

Weak Q2; bottom quarter, improvement expected ahead

Auto Ancillaries ▶ Result Update ▶ November 7, 2024

TARGET PRICE (Rs): 650

JK Tyre (JKI) Q2 results were soft, impacted by ~16% sales decline in Mexico on weak Latin American demand and 10% currency depreciation vs INR. While domestic MHCVs have been weak in H1 (JK is among the segment leaders with 53% CV contribution in consolidated sales), outlook is improving amid expected pickup in infra/capex activity and a favorable base. Further, softening rubber prices (down over 20% from recent peak), pricing action (~3-3.5% YTD), and better mix should aid margin recovery Q4FY25E onwards. Q2 likely represents a bottom quarter with improving outlook for demand and profitability. We cut FY25E/26E/27E PAT by ~18%/10%/8% (factoring in Q2 miss, gradual margin recovery), and retain BUY (revised TP of Rs650 at 15x Sep-26E PER) amid attractive valuations (~8.5x Sep-26E PER vs 17.3 peer average).

JK Tyre: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	146,449	150,018	147,858	162,211	174,205
EBITDA	12,978	20,776	19,074	22,547	24,737
Adj. PAT	3,246	8,333	8,492	11,057	12,972
Adj. EPS (Rs)	13.2	32.0	31.0	39.4	46.2
EBITDA margin (%)	8.9	13.8	12.9	13.9	14.2
EBITDA growth (%)	20.9	60.1	(8.2)	18.2	9.7
Adj. EPS growth (%)	70.3	189.4	0.3	27.0	17.3
RoE (%)	10.4	21.1	17.5	18.9	18.5
RoIC (%)	7.6	13.5	13.2	14.4	14.9
P/E (x)	29.7	12.2	12.6	9.9	8.5
EV/EBITDA (x)	11.0	6.8	7.6	6.3	5.5
P/B (x)	2.8	2.3	2.1	1.7	1.5
FCFF yield (%)	3.7	5.0	5.5	5.3	5.6

Source: Company, Emkay Research

Weak performance, impacted by CV softness and RM inflation

Consolidated revenues declined 7% YoY to Rs36.2bn (H1 replacement volumes were down in low-single digit with double-digit decline in OEM and high-single digit growth in exports); JK Tornel (Mexico) revenues declined ~16% on lower demand from Latin American markets and the currency translation impact. Consolidated EBITDA declined ~28% YoY to Rs4.2bn with EBITDA margin at 11.6 %, down by 211bps QoQ owing to sharp rise in RM cost. EBIT margin declined by 209bps/250bps/60bps QoQ in standalone (8.2%), Cavendish (14.1%), and Mexico (5.3%). Consolidated PAT stood at Rs1.5bn.

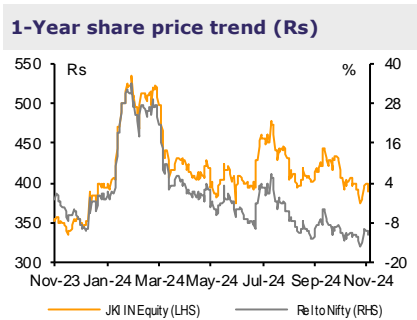
Earnings Call KTAs

1) The management expects demand to improve in H2 driven by the festive season, increased government infrastructure spends, normalizing construction and mining activities, and on-going premiumization trend; replacement demand is also seen improving in H2. 2) At Tornel (Mexico), RM costs rose 11% QoQ, partially offset by a 9% price hike. Mexico has imposed 32% anti-dumping duty on Chinese PCR and light-truck tires, effective Nov-24; this is seen boosting domestic demand prospects for the company. Additionally, the Mexican Peso's weakening against the USD is seen supporting exports in coming quarters, though currency weakness in other Latin American markets have affected export competitiveness in those regions. 3) The company has been partly addressing the impact of rising RM costs (up 6-7% QoQ in Q2) through pricing, mix optimization, and operational efficiency, with ~3-3.5% cumulative price hikes till Q2. 4) Company has taken further price hike in TBR in end-Oct and is assessing further price hikes (if needed) going forward, keeping an eye on the recent RM correction. It expects improved demand outlook in CVs and PVs to aid ability of the market to absorb price increases. 5) The Rs14bn expansion in TBR, PCR, and all-steel light truck radials is on track; the company expects these brownfield capacity additions to achieve ~1.2x asset turns; these will start getting commissioned in H2FY26E with ramp-up over the following 2-3 quarters. 6) Company expects Cavendish amalgamation to offer benefits in the form of better economies of scale, some cost reduction due to reduction in capacity, as well as tax benefits from carried-forward losses at Cavendish. Completion of pending approvals is expected in the next 10-12 months. 7) Capacity utilization stands at 85% overall and 90% in radial; radial utilization is seen rising to over 95% going forward. 8) JKI targets Rs15bn net debt reduction over the next 2 years. 8) Existing mid-high teen return ratios in Q2 are seen improving going ahead.

Target Price – 12M	Sep-25
Change in TP (%)	(7.1)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	66.1
CMP (06-Nov-24) (Rs)	391.4

Stock Data	Ticker
52-week High (Rs)	554
52-week Low (Rs)	332
Shares outstanding (mn)	274.0
Market-cap (Rs bn)	107
Market-cap (USD mn)	1,273
Net-debt, FY25E (Rs mn)	36,959
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	374.1
ADTV-3M (USD mn)	4.4
Free float (%)	46.9
Nifty-50	24,484
INR/USD	84.3
Shareholding, Sep-24	
Promoters (%)	50.6
FPIs/MFs (%)	11.7/10.6

Price Performance			
(%)	1M	3M	12M
Absolute	(3.4)	(3.0)	14.7
Rel. to Nifty	(1.3)	(4.9)	(9.0)



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Exhibit 1: Q2FY25 snapshot – Revenue down ~7% YoY; EBITDA margin down by 210bps QoQ due to sharp increase in RM (up by ~275bps)

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
Revenue	37,181	38,975	36,877	36,985	36,391	36,216	(7.1)	(0.5)
Expenditure	32,610	33,084	31,375	32,173	31,391	32,003	(3.3)	1.9
as % of sales	87.7	84.9	85.1	87.0	86.3	88.4		
Consumption of RM	23,332	23,344	22,212	21,839	21,417	22,306	(4.4)	4.1
as % of sales	62.8	59.9	60.2	59.0	58.9	61.6		
Employee Cost	3,359	3,725	3,544	3,691	3,704	3,611	(3.0)	(2.5)
as % of sales	9.0	9.6	9.6	10.0	10.2	10.0		
Other expenditure	5,918	6,016	5,620	6,644	6,270	6,086	1.2	(2.9)
as % of sales	15.9	15.4	15.2	18.0	17.2	16.8		
EBITDA	4,571	5,891	5,502	4,812	5,000	4,213	(28.5)	(15.7)
EBITDA margin (%)	12.3	15.1	14.9	13.0	13.7	11.6		
Depreciation	1,058	1,080	1,109	1,120	1,126	1,132	4.8	0.6
EBIT	3,513	4,811	4,393	3,692	3,874	3,081	(36.0)	(20.5)
Other Income	83	78	126	156	157	216	177.2	37.2
Interest	1,222	1,092	1,069	1,086	1,124	1,201	9.9	6.9
PBT	2,374	3,797	3,450	2,762	2,908	2,096	(44.8)	(27.9)
Total Tax	824	1,266	1,136	768	786	545	(56.9)	(30.6)
Adjusted PAT	1,550	2,531	2,314	1,994	2,122	1,551	(38.7)	(26.9)
MI and Inc from JV	8	16	(1)	32	(66)	45	176.1	(168.6)
Adjusted PAT after MI	1,542	2,515	2,315	1,961	2,188	1,506	(40.1)	(31.2)
Extra ordinary items Loss/(Gain)	44	(29)	(44)	(245)	(5)	(108)	279.3	2,106.1
Reported PAT	1,586	2,486	2,271	1,717	2,183	1,398	(43.8)	(36.0)
Adjusted EPS (Rs)	6.3	10.2	8.9	7.5	8.4	5.8	(43.5)	(31.2)
(%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (bps)	QoQ (bps)
EBITDAM	12.3	15.1	14.9	13.0	13.7	11.6	(348)	(211)
EBITM	9.4	12.3	11.9	10.0	10.6	8.5	(384)	(214)
EBTM	6.4	9.7	9.4	7.5	8.0	5.8	(395)	(220)
PATM	4.1	6.5	6.3	5.3	6.0	4.2	(229)	(185)
Effective Tax rate	34.7	33.3	32.9	27.8	27.0	26.0	(732)	(100)

Source: Company, Emkay Research

Exhibit 2: Segmental performance — ~16% YoY decline in Tornel (Mexico) impacted overall performance

Particulars	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
Revenues (Rs mn)								
India	31,655	33,452	31,982	32,152	31,723	31,764	(5.0)	0.1
Standalone	24,558	26,777	25,637	26,161	24,924	25,146	(6.1)	0.9
Cavendish	7,096	6,676	6,345	5,991	6,799	6,618	(0.9)	(2.7)
Mexico (Tornel)	6,833	7,117	6,199	6,118	5,973	5,933	(16.6)	(0.7)
Others	-	-	-	8	-	4		
Total	38,487	40,569	38,182	38,277	37,695	37,701	(7.1)	0.0
less Intersegmental	1,307	1,594	1,304	1,293	1,304	1,485	(6.8)	13.9
Consolidated	37,181	38,975	36,877	36,985	36,391	36,216	(7.1)	(0.5)
EBIT (Rs mn)								
India	3,172	4,494	4,221	3,544	3,685	2,987	(33.5)	(18.9)
Standalone	2,210	3,329	3,103	2,805	2,555	2,052	(38.3)	(19.7)
Cavendish	962	1,165	1,118	738	1,130	935	(19.8)	(17.3)
Mexico (Tornel)	429	399	302	301	351	315	(21.1)	(10.3)
Others	(4)	(4)	(5)	3	(4)	(5)	18.6	30.8
Total	3,596	4,889	4,519	3,848	4,032	3,297	(32.6)	(18.2)
less Interest	(83)	(78)	(126)	(156)	(157)	(216)	177.2	37.2
Consolidated	3,513	4,811	4,393	3,692	3,874	3,081	(36.0)	(20.5)
EBIT margin (%)								
India	10.0	13.4	13.2	11.0	11.6	9.4	(403)	(221)
Standalone	9.0	12.4	12.1	10.7	10.2	8.2	(427)	(209)
Cavendish	13.6	17.5	17.6	12.3	16.6	14.1	(333)	(250)
Mexico (Tornel)	6.3	5.6	4.9	4.9	5.9	5.3	(30)	(57)
Consolidated	9.4	12.3	11.9	10.0	10.6	8.5	(384)	(214)

Source: Company, Emkay Research

Exhibit 3: Quarterly peer comparison — JK's standalone performance was impacted by softness in CVs

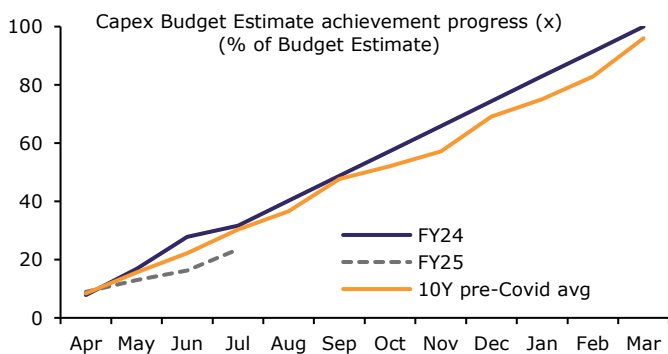
Revenues (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
JKI (India incl. Cavendish)	31,495	31,060	30,619	31,655	33,452	31,982	32,152	31,723	31,764
CEAT (Standalone)	28,864	27,111	28,627	29,212	30,432	29,490	29,792	31,682	32,981
Revenue growth QoQ (%)									
JKI	3.0	(1.4)	(1.4)	3.4	5.7	(4.4)	0.5	(1.3)	0.1
CEAT	3.0	(6.1)	5.6	2.0	4.2	(3.1)	1.0	6.3	4.1
EBIT (Rs mn)									
JKI (India incl. Cavendish)	1,549	2,137	2,549	3,172	4,494	4,221	3,544	3,685	2,987
CEAT (Standalone)	907	1,191	2,453	2,655	3,329	2,898	2,591	2,499	2,294
EBIT margin (%)									
JKI (India incl. Cavendish)	4.9	6.9	8.3	10.0	13.4	13.2	11.0	11.6	9.4
CEAT (Standalone)	3.1	4.4	8.6	9.1	10.9	9.8	8.7	7.9	7.0

Source: Company, Emkay Research

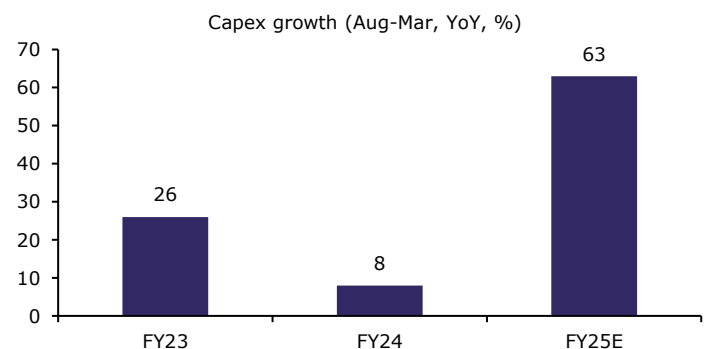
Exhibit 4: Replacement/OEM segment declined ~12%/3%; softness in CVs led to ~9% decline in Truck and Bus segment

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Channel-wise revenues						
OEM	8,552	8,964	8,482	8,137	7,642	8,692
Replacement	22,680	23,385	22,885	22,191	22,562	20,643
Exports	5,949	6,626	5,511	6,657	6,186	6,881
Growth YoY (%)						
OEM	6.7	13.6	(2.2)	(13.8)	(10.6)	(3.0)
Replacement	3.8	5.5	5.6	0.1	(0.5)	(11.7)
Exports	(9.3)	(11.8)	(4.7)	41.0	4.0	3.9
Channel mix (%)						
OEM	23	23	23	22	21	24
Replacement	61	60	61	60	62	57
Exports	16	17	16	18	17	19
Product-wise revenues						
Truck and Bus	19,334	21,047	20,657	20,341	19,651	19,194
PCR	10,782	11,303	10,694	11,465	10,553	11,227
2/3W	1,487	1,559	1,475	1,479	1,456	1,449
Others	5,577	5,067	4,050	3,698	4,731	4,346
Growth YoY (%)						
Truck and Bus	(1.7)	3.8	4.0	3.7	1.6	(8.8)
PCR	9.6	7.5	5.7	12.7	(2.1)	(0.7)
2/3W	2.1	3.8	2.1	1.8	(2.1)	(7.1)
Others	2.1	(3.7)	(13.8)	(27.3)	(15.2)	(14.2)
Product mix (%)						
Truck and Bus	52	54	54	55	54	53
PCR	29	29	29	31	29	31
2/3W	4	4	4	4	4	4
Others	15	13	13	10	13	12

Source: Company, Emkay Research

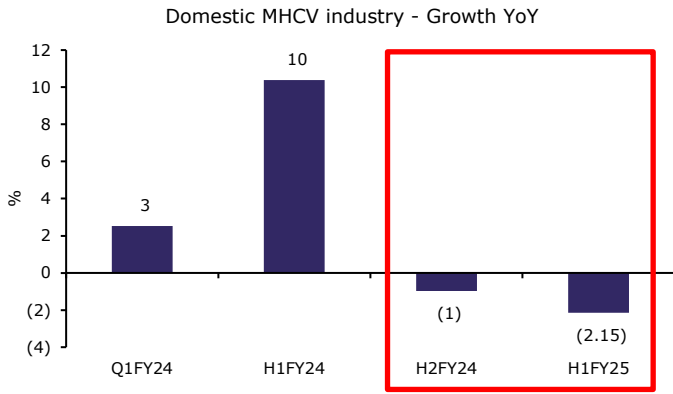
Exhibit 5: Centre's capex declined 18% YoY till Jul-24 vs budgeted growth of 17%, amid factors like elections...

Source: CGA, Union Budget documents, Emkay Research

Exhibit 6: ...this should lead to strong ramp-up in coming months; 63% YoY growth needed over Aug-Mar to meet budget goals

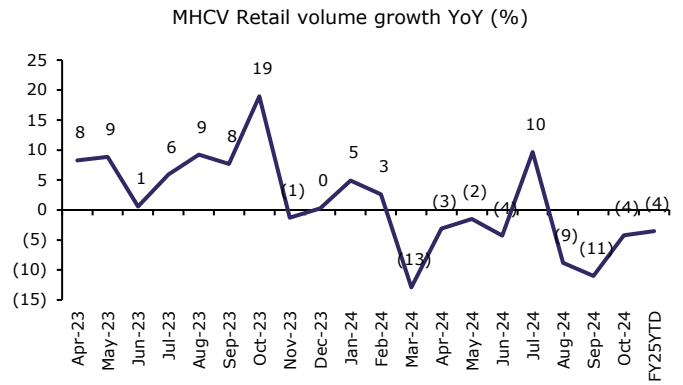
Source: CGA, Union Budget documents, Emkay Research

Exhibit 7: MHCV industry grew 10% in H1FY24 vs 1% decline in H2FY24, thus presenting a benign base for H2FY25



Source: SIAM, Emkay Research

Exhibit 8: MHCV retail volume decline has also narrowed in recent months



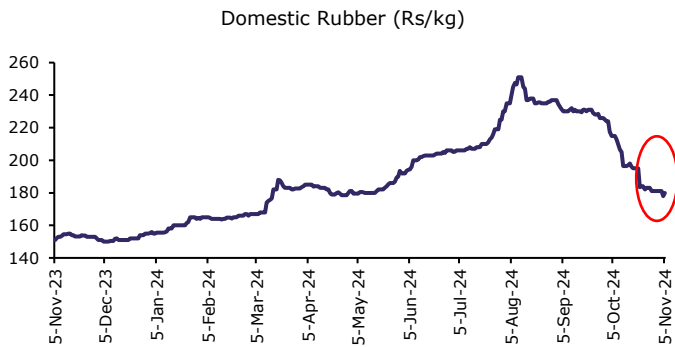
Source: Company, Emkay Research

Shriram Pistons in its recent earnings call has highlighted improvement in CV demand

"We are also seeing some increased numbers coming for commercial vehicles, the medium commercial vehicles, and the small commercial vehicles are showing some improvement. So, we are getting some improved numbers from our customers now"

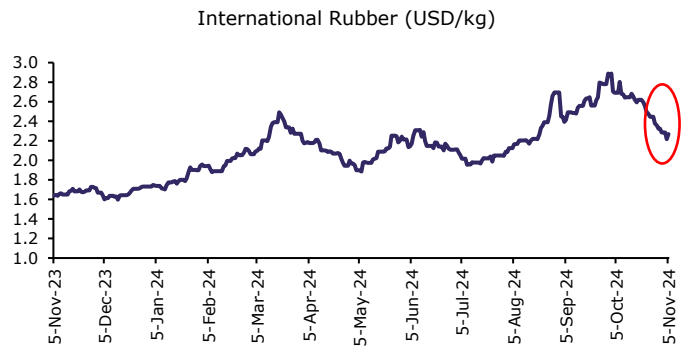
- SPRL management in Q2FY25 call ([link](#))

Exhibit 9: Domestic rubber prices have corrected sharply and are now 28% below their recent peak



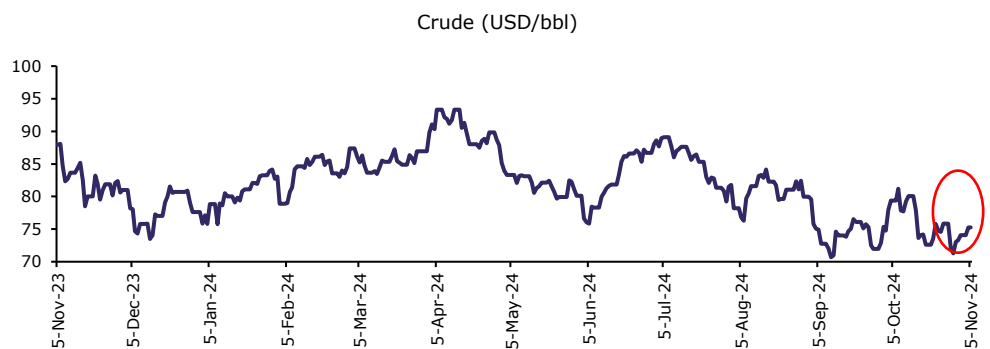
Source: Bloomberg, Emkay Research

Exhibit 10: With International rubber prices also 21% below their recent highs



Source: Bloomberg, Emkay Research

Exhibit 11: Crude oil prices remain slightly buoyant; currently down 12% from their recent peak



Source: Bloomberg, Emkay Research

Exhibit 12: We expect 5%/13% consolidated Revenue/EPS CAGR over FY24-27E

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue									
India	91,934	76,469	82,189	103,528	123,760	129,241	127,558	140,711	151,662
Standalone	76,104	60,927	61,345	80,321	96,179	103,133	101,919	112,750	121,262
Cavendish	15,830	15,543	20,844	23,208	27,580	26,108	25,639	27,961	30,400
Mexico (Tornel)	13,085	11,911	11,335	21,191	26,727	26,267	24,375	25,972	27,346
Others	23	19	19	14	7	8	8	8	8
less: intersegment	1,365	1,172	2,520	4,904	4,044	5,497	4,083	4,479	4,811
Consolidated	103,678	87,227	91,022	119,830	146,449	150,018	147,858	162,211	174,205
Revenue growth (% YoY)	23	(16)	4.4	31.6	22.2	2.4	-1.4	9.7	7.4
Consolidated EBITDA									
Consolidated EBITDA	11,141	9,854	13,063	10,733	12,978	20,776	19,074	22,547	24,737
Growth YoY (%)	51	(12)	33	(18)	21	60	(8)	18	10
Consolidated EBITDA margin (%)	10.7	11.3	14.4	9.0	8.9	13.8	12.9	13.9	14.2
EBIT margin (%)									
Standalone	8.1%	7.1%	10.4%	6.1%	5.9%	11.1%	9.1%	10.1%	10.7%
Cavendish	11.6%	10.8%	14.2%	4.0%	7.4%	15.3%	15.7%	16.0%	16.5%
Mexico (Tornel)	5.9%	3.0%	2.3%	6.7%	6.0%	5.4%	5.7%	7.5%	8.0%
Consolidated	8.5%	7.3%	10.6%	6.0%	6.3%	11.7%	11.7%	12.3%	11.2%
Consolidated EBIT	7,984	6,075	9,196	6,879	8,907	16,409	14,597	17,949	19,799
Interest	5,211	5,490	4,659	4,659	4,545	4,469	4,506	4,020	3,473
Consolidated adj. PAT	2,653	2,472	2,935	1,509	3,246	8,333	8,492	11,057	12,972
Growth YoY (%)	242	(7)	19	(49)	115	157	2	30	17
Consolidated EPS (Rs)	10.7	10.0	11.9	6.1	13.2	32.0	31.0	39.4	46.2
Consolidated Net Debt									
Consolidated Net Debt	2.2	2.1	1.4	1.8	1.4	0.9	0.7	0.5	0.3
Net debt/equity (x)	-	-	-	-	-	-	-	-	-
Net debt/EBITDA (x)	4.5	5.1	2.9	4.7	3.5	1.8	1.9	1.4	1.0
Capex	50,518	49,875	38,425	50,447	46,054	38,287	36,959	31,012	25,285
FCF	3,622	5,465	2,623	3,792	5,340	9,760	10,000	10,000	10,000
Pre-tax RoCE (%)	10.8	8.1	12.9	9.3	10.8	18.3	15.6	18.2	18.8

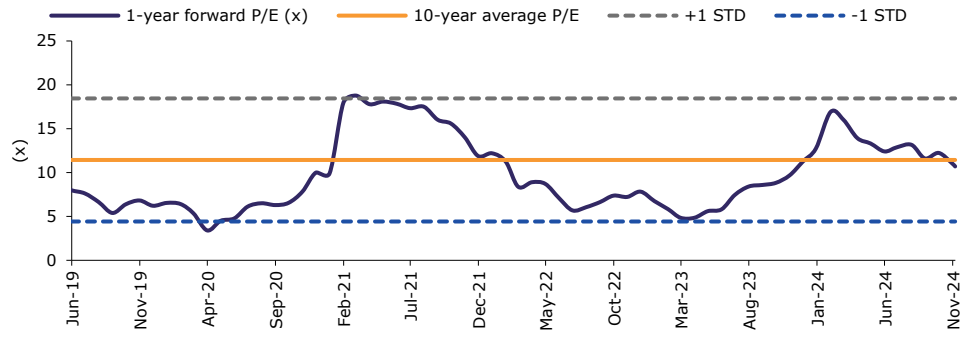
Source: Company, Emkay Research

Exhibit 13: We trim FY25E/26E/FY27E PAT by ~18%/10%/8% due to Q2 miss and gradual margin recovery; EPS cut in FY26E/FY27E is slightly higher due to ~2.5% dilution impact of proposed Cavendish amalgamation

(Rs mn)	FY25E				FY26E				FY27E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenue	158,619	147,858	(6.8)	(1.4)	172,949	162,211	(6.2)	9.7	185,593	174,205	(6.1)	7.4
EBITDA	22,048	19,074	(13.5)	(8.2)	24,559	22,547	(8.2)	18.2	26,725	24,737	(7.4)	9.7
Margin	13.9%	12.9%	(100)bps	(95)bps	14.2%	13.9%	(30)bps	100bps	14.4%	14.2%	(20)bps	30bps
APAT	10,390	8,492	(18.3)	1.9	12,290	11,057	(10.0)	30.2	14,037	12,972	(7.6)	17.3
Dil. EPS (Rs)	37.9	31.0	(18.3)	(3.0)	44.9	39.4	(12.2)	27.0	51.2	46.2	(9.9)	17.3

Source: Emkay Research

Exhibit 14: JKI trades in line with LTA on 1-year forward PER basis



Source: Bloomberg, Emkay Research

JK Tyre: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	146,449	150,018	147,858	162,211	174,205
Revenue growth (%)	22.2	2.4	(1.4)	9.7	7.4
EBITDA	12,978	20,776	19,074	22,547	24,737
EBITDA growth (%)	20.9	60.1	(8.2)	18.2	9.7
Depreciation & Amortization	4,071	4,368	4,476	4,598	4,938
EBIT	8,907	16,409	14,597	17,949	19,799
EBIT growth (%)	29.5	84.2	(11.0)	23.0	10.3
Other operating income	0	0	0	0	0
Other income	365	444	715	878	1,040
Financial expense	4,545	4,469	4,506	4,020	3,473
PBT	4,728	12,383	10,806	14,807	17,366
Extraordinary items	615	274	0	0	0
Taxes	1,465	3,994	2,269	3,702	4,341
Minority interest	17	55	44	49	52
Income from JV/Associates	0	0	0	0	0
Reported PAT	2,630	8,059	8,492	11,057	12,972
PAT growth (%)	70.3	206.4	5.4	30.2	17.3
Adjusted PAT	3,246	8,333	8,492	11,057	12,972
Diluted EPS (Rs)	13.2	32.0	31.0	39.4	46.2
Diluted EPS growth (%)	70.3	189.4	0.3	27.0	17.3
DPS (Rs)	2.0	4.3	3.7	4.8	7.4
Dividend payout (%)	18.7	13.7	11.9	12.2	16.0
EBITDA margin (%)	8.9	13.8	12.9	13.9	14.2
EBIT margin (%)	6.1	10.9	9.9	11.1	11.4
Effective tax rate (%)	31.0	32.3	21.0	25.0	25.0
NOPLAT (pre-IndAS)	6,147	11,115	11,532	13,462	14,849
Shares outstanding (mn)	246.3	260.7	274.0	280.9	280.9

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	4,728	12,383	10,806	14,807	17,366
Others (non-cash items)	8,616	8,954	8,525	8,225	8,088
Taxes paid	(1,598)	(4,207)	(3,443)	(4,234)	(4,240)
Change in NWC	(450)	(1,050)	(380)	(2,718)	(2,549)
Operating cash flow	10,663	16,826	17,928	17,540	17,587
Capital expenditure	(5,340)	(9,760)	(10,000)	(10,000)	(10,000)
Acquisition of business	(111)	0	0	0	0
Interest & dividend income	156	0	0	0	0
Investing cash flow	(5,451)	(9,760)	(10,000)	(10,000)	(10,000)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(3,380)	(5,920)	(4,835)	(3,587)	(4,685)
Payment of lease liabilities	433	0	0	0	0
Interest paid	(4,545)	(4,586)	(4,049)	(3,628)	(3,150)
Dividend paid (incl tax)	(445)	(1,108)	(1,015)	(1,350)	(2,074)
Others	4,060	0	0	0	0
Financing cash flow	(4,311)	(11,614)	(9,898)	(8,564)	(9,909)
Net chg in Cash	901	(4,549)	(1,970)	(1,025)	(2,322)
OCF	10,663	16,826	17,928	17,540	17,587
Adj. OCF (w/o NWC chg.)	11,113	17,876	18,308	20,258	20,137
FCFF	5,323	7,066	7,928	7,540	7,587
FCFE	933	2,596	3,422	3,520	4,114
OCF/EBITDA (%)	82.2	81.0	94.0	77.8	71.1
FCFE/PAT (%)	35.5	32.2	40.3	31.8	31.7
FCFF/NOPLAT (%)	86.6	63.6	68.7	56.0	51.1

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	493	521	521	535	535
Reserves & Surplus	33,469	44,346	51,767	64,337	75,064
Net worth	33,962	44,867	52,288	64,872	75,599
Minority interests	997	1,193	1,193	1,193	1,193
Deferred tax liability (net)	3,211	4,939	4,939	4,939	4,939
Total debt	48,824	46,095	41,260	36,673	31,988
Total liabilities & equity	86,993	97,094	99,681	107,677	113,720
Net tangible fixed assets	62,088	65,760	71,194	76,596	81,658
Net intangible assets	2,528	2,528	2,528	2,528	2,528
Net ROU assets	0	0	0	0	0
Capital WIP	1,950	3,670	3,760	3,760	3,760
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,383	1,271	1,271	1,271	1,271
Cash & equivalents	2,770	7,807	4,301	5,661	6,703
Current assets (ex-cash)	52,672	59,079	59,039	64,325	68,127
Current Liab. & Prov.	36,398	43,022	42,412	46,464	50,328
NWC (ex-cash)	16,275	16,058	16,627	17,861	17,799
Total assets	86,993	97,094	99,681	107,677	113,720
Net debt	46,054	38,287	36,959	31,012	25,285
Capital employed	86,993	97,094	99,681	107,677	113,720
Invested capital	80,890	84,346	90,349	96,985	101,985
BVPS (Rs)	137.9	172.1	190.9	231.0	269.2
Net Debt/Equity (x)	1.4	0.9	0.7	0.5	0.3
Net Debt/EBITDA (x)	3.5	1.8	1.9	1.4	1.0
Interest coverage (x)	0.5	0.3	0.3	0.2	0.2
RoCE (%)	10.8	18.3	15.6	18.2	18.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	29.7	12.2	12.6	9.9	8.5
P/CE(x)	13.2	8.0	8.3	7.0	6.1
P/B (x)	2.8	2.3	2.1	1.7	1.5
EV/Sales (x)	1.0	0.9	1.0	0.9	0.8
EV/EBITDA (x)	11.0	6.8	7.6	6.3	5.5
EV/EBIT(x)	16.0	8.6	9.9	7.9	6.8
EV/IC (x)	1.8	1.7	1.6	1.5	1.3
FCFF yield (%)	3.7	5.0	5.5	5.3	5.6
FCFE yield (%)	1.0	2.5	3.2	3.2	3.7
Dividend yield (%)	0.5	1.1	0.9	1.2	1.9
DuPont-RoE split					
Net profit margin (%)	2.2	5.6	5.7	6.8	7.4
Total asset turnover (x)	1.7	1.6	1.5	1.6	1.6
Assets/Equity (x)	2.8	2.3	2.0	1.8	1.6
RoE (%)	10.4	21.1	17.5	18.9	18.5
DuPont-RoIC					
NOPLAT margin (%)	4.2	7.4	7.8	8.3	8.5
IC turnover (x)	1.8	1.8	1.6	1.7	1.7
RoIC (%)	7.6	13.5	13.2	14.4	14.9
Operating metrics					
Core NWC days	40.6	39.1	41.0	40.2	37.3
Total NWC days	40.6	39.1	41.0	40.2	37.3
Fixed asset turnover	1.4	1.3	1.2	1.2	1.2
Opex-to-revenue (%)	22.8	25.7	26.7	26.4	26.1

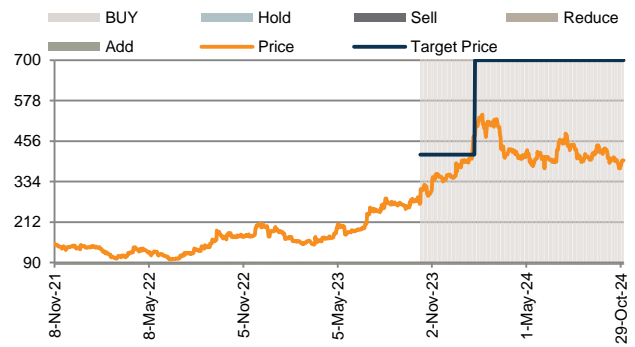
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
05-Aug-24	413	700	Buy	Chirag Jain
27-Jun-24	394	700	Buy	Chirag Jain
22-May-24	424	700	Buy	Chirag Jain
23-Feb-24	511	700	Buy	Chirag Jain
08-Feb-24	511	700	Buy	Chirag Jain
23-Jan-24	472	700	Buy	Chirag Jain
30-Nov-23	354	415	Buy	Chirag Jain
10-Oct-23	270	415	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
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