

## Soft quarter; improving demand outlook lends margin visibility

Auto & Auto Ancillaries ▶ Result Update ▶ May 15, 2024

TARGET PRICE (Rs): 600

**Q4 results were soft, with flat revenues, and ~80bps QoQ margin decline to ~17.5% (adj. for ~110bps EPR provision). Replacement, exports, and Europe demand outlook is improving, with strengthening mix and sustained focus on profitability. Recent spike in RM, emergence of EPR burden (~1% of sales for industry), and CV softness have caused ~14% fall in APTY's stock price from the recent peak. However, we retain BUY because of: a) ongoing price increase (incl. 3% by APTY in May), b) 15-20% drop in RM from recent highs, c) improving volume outlook (high-single digit/low-double digit for TBR/PCR replacement), d) structural tailwinds, and e) improved performance on FCF, RoCE parameters (Exhibit 7). We cut FY25E/26E EPS by 4-5% (EPR costs; build-in 12% EPS CAGR); our revised TP is Rs600 at 16x FY26E PER (Rs625 earlier).**

### Apollo Tyres: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	209,476	245,681	253,777	273,421	290,074
EBITDA	25,741	33,137	44,474	47,300	51,065
Adj. PAT	6,445	10,821	17,992	20,341	23,253
Adj. EPS (Rs)	10.1	17.0	28.3	32.0	36.6
EBITDA margin (%)	12.3	13.5	17.5	17.3	17.6
EBITDA growth (%)	(8.0)	28.7	34.2	6.4	8.0
Adj. EPS growth (%)	82.3	73.0	55.9	18.1	14.3
RoE (%)	5.6	8.8	13.4	13.8	14.2
RoIC (%)	5.2	8.0	10.8	11.6	13.1
P/E (x)	46.7	27.8	16.7	14.8	12.9
EV/EBITDA (x)	13.9	10.8	7.6	6.8	5.9
P/B (x)	2.6	2.3	2.2	1.9	1.7
FCFF yield (%)	1.3	4.9	7.0	8.2	9.7

Source: Company, Emkay Research

### Flattish growth across segments; EPR impacts profitability

Consolidated revenues were flattish YoY (across geographies) at Rs62.6bn; standalone replacement volumes rose 4%, with export volumes up 30%, and OEM volumes down 10%. Consolidated margins declined 189bps QoQ to 16.4%, despite ~60bps gross margin expansion due to Extended Producer Responsibility (EPR) provision of Rs685mn in the standalone operations. Without these, standalone margins would have stood at 17.2% vs. 18.1% in Q3 and reported margin at 15.6%. APMEA/Europe EBIT margins declined 161bps/222bps QoQ to 11.6%/9.8%, respectively.

### Earnings call KTAs

1) India TBR, PCR replacement volumes grew double-digits in April, with agri segment and exports displaying green shoots; APTY expects high-single digit/low-double digit growth in TBR/PCR replacement, respectively. In FY25E; exports are seen doing well. 2) Company gained some market share in truck replacement and suffered a loss in truck OEMs; it maintains focus on premiumizing the portfolio by reducing exposure to less-profitable segments. 3) April saw double-digit growth in Europe also; whereas Middle East, Africa, and US markets were seen doing better than Europe, APTY expects YoY growth in FY25E in Europe also, accompanied by further mix improvement (ultra-high performance share now over 45% vs. ~43%). 4) Current utilization levels in India PCR segment is >80%; in TBR it is in the early 70s (dragged by bias segment); Company continues to guide for judicious capex going forward (Rs10bn capex in FY25E vs. Rs7bn spent in FY24); APTY could undertake some capex toward PCR (already built into guidance) for addressing possible growth opportunities from FY27; it has enough capacities on hand for FY25 and FY26. 5) RM costs to rise by 4-5% QoQ in Q1; Company has undertaken a price hike of up to 3% across segments in May to address EPR-related costs and part of RM increase; further hike of 2-2.5% may be required going forward to pass on the balance input cost increase; Company is planning 1-2% price hike in Europe in Q2 also. 6) APTY is confident of sustaining 16-17% margins in Europe. 7) Q4 RM costs (Rs/kg): natural rubber - 163, synthetic rubber - 155, and carbon black - 120.

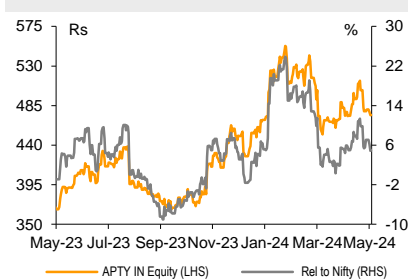
Target Price - 12M	Mar-25
Change in TP (%)	(4.0)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	26.6
CMP (15-May-24) (Rs)	474.1

Stock Data	Ticker
52-week High (Rs)	560
52-week Low (Rs)	359
Shares outstanding (mn)	635.1
Market-cap (Rs bn)	301
Market-cap (USD mn)	3,606
Net-debt, FY25E (Rs mn)	19,925
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	979.8
ADTV-3M (USD mn)	11.7
Free float (%)	62.7
Nifty-50	22,201
INR/USD	83.5
<b>Shareholding, Mar-24</b>	
Promoters (%)	37.4
FPIs/MFs (%)	18.2/22.0

### Price Performance

(%)	1M	3M	12M
Absolute	0.2	(8.9)	30.8
Rel. to Nifty	0.5	(10.1)	8.4

### 1-Year share price trend (Rs)



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**Exhibit 1: Consolidated result snapshot – Revenues flat YoY; margins down 189bps QoQ**

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>Revenue</b>	<b>59,420</b>	<b>59,560</b>	<b>64,228</b>	<b>62,473</b>	<b>62,446</b>	<b>62,796</b>	<b>65,954</b>	<b>62,582</b>	<b>0.2</b>	<b>(5.1)</b>
Expenditure	52,522	52,440	55,094	52,489	51,931	51,198	53,873	52,302	(0.4)	(2.9)
as % of sales	88.4	88.0	85.8	84.0	83.2	81.5	81.7	83.6		
Consumption of RM	35,840	36,406	38,754	35,370	34,319	34,096	35,192	33,024	(6.6)	(6.2)
as % of sales	60.3	61.1	60.3	56.6	55.0	54.3	53.4	52.8		
Employee Cost	6,453	6,141	6,724	6,882	7,388	7,296	7,669	7,288	5.9	(5.0)
as % of sales	10.9	10.3	10.5	11.0	11.8	11.6	11.6	11.6		
Other expenditure	10,229	9,893	9,616	10,237	10,224	9,806	11,012	11,990	17.1	8.9
as % of sales	17.2	16.6	15.0	16.4	16.4	15.6	16.7	19.2		
EBITDA	6,898	7,120	9,134	9,985	10,515	11,598	12,081	10,280	3.0	(14.9)
<b>EBITDA margin (%)</b>	<b>11.6</b>	<b>12.0</b>	<b>14.2</b>	<b>16.0</b>	<b>16.8</b>	<b>18.5</b>	<b>18.3</b>	<b>16.4</b>		
Depreciation	3,437	3,485	3,544	3,724	3,620	3,603	3,676	3,880	4.2	5.5
EBIT	3,461	3,635	5,589	6,260	6,895	7,995	8,405	6,400	2.2	(23.9)
Other Income	106	69	67	169	355	253	184	743	339.6	304.1
Interest	1,182	1,320	1,420	1,390	1,355	1,328	1,230	1,146	(17.5)	(6.8)
PBT	2,384	2,383	4,237	5,039	5,896	6,921	7,358	5,997	19.0	(18.5)
Minority interest	0	1	0	1	0	2	1	1		
Total Tax	611	590	1,449	1,163	1,795	2,058	2,242	2,089	79.7	(6.8)
Adjusted PAT after MI	1,774	1,794	2,788	3,877	4,101	4,865	5,117	3,909	0.8	(23.6)
Extra ordinary items Loss/(Gain)	0	0	0	-226	132	122	151	368		
Reported PAT	1,774	1,794	2,788	4,103	3,969	4,743	4,966	3,541	(13.7)	(28.7)
<b>Adjusted EPS (Rs)</b>	<b>2.8</b>	<b>2.8</b>	<b>4.4</b>	<b>6.5</b>	<b>6.2</b>	<b>7.5</b>	<b>7.8</b>	<b>5.6</b>	<b>(13.7)</b>	<b>(28.7)</b>
<b>Margins (%)</b>	<b>Q1FY23</b>	<b>Q2FY23</b>	<b>Q3FY23</b>	<b>Q4FY23</b>	<b>Q1FY24</b>	<b>Q2FY24</b>	<b>Q3FY24</b>	<b>Q4FY24</b>	<b>YoY (bps)</b>	<b>QoQ (bps)</b>
EBIDTAM	11.6	12.0	14.2	16.0	16.8	18.5	18.3	16.4	44	(189)
EBITM	5.8	6.1	8.7	10.0	11.0	12.7	12.7	10.2	21	(252)
EBTM	4.0	4.0	6.6	8.1	9.4	11.0	11.2	9.6	152	(157)
PATM	3.0	3.0	4.3	6.2	6.6	7.7	7.8	6.2	4	(151)
Effective Tax rate	25.6	24.8	34.2	23.1	30.4	29.7	30.5	34.8	1,177	438

Source: Company, Emkay Research

**Exhibit 2: Standalone result snapshot – Margins down 250bps QoQ to 15.6% due to EPR costs**

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>Revenue</b>	<b>44,362</b>	<b>42,519</b>	<b>42,466</b>	<b>43,662</b>	<b>44,133</b>	<b>44,067</b>	<b>43,319</b>	<b>43,874</b>	<b>0.5</b>	<b>1.3</b>
Expenditure	40,074	38,146	36,983	36,698	36,266	35,653	35,479	37,030	0.9	4.4
as % of sales	90.3	89.7	87.1	84.1	82.2	80.9	81.9	84.4		
Consumption of RM	31,211	29,901	28,581	27,329	26,690	26,515	25,620	26,087	(4.5)	1.8
as % of sales	70.4	70.3	67.3	62.6	60.5	60.2	59.1	59.5		
Employee Cost	2,604	2,480	2,498	2,678	2,782	2,719	2,831	2,755	2.9	(2.7)
as % of sales	5.9	5.8	5.9	6.1	6.3	6.2	6.5	6.3		
Other expenditure	6,259	5,765	5,904	6,692	6,794	6,419	7,028	8,187	22.3	16.5
as % of sales	14.1	13.6	13.9	15.3	15.4	14.6	16.2	18.7		
EBITDA	4,288	4,374	5,483	6,964	7,867	8,414	7,840	6,845	(1.7)	(12.7)
<b>EBITDA margin (%)</b>	<b>9.7</b>	<b>10.3</b>	<b>12.9</b>	<b>15.9</b>	<b>17.8</b>	<b>19.1</b>	<b>18.1</b>	<b>15.6</b>		
Depreciation	2,155	2,225	2,269	2,421	2,260	2,279	2,279	2,347	(3.1)	3.0
EBIT	2,133	2,149	3,215	4,543	5,607	6,135	5,562	4,498	(1.0)	(19.1)
Other Income	289	192	99	172	286	330	127	616	258.5	386.5
Interest	1,058	1,206	1,226	1,183	1,099	1,057	995	884	(25.2)	(11.1)
PBT	1,364	1,135	2,088	3,531	4,794	5,408	4,693	4,229	19.8	(9.9)
Total Tax	453	477	845	1,142	1,635	1,858	1,587	1,746	52.9	10.0
Adjusted PAT	910	657	1,242	2,389	3,159	3,550	3,106	2,483	3.9	(20.1)
Extra ordinary items Loss/(Gain)	0	0	0	0	-132	-108	-150	-368		
Reported PAT	910	657	1,242	2,389	3,291	3,658	3,257	2,851	19.3	(12.4)
<b>Adjusted EPS (Rs)</b>	<b>1.4</b>	<b>1.0</b>	<b>2.0</b>	<b>3.8</b>	<b>4.8</b>	<b>5.4</b>	<b>4.7</b>	<b>3.3</b>	<b>(11.5)</b>	<b>(28.4)</b>
<b>Margins (%)</b>	<b>Q1FY23</b>	<b>Q2FY23</b>	<b>Q3FY23</b>	<b>Q4FY23</b>	<b>Q1FY24</b>	<b>Q2FY24</b>	<b>Q3FY24</b>	<b>Q4FY24</b>	<b>YoY (bps)</b>	<b>QoQ (bps)</b>
EBIDTAM	9.7	10.3	12.9	15.9	17.8	19.1	18.1	15.6	(35)	(250)
EBITM	4.8	5.1	7.6	10.4	12.7	13.9	12.8	10.3	(15)	(259)
EBTM	3.1	2.7	4.9	8.1	10.9	12.3	10.8	9.6	155	(119)
PATM	2.1	1.5	2.9	5.5	7.2	8.1	7.2	5.7	19	(151)
Effective Tax rate	33.2	42.1	40.5	32.3	34.1	34.4	33.8	41.3	895	747

Source: Company, Emkay Research

**Exhibit 3: Segmental details – Growth flattish across major geographies; Europe margins are better on YoY basis**

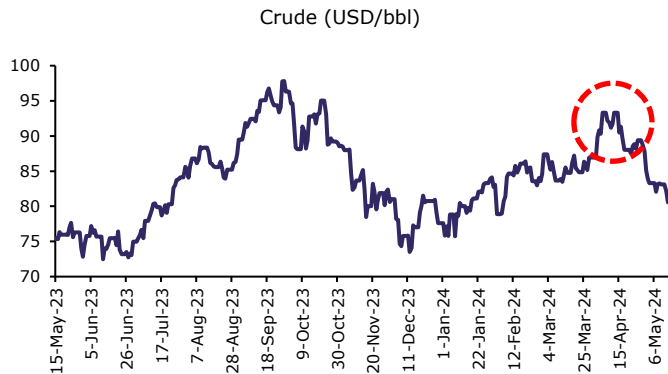
Segmental Details (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>APMEA</b>										
Net Sales	44,600	42,821	42,921	44,327	44,999	44,730	44,145	44,671	0.8	1.2
EBIT	2,145	2,049	3,289	4,864	6,109	6,712	5,843	5,191	6.7	(11.2)
Margins (%)	4.8	4.8	7.7	11.0	13.6	15.0	13.2	11.6	65 bps	(161) bps
Capital Employed	72,715	71,153	72,483	-	75,678	76,393	79,511	81,499		
ROCE (%)	11.8	11.5	18.1	-	32.3	35.1	29.4	25.5		
<b>Europe</b>										
Net Sales	16,042	17,613	20,925	18,395	17,408	18,158	22,192	18,641	1.3	(16.0)
EBIT	786	998	1,659	1,664	660	960	2,667	1,827	9.8	(31.5)
Margins (%)	4.9	5.7	7.9	9.0	3.8	5.3	12.0	9.8	75 bps	(222) bps
<b>Other</b>										
Net Sales	12,968	15,132	12,129	8,554	11,689	10,196	9,929	9,382	9.7	(5.5)
EBIT	635	656	709	(99)	482	577	79	125	(226.9)	58.2
Margins (%)	4.9	4.3	5.8	(1.2)	4.1	5.7	0.8	1.3	249 bps	54 bps

Source: Company, Emkay Research

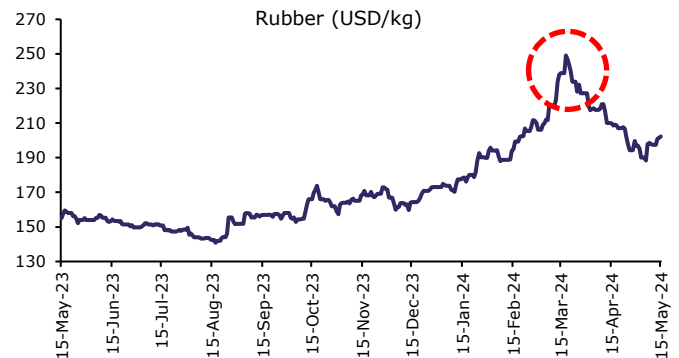
**Exhibit 4: Actual vs. Estimates**

(Rs mn)	Actual	Emkay Est	Var %	Consensus	Var %
Net sales	62,582	63,985	(2.2)	64,267	(2.6)
EBITDA	10,280	10,919	(5.9)	11,335	(9.3)
EBITDA Margin (%)	16.4	17.1	(64) bps	17.6	(121) bps
Adj. net income	3,909	4,503	(13.2)	4,575	(14.6)
FDEPS (Rs)	6.2	7.1	(13.2)	7.2	(14.6)

Source: Company, Bloomberg, Emkay Research

**Exhibit 5: Crude prices have corrected ~14% from the recent peak**

Source: Bloomberg, Emkay Research

**Exhibit 6: International rubber prices have also fallen ~20% from the recent highs**

Source: Bloomberg, Emkay Research

**Exhibit 7: Strong focus on profitability and cash generation has placed APTY well with regards to long-term targets around margins, RoCE, and debt levels, though it is unlikely to achieve revenue target, in our view**

Parameter	FY26E - Target	FY24 - Actual	Progress
Revenues (USD bn)	5.0	~3.0	Unlikely to achieve
<b>EBITDA margin (%)</b>	<b>Over 15%</b>	<b>17.5%</b>	<b>Achieved</b>
RoCE (%)	12-15%	11.4%	On track
<b>Net Debt/EBITDA (x)</b>	<b>Below 2x</b>	<b>0.9</b>	<b>Achieved</b>

Source: Company, Emkay Research

**Exhibit 8: Revenue model – We expect 7%/12% revenue/EPS CAGR over FY24-26E**

(Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Standalone revenues	113,545	143,068	168,899	175,393	196,090	210,132
Europe revenues	56,754	65,543	72,974	76,399	77,927	80,265
<b>Consolidated Revenues</b>	<b>173,970</b>	<b>209,476</b>	<b>245,681</b>	<b>253,777</b>	<b>273,421</b>	<b>290,074</b>
Growth YoY (%)	6.4	20.4	17.3	3.3	7.7	6.1
EBITDA	27,975	25,741	33,137	44,474	47,300	51,065
<b>EBITDA margin (%)</b>	<b>16.1</b>	<b>12.3</b>	<b>13.5</b>	<b>17.5</b>	<b>17.3</b>	<b>17.6</b>
Standalone EBIT	14,425	7,338	12,790	23,159	25,455	27,962
Europe EBIT	649	4,481	5,108	6,113	6,780	7,465
India EBIT margin (%)	12.7	5.1	7.6	13.2	13.0	13.3
Europe EBIT margin (%)	1.1	6.8	7.0	8.0	8.7	9.3
EBIT	16,119	12,979	19,356	31,231	33,790	37,308
EBIT margin (%)	9.3	6.2	7.9	12.3	12.4	12.9
PAT	3,502	6,386	11,046	17,219	20,341	23,253
<b>EPS (Rs)</b>	<b>15</b>	<b>10</b>	<b>17</b>	<b>28</b>	<b>31</b>	<b>35</b>
Capex	17,252	15,561	3,391	9,243	10,000	10,000
% of sales	(9.9)	(7.4)	(1.4)	(3.6)	(3.7)	(3.4)
Net debt	64,135	64,309	63,958	47,586	30,040	9,516
Net D/E (x)	0.48	0.47	0.43	0.27	0.13	-0.01
Post-tax average ROCE (%)	6.5	4.9	7.2	11.4	12.1	12.9
<b>ROE (%)</b>	<b>9.0</b>	<b>5.6</b>	<b>8.8</b>	<b>13.4</b>	<b>13.8</b>	<b>14.2</b>

Source: Company, Emkay Research

**Exhibit 9: We cut FY25E/26E EPS by 5.5%/4.4%, respectively, mainly to reflect higher EPR-related compliance costs**

(Rs mn)	FY24		FY25E				FY26E			
	Actual	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenue	253,777	3.3	274,880	273,421	(0.5)	7.7	291,428	290,074	(0.5)	6.1
EBITDA	44,474	34.2	50,010	47,300	(5.4)	6.4	53,907	51,065	(5.3)	8.0
Margin (%)	17.5	404 bps	18.2	17.3	(89) bps	(23) bps	18.5	17.6	(89) bps	31 bps
APAT	17,992	66.3	21,524	20,341	(5.5)	13.1	24,323	23,253	(4.4)	14.3
EPS (Rs)	28.3	66.3	33.9	32.0	(5.5)	13.1	38.3	36.6	(4.4)	14.3

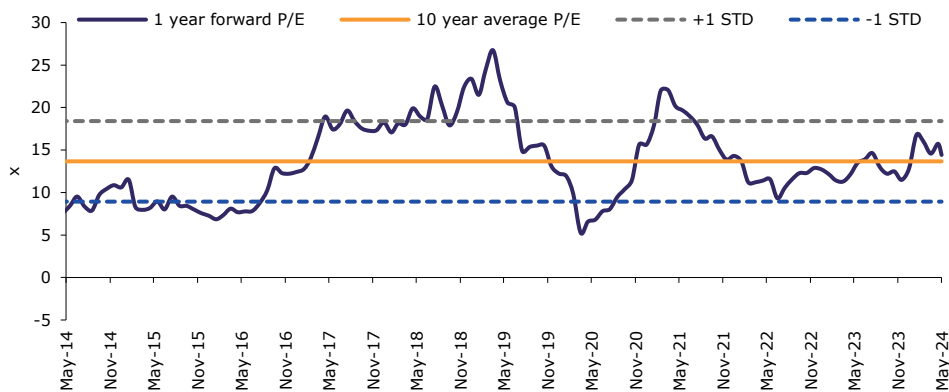
Source: Emkay Research

**Exhibit 10: Emkay vs. Consensus**

Apollo Tyres	Emkay Estimates		Bloomberg Estimates		Difference	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net revenue	273,421	290,074	272,852	292,406	0.2%	-0.8%
EBITDA	47,300	51,065	46,599	49,438	1.5%	3.3%
EBITDA margin (%)	17.3	17.6	17.1	16.9		
EPS (Rs)	31.0	35.3	32.8	36.5	-5.5%	-3.3%

Source: Bloomberg, Emkay Research

**Exhibit 11: APTY is currently trading close to LTA on 1-year forward P/E basis**



Source: Bloomberg, Emkay Research

## Apollo Tyres: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>209,476</b>	<b>245,681</b>	<b>253,777</b>	<b>273,421</b>	<b>290,074</b>
Revenue growth (%)	20.4	17.3	3.3	7.7	6.1
<b>EBITDA</b>	<b>25,741</b>	<b>33,137</b>	<b>44,474</b>	<b>47,300</b>	<b>51,065</b>
EBITDA growth (%)	(8.0)	28.7	34.2	6.4	8.0
Depreciation & Amortization	13,997	14,191	14,778	15,239	15,744
<b>EBIT</b>	<b>11,744</b>	<b>18,945</b>	<b>29,696</b>	<b>32,060</b>	<b>35,322</b>
EBIT growth (%)	(20.8)	61.3	56.7	8.0	10.2
Other operating income	0	0	0	0	0
Other income	1,235	411	1,536	1,730	1,986
Financial expense	4,444	5,312	5,059	3,781	3,002
<b>PBT</b>	<b>8,535</b>	<b>14,044</b>	<b>26,172</b>	<b>30,009</b>	<b>34,306</b>
Extraordinary items	0	0	0	0	0
Taxes	2,091	3,226	8,183	9,669	11,053
Minority interest	0	0	0	0	0
Income from JV/Associates	1	2	4	0	0
<b>Reported PAT</b>	<b>6,386</b>	<b>11,046</b>	<b>17,219</b>	<b>20,341</b>	<b>23,253</b>
PAT growth (%)	82.3	73.0	55.9	18.1	14.3
<b>Adjusted PAT</b>	<b>6,445</b>	<b>10,821</b>	<b>17,992</b>	<b>20,341</b>	<b>23,253</b>
<b>Diluted EPS (Rs)</b>	<b>10.1</b>	<b>17.0</b>	<b>28.3</b>	<b>32.0</b>	<b>36.6</b>
Diluted EPS growth (%)	82.3	73.0	55.9	18.1	14.3
<b>DPS (Rs)</b>	<b>3.3</b>	<b>4.5</b>	<b>6.0</b>	<b>6.9</b>	<b>7.8</b>
<b>Dividend payout (%)</b>	<b>32.3</b>	<b>25.9</b>	<b>22.1</b>	<b>21.5</b>	<b>21.2</b>
EBITDA margin (%)	12.3	13.5	17.5	17.3	17.6
EBIT margin (%)	5.6	7.7	11.7	11.7	12.2
Effective tax rate (%)	24.5	23.0	31.3	32.2	32.2
<b>NOPLAT (pre-IndAS)</b>	<b>8,867</b>	<b>14,594</b>	<b>20,411</b>	<b>21,731</b>	<b>23,941</b>
Shares outstanding (mn)	635.1	635.1	635.1	635.1	635.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	8,535	14,044	26,172	30,009	34,306
Others (non-cash items)	10,781	24,371	12,912	17,290	16,759
Taxes paid	(2,091)	(3,226)	(8,183)	(9,669)	(11,053)
Change in NWC	3,075	(14,256)	1,959	(1,174)	(1,031)
<b>Operating cash flow</b>	<b>20,300</b>	<b>20,933</b>	<b>32,860</b>	<b>36,458</b>	<b>38,981</b>
Capital expenditure	(15,515)	(3,521)	(9,265)	(10,000)	(10,000)
Acquisition of business	(111)	(34)	(41)	(2,000)	(2,000)
Interest & dividend income	482	331	348	0	0
<b>Investing cash flow</b>	<b>(11,722)</b>	<b>(4,761)</b>	<b>(5,571)</b>	<b>(10,270)</b>	<b>(10,014)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(6,265)	(2,840)	(15,999)	(12,000)	(7,000)
Payment of lease liabilities	(2,694)	(2,577)	(2,859)	(2,859)	(2,859)
Interest paid	(4,444)	(5,312)	(5,059)	(3,781)	(3,002)
Dividend paid (incl tax)	(2,064)	(2,858)	(3,811)	(4,378)	(4,936)
Others	(6,457)	(7,506)	(1,722)	0	0
<b>Financing cash flow</b>	<b>(19,230)</b>	<b>(18,516)</b>	<b>(26,591)</b>	<b>(20,159)</b>	<b>(14,938)</b>
Net chg in Cash	(10,651)	(2,345)	698	6,028	14,030
OCF	20,300	20,933	32,860	36,458	38,981
Adj. OCF (w/o NWC chg.)	17,225	35,189	30,900	37,631	40,012
FCFF	4,785	17,412	23,594	26,458	28,981
FCFE	822	12,431	18,883	22,677	25,979
OCF/EBITDA (%)	78.9	63.2	73.9	77.1	76.3
FCFE/PAT (%)	12.9	112.5	109.7	111.5	111.7
<b>FCFF/NOPLAT (%)</b>	<b>54.0</b>	<b>119.3</b>	<b>115.6</b>	<b>121.8</b>	<b>121.1</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	635	635	635	635	635
Reserves & Surplus	116,886	128,143	138,387	154,349	172,666
<b>Net worth</b>	<b>117,521</b>	<b>128,778</b>	<b>139,022</b>	<b>154,984</b>	<b>173,301</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	7,968	8,875	15,705	15,705	15,705
<b>Total debt</b>	<b>70,949</b>	<b>68,109</b>	<b>52,110</b>	<b>40,110</b>	<b>33,110</b>
<b>Total liabilities &amp; equity</b>	<b>196,439</b>	<b>205,761</b>	<b>206,837</b>	<b>210,799</b>	<b>222,116</b>
Net tangible fixed assets	157,903	158,856	151,414	146,175	140,431
Net intangible assets	7,373	7,387	7,205	7,205	7,205
Net ROU assets	8,479	7,998	9,135	9,135	9,135
Capital WIP	6,182	2,526	3,477	3,477	3,477
Goodwill	2,158	2,288	2,311	2,311	2,311
Investments [JV/Associates]	307	341	382	2,382	4,382
<b>Cash &amp; equivalents</b>	<b>15,313</b>	<b>12,479</b>	<b>14,156</b>	<b>20,184</b>	<b>34,214</b>
Current assets (ex-cash)	72,698	80,998	80,670	86,597	91,739
Current Liab. & Prov.	73,971	67,109	61,910	66,664	70,774
<b>NWC (ex-cash)</b>	<b>(1,273)</b>	<b>13,889</b>	<b>18,760</b>	<b>19,934</b>	<b>20,965</b>
<b>Total assets</b>	<b>196,439</b>	<b>205,761</b>	<b>206,837</b>	<b>210,799</b>	<b>222,116</b>
Net debt	55,636	55,629	37,954	19,925	(1,104)
Capital employed	196,439	205,761	206,837	210,799	222,116
<b>Invested capital</b>	<b>174,640</b>	<b>190,419</b>	<b>188,825</b>	<b>184,759</b>	<b>180,046</b>
BVPS (Rs)	185.0	202.8	218.9	244.0	272.9
Net Debt/Equity (x)	0.5	0.4	0.3	0.1	0.0
Net Debt/EBITDA (x)	2.2	1.7	0.9	0.4	0.0
Interest coverage (x)	0.3	0.3	0.2	0.1	0.1
<b>RoCE (%)</b>	<b>4.9</b>	<b>7.2</b>	<b>11.4</b>	<b>12.1</b>	<b>12.9</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	46.7	27.8	16.7	14.8	12.9
P/CE(x)	14.7	12.0	9.2	8.5	7.7
P/B (x)	2.6	2.3	2.2	1.9	1.7
EV/Sales (x)	1.7	1.5	1.3	1.2	1.0
EV/EBITDA (x)	13.9	10.8	7.6	6.8	5.9
EV/EBIT(x)	30.4	18.8	11.4	10.0	8.5
EV/IC (x)	2.0	1.9	1.8	1.7	1.7
FCFF yield (%)	1.3	4.9	7.0	8.2	9.7
FCFE yield (%)	0.3	4.1	6.3	7.5	8.6
Dividend yield (%)	0.7	0.9	1.3	1.5	1.6
<b>DuPont-RoE split</b>					
Net profit margin (%)	3.1	4.4	7.1	7.4	8.0
Total asset turnover (x)	1.1	1.2	1.2	1.3	1.3
Assets/Equity (x)	1.7	1.6	1.5	1.4	1.3
<b>RoE (%)</b>	<b>5.6</b>	<b>8.8</b>	<b>13.4</b>	<b>13.8</b>	<b>14.2</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	4.2	5.9	8.0	7.9	8.3
IC turnover (x)	1.2	1.3	1.3	1.5	1.6
<b>RoIC (%)</b>	<b>5.2</b>	<b>8.0</b>	<b>10.8</b>	<b>11.6</b>	<b>13.1</b>
<b>Operating metrics</b>					
Core NWC days	(2.2)	20.6	27.0	26.6	26.4
<b>Total NWC days</b>	<b>(2.2)</b>	<b>20.6</b>	<b>27.0</b>	<b>26.6</b>	<b>26.4</b>
Fixed asset turnover	0.8	0.9	0.9	0.9	0.9
Opex-to-revenue (%)	28.6	26.9	28.6	28.6	28.6

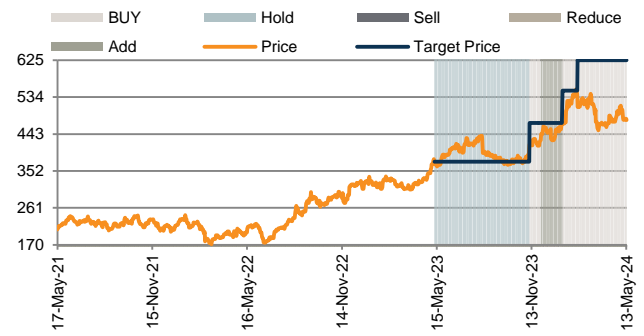
Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Apr-24	465	625	Buy	Chirag Jain
09-Feb-24	510	625	Buy	Chirag Jain
11-Jan-24	469	550	Buy	Chirag Jain
30-Nov-23	427	470	Add	Chirag Jain
09-Nov-23	418	470	Buy	Chirag Jain
12-Aug-23	396	375	Hold	Chirag Jain
26-Jun-23	404	375	Hold	Chirag Jain
10-May-23	369	375	Hold	Chirag Jain

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Company, Bloomberg, Emkay Research



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