

3 June 2025

## MM Forgings

*Attractive valuation; retaining a Buy*Rating: **Buy**

Target Price (12-mth): Rs.480

Share Price: Rs.367

Lower our Rs819m estimate due to less-than-expected revenues, MM Forgings' Q4 EBITDA slipped 4% y/y to Rs724m. Growth would be supported by the domestic M&H CV volume upswing, which would come at a 5% CAGR over FY25-27 on economic activity and replacement demand. Growth would be driven by new products (gear blanks, long shafts, larger crankshafts) and market-share gains. The overseas CV sector may be muted in the near term, but export revenue would outstrip that of the industry due to new orders. With a higher wallet-share and sharper focus on EV-specific components, its outperformance would persist. The stock quotes at attractive valuations of 13x/11x FY26e/FY27e EPS. We expect 9/11/11% revenue/EBITDA/PAT CAGRs over FY25-27. We retain a Buy, with a lower 12-mth TP of Rs480, 14x (past mean) FY27e EPS (earlier Rs720, 16x FY26e EPS).

**EBITDA below estimates.** Standalone revenue slid 9% y/y to Rs3.5bn, below our estimated Rs4bn due to less-than-expected domestic sales and exports. Domestic grew 8% y/y, 3% q/q, to Rs2.31bn. Exports fell 23% y/y, 11% q/q, to Rs1.23bn. FY25 segmental mix: CV 79.8%, PV 11.5%, tractors 8.1%, others 0.7%. EBITDA slipped 4% y/y to Rs724m, below our estimated Rs819m due to less-than-expected revenue. The EBITDA margin expanded 100bps y/y, 30bps q/q, to 20.4%. PAT fell 5% to Rs362m, below our Rs385m estimate mainly due to lower operating profit.

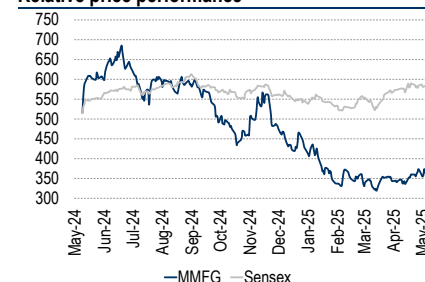
**Valuation.** We expect an 11% EPS CAGR over FY25-27, driven by 9/11% revenue/EBITDA CAGRs. Our FY26e/FY27e EPS are ~9-10% lower, mainly due to less revenue. We retain a Buy at a lower 12-mth TP of Rs480, 14x FY27e EPS (earlier Rs720, 16x FY26e EPS). Our multiple is closer to the mean of the past 10-year average. **Key risks:** Less-than-expected growth in underlying segments, delay in order executions, adverse commodity/forex movements.

Key data	MMFG IN / MMFO.NS
52-week high / low	Rs.725 / 309
Sensex / Nifty	81,374 / 24,717
Market cap	Rs18bn
Shares outstanding	48m

Shareholding pattern (%)	Mar'25	Sep'24	Jun'24
Promoters	56.3	56.3	56.3
- of which, Pledged		-	-
Free Float	43.7	43.7	43.7
- Foreign institutions	3.1	3.4	2.7
- Domestic institutions	8.9	10.5	10.6
- Public	31.7	29.8	30.4

Estimates revision (%)	FY26e	FY27e
Sales	-5.8	-3.2
EBITDA	-6.0	-3.9
EPS	-9.4	-10.0

### Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs m)	14,128	15,271	14,770	15,445	17,658
Net profit (Rs m)	1,261	1,448	1,362	1,402	1,665
EPS (Rs)	26.1	30.1	28.2	29.0	34.5
Growth (%)	37.5	15.3	-6.3	2.9	18.7
P/E (x)	14.0	12.1	13.0	12.6	10.6
EV / EBITDA (x)	8.7	6.9	7.5	7.3	6.7
P/BV (x)	2.6	2.2	1.9	1.7	1.5
RoE (%)	18.2	17.8	14.6	13.3	13.9
RoCE (%)	10.5	11.8	10.9	9.6	10.1
Dividend yield (%)	1.6	2.2	1.1	1.1	1.3
Net debt / equity (x)	0.6	0.3	0.5	0.5	0.5

Source: Company, Anand Rathi Research

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## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (Rs m)**

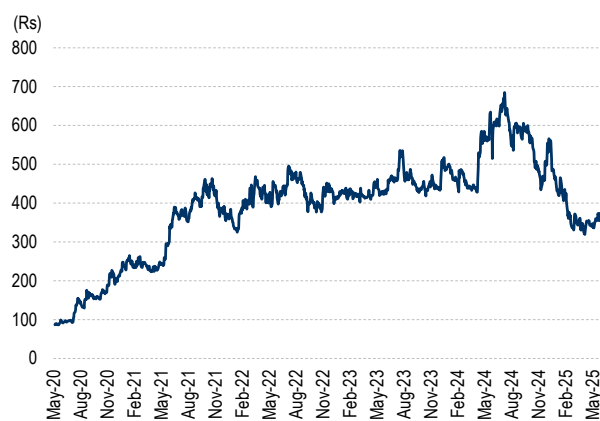
Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
<b>Revenues</b>	<b>14,128</b>	<b>15,271</b>	<b>14,770</b>	<b>15,445</b>	<b>17,658</b>
Growth (%)	28	8	-3	5	14
RM cost	6,745	7,150	6,468	6,686	7,618
Employee cost	1,296	1,361	1,478	1,545	1,767
Other expenses	3,502	3,876	3,883	4,061	4,643
Direct costs	11,572	12,387	11,828	12,292	14,027
<b>EBITDA</b>	<b>2,555</b>	<b>2,884</b>	<b>2,941</b>	<b>3,153</b>	<b>3,631</b>
EBITDA margins (%)	18.1	18.9	19.9	20.4	20.6
- Depreciation	694	725	824	973	1,105
Other income	161	254	295	341	392
Interest expenses	296	426	613	670	720
PBT	1,757	1,994	1,799	1,851	2,198
Effective tax rates (%)	28	27	24	24	24
Net income	1,261	1,448	1,362	1,402	1,665
Adjusted income	1,261	1,455	1,362	1,402	1,665
WANS	48	48	48	48	48
FDEPS (Rs)	26.1	30.0	28.2	29.0	34.5
Growth (%)	37	15	-6	3	19

**Fig 3 – Cash-flow statement (Rs m)**

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
<b>PBT</b>	<b>1,759</b>	<b>1,994</b>	<b>1,800</b>	<b>1,851</b>	<b>2,198</b>
+ Non-cash items	859	950	1,182	973	1,105
Oper. prof. before WC	2,619	2,944	2,982	2,824	3,303
- Incr. / (decr.) in WC	1,032	1,180	483	-32	728
Others incl. taxes	-424	-319	-591	-449	-534
<b>Operating cash-flow</b>	<b>1,162</b>	<b>1,446</b>	<b>1,908</b>	<b>2,407</b>	<b>2,042</b>
- Capex (tang. + intang.)	-1,563	-2,201	-3,742	-3,000	-3,000
<b>Free cash-flow</b>	<b>-401</b>	<b>-755</b>	<b>-1,834</b>	<b>-593</b>	<b>-958</b>
- Div. (incl. buyback & taxes)	-145	-145	-193	-199	-236
+ Equity raised	-	-	-	-	-
+ Debt raised	-178	555	2,166	-	1,000
- Fin investments	-	-	-	-	-
- Misc. (CFI + CFF)	508	409	-59	0	0
Net cash-flow	-216	63	80	-792	-194

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 2 – Balance sheet (Rs m)**

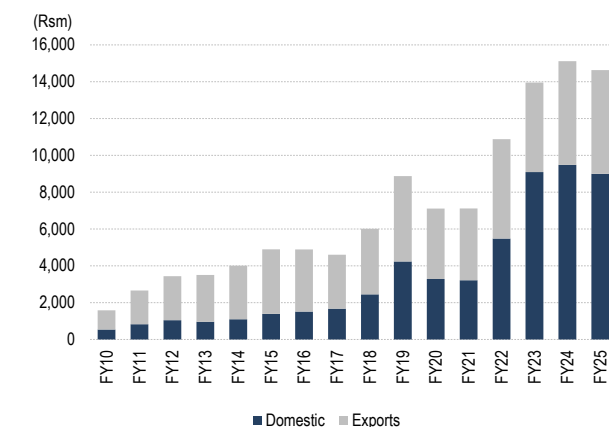
Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	241	241	483	483	483
Net worth	6,902	8,163	9,341	10,544	11,973
Debt	6,539	4,263	6,698	6,698	7,698
Minority interest	-	-	-	-	-
DTL / (Assets)	346	401	486	486	486
<b>Capital employed</b>	<b>13,787</b>	<b>12,828</b>	<b>16,526</b>	<b>17,729</b>	<b>20,158</b>
Net tangible assets	7,797	9,296	12,220	14,247	16,142
CWIP (tang. & intang.)	-	-	-	-	-
Investments (strategic)	407	413	223	223	223
Current assets (excl. cash)	6,501	8,174	9,425	9,512	10,584
Cash	2,029	2,092	2,173	1,381	1,187
Current liabilities	2,948	7,147	7,515	7,634	7,979
Working capital	3,553	1,026	1,910	1,878	2,606
<b>Capital deployed</b>	<b>13,787</b>	<b>12,828</b>	<b>16,526</b>	<b>17,729</b>	<b>20,158</b>

**Fig 4 – Ratio analysis**

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	14.0	12.1	13.0	12.6	10.6
EV / EBITDA (x)	8.7	6.9	7.5	7.3	6.7
EV / Sales (x)	1.6	1.3	1.5	1.5	1.4
P/B (x)	2.6	2.2	1.9	1.7	1.5
RoE (%)	18.2	17.8	14.6	13.3	13.9
RoCE (%) - after tax	10.5	11.8	10.9	9.6	10.1
RoIC (%) - after tax	9.4	12.5	12.9	10.6	9.5
DPS (Rs)	6.0	8.0	4.0	4.1	4.9
Dividend yield (%)	1.6	2.2	1.1	1.1	1.3
Dividend payout (%)	23.1	26.6	14.2	14.2	14.2
Net debt / equity (x)	0.6	0.3	0.5	0.5	0.5
Receivables (days)	60	78	102	102	102
Inventory (days)	157	169	192	180	180
Payables (days)	87	90	115	115	115
CFO: PAT (%)	92.1	99.9	140.1	171.7	122.7

Source: Company, Anand Rathi Research

**Fig 6 – Revenue-mix trend (FY25)**



Source: Company

## Earnings call takeaways

- **Revenue mix. Region-wise.** India 62%, the US 16%, Europe 12%, RoW 10%. **Segment-wise.** CV 81%, PVs 10%, off-highway 9%.
- FY25 production 72,000 tonnes, sales 82,000 tonnes (domestic 68%, exports 32%).
- **Exports.** Slowdown in the US and Europe affecting export growth. **Exports to decline 10-20% in FY26.** Expecting orders to support a further Rs1bn exports in FY27/28 incl. non-auto orders. Post Liberation Day in Apr'25, the company had a total knock-on inflow of orders and many schedules have been cancelled.
- Port traffic in the US is 60-70% lower, which in turn is impacting Class 8 movement as 60% of movement depends on port traffic.
- **Product mix.** FY25, 58% machining, 42% forgings. FY16 machining was 20%; it has then been steadily increasing and stabilised at 58%. Front-axle beams, knuckles/axle arms, crankshafts bring ~40% of revenue. Realisations lower in FY25 as the share of heavy forgings fell to 36% in FY25 (from 44% in FY24) largely due to a decline in domestic markets and lower commodity prices. Machining mix to reach ~65-70% in the medium term as ~90% of new orders are for machined products.
- **Press line (16,500 tonnes)** to be commissioned by Q3 FY26 and production by Q4 FY26. Looking at shifting a few orders to 16,500 tonnes. Now, no new orders. Rs1.5bn capex.
- **Non-auto.** Evaluating customers in non-auto; it takes time as non-auto customers are smaller. Near-term constrained on capital but would be working in the longer term. The company already manufactures heavy forgings, but for industrial purposes it would be heavier from over 100kg up to 2,000kg.
- **Abhinava Rizel.** Discussing with several customers, OEMs are much interested. It continues to be in a state of development; no order yet. Customers are looking for pedigree and not buying from startups due to recall risks. Most powertrains are imported from MNCs in India.
- **FY26 capex** expected at Rs3bn. Two press lines to be added in FY26, one of 16,500 tonnes, the other of 5,000 tonnes. FY25 capex: Rs1.5bn spent for the 16,500-tonne press line, Rs1.55bn for machining and Rs500m for other forgings equipment. Capex would reach mid-60% of machining mix. Current forgings capacity is 126,000 tonnes; the new 16,500-tonne press line would add capacity in FY26.
- **Working capital.** No change in credit levels or customer defaults.
- **Consol. net debt** in Mar'25: Rs9.7bn. Expects same level or slight reduction of Rs300m-400m in FY26.

## Results highlights

**Fig 7 – Quarterly performance**

(Rs m)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Y/Y (%)	Q/Q (%)	FY25 YTD	FY24 YTD	Y/Y(%)
<b>Revenue</b>	3,886	3,685	3,894	3,642	3,548	(8.7)	(2.6)	14,770	15,263	(3.2)
<b>Expenditure</b>	<b>3,133</b>	<b>2,970</b>	<b>3,126</b>	<b>2,909</b>	<b>2,824</b>	<b>(9.9)</b>	<b>(2.9)</b>	<b>11,828</b>	<b>12,416</b>	<b>(4.7)</b>
as % of sales	80.6	80.6	80.3	79.9	79.6			80.1	81.3	
Consumption of RM	1,727	1,674	1,606	1,556	1,631	(5.5)	4.8	6,468	7,148	(9.5)
as % of sales	44.4	45.4	41.2	42.7	46.0			43.8	46.8	
Employee cost	377	359	391	371	357	(5.4)	(4.0)	1,478	1,345	9.8
as % of sales	9.7	9.7	10.0	10.2	10.1			10.0	8.8	
Power & fuel	361	331	372	318	319	(11.6)	0.2	1,341	1,428	(6.1)
as % of sales	9.3	9.0	9.6	8.7	9.0			9.1	9.4	
Other expenditure	668	605	757	663	517	(22.7)	(22.1)	2,542	2,495	1.9
as % of sales	17.2	16.4	19.4	18.2	14.6			17.2	16.3	
<b>EBITDA</b>	<b>753</b>	<b>715</b>	<b>769</b>	<b>733</b>	<b>724</b>	<b>(3.8)</b>	<b>(1.3)</b>	<b>2,941</b>	<b>2,847</b>	<b>3.3</b>
Depreciation	175	194	203	201	226	29.1	12.9	824	712	15.9
<b>EBIT</b>	<b>577</b>	<b>521</b>	<b>566</b>	<b>533</b>	<b>498</b>	<b>(13.8)</b>	<b>(6.6)</b>	<b>2,117</b>	<b>2,136</b>	<b>(0.9)</b>
Other income	72	69	85	59	83	15.4	40.5	295	254	16.5
Interest	133	145	161	155	152	14.3	(2.1)	613	424	44.6
<b>PBT</b>	<b>516</b>	<b>444</b>	<b>489</b>	<b>437</b>	<b>429</b>	<b>(16.9)</b>	<b>(1.8)</b>	<b>1,799</b>	<b>1,966</b>	<b>(8.5)</b>
Total tax	136	120	130	120	67	(50.9)	(44.4)	437	546	(20.0)
<b>Adj. PAT</b>	<b>380</b>	<b>324</b>	<b>359</b>	<b>317</b>	<b>362</b>	<b>(4.8)</b>	<b>14.3</b>	<b>1,362</b>	<b>1,420</b>	<b>(4.0)</b>
Extraordinary items loss/(gain)	0	0	0	0	0			0	0	
<b>Reported PAT</b>	<b>380</b>	<b>324</b>	<b>359</b>	<b>317</b>	<b>362</b>	<b>(4.8)</b>	<b>14.3</b>	<b>1,362</b>	<b>1,420</b>	<b>(4.0)</b>
<b>Adj. EPS (Rs)</b>	<b>7.9</b>	<b>6.7</b>	<b>7.4</b>	<b>6.6</b>	<b>7.5</b>	<b>(4.8)</b>	<b>14.3</b>	<b>28.2</b>	<b>29.4</b>	<b>(4.0)</b>

Margins (%)						(bps)	(bps)			(bps)
Gross	55.6	54.6	58.8	57.3	54.0	(154)	(326)	56.2	53.2	304
EBIDTA	19.4	19.4	19.7	20.1	20.4	104	28	19.9	18.7	126
EBIT	14.9	14.1	14.5	14.6	14.0	(83)	(60)	14.3	14.0	34
PAT	13.3	12.1	12.6	12.0	12.1	(120)	10	12.2	12.9	(70)
Effective tax rates	9.8	8.8	9.2	8.7	10.2	42	151	9.2	9.3	(8)

Source: Company

## Valuations

**Attractive valuations (trading at a notable discount to peers).** The stock quotes at attractive valuations of 13x/11x FY26e/FY27e EPS

**Sound domestic performance.** Domestic revenue outpaced M&H CV production growth, registering a 13% CAGR over FY19-25 (vs. M&H CV industry volumes slipping 2%), powered by market-share gains and a rise in content per vehicle (on a better-tonnage mix). Also, domestic revenue growth (a 13% CAGR over FY19-25) has been better than peers BHFC standalone (5%) and RMKF standalone (9%) on its higher market share than peers, particularly BHFC.

**Robust growth profile.** In the last five years, growth in standalone revenue/EBITDA/EPS/RoE has been better than BHFC's (*Fig 9 for more details*), led by strong domestic revenue. Ahead, it would continue to be better than BHFC's on a favorable mix of the domestic segment (*Fig. 10 for more details*).

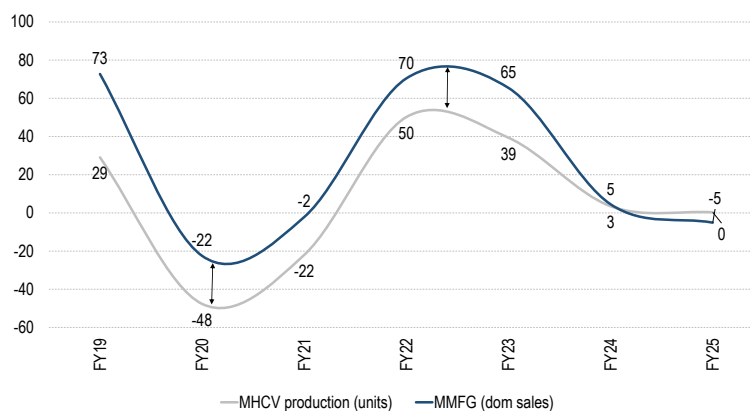
**Favorable regional mix.** The company has higher domestic revenue 62% than BHFC's 46% and RMKF's 58%. With weakness in overseas CVs expected, the company would be less affected than peers.

**New products** such as gear blanks, long shafts and larger crankshafts for CVs/PVs were developed and aided growth in FY24. Recently, PV crankshaft capacity was raised from 40,000 units to 50,000. Besides, the company is focusing on **diversifying** to PVs/non-autos and improving the **machining mix**, expected to rise from 58% in FY25 to 65-70% over the medium term.

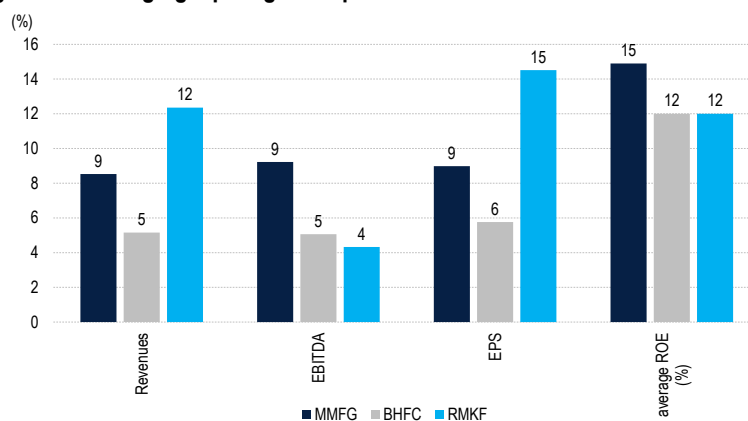
**Better mix, operating scale to support margins.** We expect the EBITDA margin to rise from 19.9% in FY25 to 20.6% in FY27, aided by the greater scale, machining/heavy forgings mix and lower operational costs (manpower, power & fuel). The post-tax RoE/RoCE would be >13%/10%.

**Rs3bn capex** expected annually over the next three years to expand machining capabilities, forgings capacity (20,000 tonnes) and new products. Two press lines, of 16,500 tonnes and 5,000 tonnes, will be added in FY26. Installed capacity is 126,000 tonnes (~57% utilization). Net debt/equity was a stable 0.5x in FY25 and likely to be steady ahead.

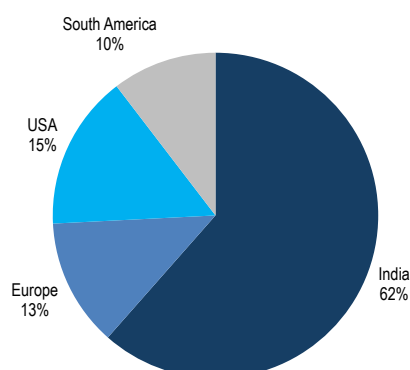
**View, Valuations.** We expect an 11% EPS CAGR over FY25-27, driven by 9%/11% revenue/EBITDA CAGRs. We recommend a Buy at a 12-mth TP of Rs480, 14x FY27e EPS. Our multiple is closer to the mean of the past 10-year average.

**Fig 8 – M&M Forgings' growth better than India's M&H CVs**

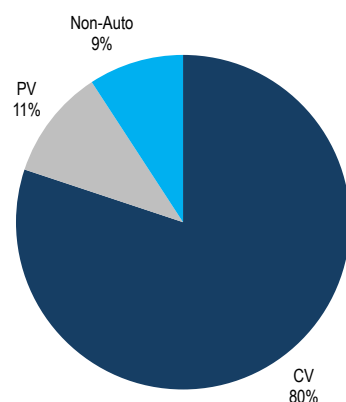
Source: Company, Anand Rathi Research

**Fig 9 – M&M Forgings' past growth profile better than BHFC's**

Source: Company, Anand Rathi Research

**Fig 10 – Geographical mix (FY25)**

Source: Company, Anand Rathi Research

**Fig 11 – Segment-wise revenue mix (FY25)**

Source: Company, Anand Rathi Research

**Fig 12 – Key assumptions**

(Rs m)	FY22	FY23	FY24	FY25	FY26e	FY27e	CAGR %, FY25-27
Domestic	5,480	9,090	9,480	8,997	9,918	11,197	12%
Y/Y change, %	70.5	65.9	4.3	-5.1	10.2	12.9	
Exports	5,400	4,896	5,631	5,630	5,371	6,292	6%
Y/Y change, %	38.5	-9.3	15.0	-0.0	-4.6	17.2	
<b>Total</b>	<b>10,880</b>	<b>13,986</b>	<b>15,111</b>	<b>14,627</b>	<b>15,289</b>	<b>17,489</b>	<b>9%</b>
Y/Y change, %	52.9	28.6	8.0	-3.2	4.5	14.4	

Source: Company, Anand Rath Research

**Fig 13 – Change in estimates**

	Old		Revised		Change (%)	
(Rs m)	FY26e	FY27e	FY26e	FY27e	FY26e	FY27e
Revenue	16,390	18,242	15,445	17,658	-5.8	-3.2
EBITDA	3,353	3,777	3,153	3,631	-6.0	-3.9
% of revenue	20.5	20.7	20.4	20.6		
Adj. PAT	1,548	1,849	1,402	1,665	-9.4	-10.0
EPS (Rs)	32.1	38.3	29.0	34.5	-9.4	-10.0

Source: Company, Anand Rath Research

**Fig 14 – One-year-forward standard deviation of PE**

Source: Bloomberg, Anand Rath Research

**Risks**

- Less-than-anticipated growth in underlying segments.
- Delay in executing orders.
- Adverse commodity/forex movements.



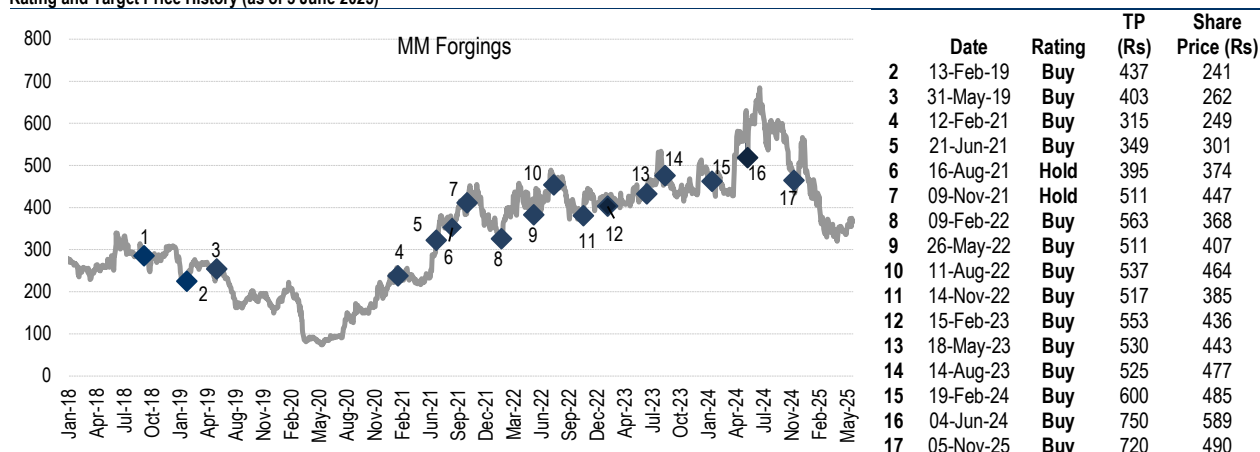
## Appendix

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Large Caps (Top 100 companies)	>15%	0-15%	<0%
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Small Caps (251st company onwards)	>25%	0-25%	<0%

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