR 55,580 Mn, registering a growth of 10% YoY/ 9.6% QoQ. Adj EBITDA stood at INR 61,656 due to Labour Codes impact of INR 5,939 Mn adjustment in (a) Gratuity: INR 3,256 mn (INR 3,093 mn in employee benefits expense; INR 163 mn in other expenses). b) Long-term compensated absences: INR 2,683 mn, included in employee benefits expense. On the margins front, Adj EBITDA margin steady at 11.17% due to impact of labour codes in employee expense and other expense. EBITDA Margin were at 12.36%.Adj PAT Standalone to INR 43,879 Mn above our estimate of INR 43,189 Mn led by higher employee expense cost by 19.9% YoY/+32.8% QoQ.

Improved structural transparency resulted from SMG's merger with Maruti Suzuki: EBITDA increased as a result of cost reclassification, while EBIT and cash flows remained mostly unchanged. The unified structure improves visibility into actual manufacturing costs, centralizes capital allocation, and reduces intra-group complexity. This should eventually lead to increased capital productivity, more seamless capacity expansion, and improved procurement efficiency. It should also lessen accounting noise and boost confidence in reported margins and returns.

One-Time Cost Pressures Weigh on Margins, Recovery Intact: Commodity inflation (~60 bps), rare-earth supply problems (~20 bps), inventory-related fixed-cost absorption (~50 bps), foreign exchange (~15 bps), price reductions (~70 bps), and a one-time labor code provision (~INR 5.9 bn) all contributed to the Q3 EBIT margin's moderation to 8.1%. Strong operating leverage (~190 bps) and lower discounts/favorable mix (~120 bps) helped to partially offset these headwinds. The majority of pressures, according to management, are either cyclical or temporary, and as inventory replenishes and capacity utilization increases, margin normalization should ensue.

Growth Visibility Is Supported by Capacity Expansion: Maruti is implementing one of the industry's most aggressive capacity expansion plans to meet demand. By FY27, Kharkhoda Phase-2 and Gujarat Line-4 (each about 250k units) will be operational, and a second greenfield plant in Gujarat has already been announced. The management reaffirmed that if demand continues, capacity will not be a limiting factor and capital availability is not a constraint. Due to the lack of execution bottlenecks, Maruti is better positioned to protect market share and profit from demand recovery.

Outlook and valuation

Due to the GST cut, extremely low dealer inventory of three to four days, and a strong order book of about 175,000 units, the near-term demand environment is still strong, with Q4FY26 industry volumes predicted to grow in the high teens. Due to its current supply constraints, Maruti has a high potential for conversion as more capacity becomes available. With expectations of about 400,000 units in FY26 and about INR 82 bn in export revenue in Q3, exports continue to be a crucial growth lever. With improved operating leverage and inventory normalization into FY27, margin pressures from commodities and pricing are anticipated to moderate, and ~7% sustainable volume growth is considered a reasonable baseline over the medium term once GST-led demand normalizes. Additionally, the SMG amalgamation enhances cost transparency and operational control, reducing accounting noise at the EBITDA level while keeping EBIT and cash flows unchanged, supporting clearer margin and return visibility into FY27. **We value Maruti at 28x FY28E EPS of INR 618 for the revised target price of INR 17,305 per share. We maintain our Accumulate rating on the stock.**

Exhibit 1: Financial Performance

Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
Net Sales	15,28,679	17,71,891	20,41,321	23,35,642
EBITDA	2,01,492	2,07,998	2,41,378	2,79,926
Net Profit	1,42,976	1,48,100	1,69,109	1,94,310
Diluted EPS (INR.)	443.9	471.1	537.9	618.0
ROE (%)	15.7%	14.7%	15.3%	15.7%
ROCE (%)	15.1%	14.3%	14.9%	15.4%
P/E Ratio	32.7	31.6	27.7	24.1
P/BV	5.0	4.6	4.1	3.6
EV/ EBITDA	23.4	22.4	18.9	15.8
Debt / Equity (x)	0.04	0.04	0.04	0.03

Source: Arihant Research, Company Filings

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Maruti- Q3FY26 Concall KTAs**Outlook**

Despite strong Q3–Q4 momentum, management remains cautious on medium-term guidance, reiterating a ~7% sustainable volume growth assumption, with reassessment planned in coming months once post-GST demand normalizes. This conservative stance reduces expectation risk and signals disciplined capital and pricing strategy.

Demand

PV demand was driven by the historic GST reduction (5–10%), with industry volumes swinging from -0.4% in H1FY26 to +20.5% YoY in Q3. Maruti outperformed meaningfully, with domestic volume growth of 22% YoY, aided by strong traction in small cars (18% GST slab) as well as sustained SUV demand. Demand strength across segments rather than isolated pockets, indicating a broad-based recovery rather than model-specific spikes.

Retail sales

Maruti reported its highest-ever quarterly retail sales of ~683,000 units, ending Q3 with network inventory of just 3–4 days and a robust order book of ~175,000 vehicles.

Volume

Management clearly stated that volumes are currently supply-constrained, not demand-limited, with production running on Sundays and holidays. This underscores strong near-term revenue visibility and reduces downside risk to Q4 dispatches.

One-Offs

Q3 FY26 net sales rose to ~INR 475 bn (+29% YoY), while net profit stood at ~INR 38 bn, impacted by a one-time labor code provision of ~INR 5.9 bn. On a sequential basis, EBIT margin moderated to 8.1% (vs 8.4% QoQ), driven by a combination of commodity inflation (~60 bps), rare-earth supply issues (~20 bps), inventory-related fixed-cost absorption (~50 bps), FX (~15 bps), and price reductions (~70 bps). These were partly offset by strong operating leverage (~190 bps) and lower discounts / better mix (~120 bps).

Small Cars

Return of small cars to positive growth, with management highlighting a 6–7% point increase in first-time buyers, taking the mix to ~47%. This indicates affordability-led demand revival post-GST cut and supports volume sustainability beyond premium/SUV segments. This is structurally healthy for long-term industry growth rather than short-term elasticity.

Pricing

Despite cost pressures, Maruti has refrained from price hikes post-GST reduction, citing ethical considerations and the desire to sustain demand momentum. Price reductions in select models impacted margins (~70 bps), but management indicated this is a tactical choice to build scale and customer goodwill, with pricing recovery possible once demand normalizes. This reflects a clear volume-first strategy in the current upcycle.

Exports

Export revenue for Q3 stood at ~INR 82 bn, with Maruti commanding ~46% share of India's PV exports in CY25. Export volumes were impacted by a one-off shipment miss, but underlying momentum remains intact, with reiterating ~400,000 export volume guidance. The e-VITARA EV has already been exported to 28–29 countries (~13,000 units), underscoring Maruti's growing role in Suzuki's global EV supply chain.

Capacity

Kharkhoda Plant Phase-2 to be operational by April 2026 (~250k units). Gujarat Plant Line-4 (D-line) to follow shortly (~250k units)

Second greenfield plant in Gujarat

Management reiterated that capital availability is not a constraint, highlighting strong confidence in India's multi-year auto demand trajectory.

EV Strategy

Reiterated commitment to EVs with plans for multiple EV launches, targeting 100,000+ charging points by 2030 in partnership with charge-point operators. While ICE demand has rebounded strongly, management emphasized that EV momentum remains intact, supported by government incentives, ecosystem build-out, and export-led scaling.

Exhibit 2: Q3FY26 result Snapshot

Standalone (INRm)	Q3FY26	Q2FY26	Q3FY25	QoQ(%)	YoY (%)
Net Sales	4,98,915	4,23,324	3,87,523	17.9	28.7
- Raw Material	362673	304569	273045	19.1	32.8
(% of Net Sales)	72.69%	71.95%	70.46%	1.0	3.2
- Staff Expenditure	26,929	20,456	17,799	31.6	51.3
(% of Net Sales)	5.40%	4.83%	4.59%	11.7	17.5
- Other Expenditure	53,596	47,450	46,033	13.0	16.4
(% of Net Sales)	10.74%	11.21%	11.88%	-4.2	-9.6
Total Expenditure	4,43,198	3,72,475	3,36,877	19.0	31.6
EBITDA	55,717	50,849	50,646	9.6	10.0
EBITDA Margin (%)	11.17%	12.01%	13.07%	-84bps	-190bps
Adj EBITDA	61656	-	-	-	-
Adj EBITDA Margin	12.36%	-	-	-	-
Depreciation	17343	17028	14287	1.8	21.4
EBIT	38,374	33,821	36,359	13.5	5.5
EBIT Margin (%)	7.69%	7.99%	9.38%	-30bps	-169bps
Interest	617	572	463	7.9	33.3
Other Income	10543	9661	10672	9.1	-1.2
PBT	48,300	42,910	46,568	12.6	3.7
Tax	10360	9881	9975	4.8	3.9
Tax Rate (%)	21.45%	23.03%	21.42%	-158bps	3bps
Adjusted PAT	43,879	33,029	36,593	32.8	19.9
Exceptional Items	-	-	-		
Reported PAT	37,940	33,029	36,593	14.9	3.7
Reported EPS (INR)	120.67	105.05	116.39	14.9	3.7
Volumes (In Nos)	6,67,769	5,50,874	5,66,213	21.2	17.9
Net Realisation (INR)	7,47,137	7,68,459	6,84,412	-2.8	9.2
EBITDA / Vehicle (INR)	83,438	92,306	89,447	-9.6	-6.7

Source: Arihant Research, Company Filings,

Profit & Loss-Standalone				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
Net revenues	15,28,679	17,71,891	20,41,321	23,35,642
Operating expenses	13,27,187	15,63,893	17,99,943	20,55,716
EBITDA	2,01,492	2,07,998	2,41,378	2,79,926
EBITDA margin (%)	13.18%	11.74%	11.82%	11.98%
Other income	50,647	52,997	54,350	57,965
Interest	1,942	2,294	2,516	2,726
Depreciation	56,070	67,726	75,007	84,443
Profit Before Tax	1,94,127	1,90,976	2,18,205	2,50,722
Tax	51,151	42,876	49,096	56,413
Reported Net Profit	1,42,976	1,48,100	1,69,109	1,94,310
Net Margin (%)	9.35%	8.36%	8.28%	8.32%
Adjusted Net Profit	1,42,976	1,48,100	1,69,109	1,94,310

Balance Sheet-Standalone				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
Equity capital	1,572	1,572	1,572	1,572
Reserves & surplus	9,22,179	10,21,547	11,38,780	12,81,214
Shareholders funds	9,23,751	10,23,119	11,40,352	12,82,786
Total Loans	41,940	41,940	41,940	41,940
Deferred tax liability	35,753	-	-	-
Total Liabilities and Equity	10,01,444	10,65,059	11,82,292	13,24,726
Gross block	5,29,050	6,36,625	7,29,625	8,34,125
Depreciation	2,86,828	3,54,554	4,29,561	5,14,003
Net block	2,42,222	2,82,071	3,00,064	3,20,122
Capital WIP	53,575	36,000	38,000	28,500
Investments	7,45,063	7,45,563	7,46,063	7,46,563
Inventory	51,230	64,270	73,970	84,481
Debtors	65,377	48,545	55,927	63,990
Cash & Bank Bal	4,428	62,598	1,58,028	2,82,744
Loans & Advances	85,407	1,18,154	1,31,625	1,46,341
Current Assets	2,06,442	2,93,566	4,19,550	5,77,557
Sundry Creditors	1,74,211	1,56,736	1,82,836	2,09,467
Other Current Liability	99,548	1,35,405	1,38,549	1,38,549
Current Liability & Provisions	2,73,759	2,92,141	3,21,385	3,48,016
Net current assets	(67,317)	1,425	98,165	2,29,541
Total Assets	9,73,543	10,65,059	11,82,292	13,24,726

Source: Arian Research, Company Filings

Cash Flow-Standalone				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
EBIT	1,45,422	1,40,273	1,66,371	1,95,484
Other Income	50,647	52,997	54,350	57,965
Depreciation & Amortisation	56,070	67,726	75,007	84,443
Interest paid(-)	(1,942)	(2,294)	(2,516)	(2,726)
Tax paid(-)	(51,151)	(42,876)	(49,096)	(56,413)
Extra Ord Income	-	-	-	-
Operating Cash Flow	1,99,046	2,15,826	2,44,116	2,78,752
Change in Working Capital	12,154	(10,572)	(1,310)	(6,660)
Cash flow from Operations	2,11,200	2,05,254	2,42,806	2,72,092
Capex	(1,01,575)	(90,000)	(95,000)	(95,000)
Strategic Investment	(43,444)	-	-	-
Non Strategic Investment	(16,482)	(500)	(500)	(500)
Cash flow from Investing	(1,61,501)	(90,500)	(95,500)	(95,500)
Change in borrowing	1,322	-	-	-
Others	-	-	-	-
Dividens Paid (-)	(44,016)	(48,732)	(51,876)	(51,876)
Cashflow from Financial Activities	(42,694)	(48,732)	(51,876)	(51,876)
Change in Cash	7,005	66,022	95,430	1,24,716
Opening cash	4,600	4,428	62,598	1,58,028
Closing cash	4,428	62,598	1,58,028	2,82,744

Key Ratios				
Y/E Mar	FY25	FY26E	FY27E	FY28E
Revenue Growth	8.5	15.9	15.2	14.4
EBITDA Margin	13.2	11.7	11.8	12.0
Net Profit Margin	9.4	8.4	8.3	8.3
ROCE (%)	15.1	14.3	14.9	15.4
ROE (%)	15.7	14.7	15.3	15.7
Diluted EPS (INR)	454.8	471.1	537.9	618.0
PER (x)	32.7	31.6	27.7	24.1
P/BV (x)	5.0	4.6	4.1	3.6
EV/ EBITDA (x)	23.4	22.4	18.9	15.8
Fixed Assets Turnover Ratio (x)	5.0	5.6	6.0	6.7
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	3.1	2.6	2.2	1.9

Source: Arianth Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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