

Maruti drives ahead on exports

SMALL CARS REMAIN KEY TO COMPANY'S GROWTH STRATEGY

MARUTI SUZUKI INDIA'S (MSIL) festive demand surged in the quarter, with retail sales reaching 400,000 units between late September and October—nearly double the level a year earlier. Small cars led the recovery, registering a 30% y-o-y growth in October, while larger models gained around 5%. Retail growth in smaller towns exceeded 60%, underscoring the resilience of rural demand. Pending bookings stood at about 200,000 units, including 30,000 for the recently launched Victoris sport utility vehicle. Inventory levels eased to around 30 days by the end of the quarter, and the company expressed confidence that growth momentum will continue into the second half, aided by strong demand and improved production.

Between September 22 and October 31, exports were a key bright spot, rising 42% y-o-y, with models such as the Fronx and Jimny surpassing 100,000 units each. The company accounted for 45.4% of India's car exports in the H1 of the current

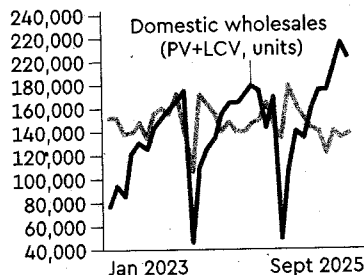
fiscal year and now expects to exceed its export guidance of 400,000 units for the year. Maruti's long-term objectives include achieving a 10% operating margin and a 50% market share in the domestic market.

The Gurugram-based auto giant plans to launch eight new SUVs by 2031 as part of its broader strategy to adapt to India's shifting automotive landscape. Margins are expected to strengthen in the coming quarters, driven by operating leverage and reduced discounting. The company projects an earnings growth of about 15% and an expansion in its operating margin to 12–12.8% between fiscal years 2026 and 2028.

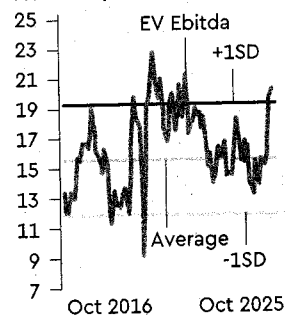
As India's automotive market evolves, the company faces the dual challenge of defending its small car dominance while expanding its presence in the fast-growing SUV segment. Its performance in the coming quarters will determine how effectively it balances both ends of the

GOOD SALES

MSIL's monthly inventory vs domestic wholesales



MSIL - EV/Ebitda band



Source: Company data, Nomura research, Bloomberg



Growth momentum will continue into the second half, aided by strong demand and improved production

market. However, the small car segment remains central to the company's growth strategy. The auto giant expects this category to expand faster than the overall passenger vehicle industry in the coming quarters, supported by recent reductions in the goods and services tax and sustained consumer preference for compact and efficient vehicles.

The carmaker entered the second half of the fiscal year on a stronger footing after delivering better-than-expected results for Q2FY26. It reported a revenue of ₹42,100 crore, up 13% y-o-y and ahead of market expectations. The quarter's performance was driven by a richer product mix, robust festive demand, and

higher average selling prices, though profitability was tempered by weaker other income. Average selling prices rose 5% to ₹7.28 lakh, supported by higher sales of CNG variants and premium trims. Company's Ebitda stood at 10.5%, broadly in line with expectations. Net profit declined 16% y-o-y to ₹3,290 crore due to a fall in non-operating income.

Maruti's target price has been raised to ₹16,956 from ₹15,031, valuing the stock at 25 times expected fiscal 2028 earnings. The shares currently trade at about 21 times forward earnings, near fair value, and the rating is maintained at Neutral. Upside risks are stronger export momentum and sustained pricing discipline, while downside risks stem from currency volatility, a potential slowdown in post-festive demand, and continued consumer preference for diesel vehicles.

—NOMURA