motilal oswal Financial Services

7 May 2026
4QFY26 Results Update | Sector: Automobile

MRF

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	MRF IN
Equity Shares (m)	4
M.Cap.(INRb)/(USD	553 / 5.9
52-Week Range	163600 / 123431
1, 6, 12 Rel. Per (%)	-3/-13/-7
12M Avg Val (INR M)	1145

Financials & valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	311.5	339.8	368.5
EBITDA	49.0	47.6	52.2
Adj. PAT	24.7	22.6	25.4
EPS (INR)	5,834	5,326	5,997
EPS Growth (%)	32.3	-8.7	12.6
BV/Share (INR)	49,468	54,544	60,266
Ratios			
RoE (%)	12.5	10.2	10.4
RoCE (%)	11.8	10.0	10.3
Payout (%)	4.1	4.7	4.6
Valuations			
P/E (x)	22.3	24.4	21.7
P/BV (x)	2.6	2.4	2.2
Div. Yield (%)	0.2	0.2	0.2
FCF yield (%)	5.7	4.4	4.3

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	27.8	27.7	27.8
DII	12.3	12.5	12.2
FII	18.0	18.2	17.5
Others	42.0	41.6	42.5

FII Includes depository receipts

CMP: INR130,395 TP: INR113,936 (-13%) Sell

Margin pressure drives earnings miss

Sharp surge in input costs to hurt performance in the near term

- MRF's 4QFY26 adj PAT at INR6.7b was below our estimate of INR7b. While revenue was largely in line with our estimate, PAT miss was led by lower-than-expected EBITDA margin at 16% (estimate of 17%).
- Management remains cautious about the demand outlook given the risk of a sub-normal monsoon. Further, rising raw material costs and supply chain disruptions due to the ongoing Middle East conflict remain key near-term headwinds. As a result, we expect MRF to post just 1% earnings CAGR over FY26-28E. While its RoCE has improved to 11.8% from a recent dip to 10% in FY25, it is likely to decline back to 10% by FY27E. Given its sub-par returns, valuations at 24.4x/21.7x FY27E/FY28E appear expensive. Maintain Sell with a TP of INR113,936, valued at 19x FY28E EPS.

PAT miss due to weaker-than-expected margins

- The company's standalone revenue grew ~14% YoY (flat QoQ) to INR79b, largely in line with our estimate of INR80b. Demand buoyancy arising from reduction in GST rates continued into 4Q, which was reflected in both replacement and OE sales. OEMs also witnessed high demand in the quarter, which led to increased demand for tyres.
- The company has strengthened its positioning across both ICE and EV categories, emerging as a preferred tyre supplier for EVs while increasing fitment of its tyres on OEM vehicles exported to global markets. Capacity expansion across plants is underway to support future growth across domestic and export segments.
- MRF's gross margin at 38.3% (+230bp YoY and +40bp QoQ) was above our estimate of 37.6%.
- However, EBITDA missed our estimates, coming in at INR12.6b, up 21.1% YoY. EBITDA margins were up 100bp YoY to 16% (though below our estimate of ~17%).
- The company recorded an exceptional charge of INR152m on account of the re-assement of the provisions for change in labor code.
- Adjusting for this charge, PAT was up 34.4% YoY at INR6.7b (vs. our estimate of INR7b).
- The board declared a final dividend of INR235 per share, flat YoY.

Valuation and view

Management remains cautious about the demand outlook given the risk of a sub-normal monsoon. Further, rising raw material costs and supply chain disruptions due to the ongoing Middle East conflict remain key near-term headwinds. As a result, we expect MRF to post just 1% earnings CAGR over FY26-28E. While its RoCE has improved to 11.8% from a recent dip to 10% in FY25, it is likely to decline back to 10% by FY27E. Given its sub-par returns, valuations at 24.4x/ 21.7x FY27E/FY28E appear expensive. Maintain Sell with a TP of INR113,936, valued at 19x FY28E EPS.

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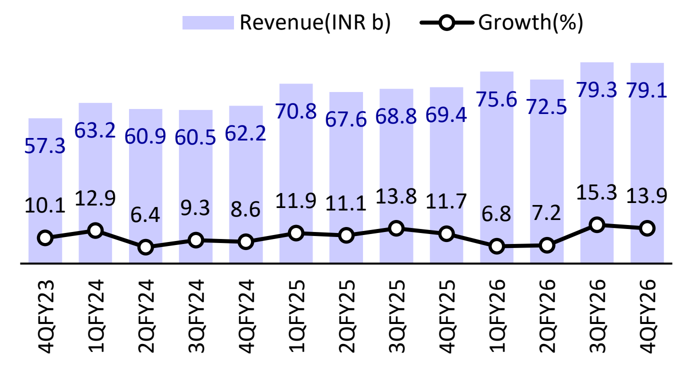
Standalone - Quarterly Earning Model (INR M)

Y/E March	FY25				FY26				FY25	FY26		VAR
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**70,778**	**67,604**	**68,832**	**69,438**	**75,603**	**72,497**	**79,337**	**79,084**	**276,652**	**306,521**	**80,242**	**-1**
YoY Change (%)	11.9	11.1	13.8	11.7	6.8	7.2	15.3	13.9	12.1	10.8	15.6	
Total Expenditure	59,400	57,869	60,814	59,011	65,259	61,599	65,693	66,453	237,094	258,365	66,715	
EBITDA	**11,378**	**9,734**	**8,018**	**10,428**	**10,343**	**10,898**	**13,644**	**12,632**	**39,559**	**48,156**	**13,527**	**-7**
Margins (%)	16.1	14.4	11.6	15.0	13.7	15.0	17.2	16.0	14.3	15.7	16.9	-90bp
Change (%)	2.1	-13.8	-22.9	3.7	-9.1	11.9	70.2	21.1	-7.7	21.7	29.7	
Depreciation	3,943	4,079	4,143	4,310	4,270	4,433	4,362	4,409	16,474	17,475	4,683	
Interest	754	667	711	782	822	708	736	706	2,914	2,976	746	
Other Income	827	1,121	966	1,115	1,255	1,067	1,231	1,329	4,029	4,994	1,088	
PBT before EO expense	**7,509**	**6,109**	**4,130**	**6,451**	**6,507**	**6,824**	**9,777**	**8,846**	**24,199**	**32,699**	**9,186**	
Extra-Ord expense	0	0	0	0	0	0	772	-152	0	620	0	
PBT	**7,509**	**6,109**	**4,130**	**6,451**	**6,507**	**6,824**	**9,005**	**8,998**	**24,199**	**32,079**	**9,186**	
Tax	1,883	1,555	1,063	1,472	1,665	1,708	2,214	2,194	5,974	7,925	2,168	
Rate (%)	25.1	25.4	25.7	22.8	25.6	25.0	24.6	24.4	24.7	24.7	23.6	
Reported PAT	**5,625**	**4,554**	**3,067**	**4,978**	**4,842**	**5,116**	**6,791**	**6,804**	**18,225**	**24,154**	**7,018**	
Adj PAT	**5,625**	**4,554**	**3,067**	**4,978**	**4,842**	**5,116**	**7,373**	**6,690**	**18,225**	**24,621**	**7,018**	**-5**
YoY Change (%)	-3.3	-20.4	-39.6	6.1	-13.9	12.3	140.4	34.4	-14.4	35.1	41.0	
Margins (%)	7.9	6.7	4.5	7.2	6.4	7.1	8.6	8.6	6.6	8.0	8.7	
Key Performance Indicators												
RM Cost(% of sales)	62.7	63.5	66.9	63.9	65.7	63.6	62.1	61.7	64.3	63.4	62.4	-70bp
Staff Cost(% of sales)	6.3	6.9	6.6	6.6	6.1	6.6	6.4	6.8	6.6	6.4	6.3	50bp
Other costs(% of sales)	14.9	15.2	14.9	14.4	14.5	14.7	14.3	15.6	14.9	14.5	14.5	110bp
Gross Margin(%)	37.3	36.5	33.1	36.1	34.3	36.4	37.9	38.3	35.7	36.6	37.6	70bp
EBITDA Margin(%)	16.1	14.4	11.6	15.0	13.7	15.0	17.2	16.0	14.3	15.7	16.9	-90bp

E: MOSL Estimates

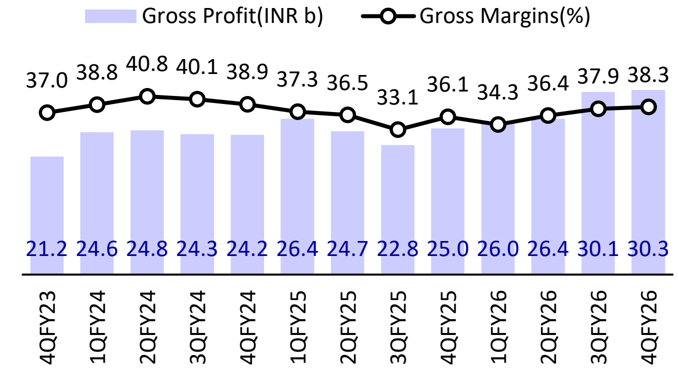
Key exhibits

Exhibit 1: Revenue trend



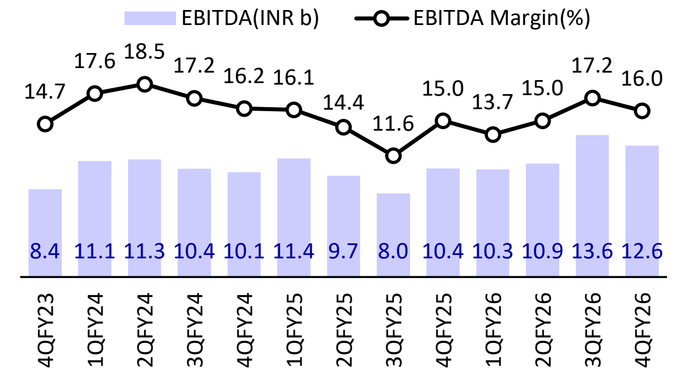
Source: MOFSL, Company

Exhibit 2: Gross margin trend



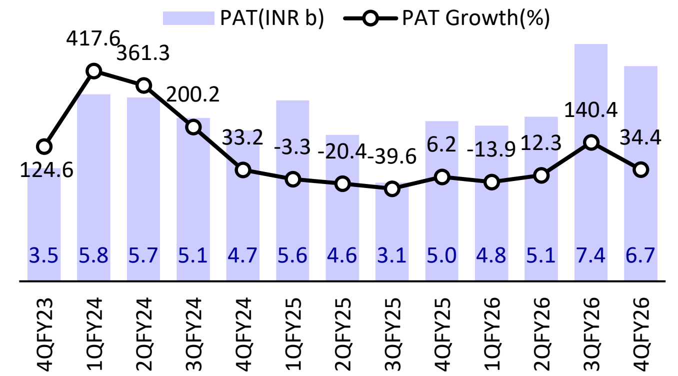
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: PAT and PAT growth trends



Source: MOFSL, Company

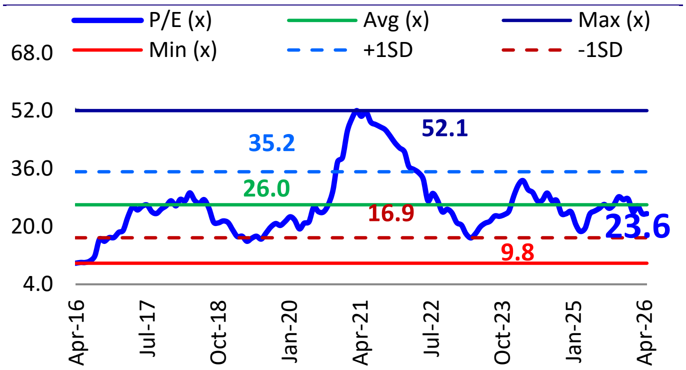
Valuation and view

- **Dilution in competitive positioning**: Over the years, MRF has lost significant share to competition in the PCR segment and is now the No. 4 player in the industry. Even in TBR, while it has now regained leadership position over Apollo in the recent past, APTY continues to be the price leader in this category. Even in the 2W segment, CEAT has now moved on to become the market leader in the segment.
- **Reiterate Sell on Expensive valuations:** On the back of a pick-up in auto demand, we expect MRF to post 9% revenue CAGR over FY26-28E. Overall, we expect MRF to post just 1% earnings CAGR over FY26-28E, given the sharp rise in input costs. While its RoCE has improved to 11.8% from a recent dip to 10% in FY25, it is likely to decline back to 10% by FY27E. Given its sub-par returns, valuations at 24.4x / 21.7x FY27E / FY28E appear expensive. Maintain Sell with a TP of INR 113,936, valued at 19x FY28E EPS.

Exhibit 5: Our revised estimates (Consolidated)

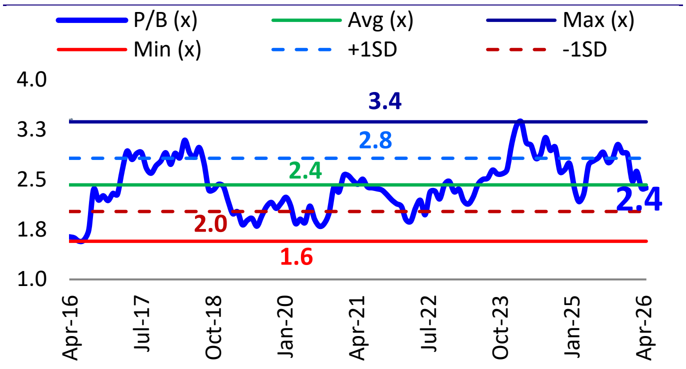
(INR m)	FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	339,783	340,221	-0.1	368,469	368,951	-0.1
EBITDA	47,614	48,629	-2.1	52,159	53,252	-2.1
EBITDA (%)	14.0	14.3	-30bp	14.2	14.4	-30bp
Adj. PAT	22,581	23,110	-2.3	25,426	25,982	-2.1
EPS (INR)	5326	5450	-2.3	5997	6128	-2.1

Exhibit 6: One-year forward P/E



Source: MOFSL, Company

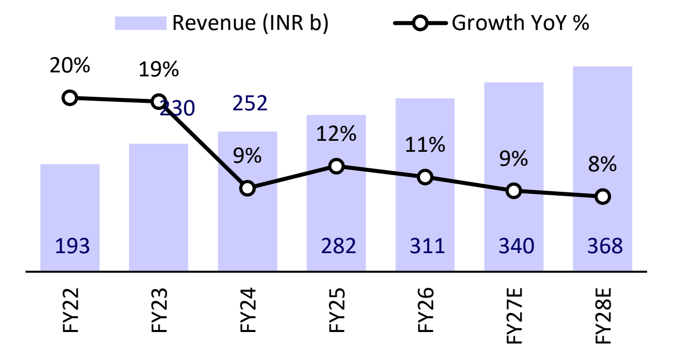
Exhibit 7: One-year forward P/B



Source: MOFSL, Company

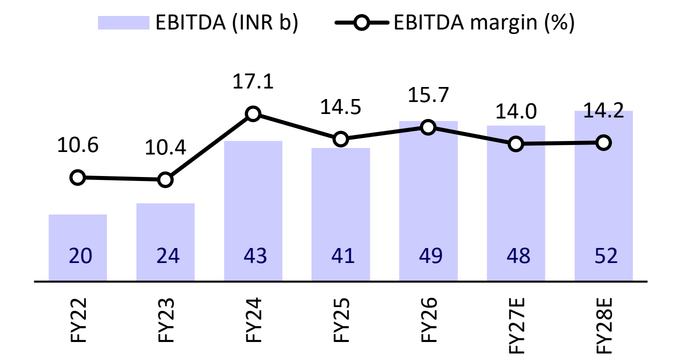
Story in charts

Exhibit 8: Revenue and growth trends



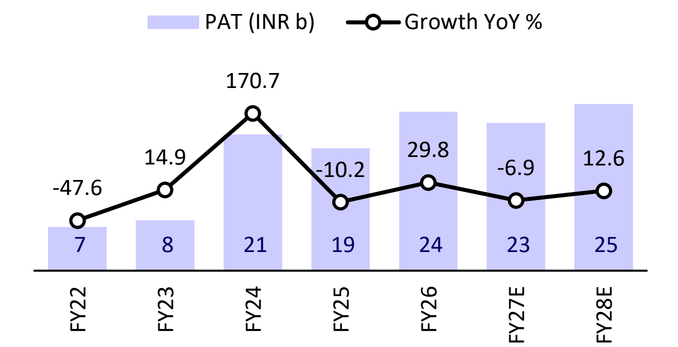
Source: MOFSL, Company

Exhibit 9: Trend in EBITDA



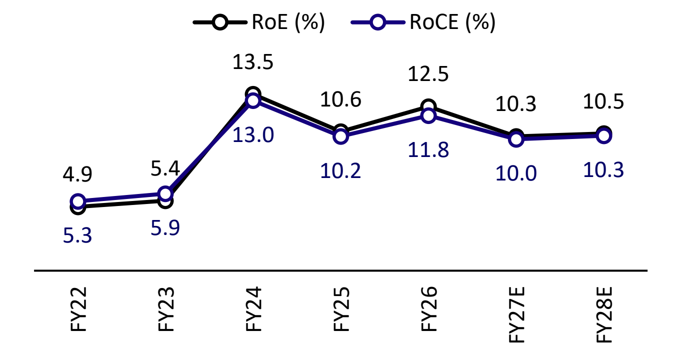
Source: MOFSL, Company

Exhibit 10: Trend in PAT



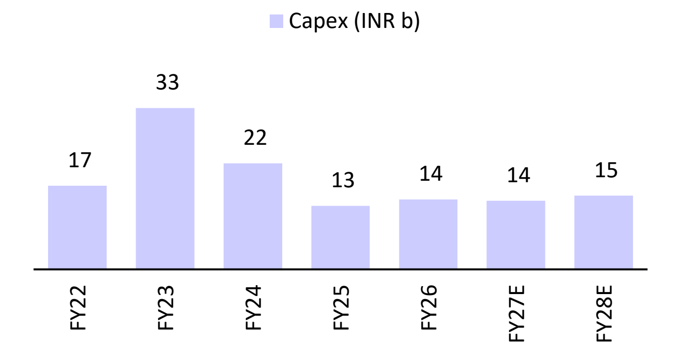
Source: MOFSL, Company

Exhibit 11: Trend in capital efficiency



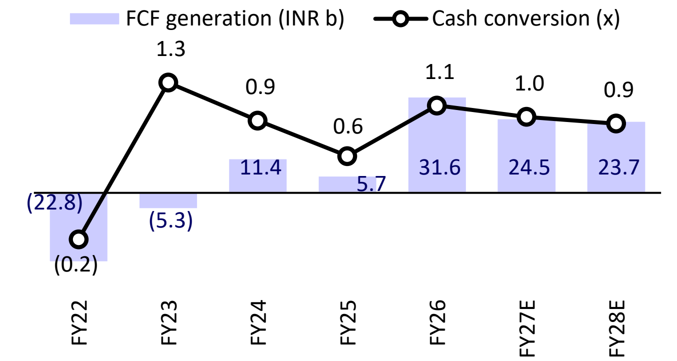
Source: MOFSL, Company

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**	**FY26**	**FY27E**	**FY28E**
Total Income from Operations	**161,632**	**193,167**	**230,085**	**251,692**	**281,532**	**311,490**	**339,783**	**368,469**
Change (%)	-0.5	19.5	19.1	9.4	11.9	10.6	9.1	8.4
EBITDA	**29,423**	**20,498**	**23,891**	**42,999**	**40,845**	**49,006**	**47,614**	**52,159**
EBITDA Margin (%)	18.2	10.6	10.4	17.1	14.5	15.7	14.0	14.2
Depreciation	11,408	12,051	12,531	14,300	16,536	17,536	19,248	20,379
EBIT	**18,016**	**8,447**	**11,361**	**28,700**	**24,309**	**31,470**	**28,366**	**31,779**
EBIT Margin (%)	11.1	4.4	4.9	11.4	8.6	10.1	8.3	8.6
Int. and Finance Charges	2,747	2,538	3,190	3,530	3,600	3,662	3,688	3,848
Other Income	2,099	3,170	2,527	3,168	4,081	5,046	5,551	6,106
PBT bef. EO Exp.	**17,368**	**9,079**	**10,697**	**28,338**	**24,790**	**32,854**	**30,229**	**34,037**
EO Items	0	0	0	-464	0	-632	0	0
PBT after EO Exp.	**17,368**	**9,079**	**10,697**	**27,874**	**24,790**	**32,221**	**30,229**	**34,037**
Tax Rate (%)	26.5	26.3	28.1	25.3	24.6	24.7	25.3	25.3
Reported PAT	**12,771**	**6,692**	**7,690**	**20,812**	**18,693**	**24,261**	**22,581**	**25,426**
Adjusted PAT	**12,771**	**6,692**	**7,690**	**21,158**	**18,693**	**24,737**	**22,581**	**25,426**
Change (%)	-10.2	-47.6	14.9	170.7	-10.2	29.8	-6.9	12.6

Consolidated - Balance Sheet								INR m
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Equity Share Capital	42	42	42	42	42	42	42	42
Total Reserves	134,094	140,275	147,034	166,988	184,842	209,703	2,31,224	2,55,484
Net Worth	**134,137**	**140,318**	**147,077**	**167,030**	**184,885**	**209,746**	**2,31,267**	**2,55,526**
Deferred Tax Liabilities	3,802	1,537	1,214	1,075	1,219	2,422	2,422	2,422
Total Loans	20,398	28,180	24,295	28,215	37,712	32,067	32,067	32,067
Capital Employed	**158,339**	**170,036**	**172,587**	**196,321**	**223,817**	**244,236**	**2,65,757**	**2,90,016**
Gross Block	140,786	152,874	169,729	198,467	224,779	239,772	2,53,772	2,68,772
Less: Accum. Deprn.	46,378	57,656	68,549	78,004	92,572	110,108	1,29,356	1,49,735
Net Fixed Assets	**94,408**	**95,218**	**101,180**	**120,462**	**132,208**	**129,664**	**1,24,416**	**1,19,037**
Capital WIP	10,022	12,331	30,459	23,845	11,686	10,338	10,338	10,338
Total Investments	**58,740**	**36,565**	**30,851**	**33,830**	**45,482**	**52,759**	**76,978**	**1,01,978**
Curr. Assets, Loans&Adv.	**62,649**	**84,066**	**78,572**	**86,749**	**102,888**	**124,017**	**1,28,081**	**1,38,220**
Inventory	29,388	41,297	41,411	44,686	56,248	54,168	50,429	54,596
Account Receivables	22,543	23,327	25,033	29,120	33,703	35,416	39,098	42,399
Cash and Bank Balance	1,694	2,561	2,585	3,454	3,765	3,046	4,110	3,873
Loans and Advances	9,024	16,881	9,544	9,490	9,173	31,387	34,444	37,352
Curr. Liability & Prov.	**67,480**	**58,144**	**68,475**	**68,565**	**68,448**	**72,543**	**74,057**	**79,556**
Account Payables	34,414	20,568	24,358	26,528	28,220	32,108	30,418	32,931
Other Current Liabilities	28,915	33,541	39,629	35,033	33,931	32,171	35,375	38,361
Provisions	4,150	4,035	4,488	7,004	6,297	8,264	8,264	8,264
Net Current Assets	**-4,831**	**25,923**	**10,098**	**18,184**	**34,440**	**51,474**	**54,025**	**58,664**
Appl. of Funds	**158,339**	**170,036**	**172,587**	**196,321**	**223,817**	**244,236**	**2,65,757**	**2,90,016**

E: MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Basic (INR)								
EPS	**3,012**	**1,578**	**1,814**	**4,990**	**4,409**	**5,834**	**5,326**	**5,997**
Cash EPS	5,702	4,420	4,769	8,363	8,309	9,970	9,865	10,803
BV/Share	31,636	33,094	34,688	39,394	43,605	49,468	54,544	60,266
FCF per share	8,191	-5,384	-1,261	2,684	1,352	7,463	5,773	5,583
DPS	150	150	175	200	235	235	250	275
Payout (%)	5.0	9.5	9.6	4.1	5.3	4.1	4.7	4.6
Valuation (x)								
P/E	43.2	82.4	71.7	26.0	29.5	22.3	24.4	21.7
P/BV	4.1	3.9	3.7	3.3	3.0	2.6	2.4	2.2
EV/Sales	3.2	2.8	2.4	2.2	1.9	1.8	1.5	1.3
EV/EBITDA	17.4	26.4	22.7	12.6	13.2	11.1	10.5	9.2
Dividend Yield (%)	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Return Ratios (%)								
RoE	10.0	4.9	5.4	13.5	10.6	12.5	10.2	10.4
RoCE	10.0	5.3	5.9	13.0	10.2	11.8	10.0	10.3
ROIC	14.1	6.0	7.2	17.6	12.3	13.9	12.0	13.6
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**	**FY26**	**FY27E**	**FY28E**
OP/(Loss) before Tax	17,368	9,079	10,697	27,874	24,790	32,221	30,229	34,037
Depreciation	11,408	12,051	12,531	14,300	16,536	17,536	19,248	20,379
Interest & Finance Charges	2,747	2,538	3,190	3,530	3,600	3,662	3,688	3,848
Direct Taxes Paid	-5,168	-2,135	-3,278	-7,222	-5,925	-6,820	-7,648	-8,611
(Inc)/Dec in WC	18,222	-25,088	6,357	-3,283	-17,109	2,502	-1,486	-4,876
Others	-1,331	-2,226	-1,943	-2,194	-3,214	-3,200	-5,551	-6,106
CF from Operating incl EO	**43,246**	**-5,780**	**27,555**	**33,005**	**18,678**	**45,903**	**38,480**	**38,671**
(Inc)/Dec in FA	-8,516	-17,046	-32,901	-21,623	-12,945	-14,260	-14,000	-15,000
Free Cash Flow	**34,730**	**-22,827**	**-5,346**	**11,382**	**5,733**	**31,643**	**24,480**	**23,671**
(Pur)/Sale of Investments	-43,336	23,831	6,512	-1,297	-9,259	13,734	-43,000	-25,000
Others	989	-5,097	7,171	-857	1,381	-34,835	24,332	6,106
CF from Investments	**-50,862**	**1,687**	**-19,218**	**-23,777**	**-20,823**	**-35,362**	**-32,668**	**-33,894**
Inc/(Dec) in Debt	1,435	8,199	-3,854	-3,526	8,195	-3,866	0	0
Interest Paid	-2,540	-2,361	-2,698	-2,896	-2,726	-2,896	-3,688	-3,848
Dividend Paid	-424	-636	-636	-742	-848	-997	-1,060	-1,166
Others	-971	-965	-1,207	-1,518	-1,800	-3,444	0	0
CF from Fin. Activity	**-2,500**	**4,238**	**-8,395**	**-8,682**	**2,821**	**-11,202**	**-4,748**	**-5,014**
Inc/Dec of Cash	**-10,117**	**145**	**-59**	**546**	**676**	**-661**	**1,064**	**-237**
Opening Balance	11,785	2,399	2,544	2,485	3,031	3,706	3,046	4,110
Closing Balance	**1,668**	**2,544**	**2,485**	**3,031**	**3,706**	**3,046**	**4,110**	**3,873**

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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