15 November 2025

2QFY26 Results Update | Sector: Automobile

MRF

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	MRF IN
Equity Shares (m)	4
M.Cap.(INRb)/(USD	667.6 / 7.5
52-Week Range	163600 / 100500
1, 6, 12 Rel. Per (%)	-3/7/20
12M Avg Val (INR m)	1047

Financials & valuations (INR b)

INR b	FY26E	FY27E	FY28E
Sales	302.9	333.4	363.3
EBITDA	44.6	50.0	54.4
Adj. PAT	20.6	24.2	27.2
EPS (INR)	4,848	5,698	6,418
EPS Growth (%)	10.0	17.5	12.6
BV/Share (INR)	48,153	53,501	59,569
Ratios			
RoE (%)	10.6	11.2	11.4
RoCE (%)	10.1	10.8	11.0
Payout (%)	6.2	6.1	5.5
Valuations			
P/E (x)	32.5	27.6	24.5
P/BV (x)	3.3	2.9	2.6
Div. Yield (%)	0.2	0.2	0.2
FCF yield (%)	4.8	3.7	4.2

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	27.8	27.8	27.8
DII	12.4	11.7	11.7
FII	18.3	18.7	18.7
Others	41.6	41.9	41.9

FII Includes depository receipts

CMP: INR157,400 TP: INR121,162 (-23%) Sell

Margins improve due to low input costs

Demand to accelerate in 2HFY25, fueled by the GST rate cuts

- MRF's 2QFY26 PAT at INR5.1b was in line with our estimate. While the EBITDA margin at 15% was ahead of our estimate of 14.2% due to lower input costs, revenue came in below our estimate due to a temporary GST-led destocking impact on distributors.
- Following the recent rally, the stock currently trades at 32.5x/27.6x FY26E/ FY27E EPS above its 10-year LPA of ~25x, which appears expensive when compared to peers. Hence, we **reiterate our Sell rating** on the stock with a TP of INR121,162 (valuing it at 20x Sep'27E EPS).

PAT below our estimate due to margin pressure

- The company's standalone revenue grew 7% YoY (-4% QoQ) to INR72.5b, below our estimate of INR75.7b.
- Sales are lower in 2Q due to seasonality. However, OE sales continued to have strong double-digit growth. Exports also performed well despite tariff issues. Towards the second half of 2QFY26, the GST cuts had a temporary impact on replacement sales, although a reduction in GST augurs well for the industry in the coming quarters.
- MRF's gross margin at 36.4% was above our estimate of 35% due to reduced input costs. Gross margins were largely flat YoY but up 200bp QoQ. This in turn led to a higher-than-estimated EBITDA margin at 15%, up ~60bp YoY (vs. our estimate of 14.2%).
- MRF's EBITDA grew 12% YoY and 5% QoQ to INR10.9b (vs. our estimate of INR 10.7b).
- As a result, PAT was up 12% YoY to INR5.1b (vs. our estimate of INR5b).
- The Board declared an interim dividend of INR3 per share.

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 13% earnings CAGR over FY25-28.
- Following the recent rally, the stock currently trades at 32.5x/27.6x FY26E/ FY27E EPS above its 10-year LPA of ~25x, which appears expensive when compared to peers. Hence, we **reiterate our Sell rating** on the stock with a TP of INR121,162 (valuing it at 20x Sep'27E EPS).

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Standalone - Quarterly (INR m)

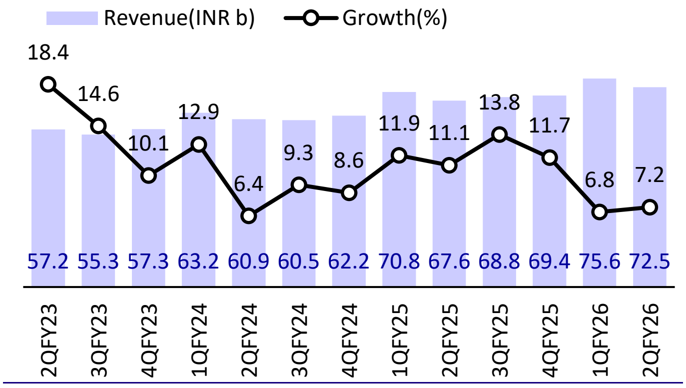
Y/E March	FY25				FY26E				FY25	FY26E	2QE	VAR
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				(%)
Net Sales	**70,778**	**67,604**	**68,832**	**69,438**	**75,603**	**72,497**	**74,338**	**75,127**	**276,652**	**2,97,565**	**75,716**	**-4**
YoY Change (%)	11.9	11.1	13.8	11.7	6.8	7.2	8.0	8.2	12.1	7.6	12.0	
Total Expenditure	59,400	57,869	60,814	59,011	65,259	61,599	63,113	63,845	237,094	2,53,817	64,964	
EBITDA	**11,378**	**9,734**	**8,018**	**10,428**	**10,343**	**10,898**	**11,225**	**11,282**	**39,559**	**43,748**	**10,752**	**1**
Margins (%)	16.1	14.4	11.6	15.0	13.7	15.0	15.1	15.0	14.3	14.7	14.2	
Depreciation	3,943	4,079	4,143	4,310	4,270	4,433	4,470	4,575	16,474	17,747	4,380	
Interest	754	667	711	782	822	708	760	722	2,914	3,011	800	
Other Income	827	1,121	966	1,115	1,255	1,067	1,050	1,065	4,029	4,437	1,125	
PBT before EO expense	**7,509**	**6,109**	**4,130**	**6,451**	**6,507**	**6,824**	**7,045**	**7,050**	**24,199**	**27,426**	**6,697**	
Extraordinary expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**7,509**	**6,109**	**4,130**	**6,451**	**6,507**	**6,824**	**7,045**	**7,050**	**24,199**	**27,426**	**6,697**	
Tax	1,883	1,555	1,063	1,472	1,665	1,708	1,818	1,803	5,974	6,994	1,681	
Rate (%)	25.1	25.4	25.7	22.8	25.6	25.0	25.8	25.6	24.7	25.5	25.1	
Reported PAT	**5,625**	**4,554**	**3,067**	**4,978**	**4,842**	**5,116**	**5,227**	**5,247**	**18,225**	**20,433**	**5,016**	
Adj PAT	**5,625**	**4,554**	**3,067**	**4,978**	**4,842**	**5,116**	**5,227**	**5,247**	**18,225**	**20,433**	**5,016**	**2**
YoY Change (%)	-3.3	-20.4	-39.6	6.1	-13.9	12.3	70.4	5.4	-14.4	12.1	10.1	
Margins (%)	7.9	6.7	4.5	7.2	6.4	7.1	7.0	7.0	6.6	6.9	6.6	

E: MOFSL Estimates

Key Performance Indicators	FY25				FY26E				FY25	FY26E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
RM Costs (% of sales)	62.7	63.5	66.9	63.9	65.7	63.6	63.8	64.1	60.3	64.3	65.1
Staff Costs (% of sales)	6.3	6.9	6.6	6.6	6.1	6.6	6.5	6.3	7.1	6.4	6.2
Other costs (% of sales)	14.9	15.2	14.9	14.4	14.5	14.7	14.6	14.6	15.5	14.6	14.5
Gross margin (%)	37.3	36.5	33.1	36.1	34.3	36.4	36.2	35.9	39.7	35.7	34.9
EBITDA margin (%)	16.1	14.4	11.6	15.0	13.7	15.0	15.1	15.0	17.1	14.7	14.2

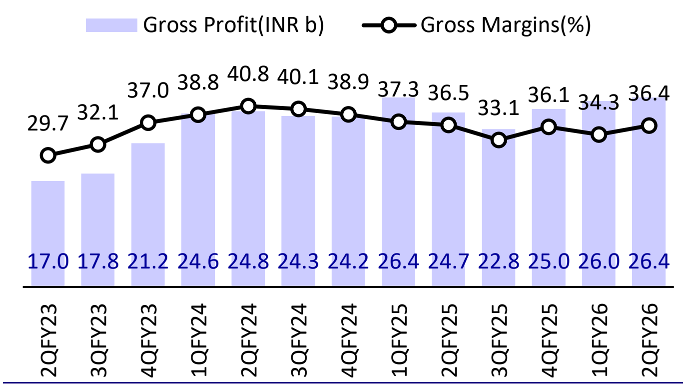
Key exhibits

Exhibit 1: Revenue trend



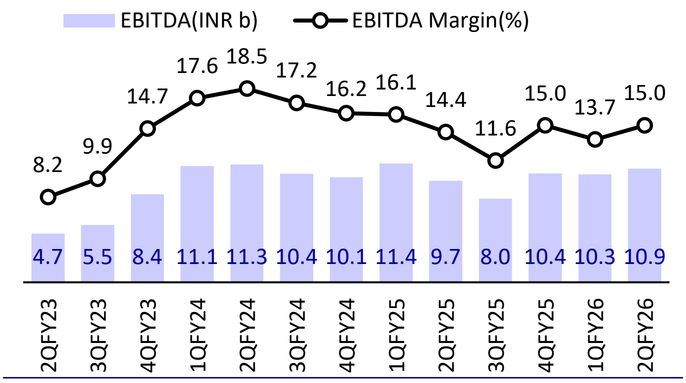
Source: MOFSL, Company

Exhibit 2: Gross margin trend



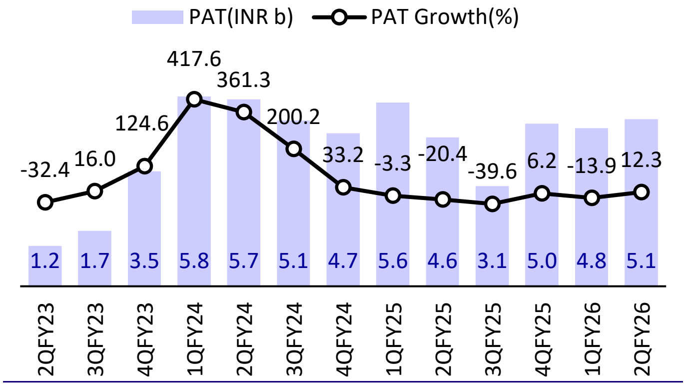
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: PAT and PAT growth trends



Source: MOFSL, Company

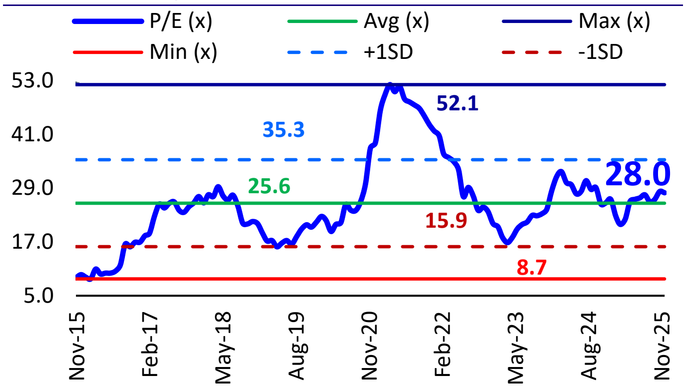
Valuation and view

- **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 FY25-28E, 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 inch up over our forecast period. Overall, we expect MRF to post 13% earnings CAGR over FY25-28E. We expect MRF's return ratios to remain stable at lower levels: expect RoE at 11% by FY28E.
- **Steep valuations do not factor in changing competitive dynamics; reiterate Sell:** Following the recent rally, the stock currently trades at 32.5x/27.6x FY26E/ FY27E EPS above its 10-year LPA of ~25x, which appears expensive when compared to peers. Hence, we **reiterate our Sell rating** on the stock with a TP of INR121,162 (valuing it at 20x Sep'27E EPS).

Exhibit 5: Our revised estimates (Consolidated)

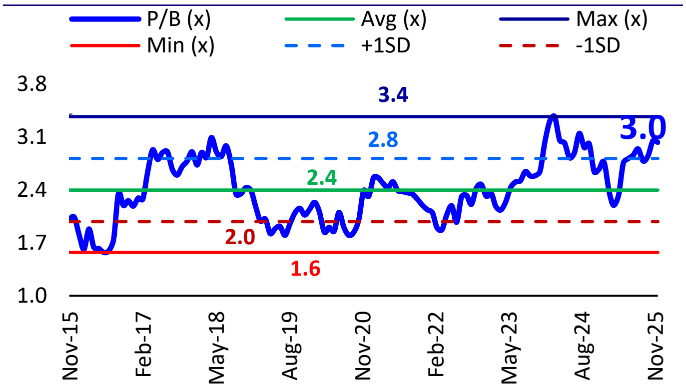
(INR m)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	3,02,933	3,09,999	-2.3	3,33,386	3,41,224	-2.3
EBITDA	44,608	46,045	-3.1	50,008	51,263	-2.4
EBITDA (%)	14.7	14.9	-10bp	15.0	15.0	0bp
Adj. PAT	20,555	21,626	-5.0	24,159	25,094	-3.7
EPS (INR)	4848	5100	-5.0	5698	5918	-3.7

Exhibit 6: One-year forward P/E



Source: MOFSL, Company

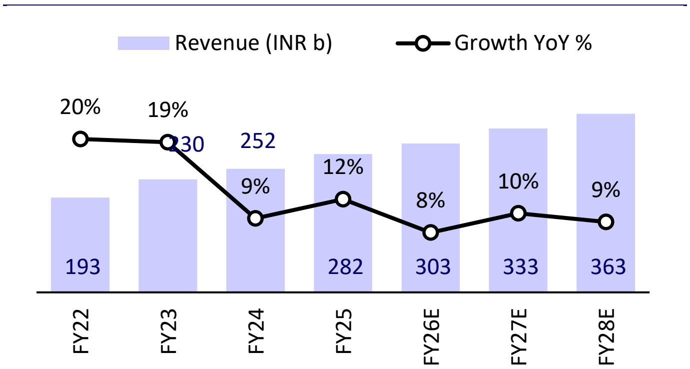
Exhibit 7: One-year forward P/B



Source: MOFSL, Company

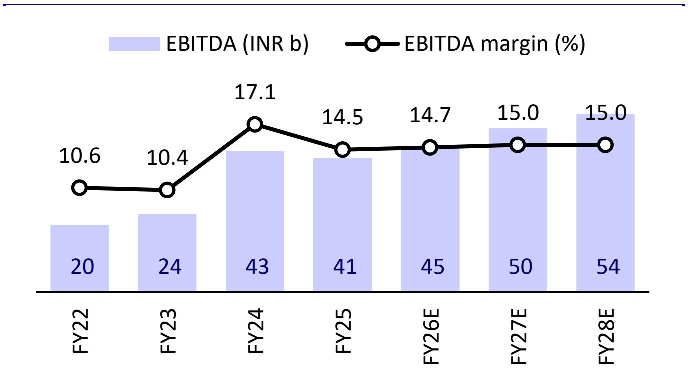
Story in charts

Exhibit 8: Revenue and growth trends



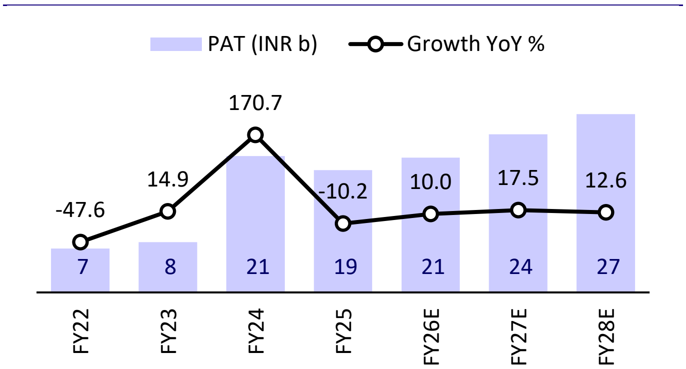
Source: MOFSL, Company

Exhibit 9: Trend in EBITDA



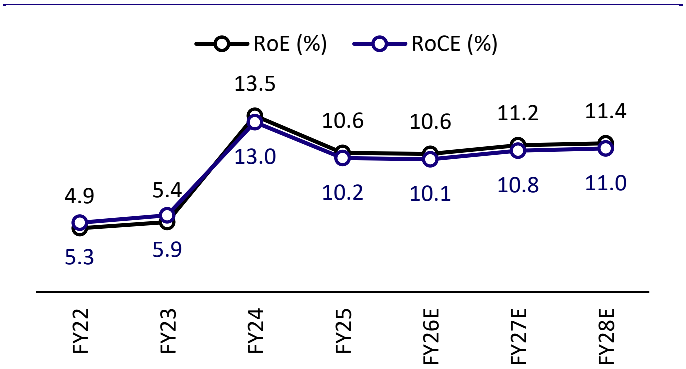
Source: MOFSL, Company

Exhibit 10: Trend in PAT



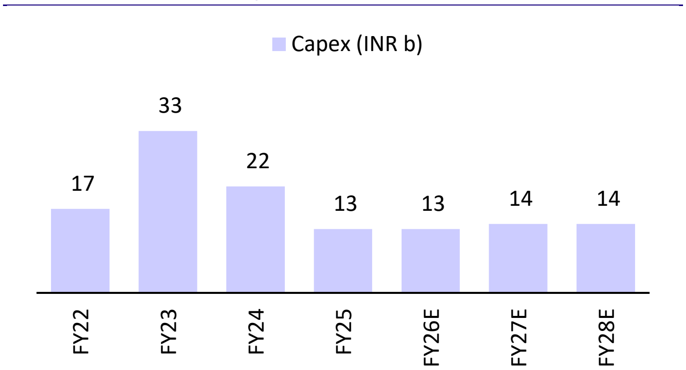
Source: MOFSL, Company

Exhibit 11: Trend in capital efficiency



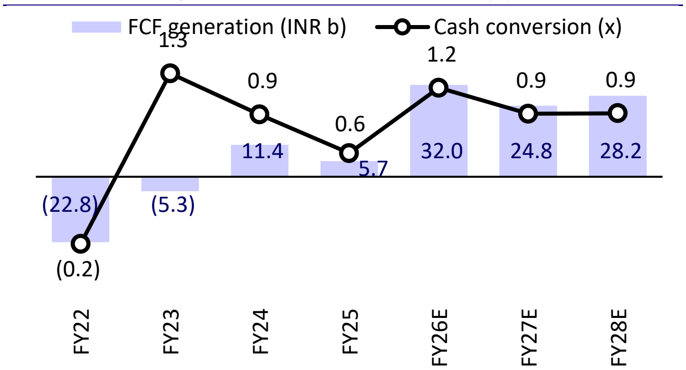
Source: MOFSL, Company

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	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Total Income from Operations	**1,61,632**	**1,93,167**	**2,30,085**	**2,51,692**	**2,81,532**	**3,02,933**	**3,33,386**	**3,63,271**
Change (%)	-0.5	19.5	19.1	9.4	11.9	7.6	10.1	9.0
EBITDA	**29,423**	**20,498**	**23,891**	**42,999**	**40,845**	**44,608**	**50,008**	**54,431**
EBITDA Margin (%)	18.2	10.6	10.4	17.1	14.5	14.7	15.0	15.0
Depreciation	11,408	12,051	12,531	14,300	16,536	17,809	19,093	20,185
EBIT	**18,016**	**8,447**	**11,361**	**28,700**	**24,309**	**26,799**	**30,915**	**34,246**
EBIT Margin (%)	11.1	4.4	4.9	11.4	8.6	8.8	9.3	9.4
Int. and Finance Charges	2,747	2,538	3,190	3,530	3,600	3,697	3,425	3,149
Other Income	2,099	3,170	2,527	3,168	4,081	4,489	4,938	5,432
PBT bef. EO Exp.	**17,368**	**9,079**	**10,697**	**28,338**	**24,790**	**27,591**	**32,428**	**36,529**
EO Items	0	0	0	-464	0	0	0	0
PBT after EO Exp.	**17,368**	**9,079**	**10,697**	**27,874**	**24,790**	**27,591**	**32,428**	**36,529**
Tax Rate (%)	26.5	26.3	28.1	25.3	24.6	25.5	25.5	25.5
Reported PAT	**12,771**	**6,692**	**7,690**	**20,812**	**18,693**	**20,555**	**24,159**	**27,214**
Adjusted PAT	**12,771**	**6,692**	**7,690**	**21,158**	**18,693**	**20,555**	**24,159**	**27,214**
Change (%)	-10.2	-47.6	14.9	170.7	-10.2	10.0	17.5	12.6

Consolidated - Balance Sheet								INR m
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Equity Share Capital	42	42	42	42	42	42	42	42
Total Reserves	1,34,094	1,40,275	1,47,034	1,66,988	1,84,842	2,04,125	2,26,800	2,52,530
Net Worth	**1,34,137**	**1,40,318**	**1,47,077**	**1,67,030**	**1,84,885**	**2,04,168**	**2,26,843**	**2,52,573**
Deferred Tax Liabilities	3,802	1,537	1,214	1,075	1,219	1,219	1,219	1,219
Total Loans	20,398	28,180	24,295	28,215	37,712	32,712	30,712	28,712
Capital Employed	**1,58,339**	**1,70,036**	**1,72,587**	**1,96,321**	**2,23,817**	**2,38,100**	**2,58,775**	**2,82,505**
Gross Block	1,40,786	1,52,874	1,69,729	1,98,467	2,24,779	2,37,779	2,51,779	2,65,779
Less: Accum. Deprn.	46,378	57,656	68,549	78,004	92,572	1,10,380	1,29,473	1,49,658
Net Fixed Assets	**94,408**	**95,218**	**1,01,180**	**1,20,462**	**1,32,208**	**1,27,399**	**1,22,306**	**1,16,122**
Capital WIP	10,022	12,331	30,459	23,845	11,686	11,686	11,686	11,686
Total Investments	**58,740**	**36,565**	**30,851**	**33,830**	**45,482**	**70,482**	**95,482**	**1,23,482**
Curr. Assets, Loans&Adv.	**62,649**	**84,066**	**78,572**	**86,749**	**1,02,888**	**99,071**	**1,06,201**	**1,14,451**
Inventory	29,388	41,297	41,411	44,686	56,248	46,493	51,002	55,585
Account Receivables	22,543	23,327	25,033	29,120	33,703	34,858	38,362	41,801
Cash and Bank Balance	1,694	2,561	2,585	3,454	3,765	5,270	3,136	2,136
Loans and Advances	9,024	16,881	9,544	9,490	9,173	12,449	13,701	14,929
Curr. Liability & Prov.	**67,480**	**58,144**	**68,475**	**68,565**	**68,448**	**70,539**	**76,901**	**83,237**
Account Payables	34,414	20,568	24,358	26,528	28,220	26,894	29,502	32,153
Other Current Liabilities	28,915	33,541	39,629	35,033	33,931	37,348	41,102	44,787
Provisions	4,150	4,035	4,488	7,004	6,297	6,297	6,297	6,297
Net Current Assets	**-4,831**	**25,923**	**10,098**	**18,184**	**34,440**	**28,532**	**29,300**	**31,214**
Appl. of Funds	**1,58,339**	**1,70,036**	**1,72,587**	**1,96,321**	**2,23,817**	**2,38,100**	**2,58,775**	**2,82,505**

E: MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Basic (INR)								
EPS	**3,012**	**1,578**	**1,814**	**4,990**	**4,409**	**4,848**	**5,698**	**6,418**
Cash EPS	5,702	4,420	4,769	8,363	8,309	9,048	10,201	11,179
BV/Share	31,636	33,094	34,688	39,394	43,605	48,153	53,501	59,569
FCF per share	8,191	-5,384	-1,261	2,684	1,352	7,544	5,858	6,651
DPS	150	150	175	200	235	300	350	350
Payout (%)	5.0	9.5	9.6	4.1	5.3	6.2	6.1	5.5
Valuation (x)								
P/E	52.3	99.7	86.8	31.5	35.7	32.5	27.6	24.5
P/BV	5.0	4.8	4.5	4.0	3.6	3.3	2.9	2.6
EV/Sales	3.9	3.4	2.9	2.6	2.3	2.1	1.8	1.6
EV/EBITDA	21.3	32.0	27.6	15.3	16.1	14.0	12.0	10.5
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Return Ratios (%)								
RoE	10.0	4.9	5.4	13.5	10.6	10.6	11.2	11.4
RoCE	10.0	5.3	5.9	13.0	10.2	10.1	10.8	11.0
ROIC	14.1	6.0	7.2	17.6	12.3	12.7	15.4	17.4
Working Capital Ratios								
Fixed Asset Turnover (x)	1.1	1.3	1.4	1.3	1.3	1.3	1.3	1.4

Consolidated - Cash Flow Statement								INR m
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
OP/(Loss) before Tax	17,368	9,079	10,697	27,874	24,790	27,591	32,428	36,529
Depreciation	11,408	12,051	12,531	14,300	16,536	17,809	19,093	20,185
Interest & Finance Charges	2,747	2,538	3,190	3,530	3,600	3,697	3,425	3,149
Direct Taxes Paid	-5,168	-2,135	-3,278	-7,222	-5,925	-7,036	-8,269	-9,315
(Inc)/Dec in WC	18,222	-25,088	6,357	-3,283	-17,109	7,413	-2,902	-2,914
Others	-1,331	-2,226	-1,943	-2,194	-3,214	-4,489	-4,938	-5,432
CF from Operating incl EO	**43,246**	**-5,780**	**27,555**	**33,005**	**18,678**	**44,985**	**38,836**	**42,202**
(Inc)/Dec in FA	-8,516	-17,046	-32,901	-21,623	-12,945	-13,000	-14,000	-14,000
Free Cash Flow	**34,730**	**-22,827**	**-5,346**	**11,382**	**5,733**	**31,985**	**24,836**	**28,202**
(Pur)/Sale of Investments	-43,336	23,831	6,512	-1,297	-9,259	-25,000	-25,000	-28,000
Others	989	-5,097	7,171	-857	1,381	4,548	4,938	5,432
CF from Investments	**-50,862**	**1,687**	**-19,218**	**-23,777**	**-20,823**	**-33,452**	**-34,062**	**-36,568**
Inc/(Dec) in Debt	1,435	8,199	-3,854	-3,526	8,195	-5,000	-2,000	-2,000
Interest Paid	-2,540	-2,361	-2,698	-2,896	-2,726	-3,697	-3,425	-3,149
Dividend Paid	-424	-636	-636	-742	-848	-1,272	-1,484	-1,484
Others	-971	-965	-1,207	-1,518	-1,800	0	0	0
CF from Fin. Activity	**-2,500**	**4,238**	**-8,395**	**-8,682**	**2,821**	**-9,969**	**-6,909**	**-6,634**
Inc/Dec of Cash	**-10,117**	**145**	**-59**	**546**	**676**	**1,564**	**-2,134**	**-1,000**
Opening Balance	11,785	2,399	2,544	2,485	3,031	3,706	5,270	3,136
Closing Balance	**1,668**	**2,544**	**2,485**	**3,031**	**3,706**	**5,270**	**3,136**	**2,136**

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

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