

12 August 2025

MRF

Q1 miss; brighter margin outlook; maintaining a Buy

Rating: Buy

Target price: Rs.1,70,000

Share price: Rs.1,40,535

Below our estimate, MRF's Q1 EBITDA fell 9% y/y to Rs10.3bn due to the lower-than-expected gross margin. We expect 9/13/19% revenue/EBITDA/PAT growth over FY25-28 led by 1) bright outlook for replacements and exports, and the company would gain share, 2) gross margin improvement led by lower rubber prices/crude derivatives and better realization (product mix). We are positive regarding margin expansion and market-share gains. We introduce FY28e, with 9/11/15% revenue/EBITDA/PAT growth. Considering the brighter margin outlook and market-share gains, we maintain a Buy, at a slightly higher TP of Rs170,000, 25x Sep'27e EPS (earlier Rs165,000, 25x Mar'27e EPS).

EBITDA below estimate. Standalone revenue grew 7% y/y to Rs75.6bn broadly in line with our Rs77bn estimate. EBITDA fell 9% y/y to Rs10.3bn, below our Rs12.1bn estimate due to the lower-than-expected gross margin. The EBITDA margin contracted 240bps y/y, 130bps q/q, to 13.7% (ARe: 15.7%). The gross margin contracted 290bps y/y, 170bps q/q to 34.3%. PAT declined 14% y/y to Rs4.8bn (ARe: Rs5.9bn), below our estimate due to lower-than-expected operating profit.

Management commentary. OEMs and Aftermarket saw an uptick q/q due to seasonality. Factors that impacted demand were tariff issues, geopolitical tensions and the early rains. Y/y, margins are lower due to higher input costs.

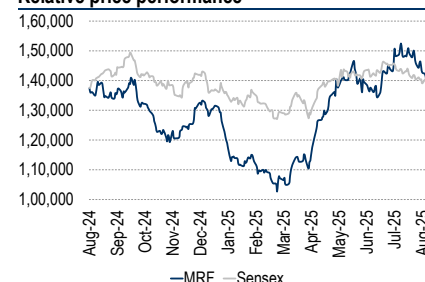
Valuation. We expect 9%/13%/19% revenue/EBITDA/PAT growth over FY25-28. We slightly lower our FY26e/27e EPS 4-5% each, owing to a slight cut in volume growth and margins. We maintain a Buy, at a slightly higher TP of Rs170,000, 25x Sep'27e P/E (earlier Rs165,000, 25x Mar'27e P/E). Our applied multiple is close to the 1yr-forward P/E multiple. **Key risks:** Less-than-expected volume growth, rise in commodity prices, stiff competition.

Key data	MRF IN / MRF.BO
52-week high / low	Rs.153,000 / 102,124
Sensex / Nifty	80,236 / 24,487
Market cap	Rs.603bn
Shares outstanding	4m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	27.8	27.8	27.8
- of which Pledged	-	-	-
Free float	72.2	72.2	72.2
- Foreign institutions	18.7	17.5	18.2
- Domestic institutions	11.7	12.2	12.0
- Public	41.9	42.5	42.0

Estimates revision (%)	FY26e	FY27e
Sales	-2.6	-2.9
EBITDA	-4.5	-3.5
EPS	-5.2	-4.4

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	2,46,737	2,76,652	2,96,459	3,24,326	3,54,817
Net profit (Rs m)	20,410	18,226	22,692	26,795	30,846
EPS (Rs)	4,814	4,298	5,352	6,320	7,275
Growth (%)	177.3	-10.7	24.5	18.1	15.1
P/E (x)	29.2	32.7	26.3	22.2	19.3
EV / EBITDA (x)	13.8	14.2	12.0	10.3	9.0
P/BV (x)	3.6	3.3	2.9	2.6	2.3
RoE (%)	13.2	10.5	11.8	12.4	12.7
RoCE (%)	12.5	10.3	11.4	12.0	12.3
Dividend yield (%)	0.1	0.2	0.2	0.2	0.3
Net debt / equity (x)	-0.1	-0.2	-0.2	-0.3	-0.3

Source: Company, Anand Rathi Research

Mumuksh Mandlesha

Research Analyst

Shagun Beria

Research Associate

Dishant Jain

Research Associate

Anand Rathi Share and Stock Brokers Limited (hereinafter "ARSSBL") is a full-service brokerage and equities-research firm and the views expressed therein are solely of ARSSBL and not of the companies which have been covered in the Research Report. This report is intended for the sole use of the Recipient. Disclosures and analyst certifications are present in the Appendix.

Quick Glance – Financials and Valuations (standalone)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenues	2,46,737	2,76,652	2,96,459	3,24,326	3,54,817
Growth (%)	9.3	12.1	7.2	9.4	9.4
Raw material cost	1,48,906	1,77,760	1,87,659	2,04,649	2,23,890
Emp.+ other expenses	56,153	59,334	63,285	68,585	74,324
EBITDA	41,678	39,559	45,515	51,091	56,604
EBITDA margins (%)	16.9	14.3	15.4	15.8	16.0
- Depreciation	14,250	16,474	17,627	19,037	20,751
Other income	3,125	4,029	5,354	6,425	7,700
Interest expenses	3,163	2,914	2,784	2,512	2,150
PBT	27,390	24,199	30,458	35,967	41,404
Effective tax rates (%)	25	25	26	26	26
+ Associates / (Minorities)					
Net income	20,410	18,226	22,692	26,795	30,846
Adjusted income	20,410	18,226	22,692	26,795	30,846
WANS	4.2	4.2	4.2	4.2	4.2
FDEPS (Rs)	4,814	4,298	5,352	6,320	7,275
Growth (%)	177.3	-10.7	24.5	18.1	15.1
Extraordinary items	-	-	-	-	-
Reported PAT	20,410	18,226	22,692	26,795	30,846

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	27,390	24,199	30,458	35,967	41,404
+ Non-cash items	17,413	19,388	20,411	21,549	22,900
Oper. prof. before WC	44,803	43,587	50,869	57,516	64,304
- Incr./ (decr.) in WC	3,052	8,137	5,356	7,328	8,295
Others incl. taxes	9,449	9,064	7,767	9,172	10,558
Operating cash-flow	32,303	26,387	37,746	41,016	45,450
- Capex (tang.+ intang.)	21,348	12,854	15,000	20,000	25,000
Free cash-flow	10,954	13,532	22,746	21,016	20,450
Acquisitions					
- Div.(incl. buyback & taxes)	-959	-975	-	-	-
+ Equity raised	-	-	-	-	-
+ Debt raised	-3,473	-430	-1,000	-2,000	-2,000
- Fin investments	2,803	9,194	15,000	15,000	15,000
- Misc. (CFI + CFF)	4,797	4,792	4,534	3,852	3,692
Net cash-flow	840	91	2,212	165	-241

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

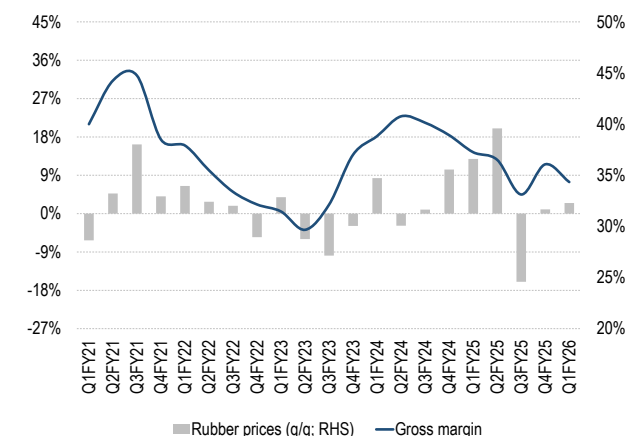
Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	42	42	42	42	42
Net worth	1,64,407	1,81,759	2,02,700	2,28,155	2,57,459
Debt (incl. Pref.)	16,308	15,865	14,865	12,865	10,865
Minority interest	-	-	-	-	-
DTL / (Assets)	4,578	4,565	4,565	4,565	4,565
Capital employed	1,85,293	2,02,189	2,22,130	2,45,586	2,72,889
Net tangible assets	1,19,521	1,31,082	1,28,455	1,29,417	1,33,666
Net intangible assets	251	206	206	206	206
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	23,625	11,665	11,665	11,665	11,665
Investments (strategic)					
Investments (financial)	34,036	45,590	60,590	75,590	90,590
Current assets (excl. cash)	84,311	99,924	1,08,026	1,19,791	1,33,142
Cash	2,403	2,495	4,707	4,871	4,630
Current liabilities	78,855	88,772	91,518	95,955	1,01,010
Working capital	5,456	11,152	16,508	23,837	32,132
Capital deployed	1,85,293	2,02,189	2,22,130	2,45,586	2,72,889

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	29.2	32.7	26.3	22.2	19.3
EV / EBITDA (x)	13.8	14.2	12.0	10.3	9.0
EV / Sales (x)	2.3	2.0	1.8	1.6	1.4
P/B (x)	3.6	3.3	2.9	2.6	2.3
RoE (%)	13.2	10.5	11.8	12.4	12.7
RoCE (%) - after tax	12.5	10.3	11.4	12.0	12.3
RoIC (%) - after tax	15.6	12.9	15.5	17.3	18.4
DPS (Rs)	200.0	235.0	267.6	316.0	363.7
Dividend yield (%)	0.1	0.2	0.2	0.2	0.3
Dividend payout (%)	4.2	5.5	5.0	5.0	5.0
Net debt / equity (x)	-0.1	-0.2	-0.2	-0.3	-0.3
Receivables (days)	42	44	46	48	50
Inventory (days)	107	114	116	118	120
Payables (days)	72	82	83	84	85
CFO : PAT %	158	145	166	153	147

Source: Company, Anand Rathi Research

Fig 6 – Gross margin vs. rubber price



Source: Company

Results highlights

Fig 7 – Quarterly performance

(Rs m)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	y/y (%)	q/q (%)
Revenue	70,778	67,604	68,832	69,438	75,603	6.8	8.9
Expenditure	59,400	57,869	60,814	59,011	65,259	9.9	10.6
as % of sales	83.9	85.6	88.4	85.0	86.3		
Consumption of RM	44,411	42,924	46,034	44,391	49,642	11.8	11.8
as % of sales	62.7	63.5	66.9	63.9	65.7		
Employee cost	4,440	4,637	4,553	4,589	4,642	4.6	1.2
as % of sales	6.3	6.9	6.6	6.6	6.1		
Other expenditure	10,550	10,309	10,226	10,031	10,975	4.0	9.4
as % of sales	14.9	15.2	14.9	14.4	14.5		
EBITDA	11,378	9,735	8,018	10,428	10,344	(9.1)	(0.8)
EBITDA margins (%)	16.1	14.4	11.6	15.0	13.7		
Depreciation	3,943	4,079	4,143	4,310	4,270	8.3	(0.9)
EBIT	7,436	5,656	3,876	6,118	6,074	(18.3)	(0.7)
Other income	827	1,121	966	1,115	1,255	51.7	12.6
Interest	754	667	711	782	822	8.9	5.1
PBT	7,509	6,109	4,131	6,451	6,507	(13.3)	0.9
Total tax	1,883	1,555	1,063	1,472	1,665	(11.6)	13.1
Adj. PAT	5,626	4,554	3,067	4,978	4,842	(13.9)	(2.7)
Extraordinary items Loss / (Gain)	0	0	0	0	0		
Reported PAT	5,626	4,554	3,067	4,978	4,842	(13.9)	(2.7)
Adj. EPS	1,327	1,074	723	1,174	1,142	(13.9)	(2.7)

Margins (%)						(bps)	(bps)
Gross	37.3	36.5	33.1	36.1	34.3	(292)	(173)
EBIDTA	16.1	14.4	11.6	15.0	13.7	(239)	(134)
EBIT	10.5	8.4	5.6	8.8	8.0	(247)	(78)
PAT	7.9	6.7	4.5	7.2	6.4	(154)	(76)
Effective Tax rate	25.1	25.4	25.7	22.8	25.6	51	276

Source: Company

Fig 8 – Q1 FY26 Actuals vs Estimates

Rs m	Actual	Estimates	Var %	Consensus	Var %
EBITDA	10,344	12,101	(14.5)	11,711	(11.7)
EBITDA Margin (%)	13.7	15.7	(202) bps	15.6	(191) bps
Adj net income	4,842	5,935	(18.4)	5,736	(15.6)
FDEPS (Rs)	1,142	1,400	(18.4)	1,353	(15.6)

Source: Company, Bloomberg, Anand Rathi Research

Fig 9 – Change in estimates

(Rs m)	Old		Revised		Change (%)		Introducing
	FY26e	FY27e	FY26e	FY27e	FY26	FY27	FY28e
Revenue	3,04,468	3,33,906	2,96,459	3,24,326	-2.6	-2.9	3,54,817
EBITDA	47,658	52,934	45,515	51,091	-4.5	-3.5	56,604
% of revenue	15.7	15.9	15.4	15.8			16.0
Adj. PAT	23,928	28,036	22,692	26,795	-5.2	-4.4	30,846
EPS (Rs)	5,643	6,612	5,352	6,320	-5.2	-4.4	7,275

Source: Anand Rathi Research

Valuations

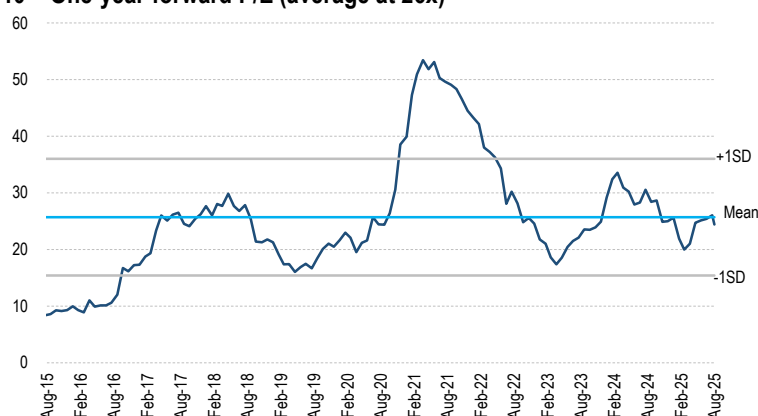
Healthy volume outlook for replacements, OEMs and exports. We expect a 9% revenue CAGR over FY25-28. MRF to outpace the industry, led by premium product positioning and marketing.

Margin outlook. The EBITDA margin would improve, led by lower input costs and better realisation (product mix). Better sourcing of natural rubber from sister companies provides MRF a cost-cushion. We expect margins to hold at ~15-16% over FY26-28.

Return ratios to be healthy. We expect post-tax RoE/RoCE to be healthy, >12% in FY26-28, driven by sustainable margins. We have factored in Rs20bn annual capex and strong FCF of Rs21bn over FY25-28.

View, Valuation. We expect 9%/19% revenue/PAT CAGRs over FY25-28. We recommend a Buy, with a TP of Rs170,000, 25x Sep'27e EPS.

Fig 10 – One-year-forward P/E (average at 26x)



Source: Bloomberg, Anand Rath Research

Risks

- Less-than-expected volume growth.
- Rise in commodity prices.
- Stiff competition.

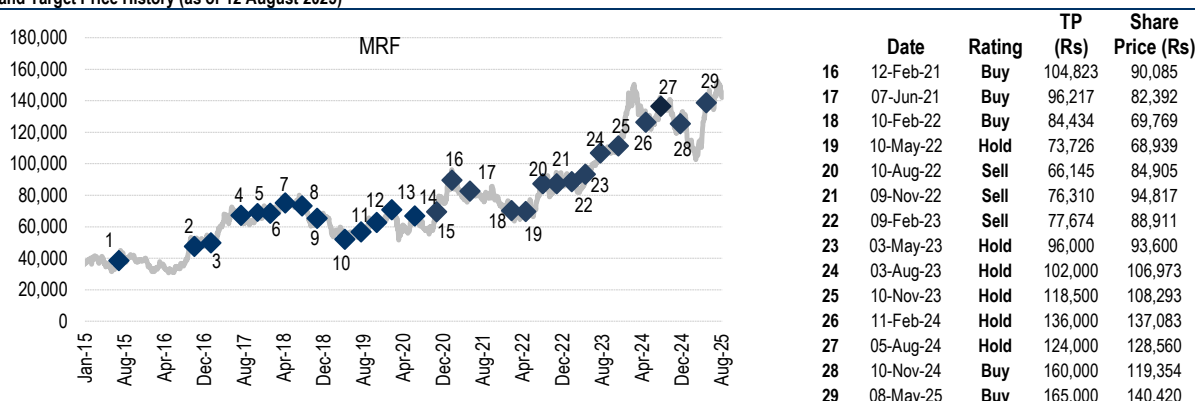
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 12 August 2025)



Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015, BSE Enlistment Number – 5048 date of Regn 25 July 2024) is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd (BSE), National Stock Exchange of India Ltd. (NSEIL), Multi Commodity Exchange of India Limited (MCX), National Commodity & Derivatives Exchange Limited (NCDEX), and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. (CDSL), ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

General Disclaimer: This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No
ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company.	No

NOTICE TO US INVESTORS:

This research report is the product of Anand Rathi Share and Stock Brokers Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated person(s) of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances, and trading securities held by a research analyst account.

Research reports are intended for distribution only to Major U.S. Institutional Investors as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act of 1934 (the Exchange Act) and interpretations thereof by the U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this research report is not a Major U.S. Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated, and/or transmitted onward to any U.S. person which is not a Major U.S. Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major U.S. Institutional Investors, Anand Rathi Share and Stock Brokers Limited has entered into a Strategic Partnership and chaperoning agreement with a U.S. registered broker-dealer: Banc Trust Securities USA. Transactions in securities discussed in this research report should be affected through Banc Trust Securities USA.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.
5. As of the publication of this report, ARSSBL does not make a market in the subject securities.
6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

© 2025. This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

As of the publication of this report, ARSSBL does not make a market in the subject securities.

Registration granted by SEBI, Enlistment as RA and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Additional information on recommended securities/instruments is available on request.

Compliance officer: Deepak Kedia, email id: deepakkedia@rathi.com, Contact no. +91 22 6281 7000
Grievance officer: Madhu Jain, email id: grievance@rathi.com, Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 10th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
 Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.