

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	MRF IN
Equity Shares (m)	4
M.Cap.(INRb)/(USDb)	595.5 / 7
52-Week Range (INR)	143850 / 100500
1, 6, 12 Rel. Per (%)	17/15/3
12M Avg Val (INR M)	1020

Financials & valuations (INR b)

INR b	FY25	FY26E	FY27E
Sales	281.5	307.1	334.5
EBITDA	40.8	44.6	48.5
Adj. PAT	18.7	19.8	22.3
EPS (INR)	4,409	4,680	5,265
EPS Growth (%)	-11.7	6.1	12.5
BV/Share (INR)	43,605	47,985	52,899

Ratios

RoE (%)	10.6	10.2	10.4
RoCE (%)	10.2	9.8	10.1
Payout (%)	5.3	6.4	6.6

Valuations

P/E (x)	31.9	30.1	26.7
P/BV (x)	3.2	2.9	2.7
Div. Yield (%)	0.2	0.2	0.2
FCF yield (%)	1.0	5.0	3.9

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	27.8	27.8	27.8
DII	12.2	12.0	10.6
FII	17.5	18.2	19.7
Others	42.5	42.0	41.9

FII Includes depository receipts

CMP: INR140,420 TP: INR105,295 (-25%) Sell

Healthy margin recovery comes as a surprise...

...but focus on market share revival likely to limit margin upside

- MRF's 4QFY25 results have been ahead of our estimates, led by a sharp pick-up in margins (+340bp QoQ) to 15%, which came as a surprise. For FY25, MRF posted an FCF of INR5.7b in FY25, post-capex of INR12.9b.
- We raise our FY26/FY27 EPS estimates by 7%/4% to factor in the reduction in input costs. After the recent rally, the stock is currently trading at 30.1x/26.7x 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 INR105,295 (valuing the stock at 20x FY27E EPS).

Margin revival drives earnings beat

- MRF's standalone revenue grew ~12% YoY to INR69.4b and was in line with our estimates.
- However, the key surprise came in EBITDA margin, which improved 340bp QoQ to 15% (vs. our est. of 12%). The margin, however, was still down 120bp YoY due to higher input costs. Management indicated that input costs have marginally softened QoQ, which was partially offset by the depreciating INR.
- Overall, MRF's 4QFY25 PAT grew 6% YoY to INR4.9b.
- For FY25, revenue grew 12% YoY, aided by healthy growth across all its segments, viz., replacement, OEM, and exports. Apart from ICE, MRF is also a significant supplier to all major EV OEMs in CVs, PVs, and 2/3Ws.
- For FY25, MRF's EBITDA margin contracted 260bp YoY to 14.5%.
- Overall, PAT declined 10% YoY to INR18.7b.
- The BOD has approved a total dividend of INR235 per share for FY25.
- MRF clocked an FCF of INR5.7b in FY25, post-capex of INR12.9b.

Valuation and view

- MRF's competitive positioning in the sector has weakened over the past few years, which is reflected in the dilution of pricing power in the PCR and TBR segments. MRF is likely to continue its focus on recovering the lost share across segments. This is likely to limit margin upside, even in a declining input cost scenario. Overall, we expect MRF to post 9% earnings CAGR over FY25-27E.
- We raise our FY26/FY27 EPS estimates by 7%/4% to factor in the reduction in input costs. After the recent rally, the stock is currently trading at 30.1x/26.7x 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 INR105,295 (valuing the stock at 20x FY27E EPS).

Standalone - Quarterly

(INR m)

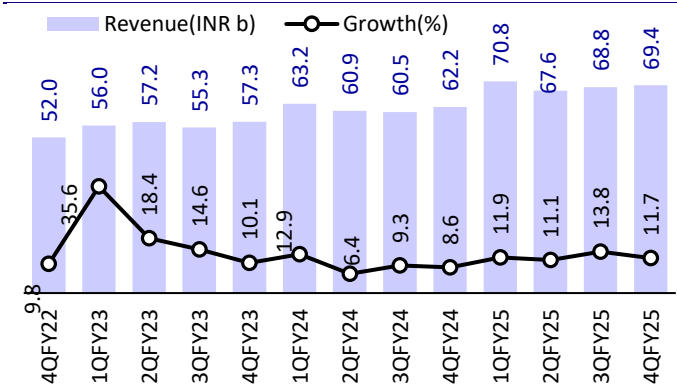
Y/E March	FY24				FY25E				FY24	FY25	4QE	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	63,233	60,876	60,478	62,151	70,778	67,604	68,832	69,438	2,46,737	2,76,652	69,413	0
YoY Change (%)	12.9	6.4	9.3	8.6	11.9	11.1	13.8	11.7	9.3	12.1	11.7	
Total Expenditure	52,091	49,589	50,084	52,096	59,400	57,869	60,814	59,011	2,04,595	2,36,332	61,107	
EBITDA	11,142	11,286	10,394	10,055	11,378	9,734	8,018	10,428	42,142	40,320	8,306	26
Margins (%)	17.6	18.5	17.2	16.2	16.1	14.4	11.6	15.0	17.1	14.6	12.0	
Depreciation	3,317	3,500	3,591	3,842	3,943	4,079	4,143	4,310	14,250	16,486	4,151	
Interest	780	749	776	858	754	667	711	782	3,163	3,234	717	
Other Income	739	696	766	924	827	1,121	966	1,115	3,125	4,037	987	
PBT before EO expense	7,783	7,734	6,792	6,279	7,509	6,109	4,130	6,451	27,853	24,638	4,425	
Extra-Ord expense	0	0	0	1,200	0	0	0	0	464	0	0	
PBT	7,783	7,734	6,792	5,079	7,509	6,109	4,130	6,451	27,389	24,638	4,425	
Tax	1,969	2,015	1,712	1,284	1,883	1,555	1,063	1,472	6,980	6,060	1,153	
Rate (%)	25.3	26.1	25.2	25.3	25.1	25.4	25.7	22.8	25.5	24.6	26.1	
Reported PAT	5,814	5,719	5,080	3,795	5,625	4,554	3,067	4,978	20,409	18,578	3,272	
Adj PAT	5,814	5,719	5,080	4,692	5,625	4,554	3,067	4,978	20,755	18,578	3,272	52
YoY Change (%)	417.6	361.3	200.2	32.7	-3.3	-20.4	-39.6	6.1	173.9	-10.5	-30.3	
Margins (%)	9.2	9.4	8.4	7.5	7.9	6.7	4.5	7.2	8.4	6.7	4.7	

E: MOFSL Estimates

Key Performance Indicators	FY24				FY25E				FY24	FY25	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
RM Cost(% of sales)	61.2	59.2	59.9	61.1	62.7	63.5	66.9	63.9	60.3	63.7	66.5
Staff Cost(% of sales)	6.5	7.1	7.2	7.5	6.3	6.9	6.6	6.6	7.1	6.6	6.7
Other costs(% of sales)	14.7	15.1	15.7	15.2	14.9	15.2	14.9	14.4	15.5	15.1	14.9
Gross Margin(%)	38.8	40.8	40.1	38.9	37.3	36.5	33.1	36.1	39.7	36.3	33.5
EBITDA Margin(%)	17.6	18.5	17.2	16.2	16.1	14.4	11.6	15.0	17.1	14.6	12.0

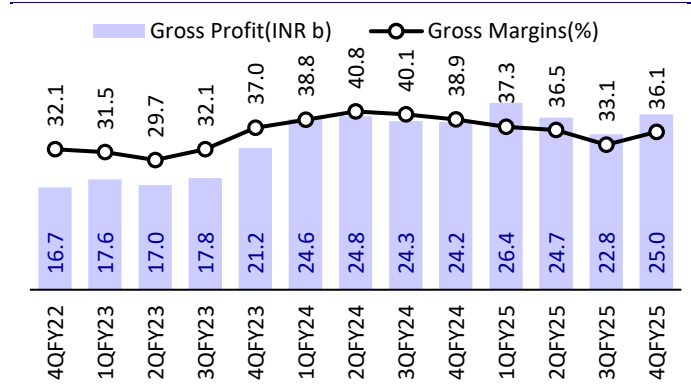
Key exhibits

Exhibit 1: Revenue trend



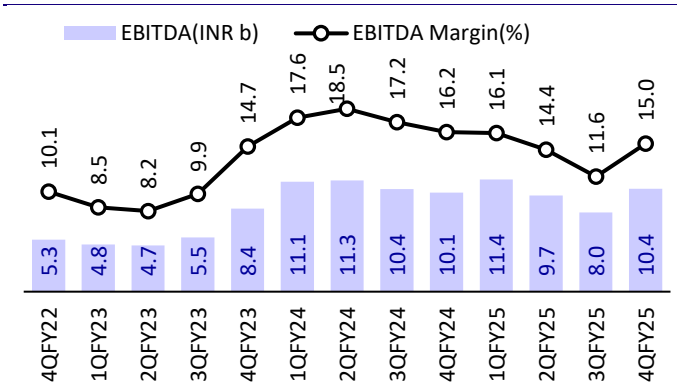
Source: MOFSL, Company

Exhibit 2: Trend in gross margin



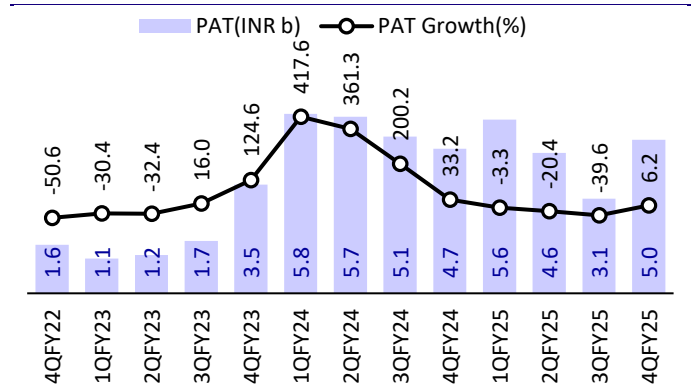
Source: MOFSL, Company

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. Moreover, higher exposure to the TBB segment, which is expected to see muted growth, makes it vulnerable to the trend of radialization in the T&B segment.
- **Return ratios to stay 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 its lost share across segments. This is likely to limit margin upside, even in a declining input cost scenario. We expect margins to remain stable at current levels. Overall, we expect MRF to post 9% earnings CAGR over FY25-27E. We expect MRF's return ratios to remain stable at lower levels: expect RoE at 10.4% by FY27E.
- **Steep valuations do not factor in changing competitive dynamics; reiterate Sell:** We raise our FY26/FY27 EPS estimates by 7%/4% to factor in the reduction in input costs. After the recent rally, the stock is currently trading at 30.1x/26.7x 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 INR105,295 (valuing the stock at 20x FY27E EPS).

Exhibit 5: Our revised estimates (Consolidated)

(INR m)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	3,07,070	3,07,463	-0.1	3,34,541	3,35,037	-0.1
EBITDA	44,610	42,305	5.4	48,539	47,500	2.2
EBITDA (%)	14.5	13.8	80bp	14.5	14.2	30bp
Adj. PAT	19,842	18,492	7.3	22,323	21,466	4.0
EPS (INR)	4680	4361	7.3	5265	5063	4.0

Exhibit 6: One-year forward P/E

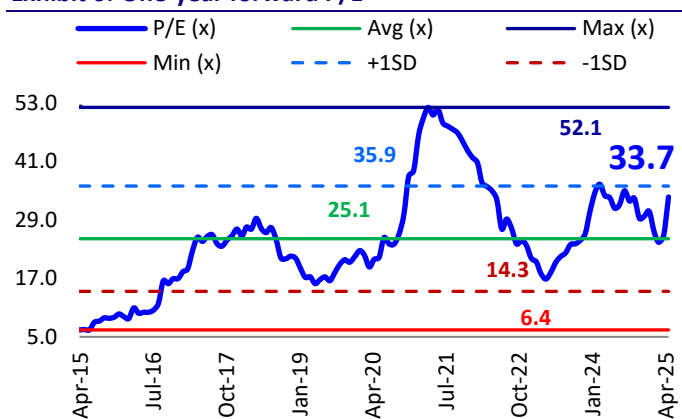
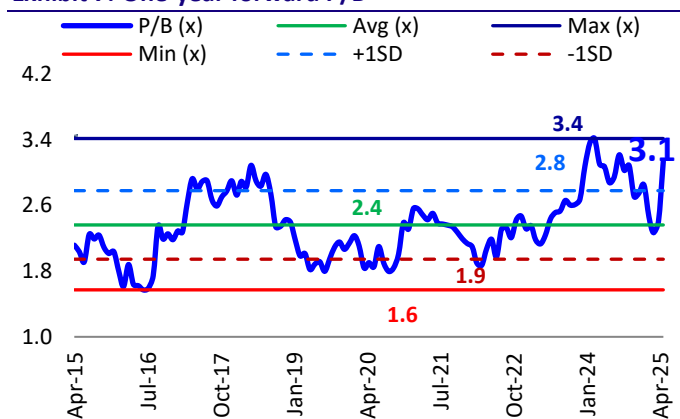
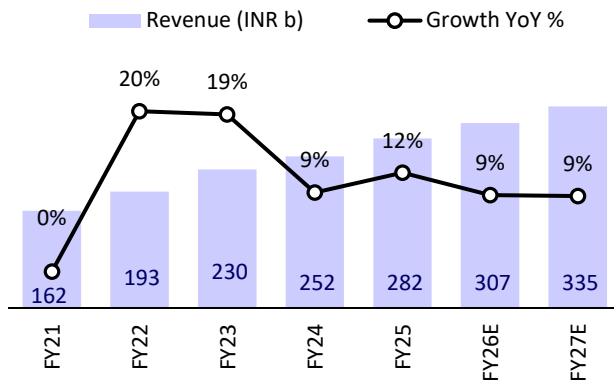


Exhibit 7: One-year forward P/B



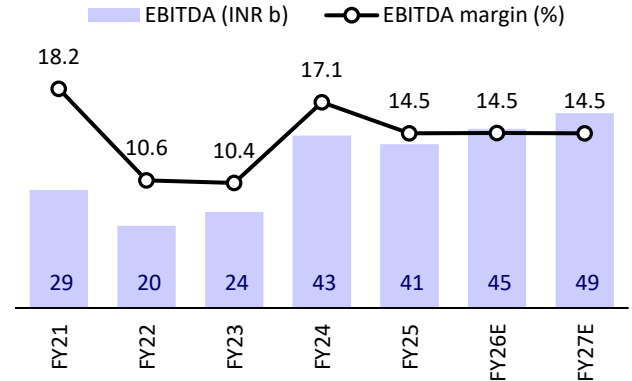
Story in charts

Exhibit 8: Revenue and growth trends



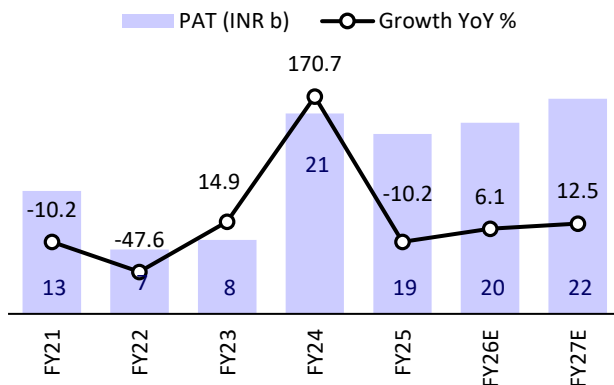
Source: MOFSL, Company

Exhibit 9: Trend in EBITDA



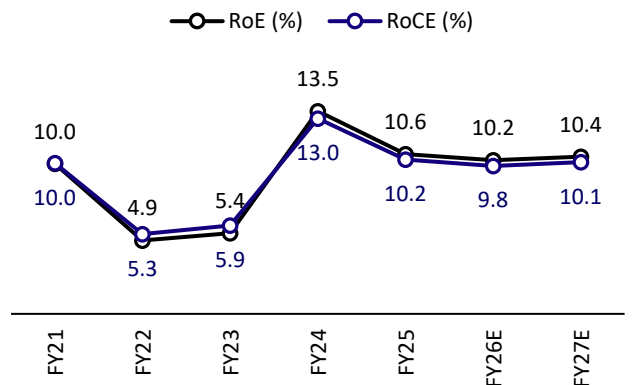
Source: MOFSL, Company

Exhibit 10: Trend in PAT



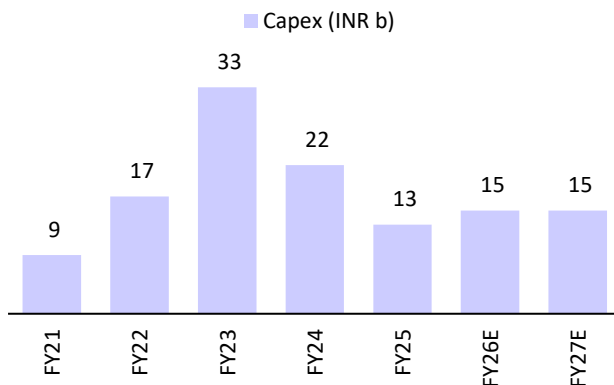
Source: MOFSL, Company

Exhibit 11: Trend in capital efficiency



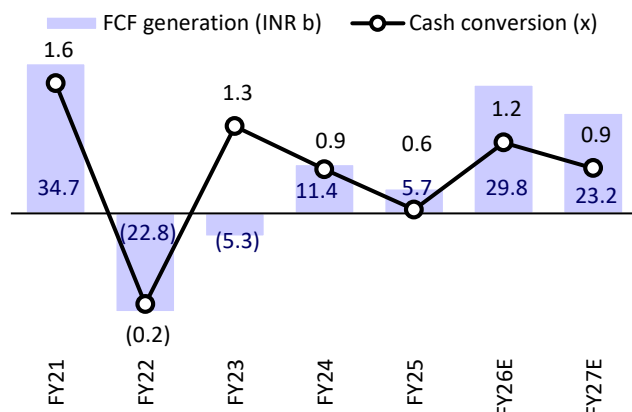
Source: MOFSL, Company

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	1,62,394	1,61,632	1,93,167	2,30,085	2,51,692	2,81,532	3,07,070	3,34,541
Change (%)	1.1	-0.5	19.5	19.1	9.4	11.9	9.1	8.9
EBITDA	23,740	29,423	20,498	23,891	42,999	40,845	44,610	48,539
EBITDA Margin (%)	14.6	18.2	10.6	10.4	17.1	14.5	14.5	14.5
Depreciation	9,823	11,408	12,051	12,531	14,300	16,536	18,506	19,441
EBIT	13,917	18,016	8,447	11,361	28,700	24,309	26,104	29,098
EBIT Margin (%)	8.6	11.1	4.4	4.9	11.4	8.6	8.5	8.7
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	26,634	29,963
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	26,634	29,963
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	19,842	22,323
Adjusted PAT	14,226	12,771	6,692	7,690	21,158	18,693	19,842	22,323
Change (%)	25.8	-10.2	-47.6	14.9	170.7	-10.2	6.1	12.5

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	1,22,105	1,34,094	1,40,275	1,47,034	1,66,988	1,84,842	2,03,412	2,24,251
Net Worth	1,22,147	1,34,137	1,40,318	1,47,077	1,67,030	1,84,885	2,03,455	2,24,293
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	20,751	37,712	37,712	37,712
Capital Employed	1,44,812	1,58,339	1,70,036	1,72,587	1,88,858	2,23,817	2,42,387	2,63,225
Gross Block	1,24,267	1,40,786	1,52,874	1,69,729	1,98,467	2,26,748	2,41,748	2,56,748
Less: Accum. Deprn.	35,570	46,378	57,656	68,549	78,004	94,540	1,13,045	1,32,487
Net Fixed Assets	88,698	94,408	95,218	1,01,180	1,20,462	1,32,208	1,28,702	1,24,261
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	1,02,888	97,995	1,08,113
Inventory	29,052	29,388	41,297	41,411	44,686	56,248	47,237	51,474
Account Receivables	22,994	22,543	23,327	25,033	29,120	33,703	35,334	38,495
Cash and Bank Balance	11,811	1,694	2,561	2,585	3,454	3,765	2,804	4,395
Loans and Advances	9,266	9,024	16,881	9,544	9,490	9,173	12,619	13,748
Curr. Liability & Prov.	49,611	67,480	58,144	68,475	76,029	68,448	71,479	77,317
Account Payables	19,053	34,414	20,568	24,358	26,528	28,220	27,325	29,775
Other Current Liabilities	27,097	28,915	33,541	39,629	42,497	33,931	37,858	41,245
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	10,720	34,440	26,516	30,796
Appl. of Funds	1,44,812	1,58,339	1,70,036	1,72,587	1,88,858	2,23,817	2,42,387	2,63,225

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	4,680	5,265
Cash EPS	5,672	5,702	4,420	4,769	8,363	8,309	9,044	9,850
BV/Share	28,808	31,636	33,094	34,688	39,394	43,605	47,985	52,899
FCF per share	-1,126	8,191	-5,384	-1,261	2,684	1,352	7,024	5,474
DPS	65	150	150	175	200	235	300	350
Payout (%)	2.3	5.0	9.5	9.6	4.1	5.3	6.4	6.6
Valuation (x)								
P/E	41.9	46.7	89.1	77.6	28.2	31.9	30.1	26.7
P/BV	4.9	4.4	4.3	4.1	3.6	3.2	2.9	2.7
EV/Sales	3.6	3.4	3.0	2.6	2.3	2.1	1.8	1.6
EV/EBITDA	24.8	18.9	28.6	24.6	13.7	14.3	12.5	11.0
Dividend Yield (%)	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Return Ratios (%)								
RoE	12.3	10.0	4.9	5.4	13.5	10.6	10.2	10.4
RoCE	12.7	10.0	5.3	5.9	13.0	10.2	9.8	10.1
ROIC	15.0	14.1	6.0	7.2	17.6	12.3	12.3	14.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.3	1.1	1.3	1.4	1.3	1.2	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	26,634	29,963
Depreciation	9,823	11,408	12,051	12,531	14,300	16,536	18,506	19,441
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	-6,792	-7,641
(Inc)/Dec in WC	2,285	18,222	-25,088	6,357	-3,283	-17,109	6,964	-2,689
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	44,782	38,210
(Inc)/Dec in FA	-27,499	-8,516	-17,046	-32,901	-21,623	-12,945	-15,000	-15,000
Free Cash Flow	-4,773	34,730	-22,827	-5,346	11,382	5,733	29,782	23,210
(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	-40,452	-31,062
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	-902	1,591
Opening Balance	1,019	11,785	2,399	2,544	2,485	3,031	3,706	2,804
Closing Balance	11,785	1,668	2,544	2,485	3,031	3,706	2,804	4,395

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

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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