

Tube Investments of India

Estimate changes



TP change



Rating change



Bloomberg	TIINDIA IN
Equity Shares (m)	193
M.Cap.(INRb)/(USDb)	510.4 / 5.6
52-Week Range (INR)	3420 / 2165
1, 6, 12 Rel. Per (%)	4/-13/-23
12M Avg Val (INR M)	1120

Consol. Financials & Valuations (INR b)

INR b	FY26E	FY27E	FY28E
Sales	84.1	91.6	100.0
EBITDA	11.0	12.1	13.2
Adj. PAT	8.6	9.3	10.2
EPS (INR)	44.3	48.2	52.7
EPS Gr. (%)	14.7	9.0	9.2
BV/Sh. (INR)	308.6	351.3	398.0

Ratios

RoE (%)	15.3	14.6	14.1
RoCE (%)	19.7	18.9	18.2
Payout (%)	11.1	11.4	11.4

Valuations

P/E (x)	9.0	8.2	7.5
P/BV (x)	1.3	1.1	1.0
Div. Yield (%)	1.3	1.4	1.5
FCF Yield (%)	0.8	0.9	1.1

Shareholding pattern (%)

As of	Dec-25	Sep-25	Dec-24
Promoter	44.1	44.1	44.1
DII	20.1	18.2	15.5
FII	23.1	25.4	28.2
Others	12.7	12.3	12.2

FII includes depository receipts

CMP: INR2,637

TP: INR3,315 (+26%)

Buy

Earnings beat, led by the engineering business

GST rate cuts and ramp-up of new plants to drive growth

- Tube Investments (TIINDIA)'s 3Q adj. PAT at INR2b came in 9% ahead of our est. due to a margin beat in the engineering business at 13.6% (est. of 12%).
- TIINDIA offers diversified revenue streams, with healthy growth in the core business (~11% S/A PAT CAGR over FY25E-28E), in CG Power, as well as the optionality of new businesses incubated under the TI-2 strategy. Adjusted for stakes in CG Power and Shanti Gears, the standalone business is attractively valued at 8.2x / 7.5x FY27E/FY28E EPS. **We reiterate our BUY rating with a TP of ~INR3,315 (premised on Dec'27E SoTP; our valuation is based on a 24x PER for the standalone business, valuing the listed subsidiaries at a 30% HoldCo discount).**

Earnings above est., led by a margin beat in the engineering segment

- TIINDIA's standalone revenues grew ~13% YoY to INR21.5b (in line)
- EBITDA margins expanded 170bp YoY to 14.4% (150bp ahead of our est.), led by better-than-expected performance by the Engineering division.
- Segmental performance:
 - Mobility business revenues grew 29% YoY to INR1.8b (3% ahead of our est), EBIT margins improved 280bp YoY to 2.2% vs. our est. of 2.4%.
 - Engineering business revenue grew 18.6% YoY to INR14.3b (3% above our est), EBIT margin improved 70bp YoY to **13.6% and beat our est. of 12.0%**.
 - Metal-formed business revenue grew 2% YoY to INR4b (in line). The EBIT margin improved 20bp YoY to 11.3% vs. our est. of 11%.
 - Other business revenues declined 15.3% YoY to INR2.1b (9% below our est), EBIT margins improved 440bp YoY to 8.9% vs. our est. of 8%.
- EBITDA grew 27.3% YoY to INR3b (13% ahead of est.).
- The company incurred a one-time expense of INR150mn on account of changes in the labor code.
- Adjusted for this, PAT stood at INR2b, up 25% YoY (9% above our estimate).
- FCF for the standalone business in 3Q stood at INR2.5b, and annualized RoIC stood at 49%.

Highlights from the management commentary

- The railway order, which was expected to be commissioned by 4QFY26, is experiencing a delay of about one quarter due to a lack of readiness among other suppliers.
- TIINDIA may look to invest about INR5.0-7.5b in TICMPL from the standalone cash flows.
- Its target would be to achieve a break-even in e-3W and HCV segments over the next 12-18 months and then look at break-even in the other two segments.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Its two key focus areas in this business include: 1) focus on reducing the BOM cost, which will aid TII to position its products more competitively, and 2) expand channel and network presence pan-India.
- Management confirmed that it would focus on the current TI-2 projects and not look at any further incremental avenues. It may consider TI3 opportunities if the same fits their requirements.

Valuation and view

- TIINDIA offers diversified revenue streams, with healthy growth in the core business (~11% S/A PAT CAGR over FY25E-28E), growth in CG Power, and the optionality of new businesses incubated under the TI-2 strategy. Adjusted for stakes in CG Power and Shanti Gears, the standalone business is attractively valued at 8.2x / 7.5x FY27E/FY28E EPS. **We reiterate our BUY rating with a TP of ~INR3,315 (based on Dec'27E SoTP; our valuation is based on 24x PER for the standalone business, valuing the listed subsidiaries at a 30% HoldCo discount).**

Quarterly performance (S/A)

Y/E March	FY25				FY26E				FY25	FY26E	(INR M)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q	VAV. (%)
Net Sales	19,603	20,648	19,102	19,573	20,066	21,190	21,522	21,344	78,925	84,122	21,216	1.4
YoY Change (%)	10.1	4.8	0.6	-0.3	2.4	2.6	12.7	9.1	3.7	6.6	11.1	
EBITDA	2,400	2,460	2,431	2,280	2,474	2,765	3,094	2,705	9,606	11,038	2,732	13.2
YoY Change (%)	11.1	-2.1	1.5	5.0	3.1	12.4	27.3	18.6	4.0	14.9		
Margins (%)	12.2	11.9	12.7	11.6	12.3	13.1	14.4	12.7	12.2	13.1	12.9	150bp
Depreciation	386	407	432	463	450	474	477	484	1,688	1,885	485	
Interest	72	69	54	52	37	16	14	23	247	90	20	
Other Income	137	261	175	1,502	234	229	78	1,595	2,075	2,136	200	-61.1
PBT before EO expense	2,079	2,245	2,120	3,267	2,221	2,504	2,681	3,793	9,745	11,199	2,427	10.4
Tax	534	567	512	664	540	637	641	849	2,277	2,667	583	
Tax Rate (%)	25.7	25.3	24.2	20.3	24.3	25.4	25.3	22.4	23.4	23.8	24.0	
Adj PAT	1,545	1,678	1,607	2,603	1,681	1,868	2,004	2,943	7,468	8,496	1,844	8.7
YoY Change (%)	4.6	-7.5	2.1	5.0	8.8	11.3	24.7	13.1	1.7	13.8	14.7	

Segmental Mix (INR m)

	FY25				FY26E				FY25	FY26E	(INR M)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q	VAV. (%)
Mobility business	1,807	1,675	1,418	1,808	1,984	1,938	1,831	2,073	6,708	7,825	1,772	3.3
Growth (%)	(3.2)	(5.1)	(3.8)	17.5	9.8	15.7	29.1	14.7	1.0	16.7	25.0	
PBIT margin (%)	0.9	(0.2)	(0.6)	2.4	3.5	2.2	2.2	2.4	0.7	2.6	2.4	
Contribution (%)	9.2	8.1	7.4	9.2	9.9	9.1	8.5	9.7	8.5	9.3	8.4	
Engineering business	12,652	13,231	12,118	12,287	12,982	13,816	14,375	13,910	49,997	55,084	13,935	3.2
Growth (%)	10.8	3.8	(1.4)	(3.7)	2.6	4.4	18.6	13.2	1.0	10.2	15.0	
PBIT margin (%)	12.4	12.3	12.9	11.5	11.8	11.9	13.6	12.8	12.3	12.6	12.0	
Contribution (%)	64.5	64.1	63.4	62.8	64.7	65.2	66.8	65.2	63.3	65.5	65.7	
Metal formed business	3,576	4,044	3,997	4,031	3,658	4,079	4,084	4,014	15,938	15,834	4,156	-1.7
Growth (%)	4.6	1.2	2.0	4.5	2.3	0.9	2.2	(0.4)	4.9	(0.7)	4.0	
PBIT margin (%)	10.0	11.3	10.1	9.8	10.0	10.9	11.3	11.0	10.1	10.8	11.0	
Contribution (%)	18.2	19.6	20.9	20.6	18.2	19.2	19.0	18.8	20.2	18.8	19.6	
Other business	2,469	2,433	2,524	2,441	2,363	2,269	2,137	2,282	9,866	9,051	2,347	-9.0
Growth (%)	39.1	17.6	15.0	6.0	(4.3)	(6.7)	(15.3)	(6.5)	22.7	(8.3)	(7.0)	
PBIT margin (%)	6.1	3.6	4.5	5.2	7.2	8.1	8.9	8.6	4.8	8.2	8.0	
Contribution (%)	12.6	11.8	13.2	12.5	11.8	10.7	9.9	10.7	12.5	10.8	11.1	
Total Revenue (post inter segment)	19,603	20,648	19,102	19,573	20,066	21,190	21,522	21,344	78,925	84,122	21,216	
Growth (%)	10.1	4.8	0.6	(0.3)	2.4	2.6	12.7	9.1	3.7	6.6	11.1	



Highlights from the management commentary

Update on the Engineering business

- Revenues grew 18.6% YoY to 14.3b. Growth was driven by the domestic segment, while exports in the EU and the US remained weak. Volumes grew in double digits for 9MFY26.
- According to management, India still faces the 50% import duty in the US under Section 232, and there is no further clarity on this as yet.
- However, the new plant has been delayed by 6-9 months due to supply challenges from machine vendors.
- The new plants at Nashik and Phaltan are ramping up well, with the expectation that these will be fully booked with new orders by Q2FY27.
- The company also mentioned that with higher utilization, the segment does have room to operate at better margins.
- While exports have been challenging due to the ongoing trade barriers, the recent FTA with the EU is likely to open up the EU market for this business going forward.

Update on Metal Formed division

- Revenues for this quarter in the metal formed segment grew 2.2% to INR4.1b.
- TII is performing well with its Korean customers.
- It is also building capabilities for some other products in order to diversify its revenue base. The company expects meaningful progress on these new products over the next one year.
- The railway order, which was expected to be commissioned by 4QFY26, is seeing a delay of about one quarter due to a lack of readiness among other suppliers.

Update on Mobility business

- The mobility business's revenue grew by a healthy 29% YoY to INR1.8b in 3Q.
- Its focus on introducing new products like e-bikes, as well as its continued focus on ramping up spares and fitness business, has helped offset the cyclical nature in this business.
- Prospective customers for e-bikes are expected to be those who don't want a bicycle and cannot afford a 2W. The company expects the e-bike adoption to pick up gradually in India in the coming years.

Update on the EV segment

- Revenues stood at INR1.8b, with losses at INR1.6b for 3QFY26.
- TII may look to invest about INR5-7.5b in TICMPL from the standalone cash flows.
- Their target would be to achieve break-even in the e-3W and HCV segments over the next 12-18 months and then look at break-even in the other two segments.

Update on e-3Ws

- E-3W volumes stood at 1,816 units in 3Q.
- This industry has 3 distinct segments: 9kwh, 10.6 kwh, and 12+ kwh. MM and TII are in the 10.6kwh segment. With this, TII now caters to 65% of the L5M category total TIV.
- TII is now present in 117 dealers. TII is focusing on about 50-55 of these dealers, which generate 75% of their volumes.

- TII's market share remains superior in the southern region. However, the 3W EV penetration in South remains at a lower level vs other regions, hence TII has a strong upside potential as and when the EV transition picks up in the southern markets.
- Its two key focus areas in this business include: 1) focus on reducing the BOM cost, which will aid TII to position its products more competitively, and 2) expanding channel and network presence pan India.
- In the L3 segment, the company has introduced a couple of products in select markets at different price points to evaluate the business potential. Based on the ground feedback, they will finalize whether to invest further in this business or not.

Update on the e-truck segment

- TII sold 56 units in 3Q in this segment with a market share of 40%.
- The company is developing use cases in the cement industry where it is seeing a good pick-up in demand.

Update on e-SCVs and tractors

- The electric small commercial vehicle (SCV) business recorded volumes of 301 units in 3Q, showing healthy sequential growth and positive customer reception.
- Competition is from two key players: AL and Volvo-Eicher.
- TII sold 29 e-tractors in 3QFY26

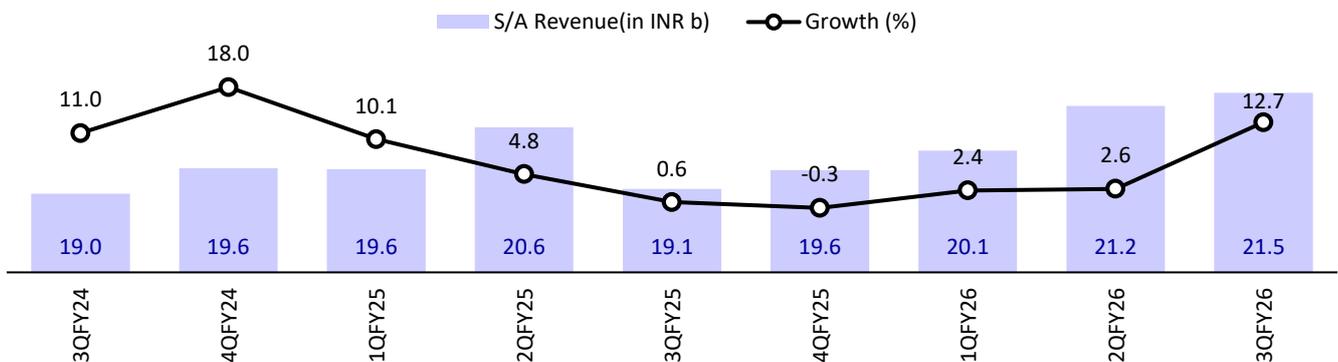
Update on Shanti Gears

- Revenue declined 26% YoY to INR1.1b.
- It has been witnessing weak revenues over the past few quarters as demand has softened with rising competition, and it has stayed away from a competitive pricing policy, given its focus on profitability.

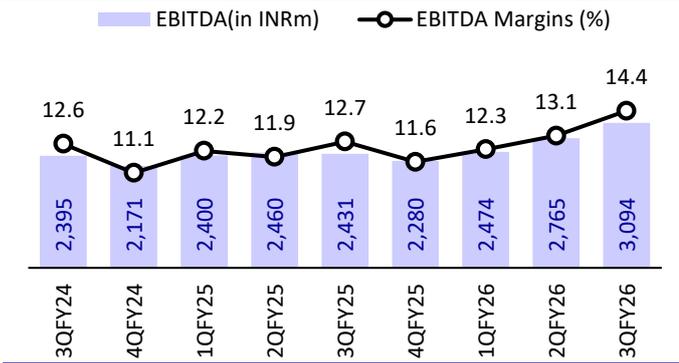
Other highlights

- Standalone FCF for 3Q stood at INR2.5b.
- Management has confirmed that they would focus on current TI-2 projects and not look at any further incremental avenues. They may consider TI3 opportunities if they fit their requirements.

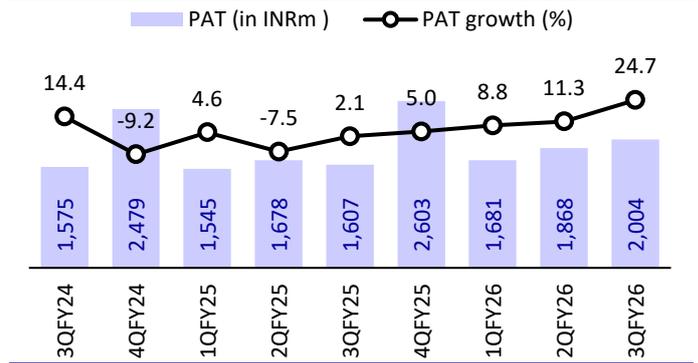
Exhibit 1: Trends in SA revenue and revenue growth



Source: Company, MOFSL

Exhibit 2: Trend in standalone EBITDA margin


Source: Company, MOFSL

Exhibit 3: Trends in PAT and PAT growth


Source: Company, MOFSL

Valuation and view

- Two of the standalone entity's business segments, viz., Engineering and Metal Formed divisions, which contribute ~84% of its revenues, are dependent on the auto business. Thus, the standalone business is expected to emerge as a key beneficiary of the improved outlook of the domestic auto segment. We expect the standalone business to post a steady 8% / 11% / 11% revenue / EBITDA / PAT CAGR over FY25-28E.
- As is a well-known fact, TII uses the cash flow from the domestic business incubating future growth platforms (TI-2) and opportunistic acquisitions of stressed assets (TI-3) at attractive prices. The TI-2 business, based on the venture capital model, has seen the seeding of several businesses, such as TICMPL (e-3Ws, e-tractors, e-CVs, e-SCVs), Sedis (Industrial chains in France), TI Medical (manufacturer of medical and surgical consumables), and 3XPER Innoventure (CDMO and API business). Additionally, it is looking to get into electronics manufacturing in India as a play on localization. These businesses offer huge potential, though it may take time for them to scale up. However, given the nascent stage of each of these businesses, we have not given any value to any of these businesses in our SoTP. These businesses provide optionality for the core.
- Valuation and view:** We value the core business at 24x Dec27E EPS. Further, TII's stake in CG Power is valued at INR 2151 per share (based on market cap with a 30% holdco discount), and its value in Shanti Gears is valued at INR88 per share (based on market cap with a 30% holdco discount). This leads us to our TP of INR3,315 per share. **We reiterate our BUY rating** on attractive valuations.

Exhibit 4: Our revised estimates (standalone)

(INR b)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	84,122	85,486	-1.6	91,641	94,266	-2.8
EBITDA Margin (%)	13.1	12.3	6.4	13.2	12.8	3.3
PAT	8,567	8,082	6.0	9,336	9,120	2.4
EPS (Rs)	44.3	43.2	2.6	48.2	47.8	1.0

Exhibit 5: Our SoTP-based TP

SOTP (INR/Share)		FY26E	FY27E	FY28E
Value of S/A Business @ 24x Core EPS	PE @ 24x	927	1,009	1,098
Value of listed subs post hold-co discount (30%)				
Shanthi gear	452	88	88	88
CG power	670	2,151	2,151	2,151
Fair value (INR/Share)		3,166	3,248	3,337

Story in charts

Exhibit 6: Trend in standalone sales

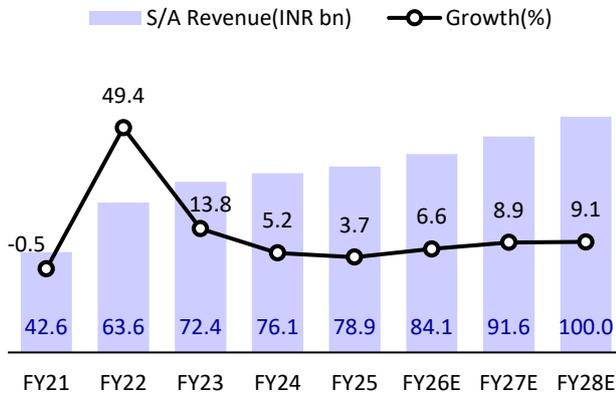


Exhibit 7: Trend in standalone EBITDA

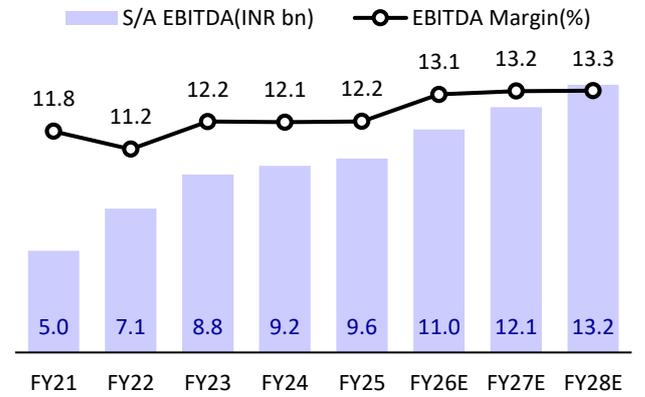


Exhibit 8: Trend in standalone PAT

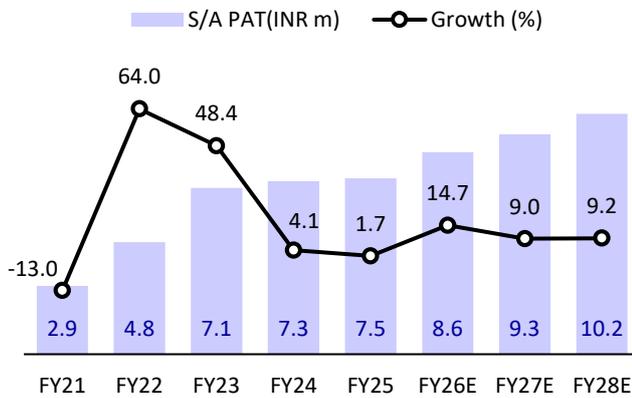


Exhibit 9: Trend in standalone capital efficiency

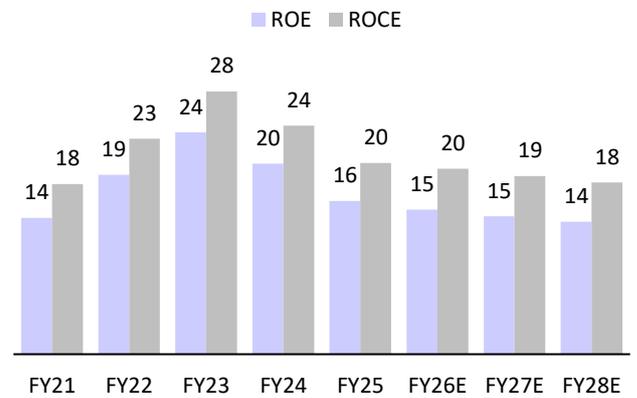


Exhibit 10: FCF dipped in FY24 mainly due to higher capex

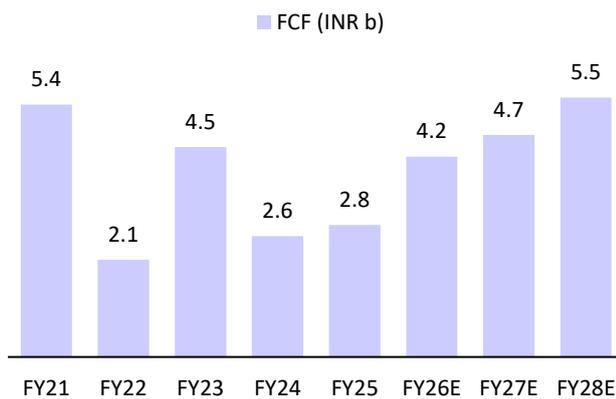
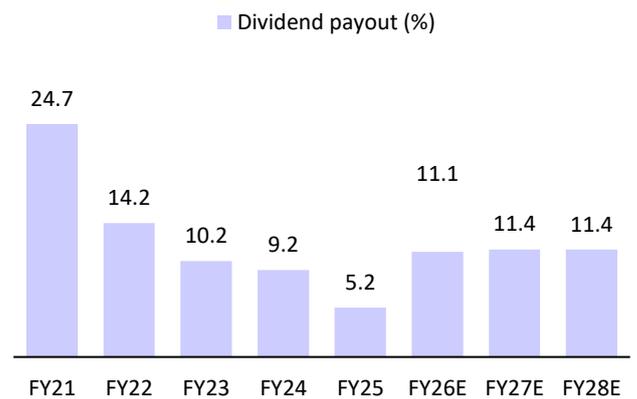


Exhibit 11: Dividend payout over the years



Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Op. Revenues	42,558	63,593	72,360	76,105	78,925	84,122	91,641	99,957
Change (%)	-0.5	49.4	13.8	5.2	3.7	6.6	8.9	9.1
EBITDA	5,029	7,113	8,803	9,239	9,606	11,038	12,135	13,249
Margin (%)	11.8	11.2	12.2	12.1	12.2	13.1	13.2	13.3
Depreciation	1,496	1,450	1,456	1,408	1,688	1,885	2,130	2,361
EBIT	3,532	5,662	7,347	7,832	7,918	9,152	10,005	10,888
Interest charges	191	118	216	295	247	90	140	125
Other Income	465	736	2,152	2,165	2,075	2,136	2,339	2,566
PBT bef. EO Exp.	3,807	6,280	9,283	9,701	9,745	11,199	12,204	13,329
EO Income/(Exp)	-217	0	-527	0	5,499	150	0	0
PBT after EO Exp.	3,590	6,280	8,756	9,701	15,244	11,349	12,204	13,329
Current Tax	1,012	1,472	2,206	2,359	2,237	2,667	2,868	3,132
Deferred Tax	-154	57	-103	-3	41	0	0	0
Tax Rate (%)	23.9	24.3	24.0	24.3	14.9	23.5	23.5	23.5
Reported PAT	2,732	4,752	6,652	7,345	12,967	8,682	9,336	10,197
Adjusted PAT	2,897	4,752	7,053	7,345	7,468	8,567	9,336	10,197
Change (%)	-13.0	64.0	48.4	4.1	1.7	14.7	9.0	9.2

Standalone - Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	193	193	193	193	194	194	194	194
Total Reserves	22,739	26,820	32,732	39,511	51,913	59,512	67,784	76,820
Net Worth	22,931	27,013	32,925	39,704	52,106	59,706	67,978	77,014
Total Loans	2,581	3,481	4,732	5,132	1,534	1,474	1,414	1,354
Capital Employed	25,512	30,494	37,657	44,837	53,640	61,180	69,391	78,367
Gross Block	16,641	18,229	19,045	21,324	24,972	28,135	31,876	35,591
Less: Accum. Deprn.	6,718	8,044	9,146	10,239	11,752	13,637	15,767	18,129
Net Fixed Assets	9,924	10,185	9,900	11,086	13,220	14,498	16,109	17,462
Capital WIP	1,263	556	967	2,044	2,554	2,891	3,149	3,435
Total Investments	15,392	16,709	20,457	26,302	32,136	37,536	43,536	50,236
Curr. Assets, Loans&Adv.	12,715	16,224	17,615	18,178	17,852	19,249	20,683	22,527
Inventory	5,141	6,479	6,044	6,377	6,308	6,914	7,532	8,216
Account Receivables	6,055	7,612	6,882	9,318	9,579	10,371	11,298	12,323
Cash and Bank Balance	71	24	1,113	520	877	780	566	588
Loans and Advances	1,448	2,110	3,576	1,963	1,088	1,184	1,287	1,401
Curr. Liability & Prov.	13,808	13,180	11,282	12,773	12,123	12,994	14,086	15,294
Account Payables	11,458	11,408	9,307	10,980	9,710	10,371	11,298	12,323
Other Current Liabilities	1,925	1,399	1,437	1,141	1,633	1,844	2,009	2,191
Provisions	425	374	538	652	779	779	779	779
Net Current Assets	-1,093	3,044	6,334	5,405	5,730	6,254	6,597	7,234
Appl. of Funds	25,512	30,494	37,657	44,837	53,640	61,180	69,391	78,367

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	15.0	24.6	36.5	38.0	38.6	44.3	48.2	52.7
Cash EPS	22.8	32.2	44.1	45.3	47.3	54.0	59.3	64.9
BV/Share	118.9	140.0	170.5	205.3	269.3	308.6	351.3	398.0
DPS	4	4	4	4	4	5	6	6
Payout (%)	24.7	14.2	10.2	9.2	5.2	11.1	11.4	11.4
Valuation (x)								
P/E	33.2	20.2	13.6	13.1	12.9	9.0	8.2	7.5
Cash P/E	21.9	15.5	11.3	11.0	10.5	7.4	6.7	6.1
P/BV	4.2	3.6	2.9	2.4	1.9	1.3	1.1	1.0
EV/Sales	2.3	1.6	1.4	1.3	1.2	0.9	0.8	0.8
EV/EBITDA	19.6	14.0	11.3	10.9	10.1	7.0	6.4	5.9
Dividend Yield (%)	0.7	0.7	0.7	0.7	0.7	1.3	1.4	1.5
FCF per share	27.8	10.7	23.1	13.3	14.5	22.0	24.3	28.4
Return Ratios (%)								
RoIC	28.7	30.7	34.2	29.5	24.7	25.3	24.2	23.4
RoE	14.5	19.0	23.5	20.2	16.3	15.3	14.6	14.1
RoCE	18.0	22.8	27.9	24.2	20.3	19.7	18.9	18.2
Working Capital Ratios								
Fixed Asset Turnover (x)	2.6	3.5	3.8	3.6	3.2	3.0	2.9	2.8
Asset Turnover (x)	1.7	2.1	1.9	1.7	1.5	1.4	1.3	1.3
Inventory (Days)	44	37	30	31	29	30	30	30
Debtor (Days)	52	44	35	45	44	45	45	45
Creditor (Days)	98	65	47	53	45	45	45	45
Working Cap. Turnover (Days)	-10	17	26	23	22	24	24	24

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	3,807	6,280	8,756	9,701	15,244	11,199	12,204	13,329
Depreciation	1,428	1,450	1,456	1,408	1,688	1,885	2,130	2,361
Interest & Finance Charges	0	-42	0	0	0	-2,136	-2,339	-2,566
Direct Taxes Paid	-943	-1,392	-2,108	-2,423	-2,328	-2,667	-2,868	-3,132
(Inc)/Dec in WC	2,481	-2,799	-815	-1,501	-838	-622	-556	-615
Others	-131	-240	-1,041	-1,244	-6,734	90	140	125
CF from Operating	6,641	3,258	6,248	5,941	7,033	7,749	8,711	9,502
(Inc)/Dec in FA	-1,287	-1,197	-1,797	-3,377	-4,231	-3,500	-4,000	-4,000
Free Cash Flow	5,354	2,061	4,451	2,564	2,802	4,249	4,711	5,502
(Pur)/Sale of Investments	-2,053	322	-15	780	623	-5,400	-6,000	-6,700
Others	-6,708	-2,029	-3,719	-2,919	1,437	2,136	2,339	2,566
CF from Investments	-10,049	-2,904	-5,530	-5,516	-2,170	-6,764	-7,661	-8,134
Issue of Shares	3,472	33	47	117	73	-115	0	0
Inc/(Dec) in Debt	410	384	1,262	-107	-3,652	-60	-60	-60
Interest Paid	-161	-98	-211	-310	-251	-90	-140	-125
Dividend Paid	-389	-667	-672	-674	-677	-968	-1,064	-1,161
Others	-72	-69	-38	-43	0	0	0	0
CF from Fin. Activity	3,261	-417	388	-1,017	-4,506	-1,232	-1,264	-1,346
Inc/Dec of Cash	-146	-62	1,105	-592	357	-247	-214	22
Opening Balance	216	70	7	1,113	520	877	780	566
Closing Balance	70	7	1,113	520	877	630	566	588

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UNDER REVIEW	Rating may undergo a change
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