RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY

TP: Rs 18,821 | ⮝ 27%

MARUTI SUZUKI | Automobiles | 29 January 2026

Volume gain momentum to continue; maintain BUY

- **Q3 revenue rising ~29% YoY to ~Rs499bn, outpacing volume growth of ~17.9% YoY to ~667.8k units, aided by 9% realisation gains**
- **Commodity costs inflation/adverse forex keeps gross margins range bound. EBITDA margin down 190bps YoY to 11.2%**
- **EPS retain for FY27E/FY28E to factor volume gains. We continue to value MSIL at 29x P/E with revised TP of Rs 18,821 (18,580). Retain BUY**

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Strong topline growth, driven by mix, GST cut and festive demand: MSIL delivered a robust Q3FY26 performance, with revenue rising ~29% YoY to ~Rs499bn, outpacing volume growth of ~17.9% YoY to ~667.8k units. This was aided by healthy average realisation of ~Rs747k per vehicle (~9% YoY), reflecting favourable product mix and premiumisation. Mini+compact segment rebounded, growing ~25% YoY, indicating rural traction and 2W upgrade demand pickup.

Cost pressure offsets operating leverage: Margin performance remained constrained despite raw material costs, adjusted for inventory, creeping by 3%/1% YoY/QoQ as RM to sales rose to 72.2% vs 70.5% YoY. This was driven by commodity cost inflation (-60bps), price reduction (-70bps), and rare earth supply issues (-20bps) despite favourable sales mix. Gross margins hover ~27%.

Earning trail topline impacted by margin compression: EBITDA grew ~10% YoY to Rs55.7bn, lagging revenue growth pace and EBITDA margins compressed by ~190bps YoY. This was largely due to cost headwinds outweighed operating leverage gains. Further Q3, was impacted by a one-time new labour codes provision of ~Rs5.9bn. Effectively PAT increased by ~4% YoY trailing revenue growth.

Calibrated expansion strategy: The Kharkhoda Phase 2 plant is scheduled for operations by April 2026, followed by Gujarat D-line (each adding 250k units/year), new Gujarat greenfield announced to accelerate the post-GST Capex. Further, multiple EV launches planned with charging network to 100k touchpoints by 2030; SMG amalgamation restated from April 1, 2025, adjusting EBITDA/EBIT (minor).

Maintain estimates, Retain BUY: We retain FY27E/FY28E earnings keeping MSIL ahead of the industry. Our 3Y EBITDA/PAT CAGR is healthy at 14%/15% and EBITDA margins hover ~12% over FY26-FY28. Our growth stance is backed by MSIL's strong focus on new launches by 2031, healthy capex plans and the thrust on EVs (average of 1 EV launch till FY30). Revival in compact cars augurs well for MSIL. We continue to value MSIL at 29x P/E Dec 2027 earnings (premium to its 10Y average), with a revised TP of Rs 18,821 (vs Rs 18,580) on rollover. Maintain BUY

Key changes

Target	Rating
▲	◄►

Ticker/Price	MSIL IN/Rs 14,877
Market cap	US$ 48.9bn
Free float	44%
3M ADV	US$ 63.8mn
52wk high/low	Rs 17,370/Rs 11,060
Promoter/FPI/DII	56%/23%/16%

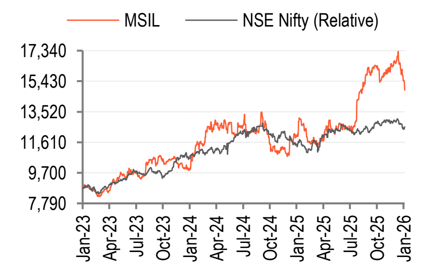
Source: NSE | Price as of 28 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	15,19,001	17,22,083	19,54,887
EBITDA (Rs mn)	1,77,852	2,06,370	2,36,698
Adj. net profit (Rs mn)	1,39,552	1,59,747	1,86,124
Adj. EPS (Rs)	443.9	508.1	592.0
Consensus EPS (Rs)	443.9	506.0	607.0
Adj. ROAE (%)	14.8	15.1	15.6
Adj. P/E (x)	33.5	29.3	25.1
EV/EBITDA (x)	25.3	21.8	19.1
Adj. EPS growth (%)	5.6	14.5	16.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q3FY26	Q2FY26	Our view
Volumes	MSIL reported total domestic sales of ~565k units in Q3FY26, up ~20.9% YoY, led by strong recovery in Mini + Compact segment (46.6% mix) and healthy UV volumes of ~224k units (+20.8% YoY). Total sales volume came at ~668k units (+17.9% YoY) including exports. Retail sales were ~683k units in Q3 (vs wholesale constrained by supplies). Network inventory at Q3 end was lowest 3-4 days, with healthy order book of ~175k units. CY25 milestones: 30mn cumulative domestic sales, 2mn annual production for 2nd consecutive year.	MSIL reported total sales of ~551k units in Q2FY26, comprising domestic sales of ~440k units (down 5.1% YoY) and exports of ~110k units (up 42.2% YoY). Retail sales during the festive period (22nd September to 31st October) reached ~400k units, nearly double the ~211k units YoY, with ~500k bookings vs ~350k YoY. Small cars contributed ~250k retail units in this period. October retail sales grew 20% YoY, with small cars (18% GST bracket) up 30% and higher-taxed models up 4-5%. Pending bookings are at ~200k units post-festive. MSIL anticipates industry growth of ~6% YoY on a sustainable basis in H2FY26 and beyond.	MSIL is one of the key beneficiaries of GST rate rationalisation. Small/compact car segment has seen revival that was long awaited. Further, new capacity at Kharkhoda will aid volume as capacity utilisation improves. Better export sales augurs well to supporting volume revival in domestic markets in near term.
Margins	EBIT margin declined to 8.1% in Q3FY26 from 9.9% YoY (8.4% in Q2), impacted by unfavorable factors: adverse commodities (-60bps), REE supply issues (-20bps), inventory depletion fixed costs (-50bps), forex (-15bps), price reductions (-70bps), and one-time labor codes provision (-125bps, ~Rs 5.9bn). Offset by favorable operating leverage (+190bps) and lower discounts/mix (+120bps). 9MFY26 net profit Rs108.5bn (up ~4% YoY). SMG amalgamation restated from April 1, 2025; no EBIT impact (material cost down, depreciation/others up).	EBIT margin improved to 8.0% in Q2FY26 from 7.9% in Q1FY26 (9.9% YoY). Positive factors included operating leverage (110bps) and lower operating expenses (50bps). These were partially offset by higher sales promotion expenses (75bps), limited-time price corrections (20bps), higher advertisement expenses due to Victoris launch (15bps), and adverse forex/commodity impact (30bps, mainly JPY). Hedging gains (~20bps) accrued in non-operating income. Mark-to-market impact from hardening bond yields reduced non-operating income.	Commodity prices reversal and additional hit by forex impacted gross margins. The impact on fixed cost due to lower inventory will be reversed as inventory reverts to normalisation. Promo expenses, too, will stabilise in the short term.
Discounts	Lower discounts contributed +120bps to margins (with mix). No immediate price hikes post-GST; focus will be on sustaining momentum helping higher operating leverage. Mini segment saw additional cuts for first-time buyers but calibrated to avoid recovery disruption.	Sales promotion expenses impacted margins by ~75bps QoQ. Limited-time price corrections were implemented over GST benefits to aid consumer momentum post 22nd September.	Current domestic focus is on maintaining momentum and effectively boosting volume. Margins are guarded by a focus on exports. This helps taper price wars in the domestic segment (without impacting margins).
Supply	Supplies constrained demand; production was ramped up on Sundays/holidays to meet demand. REE issues (-20bps impact) led to importing sub-assemblies (higher costs/air freight). Govt scheme for domestic rare earth magnets positive in the long-term.	CNG portfolio contribution remains healthy. e-Vitara production commenced for exports to over 100 countries. Inventory was ~38 days at September-end but expected to decline from the current levels in October, due to strong retail offtake.	Lower inventory is a healthy sign keeping the production momentum. However, we will diligently track the adverse supply chain issues. Further, healthy launch of EV and variants in the ICE segment implies no major impediment to growth.
Commodities	Adverse impact -60bps from PGM, Al, Cu; forex -15bps (yen). Steel pressures from industry hikes despite government safeguard duties (imports don't qualify). Steel is negotiated on a quarterly basis; no hedging is conducted.	Adverse commodity impact contributed -30bps along with forex (JPY). Hedging gains (~20bps) were recorded as part of non-operating income.	Some negative surprises were expected due to commodity cost inflation in the near term, reflected in H1 gross margin too (decline for MSIL). However, strong momentum, better product mix and exports are offsetting the impact partially.

Parameter	Q3FY26	Q2FY26	Our view
Capacity	Kharkhoda Phase 2 will be operational by April 2026; Gujarat D-line soon after (each 250k units/annum). New Gujarat greenfield announced. MSIL has reached a run rate of Rs100bn/year; FY27 budgeting underway.	Kharkhoda plant depreciation impact continues but will likely normalise with ramp-up.	Capacity expansion is key for growth and is being addressed. Focus on EVs is a step in the right direction. Better capacity utilisation will offer leverage benefits and offset depreciation impact.
Exports	CY25: 46% PV market share; e-Vitara has exported >13k units to 29 countries (plan 100+). Q3 growth low single-digit YoY due to missed shipment (logistics). Jimny achieved >100k cumulative exports. FTA with EU/UK positive (above EUR15k CIF phased in).	Exports grew 42.2% YoY to ~110k units; H1FY26 exports at record ~207k units. MSIL commanded 45.4% share of India's PV exports. Jimny 5-door surpassed 100k cumulative exports. e-Vitara exports began, with ~7k units shipped. Export revenue was ~Rs 83 bn. Management expects to exceed 400k units export guidance in FY26 (H1 already >200k units).	Exports form ~20% proportion of the topline. Steady exports demand will aid further revenue growth. This will prove handy with domestic growth pace adding momentum. Focus on exports, especially with EV launches, will help volume growth.
Electric Vehicles	e-Vitara: received the 5-star BNCAP rating; domestic launch soon (exports prioritized). REE issues led to importing sub-assemblies (-20bps). In-line with Suzuki's global plan multiple EVs are planned; charging network currently covers 2k point (1.1k cities), collab with 13 operators for operating 100k by 2030.	e-Vitara production started for India and exports to >100 countries (including Europe, Japan). Furthermore, first lithium-ion battery cell/electrode manufacturing for strong hybrids in India was commenced for strong hybrid electric vehicles.	This is in line with MSIL's long-term guidance of launching EVs by FY25-end. Strong focus on EV launches only augur well for the overall growth.
Other key points	Victoris: ICOTY winner; witnessing strong demand. WagonR introduced swivel seat for inclusive mobility. Maruti Suzuki Smart Finance (MSSF): 2.5mn loans disbursed totaling Rs1.7trn. First-time buyers up 7%. SMG amalgamation: Standalone statements restated from April 1, 2025; Due to regrouping of costs and depreciation EBITDA is adjusted upwards, no impact on EBIT.	Victoris SUV launched with advanced features; >30k bookings. Grand Vitara hit 300k sales in 32 months; Phantom Black Edition unveiled. Service network expanded to 5,640 touchpoints (5,000th Arena touch point inaugurated). DZire drove sedan segment growth (outpacing SUVs industry-wide). Top 100 cities bookings were up by 50%, and beyond top 100 they were up by 65%. Suzuki targets 8 more launches by FY30-31 and was indicated it could be across segments. Management reiterated their 50% market share goal.	The 50% market share focus without any meaningful margin impact is very aggressive stance and will be keenly watched. Indications of new launches across segment add new breeze to the momentum after a considerable period.

Source: Company, BOBCAPS Research

Fig 1 – Quarterly performance (Standalone)

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E
Volume	6,67,769	5,66,213	17.9	5,50,874	21.2	6,67,769
Avg. Realisation per Vehicle	6,64,638	6,84,412	(2.9)	7,68,457	(13.5)	7,14,665
Net Revenues	4,98,915	3,87,523	28.7	4,23,323	17.9	4,77,231
Total Income (A)	**4,98,915**	**3,87,523**	**28.7**	**4,23,323**	**17.9**	**4,77,231**
Operating Expenses						
Raw materials consumed	3,62,673	2,73,045	32.8	3,04,569	24.9	3,50,047
Employee Expenses	26,929	17,799	51.3	20,456	17.4	20,865
Other Expenses	53,596	46,033	16.4	47,450	24.7	58,222
Total Expenditure (B)	**4,43,198**	**3,36,877**	**31.6**	**3,72,475**	**24.5**	**4,29,134**
EBITDA (A-B)	55,717	50,646	10.0	50,848	14.4	48,097
Other Income	10,543	10,672	(1.2)	9,661	(12.6)	9,761
Depreciation	17,343	14,287	21.4	17,028	7.4	10,570
EBIT	48,917	47,031	4.0	43,481	9.0	47,288
Finance Costs	617	463	33.3	572	20.9	550
PBT after excep items	48,300	46,568	3.7	42,909	8.9	46,738
Tax expense	10,360	9,975	3.9	9,881	8.9	10,750
Reported PAT	**37,940**	**36,593**	**3.7**	**33,028**	**8.9**	**35,988**
Adjusted PAT	**37,940**	**36,593**	**3.7**	**33,028**	**8.9**	**35,988**
EPS (Rs)	125.6	121.2	3.7	109.4	8.9	119.2
Key Ratios (%)			**(bps)**		**(bps)**	
Gross Margin	27.3	29.5	(223.3)	28.1	(74.5)	26.7
EBITDA Margin	11.2	13.1	(190.2)	12.0	(84.4)	10.1
EBIT Margin	9.8	12.1	(233.2)	10.3	(46.7)	9.9
PBT Margin	9.7	12.0	(233.6)	10.1	(45.5)	9.8
Tax Rate	21.4	21.4	2.9	23.0	(157.9)	23.0
Adj PAT Margin	7.6	9.4	(183.8)	7.8	(19.8)	7.5

Source: Company, BOBCAPS Research

Valuation Methodology

We retain our FY27E/FY28E earnings factoring higher volume, following new GST rates with MSIL staying ahead of the industry. Our 3Y EBITDA/PAT CAGR is healthy at 14%/15%; though EBITDA margins stay ~12% over FY26-FY28. Our growth outlook is backed by MSIL's focus on 8 new launches by 2031, and further indications of new launches across segments add new breeze to the momentum after a considerable period. Management's reiteration of 50% market share focus without any meaningful margin impact is an aggressive stance and will be keenly watched.

MSIL's healthy capex and thrust on EVs (average of 1 EV launch till FY30) augur well for the medium term and beyond to cater to the estimated growth across segments and verticals. Recent revival in compact cars only augurs well. These indicators imply broad-based recovery, effectively leading healthy momentum beyond FY26.

Current focus on the volume momentum is likely to continue. Hence, MSIL, as a leader, has avoided any price turbulence impacting the industry. This was offset by focus on exports that is guarding the margins. We feel that once the volume pickup is broad based and sustainable, the commodity and statutory cost impact will be passed through.

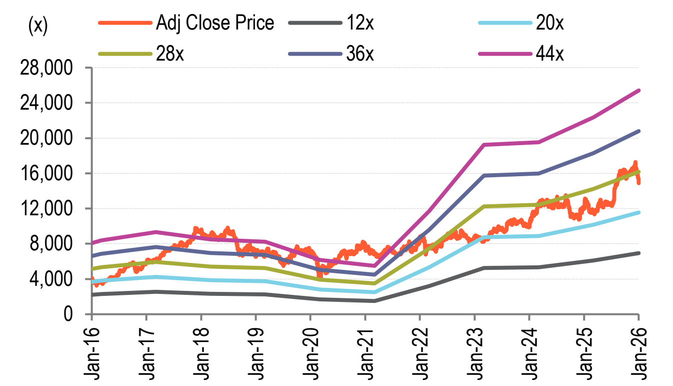
Factoring all the above indicators, we maintain BUY, valuing MSIL at 29x P/E 1YF earnings (premium to its 10Y average), with a revised TP of Rs 18,821 (vs Rs18,580).

Fig 2 – Key assumptions

Parameter	FY25	FY26E	FY27E	FY28E
Volume (nos)	22,42,089	24,10,246	26,69,347	28,69,548
ASP (Rs)	6,99,789	7,14,484	7,32,346	7,52,120
Revenues (Rs mn)	15,19,001	17,22,083	19,54,887	21,58,244
EBITDA (Rs mn)	1,77,852	2,06,370	2,36,698	2,65,323
Operating margin (%)	11.7	12.0	12.1	12.3
Adjusted Net Profit (Rs mn)	1,39,552	1,59,747	1,86,124	2,10,024
Adjusted EPS (Rs)	444	508	592	668

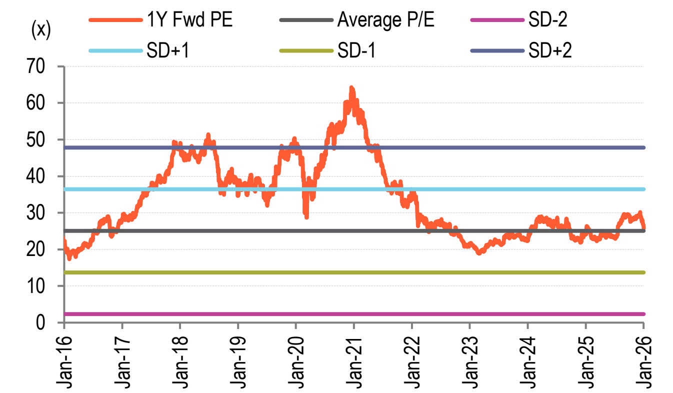
Source: Company, BOBCAPS Research

Fig 3 – P/E band: We continue to value MSIL at 29x 1YF EPS



Source: Company, Bloomberg, BOBCAPS Research

Fig 4 – P/E 1F: Valuation is expected to command a well-deserved premium in the medium term



Source: Company, Bloomberg, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- Intense competitive pressure leading to higher discounts/price cuts
- Commodity inflation gaining pace faster than expected
- Delays in model launches in various segments, including CNG and EVs.

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**14,09,326**	**15,19,001**	**17,22,083**	**19,54,887**	**21,58,244**
EBITDA	1,64,011	1,77,852	2,06,370	2,36,698	2,65,323
Depreciation	30,223	31,593	53,145	56,188	61,888
EBIT	1,72,336	1,93,763	2,04,286	2,37,617	2,67,725
Net interest inc./(exp.)	(1,932)	(1,931)	(2,075)	(2,017)	(1,871)
Other inc./(exp.)	38,548	47,504	51,062	57,107	64,289
Exceptional items	0	0	0	0	0
EBT	1,70,404	1,91,832	2,02,211	2,35,600	2,65,854
Income taxes	38,310	52,280	42,464	49,476	55,829
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**1,32,094**	**1,39,552**	**1,59,747**	**1,86,124**	**2,10,024**
Adjustments	0	0	0	0	0
Adjusted net profit	**1,32,094**	**1,39,552**	**1,59,747**	**1,86,124**	**2,10,024**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,88,798	2,28,175	2,05,064	2,47,563	2,72,518
Other current liabilities	27,914	24,383	63,819	57,223	63,339
Provisions	13,514	15,683	4,435	4,879	5,367
Debt funds	32,802	34,583	24,437	17,335	17,012
Other liabilities	0	0	0	0	0
Equity capital	1,572	1,572	1,572	1,572	1,572
Reserves & surplus	8,38,249	9,38,896	10,56,161	11,93,630	13,47,951
Shareholders' fund	8,39,821	9,40,468	10,57,733	11,95,202	13,49,523
Total liab. and equities	**11,02,849**	**12,43,292**	**13,55,488**	**15,22,202**	**17,07,758**
Cash and cash eq.	4,600	4,464	12,864	34,720	57,023
Accounts receivables	46,013	65,377	43,913	49,850	55,035
Inventories	41,196	51,230	69,744	79,173	88,488
Other current assets	65,019	75,023	63,781	70,881	77,083
Investments	6,85,137	7,45,063	8,26,063	9,31,063	10,47,063
Net fixed assets	1,87,258	2,51,086	2,57,941	2,61,754	2,59,866
CWIP	63,034	53,575	85,000	1,00,000	1,30,000
Intangible assets	0	0	0	0	0
Deferred tax assets, net	1,124	(12,911)	(14,202)	(15,622)	(17,185)
Other assets	9,467	10,384	10,384	10,384	10,384
Total assets	**11,02,848**	**12,43,291**	**13,55,488**	**15,22,202**	**17,07,758**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**1,43,761**	**1,18,648**	**1,79,024**	**1,97,070**	**2,16,607**
Capital expenditures	(73,496)	(85,962)	(91,425)	(75,000)	(90,000)
Change in investments	(2,07,573)	(59,926)	(81,000)	(1,05,000)	(1,16,000)
Other investing cash flows	38,548	47,504	51,062	57,107	64,289
Cash flow from investing	**(2,42,521)**	**(98,384)**	**(1,21,363)**	**(1,22,893)**	**(1,41,711)**
Equities issued/Others	1,28,405	0	0	0	0
Debt raised/repaid	(5,520)	1,781	(10,146)	(7,102)	(324)
Interest expenses	(1,932)	(1,931)	(2,075)	(2,017)	(1,871)
Dividends paid	(27,187)	(42,444)	(44,802)	(51,074)	(58,225)
Other financing cash flows	2,287	14,035	1,291	1,420	1,562
Cash flow from financing	**96,053**	**(28,559)**	**(55,732)**	**(58,773)**	**(58,857)**
Chg in cash & cash eq.	**(2,707)**	**(8,295)**	**1,929**	**15,404**	**16,038**
Closing cash & cash eq.	**4,600**	**4,464**	**12,864**	**34,720**	**57,023**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	420.1	443.9	508.1	592.0	668.0
Adjusted EPS	420.1	443.9	508.1	592.0	668.0
Dividend per share	86.5	135.0	142.5	162.5	185.2
Book value per share	2,671.2	2,991.3	3,364.3	3,801.5	4,292.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.2	3.0	2.6	2.3	2.1
EV/EBITDA	27.3	25.3	21.8	19.1	17.2
Adjusted P/E	35.4	33.5	29.3	25.1	22.3
P/BV	5.6	5.0	4.4	3.9	3.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.5	72.7	79.0	79.0	79.0
Interest burden (PBT/EBIT)	98.9	99.0	99.0	99.2	99.3
EBIT margin (EBIT/Revenue)	12.2	12.8	11.9	12.2	12.4
Asset turnover (Rev./Avg TA)	186.1	164.4	167.4	170.4	167.4
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	18.3	15.7	16.0	16.5	16.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	19.9	7.8	13.4	13.5	10.4
EBITDA	49.0	8.4	16.0	14.7	12.1
Adjusted EPS	57.7	5.6	14.5	16.5	12.8
Profitability & Return ratios (%)					
EBITDA margin	11.6	11.7	12.0	12.1	12.3
EBIT margin	12.2	12.8	11.9	12.2	12.4
Adjusted profit margin	9.4	9.2	9.3	9.5	9.7
Adjusted ROAE	15.7	14.8	15.1	15.6	15.6
ROCE	17.4	15.0	15.3	15.9	16.0
Working capital days (days)					
Receivables	10	13	12	9	9
Inventory	11	11	13	14	14
Payables	62	70	65	61	63
Ratios (x)					
Gross asset turnover	0.3	0.3	0.3	0.3	0.3
Current ratio	0.7	0.7	0.7	0.8	0.8
Net interest coverage ratio	(89.2)	(100.3)	(98.5)	(117.8)	(143.1)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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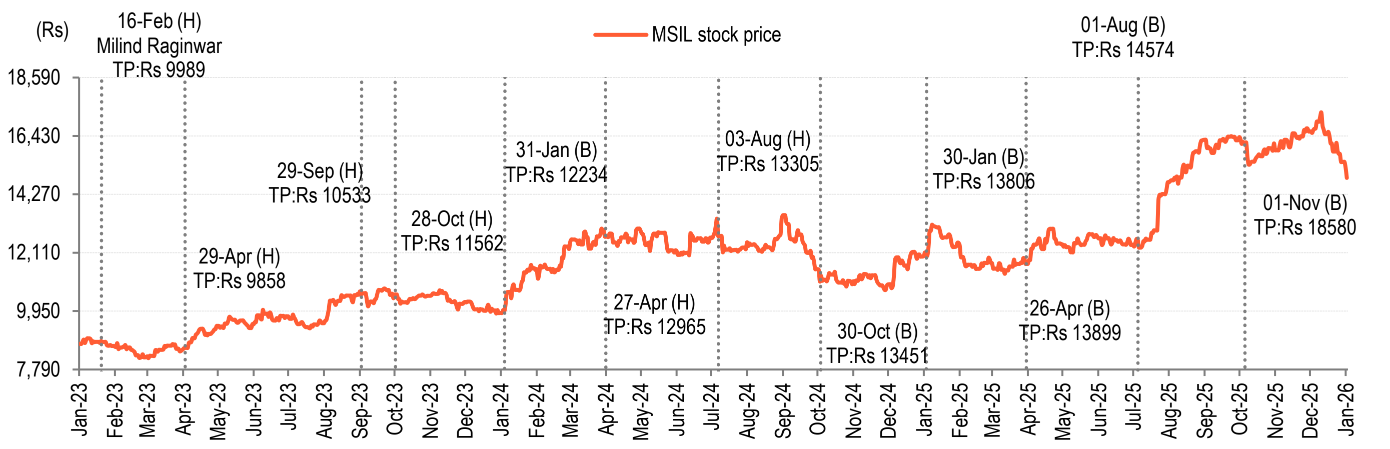
Recommendation scale: Recommendations and Absolute returns (%) over 12 months
BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): MARUTI SUZUKI (MSIL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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