

Tube Investments of India Ltd.

BUY

Sector: Auto Ancillaries

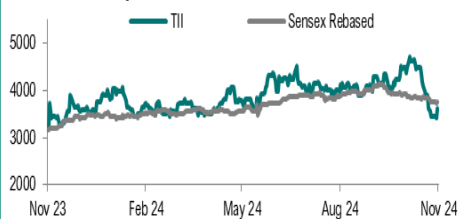
25th November 2024

Key Changes	Target ▼	Rating ▲	Earnings ▼	Target	Rs. 4,169
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	TIINDIA:IN	79,117	TIINDIA	540762	12 Months
				CMP	Rs. 3,475
				Return	+20%

Data as of: 22-11-2024

Company Data			
Market Cap (Rs.cr)	69,807		
52 Week High - Low (Rs.)	4,807-3,259		
Enterprise Value (Rs.cr)	69,012		
Outstanding Shares (cr)	19.3		
Free Float (%)	55		
Dividend Yield	0.1%		
6m average volume (cr)	0.03		
Beta	0.82		
Face value (Rs.)	1.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	45.1	45.0	45.0
FII's	28.3	27.4	28.4
MFs/Insti	14.8	15.5	14.7
Public	11.8	12.1	12.0
Total	100.0	100.0	100.0
Promoter pledge	0.1	0.1	0.1
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-10.8%	-5.6%	13.9%
Absolute Sensex	-4.1%	2.9%	18.2%
Relative Return*	-6.7%	-8.4%	-4.2%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	16,890	19,445	22,634
Growth (%)	11.7	15.1	16.4
EBITDA	1,949	2,333	2,807
EBITDA Margin (%)	11.5	12.0	12.4
Adj. PAT	670	879	1,211
Growth (%)	-6.2	31.2	37.8
Adj. EPS	35.7	45.6	62.8
Growth (%)	-6.2	27.6	37.8
P/E	100.8	79.0	57.3
P/B	13.6	11.8	9.9
EV/EBITDA	34.7	27.9	22.7
ROE (%)	14.8	16.0	18.7
D/E	0.1	0.1	0.1

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Long term growth to remain intact.

Tube Investment of India Ltd. (TII) is a flagship company of the Murugappa group. It is one of the leading product manufacturers for major industries such as Automotive, Railway, Construction, Mining, etc.

- Q2FY25, consolidated revenue grew by 14.4% YoY, driven by industrial, power systems, and EV-mobility segments. Meanwhile, standalone businesses like engineering & metal forming grew by low single digit, owing to muted volume growth from the automobile & railway business.
- TII's margin contracted by 310bps YoY owing to high input costs & one-time operational costs. Expected to improve in the second half of the fiscal year.
- Sales for 3-W is progressing well in the southern states, and they are currently concentrating on the northern states with a current market share of 4-5%. Whereas, E-tractors & E-trucks are at their homologation stage, with significant orders expected from the customers in the fourth quarter. For Q2 the E- mobility segment grew by 25% QoQ.
- Despite market challenges, TII is optimistic on achieving double-digit growth across its core segment, driven by diversification, EV expansion, and export.
- We believe TII diversified and new business opportunities in the EV and Industrial space, give reasonable valuation upside for long term.

Outlook & Valuation

TII has a diversified revenue stream with growth in the core sector, and industrial segments like railways & power continue to support long-term revenue visibility. The company is exploring diversification beyond the automotive sector due to cyclicality in the industry, especially considering the weak performance in the Passenger Vehicle (PV) and Heavy Commercial Vehicle (HCV) segments. Further, recovery in EV expansion builds stability for the long term. **We value TII on a SOTP basis, giving standalone business at Rs.1,005/share, 25x FY26E EPS, CG Power at Rs.2,775/share, Shanti Gears at Rs.109/share, and EV Mobility at Rs.281/share, cumulatively arriving at a target price of Rs.4,169 per share and upgrading to BUY rating at CMP.**

Quarterly Financials Consolidated.

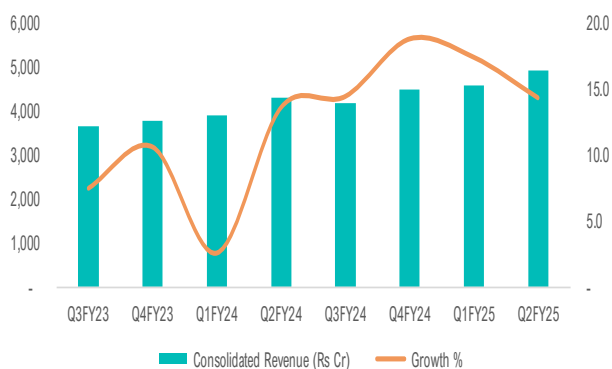
Rs.cr	Q2FY25	Q2FY24	YoY Growth (%)	Q1FY25	QoQ Growth (%)	H1FY25	H1FY24	YoY Growth (%)
Sales	4,925	4,306	14.4	4,578	7.6	9,502	8,203	15.8
EBITDA	490	562	-12.8	529	-7.2	1,019	1,029	-1.0
Margin (%)	10.0	13.1	-310bps	11.5	-159bps	10.7	12.5	-182bps
EBIT	372	444	-16.3	415	-10.4	786	802	-1.9
PBT	426	490	-13.0	464	-8.2	890	879	1.3
Rep. PAT	207	263	-21.5	225	-8.2	432	478	-9.7
Adj PAT	207	266	-22.3	225	-8.2	432	488	-11.4
EPS (Rs)	11.0	14.2	-22.3	12.0	-8.2	23.0	26.0	-11.4



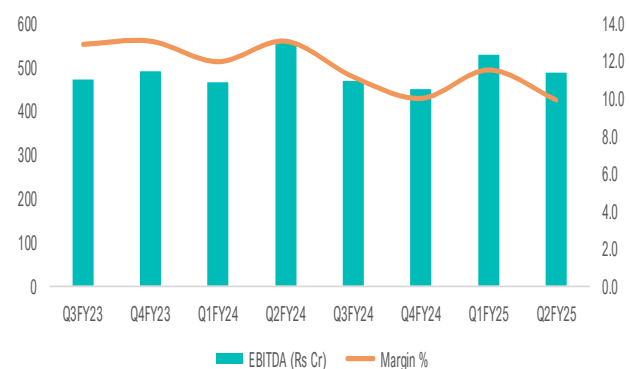
Key Highlights

- The cargo variant of the electric three-wheeler is anticipated to be released in the coming months, along with other offerings such as small commercial vehicles and tractors.
- The Medical CDMO (Contract Development and Manufacturing Organization) has begun operations with 30 clients and is expected to commence production shortly.
- Despite near term challenges, the company aims for double-digit growth at a consolidated level, achieving a 16% YoY revenue increase for the first half of FY25. The company remains dedicated to maintaining EBITDA margins while investing in future growth opportunities.
- Electric three-wheeler revenues increased sequentially, demonstrating strong sales performance. The segment currently has 83 operational dealers, with plans to reach 150 by the end of the fiscal year. However, the overall growth of the e-mobility business was moderate at 25% QoQ, as other segments did not perform as well.
- Stand-alone revenue for Q2FY25 reached ₹2,065 crores, an increase from ₹1,970 crores YoY. However, Profit Before Tax (PBT) declined to ₹225 crores from ₹245 crores in the previous year, owing to one time cost and challenges in the railway & automotive business.

Revenue



EBITDA



Valuation Summary (SOTP)

Company & Subsidiaries	Valuation	PAT	(x)	Equity Value	Per share value (Rs. cr.)
TII (Standalone)	P/E	776	25	19,396	1,005
Shanti Gears (70.47% Stake)	P/E	93	25	2,336	109(10% Holding dis.)
CG Power (58.09% Stake)	P/E	829	76	63,000	2,775 (15% Holding dis.)
EV Mobility business	M-cap/Sales	903	6	5,419	281
					4,169

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change(%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	19,123	22,140	19,445	22,634	1.7	2.2
EBITDA	2,505	2,967	2,333	2,807	-6.9	-5.4
Margins (%)	13.1	13.4	12.0	12.4	-110bps	-100bps
Adj. PAT	1,120	1,353	879	1,211	-21.5	-10.5
EPS	58.0	70.1	45.6	62.8	-21.4	-10.4

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	12,534	15,126	16,890	19,445	22,634
% change	106%	21%	12%	15%	16%
EBITDA	1,436	1,827	1,949	2,333	2,807
% change	11%	12%	12%	12%	12%
Depreciation	349	396	454	475	499
EBIT	1,087	1,431	1,496	1,858	2,308
Interest	58	42	52	67	79
Other Income	94	121	252	272	317
PBT	1,161	1,763	2,301	2,069	2,551
% change	178%	52%	30%	-10%	23%
Tax	167	423	497	569	701
Tax Rate (%)	14%	24%	22%	28%	28%
Reported PAT(Post MI)	769	968	1,276	884	1,216
Adj*	38.6	253.5	605.5	5.0	5.0
Adj PAT	730	715	670	879	1,211
% change	192%	-2%	-6%	31%	38%
No. of shares (cr)	19.3	19.3	19.3	19.3	19.3
Adj EPS (Rs.)	38.9	38.1	35.7	45.6	62.8
% change	192%	-2%	-6%	28%	38%
DPS (Rs.)	3.5	3.5	3.5	4.2	4.2
CEPS (Rs.)	55.9	57.5	58.2	70.2	88.6

*Not Comparable

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	1,079	1,111	1,124	1,359	1,715
Non-cash adj.	179	416	398	1,168	1,383
Other Adjustments	-111	-233	-274	-569	-701
Changes in W.C	-521	-343	-1,090	534	-109
C.F. Operation	626	951	157	2,492	2,288
Capital exp.	-499	-922	-1,836	-91	-813
Change in inv.	0	0	0	206	0
Other invest.CF	419	51	178	0	0
C.F – Investment	-79	-871	-1,658	-91	-813
Issue of equity	72	72	72	0	0
Issue/repay debt	-911	-515	-112	-180	-179
Dividends paid	-72	-169	-162	-82	-82
Other finance.CF	153	277	132	0	0
C.F – Finance	-831	-407	-142	-261	-261
Chg. in cash	-283	-328	-1,642	2,139	1,214
Closing cash	573	954	1,243	1,818	1,818

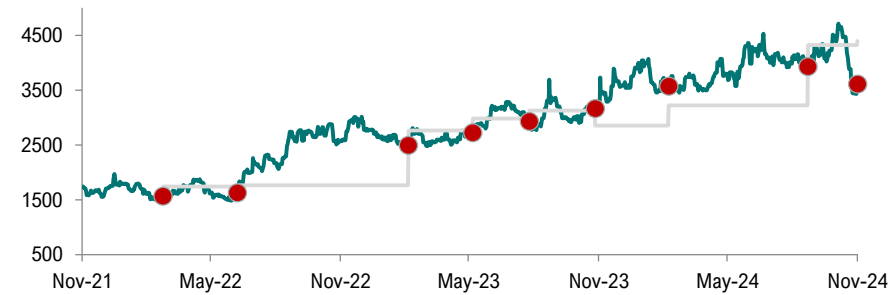
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	573	954	1,314	3,457	4,672
Accounts Receivable	1,958	2,254	2,854	2,397	2,790
Inventories	1,327	1,353	1,788	2,078	2,411
Other Cur. Assets	554	649	680	586	682
Investments	554	741	1,382	1,598	1,860
Gross Fixed Assets	3,488	3,620	4,292	4,755	5,217
Net Fixed Assets	2,245	2,252	2,684	2,671	2,635
CWIP	128	191	381	175	175
Intangible Assets	1,068	1,360	1,748	1,262	1,272
Def. Tax (Net)	514	335	125	213	248
Other Assets	141	289	348	448	527
Total Assets	9,061	10,378	13,303	14,887	17,273
Current Liabilities	4,509	4,213	4,296	4,614	5,323
Provisions	31	46	71	27	31
Debt Funds	773	726	896	796	696
Other Liabilities	677	1,042	1,732	2,340	2,978
Equity Capital	19	19	19	19	19
Reserves & Surplus	3,052	3,931	5,080	5,883	7,018
Shareholder's Fund	3,071	4,351	6,307	7,110	8,245
Total Liabilities	9,061	10,378	13,303	14,887	17,273
BVPS (Rs.)	138	177	231	298	357

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	11.5	12.1	11.5	12.0	12.4
EBIT margin (%)	8.7	9.5	8.9	9.6	10.2
Net profit mgn.(%)	5.8	4.7	4.0	4.5	5.4
ROE (%)	27.1	20.4	14.8	16.0	18.7
ROCE (%)	16.4	12.8	9.2	9.1	11.1
W.C & Liquidity	0.0	0.0	0.0	0.0	0.0
Receivables (days)	49.3	50.8	55.2	49.3	41.8
Inventory (days)	35.4	32.3	33.9	36.3	36.2
Payables (days)	98.9	85.1	85.9	77.8	68.5
Current ratio (x)	1.0	1.2	1.6	1.8	2.0
Quick ratio (x)	0.5	0.7	0.8	1.1	1.3
Turnover & Leverage	0.0	0.0	0.0	0.0	0.0
Gross asset T.O (x)	3.7	4.3	4.3	4.3	4.5
Total asset T.O (x)	1.4	1.6	1.4	1.4	1.4
Int. coverage ratio (x)	18.6	33.7	28.6	27.8	29.1
Adj. debt/equity (x)	0.3	0.2	0.1	0.1	0.1
Valuation	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	5.5	4.5	4.0	3.4	2.8
EV/EBITDA (x)	48.2	37.5	34.7	27.9	22.7
P/E (x)	92.5	94.5	100.8	79.0	57.3
P/BV (x)	22.6	17.6	13.6	11.8	9.9

Recommendation Summary (Last 3 years)



Dates	Rating	Target
14.Mar.22	Accumulate	1,746
27.Jun.22	Accumulate	1,768
24.Feb.23	Buy	2,768
26.May.23	Hold	2,983
14.Aug.23	Hold	3,127
15.Nov.23	Sell	2,855
27.Feb.24	Reduce	3,225
11.Sep.24	Accumulate	4,321
25.Nov.24	Buy	4,169

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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