10 November 2026
2QFY27 Results Update | Sector: Automobile

MRF

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	MRF IN
Equity Shares (m)	4
M.Cap.(INRb)/(USDb)	529.6 / 5.6
52-Week Range (INR)	159800 / 115190
1, 6, 12 Rel. Per (%)	-9/-8/-20
12M Avg Val (INR M)	878

Financials & valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	311.5	345.0	366.8
EBITDA	49.0	38.2	51.4
Adj. PAT	24.7	15.5	24.8
EPS (INR)	5,834	3,662	5,856
EPS Growth (%)	32.3	-37.2	59.9
BV/Share (INR)	49,468	52,881	58,461
Ratios			
RoE (%)	12.5	7.2	10.5
RoCE (%)	11.8	7.3	10.3
Payout (%)	4.1	6.8	4.7
Valuations			
P/E (x)	21.4	34.1	21.3
P/BV (x)	2.5	2.4	2.1
Div. Yield (%)	0.2	0.2	0.2
FCF yield (%)	6.0	3.0	4.7

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	27.6	27.8	27.8
DII	12.7	12.1	12.4
FII	17.1	17.4	18.3
Others	42.6	42.7	41.6

FII includes depository receipts

CMP: INR1,24,875 TP: INR1,05,400 (-16%) Sell

Strong revenue growth offset by margin pressures

Raw material prices to remain elevated in the near term

- MRF's 2QFY27 adj. PAT at INR3.7b missed our estimate despite a strong ~18% YoY revenue growth to INR85.2b. Higher-than-expected raw material inflation led to a 430bp YoY contraction in EBITDA margin to 10.7%, below our estimate for the quarter.
- Management remains cautious about the demand outlook given the risk of a subnormal monsoon. Further, rising raw material costs and supply chain disruptions due to the ongoing Middle East conflict remain the key near-term headwinds. As a result, we cut our FY27 earnings estimate by 17% and now expect MRF's earnings to remain flat over FY26-28. While its RoCE has improved to 11.8% from a recent dip to 10% in FY25, it is likely to dip to 7% by FY27E given the sustained margin pressure before recovering in FY28. Given its subpar returns, valuations at 34x/21x FY27E/FY28E appear expensive. **We reiterate our Sell rating with a TP of INR1,05,400, valued at 18x FY28E EPS.**

A spike in input costs hurts margins, leading to miss on estimates

- MRF's standalone revenue grew 17.6% YoY to INR85.2b, beating our estimate of INR81.2b. The strong growth was primarily due to sustained demand from both OEM and the replacement segments.
- RM pressure was higher than expected, leading to a 470bp YoY dip in gross margin to 31.7% (below our estimate of 32.7%).
- As a result, EBITDA margin contracted 430bp YoY to 10.7% (vs. our estimate of 11.8%) in 2QFY27.
- EBITDA declined 16.3% YoY to INR9.1b (missing our estimate of INR9.6b).
- Other income came in higher than expected at INR1.3b.
- However, margin pressures led to a ~28% YoY decline in PAT to INR3.7b, missing our estimate of INR3.9b.
- The Board announced an interim dividend of INR3 per share.
- Standalone CFO for 1HFY27 stood at INR12.4b, with free cash flow coming in at a positive INR4.7b.

Valuation and view

Management remains cautious about the demand outlook given the risk of a subnormal 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 cut our FY27 earnings estimate by 17% and now expect MRF's earnings to remain flat over FY26-28. While its RoCE has improved to 11.8% from a recent dip to 10% in FY25, it is likely to dip to 7% by FY27E given the sustained margin pressure before recovering in FY28. Given its subpar returns, valuations at 34x/21x FY27E/FY28E appear expensive. **We reiterate our Sell rating with a TP of INR1,05,400, valued at 18x FY28E EPS.**

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Standalone - Quarterly Earnings Model

(INR M)

Y/E March	FY26				FY27E				FY26	FY27E	2QE	VAR(%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	**75,603**	**72,497**	**79,337**	**79,084**	**82,916**	**85,240**	**85,684**	**85,665**	**3,06,521**	**3,39,505**	**81,196**	**5**
YoY Change (%)	6.8	7.2	15.3	13.9	9.7	17.6	8.0	8.3	10.8	10.8	12.0	
Total Expenditure	65,259	61,599	65,693	66,453	73,429	76,114	76,002	75,337	2,59,004	3,00,882	71,615	
EBITDA	**10,343**	**10,898**	**13,644**	**12,632**	**9,486**	**9,126**	**9,682**	**10,328**	**47,517**	**38,622**	**9,581**	**-5**
Margins (%)	13.7	15.0	17.2	16.0	11.4	10.7	11.3	12.1	15.5	11.4	11.8	-110bp
Change (%)	-9.1	11.9	70.2	21.1	-8.3	-16.3	-29.0	-18.2	20.1	-18.7	-12.1	
Depreciation	4,270	4,433	4,362	4,409	4,458	4,680	5,000	5,047	17,473	19,185	4,650	
Interest	822	708	736	706	697	742	770	787	2,971	2,996	760	
Other Income	1,255	1,067	1,231	1,329	1,915	1,277	1,000	1,195	4,882	5,386	1,050	
PBT before EO expense	**6,507**	**6,824**	**9,777**	**8,846**	**6,245**	**4,981**	**4,912**	**5,688**	**31,954**	**21,827**	**5,221**	
Extra-Ord expense	0	0	772	-152	0	0	0	0	620	0	0	
PBT	**6,507**	**6,824**	**9,005**	**8,998**	**6,245**	**4,981**	**4,912**	**5,688**	**31,335**	**21,827**	**5,221**	
Tax	1,665	1,708	2,214	2,194	1,502	1,290	1,253	1,478	7,781	5,522	1,321	
Rate (%)	25.6	25.0	24.6	24.4	24.0	25.9	25.5	26.0	24.8	25.3	25.3	
Reported PAT	**4,842**	**5,116**	**6,791**	**6,804**	**4,744**	**3,692**	**3,660**	**4,210**	**23,554**	**16,305**	**3,900**	
Adj PAT	**4,842**	**5,116**	**7,372**	**6,690**	**4,744**	**3,692**	**3,660**	**4,210**	**24,020**	**16,305**	**3,900**	**-5**
YoY Change (%)	-13.9	12.3	140.4	34.4	-2.0	-27.8	-50.4	-37.1	31.8	-32.1	-23.8	
Margins (%)	6.4	7.1	8.6	8.6	5.7	4.3	4.3	4.9	7.8	4.8	4.8	

E: MOSL Estimates

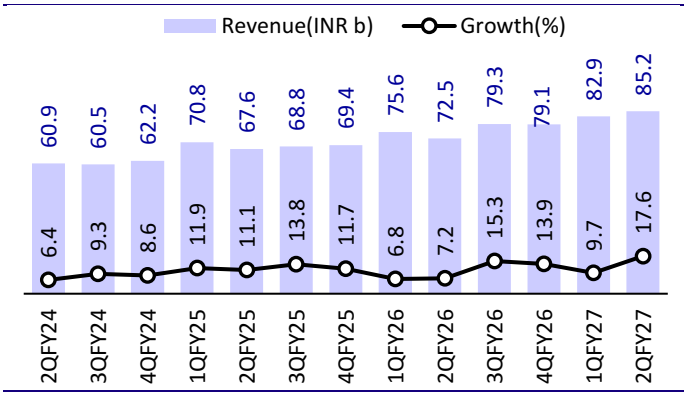
Key Performance Indicators

RM Cost(% of sales)	65.7	63.6	62.1	61.7	67.3	68.3	67.5	66.9	63.2	67.5	67.3	100bp
Staff Cost(% of sales)	6.1	6.6	6.4	6.8	5.9	5.9	5.9	6.0	6.5	5.9	6.2	-30bp
Other costs(% of sales)	14.5	14.7	14.3	15.6	15.4	15.1	15.3	15.1	14.8	15.2	14.7	40bp
Gross Margin(%)	34.3	36.4	37.9	38.3	32.7	31.7	32.5	33.1	36.8	32.5	32.7	-100bp
EBITDA Margin(%)	13.7	15.0	17.2	16.0	11.4	10.7	11.3	12.1	15.5	11.4	11.8	-110bp

E: MOSL Estimates

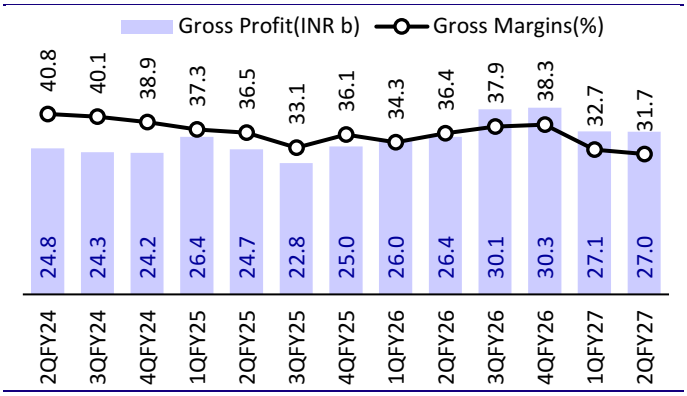
Key exhibits

Exhibit 1: Revenue trend



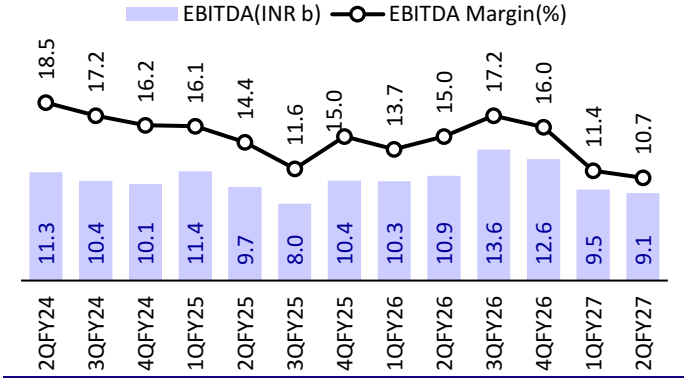
Source: MOFSL, Company

Exhibit 2: Gross margin trend



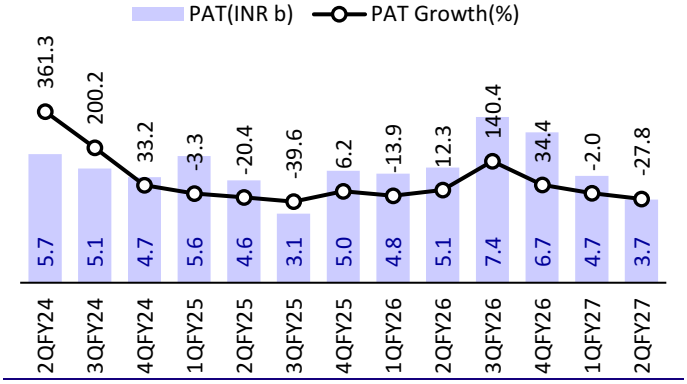
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: PAT and PAT growth trends



Source: MOFSL, Company

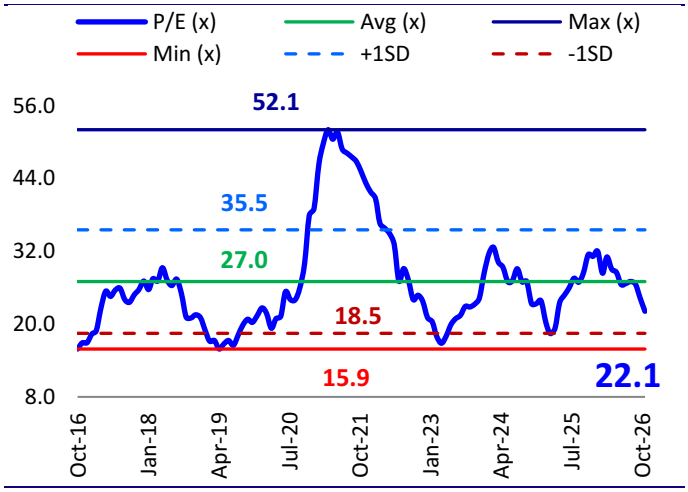
Valuation and view

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Exhibit 5: Our revised estimates (Consolidated)

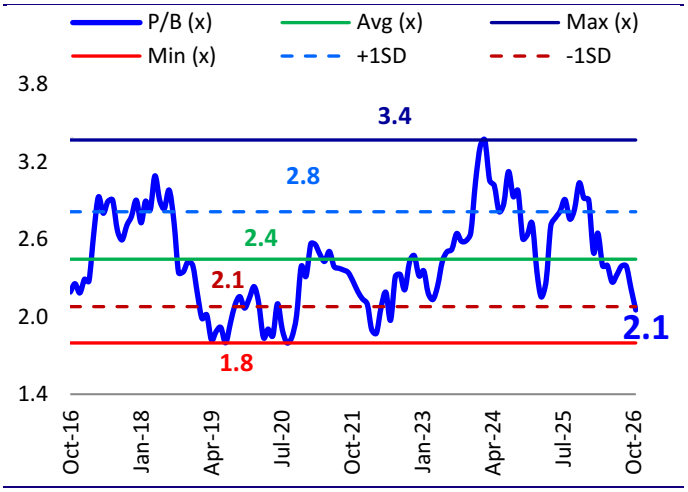
(INR m)	FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	3,44,971	3,39,783	1.5	3,66,840	3,68,469	-0.4
EBITDA	38,172	42,473	-10.1	51,358	51,586	-0.4
EBITDA (%)	11.1	12.5	-140bp	14.0	14.0	0bp
Adj. PAT	15,528	18,741	-17.1	24,828	24,998	-0.7
EPS (INR)	3662	4420	-17.1	5856	5896	-0.7

Exhibit 6: One-year forward P/E



Source: MOFSL, Company

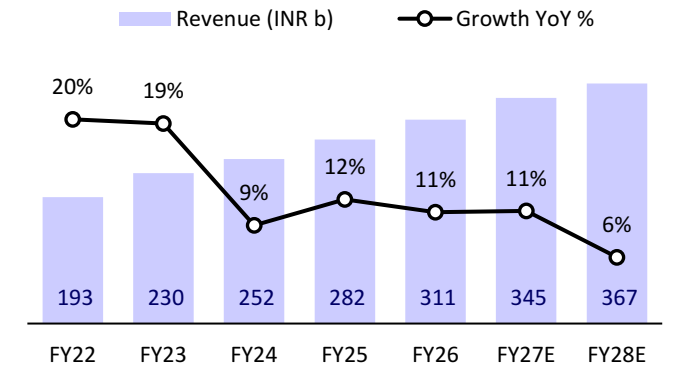
Exhibit 7: One-year forward P/B



Source: MOFSL, Company

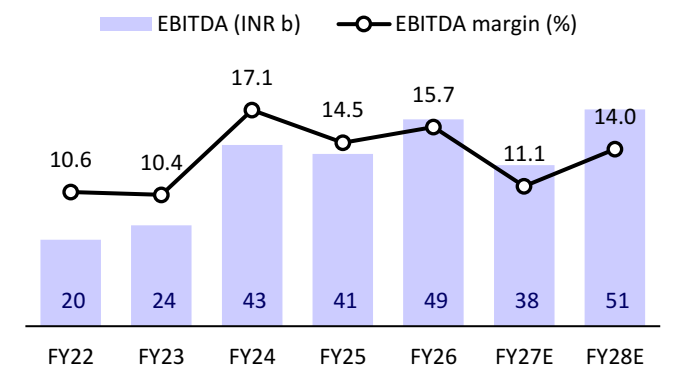
Story in Charts

Exhibit 8: Revenue and growth trends



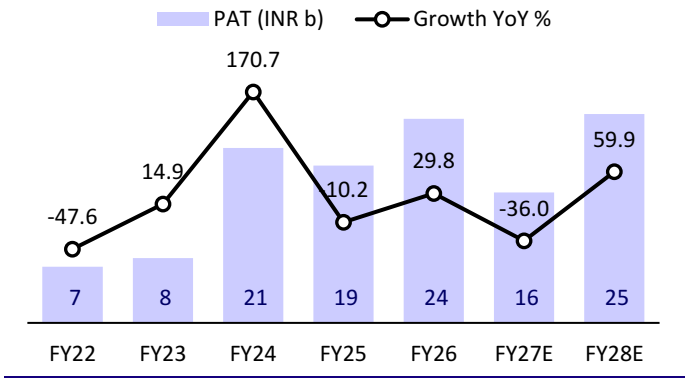
Source: MOFSL, Company

Exhibit 9: Trend in EBITDA



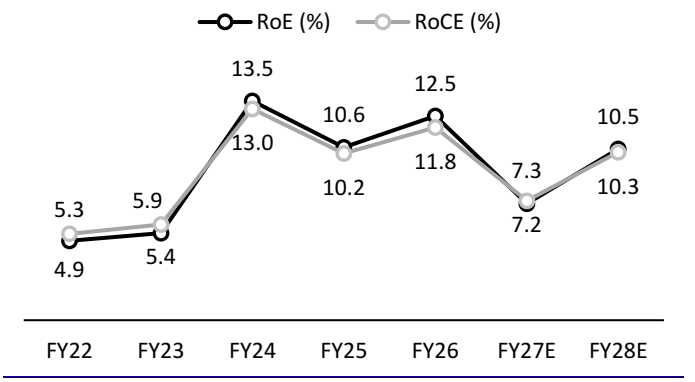
Source: MOFSL, Company

Exhibit 10: Trend in PAT



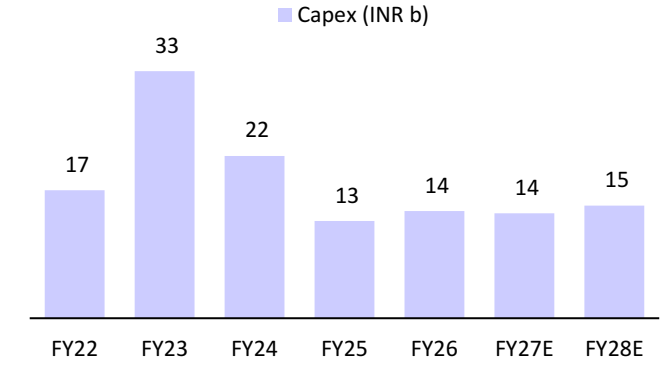
Source: MOFSL, Company

Exhibit 11: Trend in capital efficiency



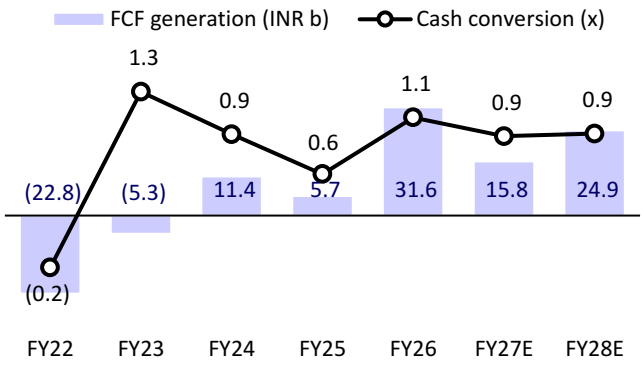
Source: MOFSL, Company

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	FY26	FY27E	FY28E
Total Income from Operations	**1,61,632**	**1,93,167**	**2,30,085**	**2,51,692**	**2,81,532**	**3,11,490**	**3,44,971**	**3,66,840**
Change (%)	-0.5	19.5	19.1	9.4	11.9	10.6	10.7	6.3
EBITDA	**29,423**	**20,498**	**23,891**	**42,999**	**40,845**	**49,006**	**38,172**	**51,358**
EBITDA Margin (%)	18.2	10.6	10.4	17.1	14.5	15.7	11.1	14.0
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**	**18,924**	**30,978**
EBIT Margin (%)	11.1	4.4	4.9	11.4	8.6	10.1	5.5	8.4
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**	**20,787**	**33,236**
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**	**20,787**	**33,236**
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**	**15,528**	**24,828**
Adjusted PAT	**12,771**	**6,692**	**7,690**	**21,158**	**18,693**	**24,737**	**15,528**	**24,828**
Change (%)	-10.2	-47.6	14.9	170.7	-10.2	29.8	-36.0	59.9

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	1,34,094	1,40,275	1,47,034	1,66,988	1,84,842	2,09,703	2,24,171	2,47,833
Net Worth	**1,34,137**	**1,40,318**	**1,47,077**	**1,67,030**	**1,84,885**	**2,09,746**	**2,24,213**	**2,47,875**
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	**1,58,339**	**1,70,036**	**1,72,587**	**1,96,321**	**2,23,817**	**2,44,236**	**2,58,704**	**2,82,365**
Gross Block	1,40,786	1,52,874	1,69,729	1,98,467	2,24,779	2,42,361	2,56,361	2,71,361
Less: Accum. Deprn.	46,378	57,656	68,549	78,004	92,572	1,12,697	1,31,945	1,52,324
Net Fixed Assets	**94,408**	**95,218**	**1,01,180**	**1,20,462**	**1,32,208**	**1,29,664**	**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**	**68,978**	**88,978**
Curr. Assets, Loans&Adv.	**62,649**	**84,066**	**78,572**	**86,749**	**1,02,888**	**1,24,017**	**1,31,091**	**1,43,313**
Inventory	29,388	41,297	41,411	44,686	56,248	54,168	52,954	54,453
Account Receivables	22,543	23,327	25,033	29,120	33,703	35,416	39,695	42,212
Cash and Bank Balance	1,694	2,561	2,585	3,454	3,765	3,046	3,472	9,461
Loans and Advances	9,024	16,881	9,544	9,490	9,173	31,387	34,970	37,187
Curr. Liability & Prov.	**67,480**	**58,144**	**68,475**	**68,565**	**68,448**	**72,543**	**76,120**	**79,301**
Account Payables	34,414	20,568	24,358	26,528	28,220	32,108	31,941	32,845
Other Current Liabilities	28,915	33,541	39,629	35,033	33,931	32,171	35,915	38,192
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**	**54,971**	**64,012**
Appl. of Funds	**1,58,339**	**1,70,036**	**1,72,587**	**1,96,321**	**2,23,817**	**2,44,236**	**2,58,704**	**2,82,365**

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**	**3,662**	**5,856**
Cash EPS	5,702	4,420	4,769	8,363	8,309	9,970	8,202	10,662
BV/Share	31,636	33,094	34,688	39,394	43,605	49,468	52,881	58,461
FCF per share	8,191	-5,384	-1,261	2,684	1,352	7,463	3,736	5,872
DPS	150	150	175	200	235	235	250	275
Payout (%)	5.0	9.5	9.6	4.1	5.3	4.1	6.8	4.7
Valuation (x)								
P/E	41.5	79.1	68.9	25.0	28.3	21.4	34.1	21.3
P/BV	3.9	3.8	3.6	3.2	2.9	2.5	2.4	2.1
EV/Sales	3.0	2.7	2.3	2.1	1.8	1.7	1.4	1.3
EV/EBITDA	16.6	25.3	21.8	12.1	12.7	10.7	12.8	9.0
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	7.2	10.5
RoCE	10.0	5.3	5.9	13.0	10.2	11.8	7.3	10.3
ROIC	14.1	6.0	7.2	17.6	12.3	13.9	8.0	13.2
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	20,787	33,236
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	-5,259	-8,409
(Inc)/Dec in WC	18,222	-25,088	6,357	-3,283	-17,109	2,502	-3,071	-3,051
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**	**29,842**	**39,897**
(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**	**15,842**	**24,897**
(Pur)/Sale of Investments	-43,336	23,831	6,512	-1,297	-9,259	13,734	-35,000	-20,000
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**	**-24,668**	**-28,894**
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**	**426**	**5,989**
Opening Balance	11,785	2,399	2,544	2,485	3,031	3,706	3,046	3,472
Closing Balance	**1,668**	**2,544**	**2,485**	**3,031**	**3,706**	**3,046**	**3,472**	**9,461**

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NOTES

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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