12 August 2025

1QFY26 Results Update | Sector: Automobile

MRF

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	MRF IN
Equity Shares (m)	4
M.Cap.(INRb)/(USD	596 / 6.8
52-Week Range	153000 / 100500
1, 6, 12 Rel. Per (%)	-3/22/2
12M Avg Val (INR m)	991

Financials & valuations (INR b)

INR b	FY25	FY26E	FY27E
Sales	281.5	308.5	336.2
EBITDA	40.8	45.1	49.7
Adj. PAT	18.7	20.7	23.4
EPS (INR)	4,409	4,892	5,522
EPS Growth (%)	-18.2	11.0	14.5
BV/Share (INR)	43,605	48,197	53,369
Ratios			
RoE (%)	10.6	10.7	10.9
RoCE (%)	10.2	10.2	10.5
Payout (%)	5.3	6.1	6.3
Valuations			
P/E (x)	30.9	27.9	24.7
P/BV (x)	3.1	2.8	2.6
Div. Yield (%)	0.2	0.2	0.3
FCF yield (%)	0.9	5.3	4.2

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	27.8	27.8	27.8
DII	11.7	12.2	10.7
FII	18.7	17.5	19.1
Others	41.9	42.5	42.4

FII Includes depository receipts

CMP: INR140,535 TP: INR112,648 (-20%) Sell

Earnings miss led by higher input costs

Weak OEM demand across segments limits revenue growth

- MRF's 1QFY26 PAT at INR4.8b was below our estimate of INR5.1b due to weaker than expected margins at 13.7% (estimate of 15%). Margin pressure was driven by higher input costs.
- Following the recent rally, the stock currently trades at 27.9x/24.7x FY26E/ FY27E EPS above its 10-year LPA of ~25x, despite its weakening competitive position and similar capital efficiency as peers. Hence, we **reiterate our Sell rating** on the stock with a TP of INR112,648 (valuing it at 20x Jun'27E EPS).

PAT below our estimate due to margin pressure

- The company's standalone revenue grew ~7% YoY (9% QoQ) to INR75.6b and was in line with our estimates of INR73.6b.
- MRF delivered revenue growth despite tariff uncertainties, geopolitical tensions, and the early onset of monsoons, which had led to subdued market sentiments and a decline in OE vehicle sales across segments, except farm equipment. The farm segment remained largely unaffected by the above disruptions.
- MRF's gross margin was below our estimate of 36%. It contracted ~300bp YoY and 170bp QoQ to 34.3%, largely due to higher input costs. This in turn led to a lower-than-estimated EBITDA margin at 13.7%, down ~240bp YoY (vs. our estimate of 15%).
- Its EBITDA declined 9% YoY and 1% QoQ to INR10.3b.
- As a result, PAT was down ~14% YoY to INR4.8b (vs. our estimate of INR5.1b).

Valuation and view

- MRF's competitive positioning in the sector has weakened over the past few years, which is reflected in the dilution of its pricing power in the PCR and TBR segments. MRF is likely to continue to focus on recovering its lost share across segments. This is anticipated to limit margin upside, even in a falling input cost scenario. Overall, we expect MRF to post 12% earnings CAGR over FY25-27.
- Following the recent rally, the stock currently trades at 27.9x/24.7x FY26E/ FY27E EPS above its 10-year LPA of ~25x, despite its weakening competitive position and similar capital efficiency as peers. Hence, we **reiterate our Sell rating** on the stock with a TP of INR112,648 (valuing it at 20x Jun'27E EPS).

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Standalone - Quarterly **(INR m)**

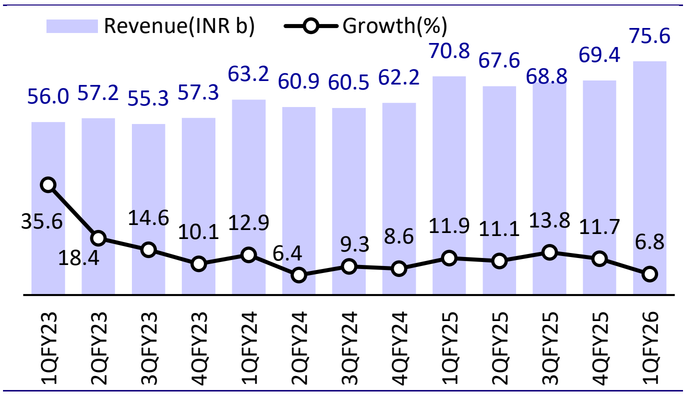
Y/E March	FY25				FY26E				FY25	FY26E	1QE	VAR
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				(%)
Net Sales	**70,778**	**67,604**	**68,832**	**69,438**	**75,603**	**75,716**	**75,715**	**76,142**	**276,652**	**303,175**	**73,610**	**3**
YoY Change (%)	11.9	11.1	13.8	11.7	6.8	12.0	10.0	9.7	12.1	9.6	4.0	
Total Expenditure	59,400	57,869	60,814	59,011	65,259	64,889	64,660	64,952	237,094	259,761	62,568	
EBITDA	**11,378**	**9,734**	**8,018**	**10,428**	**10,343**	**10,827**	**11,054**	**11,190**	**39,559**	**43,415**	**11,041**	**-6**
Margins (%)	16.1	14.4	11.6	15.0	13.7	14.3	14.6	14.7	14.3	14.3	15.0	
Depreciation	3,943	4,079	4,143	4,310	4,270	4,380	4,470	4,628	16,474	17,747	4,400	
Interest	754	667	711	782	822	800	820	832	2,914	3,274	820	
Other Income	827	1,121	966	1,115	1,255	1,125	1,050	1,007	4,029	4,437	1,000	
PBT before EO expense	**7,509**	**6,109**	**4,130**	**6,451**	**6,507**	**6,772**	**6,814**	**6,737**	**24,199**	**26,831**	**6,821**	
Extraordinary expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**7,509**	**6,109**	**4,130**	**6,451**	**6,507**	**6,772**	**6,814**	**6,737**	**24,199**	**26,831**	**6,821**	
Tax	1,883	1,555	1,063	1,472	1,665	1,700	1,758	1,719	5,974	6,842	1,746	
Rate (%)	25.1	25.4	25.7	22.8	25.6	25.1	25.8	25.5	24.7	25.5	25.6	
Reported PAT	**5,625**	**4,554**	**3,067**	**4,978**	**4,842**	**5,073**	**5,056**	**5,018**	**18,225**	**19,989**	**5,075**	
Adj PAT	**5,625**	**4,554**	**3,067**	**4,978**	**4,842**	**5,073**	**5,056**	**5,018**	**18,225**	**19,989**	**5,075**	**-5**
YoY Change (%)	-3.3	-20.4	-39.6	6.1	-13.9	11.4	64.9	0.8	-14.4	9.7	-9.8	
Margins (%)	7.9	6.7	4.5	7.2	6.4	6.7	6.7	6.6	6.6	6.6	4.8	

E: MOFSL Estimates

Key Performance Indicators	FY25				FY26E				FY25	FY26E	1QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
RM Cost(% of sales)	62.7	63.5	66.9	63.9	65.7	64.8	64.5	64.2	60.3	63.7	66.5
Staff Cost(% of sales)	6.3	6.9	6.6	6.6	6.1	6.4	6.5	6.7	7.1	6.6	6.7
Other costs(% of sales)	14.9	15.2	14.9	14.4	14.5	14.5	14.4	14.4	15.5	15.1	14.9
Gross margin (%)	37.3	36.5	33.1	36.1	34.3	35.2	35.5	35.8	39.7	36.3	33.5
EBITDA margin (%)	16.1	14.4	11.6	15.0	13.7	14.3	14.6	14.7	17.1	14.6	12.0

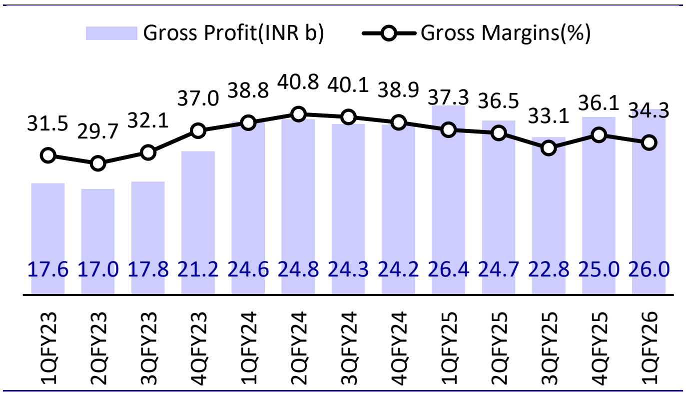
Key exhibits

Exhibit 1: Revenue trend



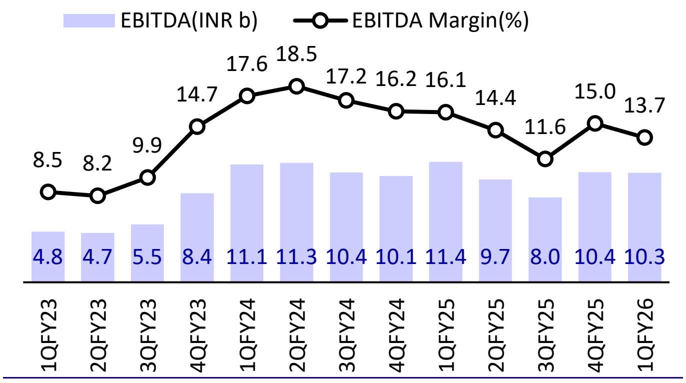
Source: MOFSL, Company

Exhibit 2: Gross margin trend



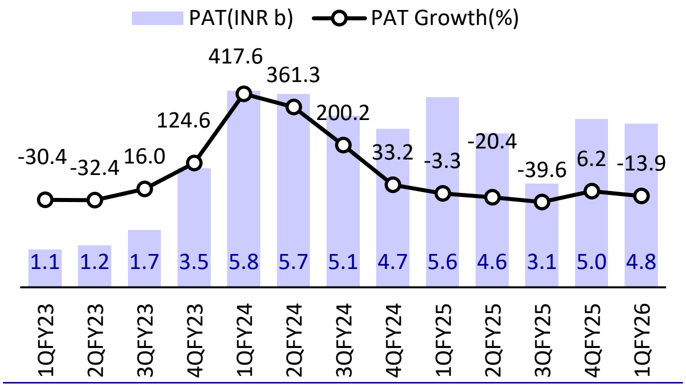
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: PAT and PAT growth trends



Source: MOFSL, Company

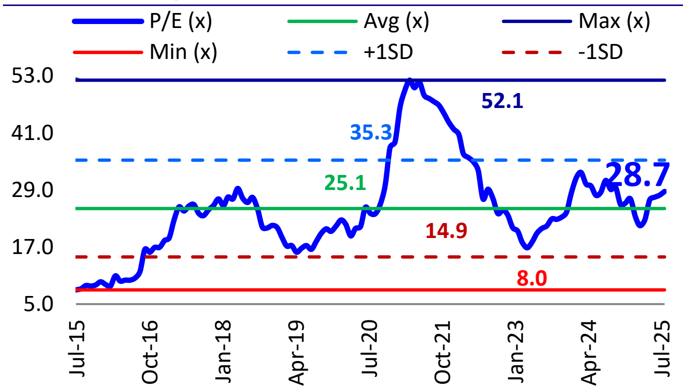
Valuation and view

- **Dilution in competitive positioning**: MRF's leadership across major segments of T&B, 2Ws, and PCR had led to the creation of a strong brand and pricing power. However, aggressive competition in the recent past has dethroned MRF from the top spot in PCR and T&B and has resulted in an overall market share loss. Peers have started focusing on better-margin segments like 2Ws and PVs, resulting in the dilution of MRF's competitive positioning.
- **Return ratios to remain under pressure:** We expect a ~9% revenue CAGR over FY25-27E, led by stable OE demand and expected recovery in the replacement segment. MRF is likely to continue to focus on recovering back its lost share across segments. This is likely to limit margin upside, even in a declining input cost scenario. We expect margins to marginally improve over our forecast period. Overall, we expect MRF to post 12% earnings CAGR over FY25-27E. We expect MRF's return ratios to remain stable at lower levels: expect RoE at 10.9% by FY27E.
- **Steep valuations do not factor in changing competitive dynamics; reiterate Sell:** Following the recent rally, the stock currently trades at 27.9x/24.7x FY26E/ FY27E EPS above its 10-year LPA of ~25x, despite its weakening competitive position and similar capital efficiency as peers. Hence, we **reiterate our Sell rating** on the stock with a TP of INR112,648 (valuing it at 20x Jun'27E EPS).

Exhibit 5: Our revised estimates (Consolidated)

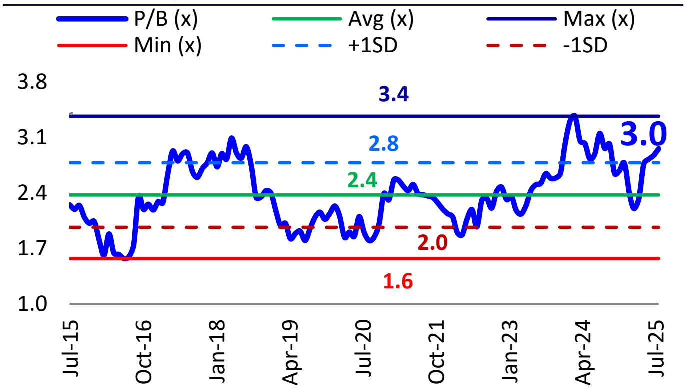
(INR m)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	308,543	307,070	0.5	336,163	334,541	0.5
EBITDA	45,120	46,096	-2.1	49,655	50,163	-1.0
EBITDA (%)	14.6	15.0	-40bp	14.8	15.0	-20bp
Adj. PAT	20,742	21,065	-1.5	23,413	23,646	-1.0
EPS (INR)	4892	4968	-1.5	5522	5577	-1.0

Exhibit 6: One-year forward P/E



Source: MOFSL, Company

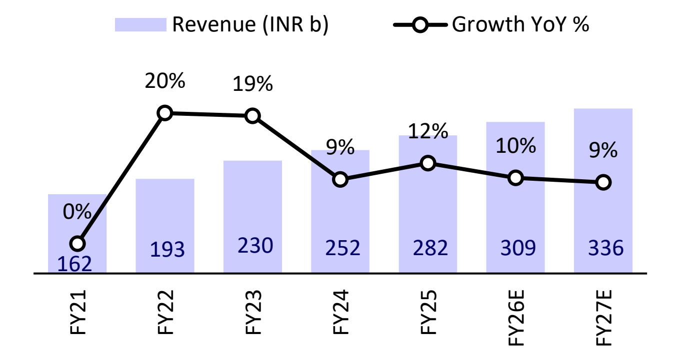
Exhibit 7: One-year forward P/B



Source: MOFSL, Company

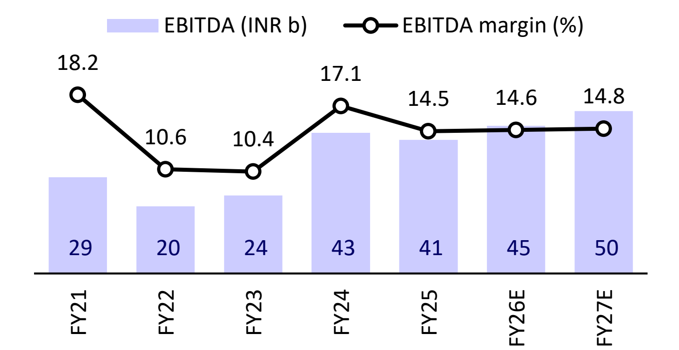
Story in charts

Exhibit 8: Revenue and growth trends



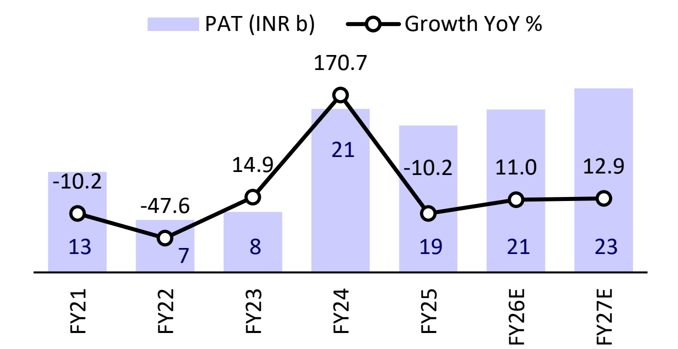
Source: MOFSL, Company

Exhibit 9: Trend in EBITDA



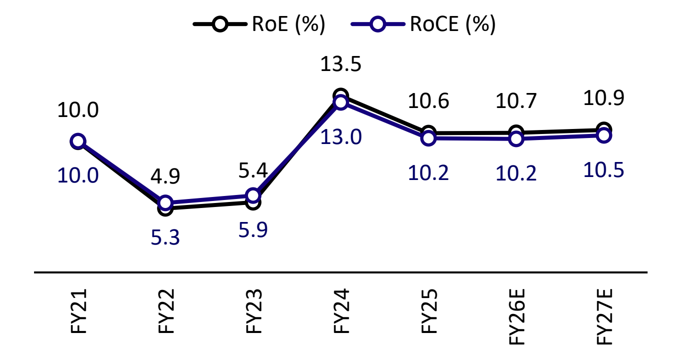
Source: MOFSL, Company

Exhibit 10: Trend in PAT



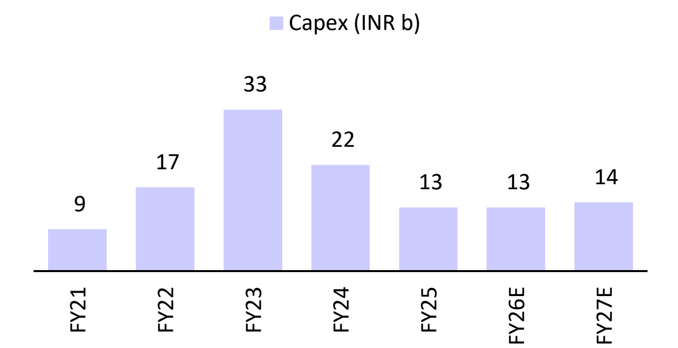
Source: MOFSL, Company

Exhibit 11: Trend in capital efficiency



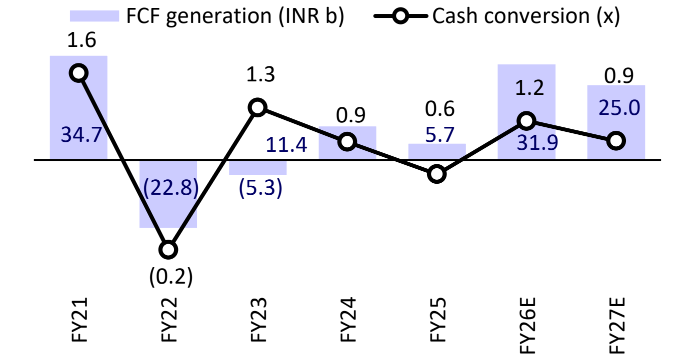
Source: MOFSL, Company

Exhibit 12: Trend in capex



Source: MOFSL, Company

Exhibit 13: FCF generation to be consistently positive



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement — INR m

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	**162,394**	**161,632**	**193,167**	**230,085**	**251,692**	**281,532**	**308,543**	**336,163**
Change (%)	1.1	-0.5	19.5	19.1	9.4	11.9	9.6	9.0
EBITDA	**23,740**	**29,423**	**20,498**	**23,891**	**42,999**	**40,845**	**45,120**	**49,655**
EBITDA Margin (%)	14.6	18.2	10.6	10.4	17.1	14.5	14.6	14.8
Depreciation	9,823	11,408	12,051	12,531	14,300	16,536	17,809	19,093
EBIT	**13,917**	**18,016**	**8,447**	**11,361**	**28,700**	**24,309**	**27,312**	**30,562**
EBIT Margin (%)	8.6	11.1	4.4	4.9	11.4	8.6	8.9	9.1
Int. and Finance Charges	2,928	2,747	2,538	3,190	3,530	3,600	3,960	4,073
Other Income	3,354	2,099	3,170	2,527	3,168	4,081	4,489	4,938
PBT bef. EO Exp.	**14,343**	**17,368**	**9,079**	**10,697**	**28,338**	**24,790**	**27,841**	**31,427**
EO Items	0	0	0	0	-464	0	0	0
PBT after EO Exp.	**14,343**	**17,368**	**9,079**	**10,697**	**27,874**	**24,790**	**27,841**	**31,427**
Tax Rate (%)	0.8	26.5	26.3	28.1	25.3	24.6	25.5	25.5
Reported PAT	**14,226**	**12,771**	**6,692**	**7,690**	**20,812**	**18,693**	**20,742**	**23,413**
Adjusted PAT	**14,226**	**12,771**	**6,692**	**7,690**	**21,158**	**18,693**	**20,742**	**23,413**
Change (%)	25.8	-10.2	-47.6	14.9	170.7	-10.2	11.0	12.9

Consolidated - Balance Sheet — INR m

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	42	42	42	42	42	42	42	42
Total Reserves	122,105	134,094	140,275	147,034	166,988	184,842	204,312	226,241
Net Worth	**122,147**	**134,137**	**140,318**	**147,077**	**167,030**	**184,885**	**204,354**	**226,283**
Deferred Tax Liabilities	4,289	3,802	1,537	1,214	1,075	1,219	1,219	1,219
Total Loans	18,375	20,398	28,180	24,295	28,215	37,712	37,712	37,712
Capital Employed	**144,812**	**158,339**	**170,036**	**172,587**	**196,321**	**223,817**	**243,286**	**265,216**
Gross Block	124,267	140,786	152,874	169,729	198,467	224,779	237,779	251,779
Less: Accum. Deprn.	35,570	46,378	57,656	68,549	78,004	92,572	110,380	129,473
Net Fixed Assets	**88,698**	**94,408**	**95,218**	**101,180**	**120,462**	**132,208**	**127,399**	**122,306**
Capital WIP	17,409	10,022	12,331	30,459	23,845	11,686	11,686	11,686
Total Investments	**15,193**	**58,740**	**36,565**	**30,851**	**33,830**	**45,482**	**75,482**	**96,482**
Curr. Assets, Loans&Adv.	**73,123**	**62,649**	**84,066**	**78,572**	**86,749**	**102,888**	**100,479**	**112,310**
Inventory	29,052	29,388	41,297	41,411	44,686	56,248	47,411	51,565
Account Receivables	22,994	22,543	23,327	25,033	29,120	33,703	35,504	38,682
Cash and Bank Balance	11,811	1,694	2,561	2,585	3,454	3,765	4,885	8,248
Loans and Advances	9,266	9,024	16,881	9,544	9,490	9,173	12,680	13,815
Curr. Liability & Prov.	**49,611**	**67,480**	**58,144**	**68,475**	**68,565**	**68,448**	**71,761**	**77,570**
Account Payables	19,053	34,414	20,568	24,358	26,528	28,220	27,425	29,828
Other Current Liabilities	27,097	28,915	33,541	39,629	35,033	33,931	38,040	41,445
Provisions	3,461	4,150	4,035	4,488	7,004	6,297	6,297	6,297
Net Current Assets	**23,512**	**-4,831**	**25,923**	**10,098**	**18,184**	**34,440**	**28,718**	**34,740**
Appl. of Funds	**144,812**	**158,339**	**170,036**	**172,587**	**196,321**	**223,817**	**243,286**	**265,216**

E: MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Basic (INR)								
EPS	**3,355**	**3,012**	**1,578**	**1,814**	**4,990**	**4,409**	**4,892**	**5,522**
Cash EPS	5,672	5,702	4,420	4,769	8,363	8,309	9,092	10,025
BV/Share	28,808	31,636	33,094	34,688	39,394	43,605	48,197	53,369
FCF per share	-1,126	8,191	-5,384	-1,261	2,684	1,352	7,515	5,892
DPS	65	150	150	175	200	235	300	350
Payout (%)	2.3	5.0	9.5	9.6	4.1	5.3	6.1	6.3
Valuation (x)								
P/E	40.6	45.3	86.4	75.2	27.3	30.9	27.9	24.7
P/BV	4.7	4.3	4.1	3.9	3.5	3.1	2.8	2.6
EV/Sales	3.5	3.3	2.9	2.5	2.3	2.0	1.7	1.5
EV/EBITDA	24.0	18.3	27.7	23.8	13.2	13.9	11.9	10.3
Dividend Yield (%)	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.3
Return Ratios (%)								
RoE	12.3	10.0	4.9	5.4	13.5	10.6	10.7	10.9
RoCE	12.7	10.0	5.3	5.9	13.0	10.2	10.2	10.5
ROIC	15.0	14.1	6.0	7.2	17.6	12.3	13.0	15.2
Working Capital Ratios								
Fixed Asset Turnover (x)	1.3	1.1	1.3	1.4	1.3	1.3	1.3	1.3

Consolidated - Cash Flow Statement								INR m
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
OP/(Loss) before Tax	14,343	17,368	9,079	10,697	27,874	24,790	27,841	31,427
Depreciation	9,823	11,408	12,051	12,531	14,300	16,536	17,809	19,093
Interest & Finance Charges	2,928	2,747	2,538	3,190	3,530	3,600	3,960	4,073
Direct Taxes Paid	-4,418	-5,168	-2,135	-3,278	-7,222	-5,925	-7,100	-8,014
(Inc)/Dec in WC	2,285	18,222	-25,088	6,357	-3,283	-17,109	6,842	-2,660
Others	-2,235	-1,331	-2,226	-1,943	-2,194	-3,214	-4,489	-4,938
CF from Operating incl EO	**22,726**	**43,246**	**-5,780**	**27,555**	**33,005**	**18,678**	**44,863**	**38,981**
(Inc)/Dec in FA	-27,499	-8,516	-17,046	-32,901	-21,623	-12,945	-13,000	-14,000
Free Cash Flow	**-4,773**	**34,730**	**-22,827**	**-5,346**	**11,382**	**5,733**	**31,863**	**24,981**
(Pur)/Sale of Investments	25,852	-43,336	23,831	6,512	-1,297	-9,259	-30,000	-21,000
Others	10	989	-5,097	7,171	-857	1,381	4,548	4,938
CF from Investments	**-1,637**	**-50,862**	**1,687**	**-19,218**	**-23,777**	**-20,823**	**-38,452**	**-30,062**
Inc/(Dec) in Debt	-6,347	1,435	8,199	-3,854	-3,526	8,195	0	0
Interest Paid	-2,809	-2,540	-2,361	-2,698	-2,896	-2,726	-3,960	-4,073
Dividend Paid	-307	-424	-636	-636	-742	-848	-1,272	-1,484
Others	-861	-971	-965	-1,207	-1,518	-1,800	0	0
CF from Fin. Activity	**-10,324**	**-2,500**	**4,238**	**-8,395**	**-8,682**	**2,821**	**-5,232**	**-5,557**
Inc/Dec of Cash	**10,766**	**-10,117**	**145**	**-59**	**546**	**676**	**1,179**	**3,362**
Opening Balance	1,019	11,785	2,399	2,544	2,485	3,031	3,706	4,885
Closing Balance	**11,785**	**1,668**	**2,544**	**2,485**	**3,031**	**3,706**	**4,885**	**8,248**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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