

JK Tyre (JKI) reported a steady Q3; consol. margins sustained QoQ at 14.9% (vs. decline of ~100bps for peers). Commentary around growth is encouraging (expects to sustain 6-7% volume growth as seen in Q3, helped by timely expansion in high-margin SUV tyres); also, medium-term margin outlook remains healthy with an upward bias amid improving mix. We believe that the stock remains under-appreciated (refer [Structural transformation underway; further-re-rating on the cards](#)) despite superior all-round execution in growth, BS, and return ratios vs. peers in the past 5 years. Timely PCR expansion, innovative launches, improving brand equity, and distribution scale-up would further fortify the franchise. Our estimates are largely unchanged, we maintain BUY with an unchanged TP of Rs700 at 15x FY26E PER (top pick in autos).

JK Tyres: Financial Snapshot (Consolidated)					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	119,830	146,449	150,905	165,483	176,906
EBITDA	10,733	12,978	21,655	23,912	26,271
Adj. PAT	1,976	3,246	8,947	11,433	13,330
Adj. EPS (Rs)	8.0	13.2	36.3	44.1	51.4
EBITDA margin (%)	9.0	8.9	14.4	14.5	14.9
EBITDA growth (%)	(17.8)	20.9	66.9	10.4	9.9
Adj. EPS growth (%)	(39.2)	30.7	240.1	21.3	16.6
RoE (%)	7.2	10.4	22.2	22.0	21.1
RoIC (%)	6.1	7.6	14.4	16.5	17.1
P/E (x)	63.7	38.8	14.1	11.6	9.9
EV/EBITDA (x)	16.4	13.2	7.5	6.9	6.0
P/B (x)	4.4	3.7	2.7	2.3	1.9
FCFF yield (%)	(4.9)	3.1	4.9	5.2	6.7

Source: Company, Emkay Research

EBITDA margin sustains sequentially

Consolidated revenues rose 2.1% YoY (down 5.4% QoQ) to Rs36.9bn; India revenues (incl. Cavendish) were higher 3% YoY (down 4.4% QoQ), while Mexico revenues rose 2.1% YoY (down 12.9% QoQ, impacted by lower working days in Dec). Consolidated EBITDA margin was down marginally by 20bps to 14.9%; India EBIT margin was stable at 13.2% (standalone margin down ~30bps, Cavendish margins up ~10bps); Mexico EBIT margin was lower by ~70bps to 4.9%. Overall, consolidated adjusted PAT stood at Rs2.3bn vs. Rs809mn/Rs2.5bn in Q3FY23/Q2FY24, respectively. JKI declared an interim dividend of Rs1/sh for FY24. Annualized pre-tax RoCE was at 19.7%; annualized RoE stands at 19.4%.

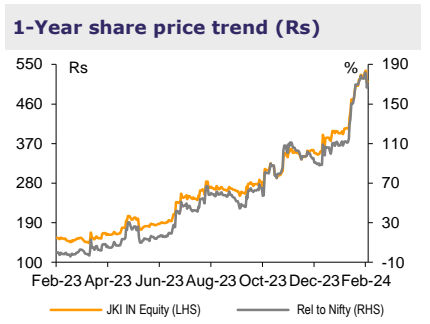
Earnings call KTAs

i) Domestic demand is steady; JKI sees 6-7% volume growth ahead on overall basis, backed by double-digit growth in replacement segment (for JKI, overall volumes grew 7% in Q3 – 11% growth in replacement, 6% growth in OEM, and 8% decline in exports). Management believes sluggishness in CVs is transient as CV replacement demand is still holding up well; the demand in Mexico operations (Tornel) is seen improving from current levels, with scope to increase current utilization levels of 81%. ii) Current utilizations are at ~85% (consol. level). iii) Ongoing capex of Rs8bn will be fully ramped up by Q1FY25 (seen supporting growth in revenues to Rs180-190bn); also, the previously announced Rs14bn capex (PCR, TBR, all steel radials) would be commercialized by Q3FY26 (~1.1-1.2x asset turns possible here). iv) The Rs14bn capex is for high-margin segments (e.g., larger-sized tyres), which would help improve mix further and protect against RM volatility. v) JKI expects margins to remain within 13-15% band even in longer term, irrespective of RM volatility, if volume support continues; RM seen being stable in Q4 (vs. 2% increase in Q3); overall, the pricing environment is currently stable. vi) Net debt stands at Rs34.6bn vs. Rs46bn as of FY23; Company expects further decline in debt levels supported by healthy cash flows; Debt/Equity to remain within 0.5x-0.7x (0.75x today); Debt/EBITDA to stay in 1.5-1.8x range (1.7x today).

Target Price – 12M	Mar-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	37.0
CMP (08-Feb-24) (Rs)	511.1

Stock Data	Ticker
52-week High (Rs)	554
52-week Low (Rs)	142
Shares outstanding (mn)	260.7
Market-cap (Rs bn)	133
Market-cap (USD mn)	1,606
Net-debt, FY24E (Rs mn)	36,427
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	902.1
ADTV-3M (USD mn)	10.9
Free float (%)	46.9
Nifty-50	21,718
INR/USD	83.0
Shareholding, Dec-23	
Promoters (%)	53.1
FPIs/MFs (%)	12.3/5.9

Price Performance				
(%)	1M	3M	12M	
Absolute	30.0	43.9	225.9	
Rel. to Nifty	28.7	28.8	168.1	



Chirag Jain

chirag.jain@emkayglobal.com
+91 22 6624 2428

Jaimin Desai

jaimin.desai@emkayglobal.com
+91 22 6612 1334

Vijay Naraharisetty

vijay.naraharisetty@emkayglobal.com
+91 22 6612 1306

Exhibit 1: Q3FY24 results snapshot: Revenue up 2% YoY; EBITDA margins sustained QoQ at 14.9%

(Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Revenue	30,760	33,118	36,430	37,565	36,129	36,325	37,181	38,975	36,877	2.1	(5.4)
Expenditure	28,026	30,839	33,582	34,591	32,736	32,563	32,610	33,084	31,375	(4.2)	(5.2)
<i>as % of sales</i>	<i>91.1</i>	<i>93.1</i>	<i>92.2</i>	<i>92.1</i>	<i>90.6</i>	<i>89.6</i>	<i>87.7</i>	<i>84.9</i>	<i>85.1</i>		
Consumption of RM	20,511	23,156	25,650	26,422	24,211	23,826	23,332	23,344	22,212	(8.3)	(4.8)
<i>as % of sales</i>	<i>66.7</i>	<i>69.9</i>	<i>70.4</i>	<i>70.3</i>	<i>67.0</i>	<i>65.6</i>	<i>62.8</i>	<i>59.9</i>	<i>60.2</i>		
Employee Cost	2,716	2,782	2,883	2,948	3,074	3,276	3,359	3,725	3,544	15.3	(4.9)
<i>as % of sales</i>	<i>8.8</i>	<i>8.4</i>	<i>7.9</i>	<i>7.8</i>	<i>8.5</i>	<i>9.0</i>	<i>9.0</i>	<i>9.6</i>	<i>9.6</i>		
Other expenditure	4,798	4,902	5,048	5,222	5,451	5,461	5,918	6,016	5,620	3.1	(6.6)
<i>as % of sales</i>	<i>15.6</i>	<i>14.8</i>	<i>13.9</i>	<i>13.9</i>	<i>15.1</i>	<i>15.0</i>	<i>15.9</i>	<i>15.4</i>	<i>15.2</i>		
EBITDA	2,735	2,279	2,849	2,974	3,393	3,762	4,571	5,891	5,502	62.1	(6.6)
EBITDA margin (%)	8.9	6.9	7.8	7.9	9.4	10.4	12.3	15.1	14.9		
Depreciation	959	961	1,007	992	1,016	1,056	1,058	1,080	1,109	9.2	2.6
EBIT	1,776	1,318	1,842	1,982	2,377	2,706	3,513	4,811	4,393	84.8	(8.7)
Other Income	79	77	66	78	97	125	83	78	126	29.9	61.7
Interest	1,040	1,007	991	1,094	1,206	1,254	1,222	1,092	1,069	(11.4)	(2.2)
PBT	815	388	916	967	1,268	1,576	2,374	3,797	3,450	172.0	(9.1)
Total Tax	344	59	232	247	432	553	824	1,266	1,136	162.9	(10.2)
Adjusted PAT	471	329	684	719	836	1,023	1,550	2,531	2,314	176.7	(8.6)
MI and Inc from JV	(2)	2	(13)	(8)	28	10	8	16	(1)	(102.9)	(104.9)
Adjusted PAT after MI	473	326	696	727	809	1,014	1,542	2,515	2,315	186.2	(8.0)
Extraordinary items Loss/(Gain)	67	56	(345)	(231)	(141)	102	44	(29)	(44)	(68.9)	54.0
Reported PAT	539	382	351	496	667	1,116	1,586	2,486	2,271	240.3	(8.7)
Adjusted EPS (Rs)	1.9	1.3	2.8	3.0	3.3	4.1	6.3	10.2	8.9	170.3	(13.1)
Margins (%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (bps)	QoQ (bps)
EBITDA	8.9	6.9	7.8	7.9	9.4	10.4	12.3	15.1	14.9	553	(20)
EBIT	5.8	4.0	5.1	5.3	6.6	7.4	9.4	12.3	11.9	533	(43)
EBT	2.6	1.2	2.5	2.6	3.5	4.3	6.4	9.7	9.4	585	(39)
PAT	1.5	1.0	1.9	1.9	2.2	2.8	4.1	6.5	6.3	404	(18)
Effective Tax rate	42.2	15.3	25.4	25.6	34.1	35.1	34.7	33.3	32.9	(114)	(40)

Source: Company, Emkay Research

Exhibit 2: Segmental performance: Sequential dip in Mexico business on lower exports, led by geopolitical impact

	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Revenue (Rs mn)											
India	26,979	28,135	30,586	31,495	31,060	30,619	31,655	33,452	31,982	3.0	(4.4)
Standalone	21,239	21,629	23,336	24,113	24,802	23,928	24,558	26,777	25,637	3.4	(4.3)
Cavendish	5,740	6,506	7,250	7,382	6,257	6,691	7,096	6,676	6,345	1.4	(4.9)
Mexico (Tornel)	5,206	5,864	6,733	7,210	6,073	6,711	6,833	7,117	6,199	2.1	(12.9)
Others	0	6	-	-	-	7	-	-	-		
Total	32,185	34,005	37,318	38,705	37,133	37,337	38,487	40,569	38,182	2.8	(5.9)
less Intersegmental	1,425	887	888	1,140	1,004	1,012	1,307	1,594	1,304	29.9	(18.2)
Consolidated	30,760	33,118	36,430	37,565	36,129	36,325	37,181	38,975	36,877	2.1	(5.4)
EBIT (Rs mn)											
India	1,508	1,055	1,440	1,549	2,137	2,549	3,172	4,494	4,221	97.6	(6.1)
Standalone	1,404	817	1,156	1,221	1,576	1,685	2,210	3,329	3,103	96.9	(6.8)
Cavendish	104	238	285	328	561	864	962	1,165	1,118	99.4	(4.1)
Mexico (Tornel)	351	337	471	515	343	279	429	399	302	(11.9)	(24.3)
Others	(4)	3	(4)	(4)	(5)	2	(4)	(4)	(5)	(6.3)	4.7
Total	1,855	1,395	1,908	2,061	2,474	2,830	3,596	4,889	4,519	82.6	(7.6)
less Interest	(79)	(77)	(66)	(78)	(97)	(125)	(83)	(78)	(126)	29.9	61.7
Consolidated	1,776	1,318	1,842	1,982	2,377	2,706	3,513	4,811	4,393	84.8	(8.7)

EBIT margin (%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
India	5.6	3.8	4.7	4.9	6.9	8.3	10.0	13.4	13.2	632	(24)
Standalone	6.6	3.8	5.0	5.1	6.4	7.0	9.0	12.4	12.1	575	(33)
Cavendish	1.8	3.7	3.9	4.4	9.0	12.9	13.6	17.5	17.6	866	16
Mexico (Tornel)	6.7	5.7	7.0	7.1	5.6	4.2	6.3	5.6	4.9	(77)	(74)
Consolidated	5.8	4.0	5.1	5.3	6.6	7.4	9.4	12.3	11.9	533	(43)

Source: Company, Emkay Research

Exhibit 3: JKI has gained relative revenue market share vs. 5/10 years ago, incl. H1FY24

Consol. Revenue (Rs mn)	FY13	FY18	FY23	H1FY24	Revenue CAGR			Revenue market share			
					1 Yr	5 Yr	10 Yr	FY13	FY18	FY23	H1FY24
JK Tyre	69,852	82,721	146,449	76,156	22%	12%	8%	16.7%	16.2%	16.9%	17.1%
APTY	127,989	148,429	245,681	125,241	17%	11%	7%	30.6%	29.1%	28.4%	28.1%
MRF	119,673	149,544	230,085	126,574	19%	9%	7%	28.6%	29.4%	26.6%	28.4%
Ceat	50,522	62,834	113,149	59,885	21%	12%	8%	12.1%	12.3%	13.1%	13.4%
TVS Srichakra	16,519	21,524	31,913	13,732	18%	8%	7%	3.9%	4.2%	3.7%	3.1%
Balkrishna Industries	33,939	44,438	97,595	44,125	18%	17%	11%	8.1%	8.7%	11.3%	9.9%
Total	418,495	509,489	864,873	445,714	19%	11%	8%	100%	100%	100%	100%

Source: Company, Capitaline, Emkay Research

Exhibit 4: Share gains have been even stronger on the profitability front; performance sustains in H1FY24

Consol. EBIT (Rs mn)	FY13	FY18	FY23	H1FY24	EBIT CAGR			EBIT market share			
					1 Yr	5 Yr	10 Yr	FY13	FY18	FY23	H1FY24
JK Tyre	4,845	4,376	8,907	8,324	47%	15%	6%	13.9%	9.8%	15.7%	15.6%
APTY	10,643	10,610	18,945	14,890	137%	12%	6%	30.4%	23.7%	33.4%	27.9%
MRF	9,702	15,807	11,435	16,020	-18%	-6%	2%	27.8%	35.3%	20.2%	30.1%
Ceat	3,448	4,185	4,711	5,978	12%	2%	3%	9.9%	9.4%	8.3%	11.2%
TVS Srichakra	755	1,849	1,366	945	17%	-6%	6%	2.2%	4.1%	2.4%	1.8%
Balkrishna Industries	5,568	7,911	11,366	7,125	-27%	8%	7%	15.9%	17.7%	20.0%	13.4%
Total	34,961	44,739	56,730	53,283	16%	5%	5%	100%	100%	100%	100%

Source: Company, Capitaline, Emkay Research

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 05/01/2024 12:19 PM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

Exhibit 5: Sharp improvement in Balance Sheet health; Company converging towards peers vs. being a laggard earlier

Consol. Net Debt to Equity (x)	FY13	FY18	FY23	H1FY24	FY24E	FY25E	FY26E
JK Tyre	2.6	2.5	1.4	1.1	0.8	0.6	0.4
APTY	0.8	0.4	0.5	0.4	0.3	0.2	0.1
MRF*	0.6	0.2	0.2	0.2	-0.1	-0.2	-0.3
Ceat*	1.2	0.3	0.6	0.5	0.5	0.4	0.3

Source: Company, Bloomberg, Emkay Research; *Note: Bloomberg consensus estimates

Exhibit 6: JKI to clock over 20% RoE from FY24E itself

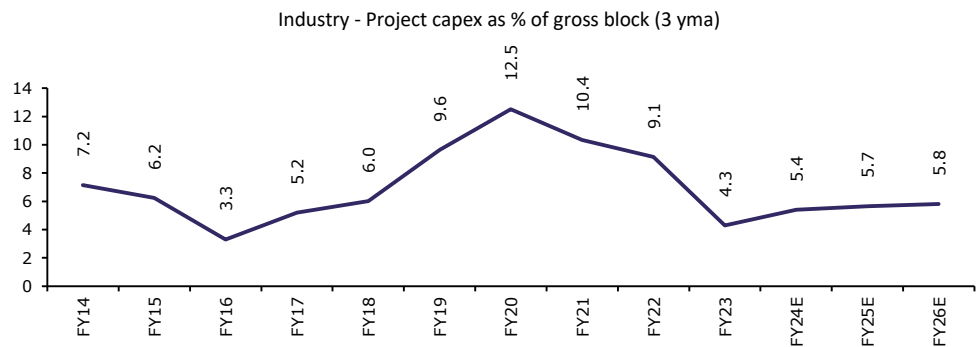
Consol. Avg. RoE (%)	FY13	FY18	FY20	FY23	H1FY24	FY24E	FY25E	FY26E
JK Tyre	24.5	3.4	6.1	8.4	22.7	22.2	22.0	21.1
APTY	19.6	8.5	4.8	9.0	13.1	14.2	14.5	14.9
MRF*	22.5	12.3	12.3	5.4	15.4	14.1	12.7	12.5
Ceat*	16.4	9.5	8.2	5.5	19.6	18.8	16.5	15.7

Source: Company, Bloomberg, Emkay Research; *Note: Bloomberg consensus estimates

Exhibit 7: Competitive positioning of market leader gradually being diluted, owing to improvements by other players

MRF relative share (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	H1FY24
Revenue	33.5	33.7	31.5	33.8	32.2	31.4	31.3	32.6
EBITDA	42.1	43.4	38.6	39.7	36.8	32.2	30.2	35.8
EBIT	42.7	45.2	39.0	43.4	37.5	28.7	26.0	35.4

Source: Company, Emkay Research; Note: Industry here comprises of MRF, APTY, JKI, and Ceat (all on consolidated basis)

Exhibit 8: Unlike lumpy capex cycles in the past, industry's capacity additions to be calibrated over the next 2-3 years

Source: Company, Emkay Research; Note: Industry here comprises of MRF, APTY, JKI, and Ceat (all on consolidated basis)

Exhibit 9: We expect PCR industry capacity expansion to clock ~7% CAGR, trailing the demand growth (~8%)

Player	FY23 capacity mkt. sh. (%)	Industry PCR capacity (mn units)				Comment
		FY23	FY24E	FY25E	FY26E	
MRF	20	15.5	17.1	18.8	20.6	Built-in ~10% CAGR in capacity increase (though gross block has already doubled in the last 5Y)
APTY	23	17.5	17.5	17.5	17.5	No growth capex in the next 2 years as per management; utilization 80% in 2Q vs. ~73% in 1Q
JK Tyre	14	10.9	12.5	14.0	15.5	As per announced plans, JK's expansion is ~30% of industry
Ceat	18	14.0	14.8	15.7	16.7	Some downstream addition being done; overall bite-sized approach intact, as per management
Bridgestone	13	9.7	9.7	10.5	10.5	Built-in announced capacity increase (~8%)
Continental	5	4.0	4.4	4.8	5.3	Built-in ~10% CAGR capacity increase, as Company sees ~50% volume growth in the coming years
Goodyear	7	5.0	5.0	5.0	5.0	No announcements as yet
Michelin	-	-	-	2.0	2.0	Has plans to start local production; assuming they will enter in FY25 with a minimum order block of ~1.5-2mn units
Total	100	76.6	81.0	88.3	93.1	
Industry (mn units)		FY23	FY24E	FY25E	FY26E	
Capacity (from above)		76.6	81.0	88.3	93.1	
Growth YoY (%)			6	9	5	
Demand		61.0	65.9	71.2	76.8	
Growth YoY (%)			8	8	8	
Capacity utilization (%)		80	81	81	83	

Source: Company, Media articles, Emkay Research

Exhibit 10: Revenue model – We expect JKI to post ~8%/~10%/~22% revenue/EBITDA/PAT CAGR over FY24E-26E

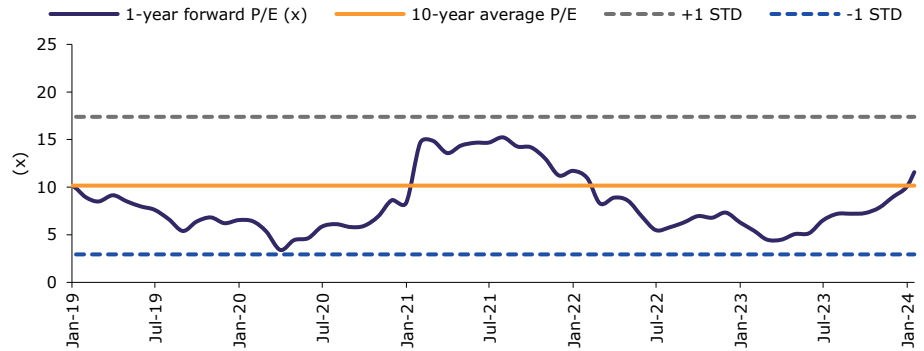
(Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue						
India	82,189	103,528	123,760	128,339	140,706	152,151
Standalone	61,345	80,321	96,179	102,263	106,324	116,305
Cavendish	20,844	23,208	27,580	26,075	34,382	35,846
Mexico (Tornel)	11,335	21,191	26,727	26,727	29,340	29,634
less: intersegment	2,520	4,904	4,044	4,167	4,570	4,885
Consolidated	91,003	119,815	146,442	150,898	165,476	176,899
Revenue growth (% YoY)	4.4	31.7	22.2	3.0	9.7	6.9
Consolidated EBITDA	13,063	10,733	12,978	21,655	23,912	26,271
Growth YoY (%)	33	(18)	21	67	10	10
Consolidated EBITDA margin (%)	14.4	9.0	8.9	14.4	14.5	14.9
Consolidated adj. PAT	2,935	1,976	3,246	8,947	11,433	13,330
Growth YoY (%)	19	(33)	64	176	28	17
Consolidated diluted EPS (Rs)	13.4	8.2	10.7	36.3	44.1	51.4
Consolidated Net Debt	38,425	50,447	46,054	36,427	32,450	26,139
Net debt/equity (x)	1.4	1.8	1.4	0.8	0.6	0.4
Capex	2,623	3,792	5,340	8,500	9,000	9,000
FCF	15,673	-8,572	5,323	10,240	9,190	11,178
Pre-tax RoCE (%)	12.9	9.3	10.8	19.9	20.6	21.0

Source: Company, Emkay Research

Exhibit 11: Change in estimates – We marginally trim FY24E revenues; FY25E-26E EPS unchanged

(Rs mn)	FY24E				FY25E				FY26E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenue	154,372	150,905	(2.2)	3.0	166,255	165,483	(0.5)	9.7	177,739	176,906	(0.5)	6.9
EBITDA	21,766	21,655	(0.5)	66.9	23,941	23,912	(0.1)	10.4	26,305	26,271	(0.1)	9.9
Margin (%)	14.1%	14.4%	25 bps	549 bps	14.4%	14.5%	5 bps	10 bps	14.8%	14.9%	5 bps	40 bps
APAT	9,024	8,947	(0.8)	175.7	11,451	11,433	(0.2)	27.8	13,346	13,330	(0.1)	16.6
Dil. EPS (Rs)	36.6	36.3	(0.8)	175.7	44.1	44.1	(0.2)	21.3	51.4	51.4	(0.1)	16.6

Source: Emkay Research

Exhibit 12: JKI trades slightly above LTA on PER basis

Source: Bloomberg, Emkay Research

JK Tyres: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	119,830	146,449	150,905	165,483	176,906
Revenue growth (%)	31.6	22.2	3.0	9.7	6.9
EBITDA	10,733	12,978	21,655	23,912	26,271
EBITDA growth (%)	(17.8)	20.9	66.9	10.4	9.9
Depreciation & Amortization	3,854	4,071	4,369	4,698	5,040
EBIT	6,879	8,907	17,286	19,214	21,230
EBIT growth (%)	(25.2)	29.5	94.1	11.2	10.5
Other operating income	0	0	0	0	0
Other income	366	365	383	403	423
Financial expense	4,191	4,545	4,445	4,100	3,568
PBT	3,054	4,728	13,224	15,517	18,085
Extraordinary items	(36)	615	0	0	0
Taxes	1,087	1,465	4,232	4,034	4,702
Minority interest	(9)	17	45	50	53
Income from JV/Associates	0	0	0	0	0
Reported PAT	2,012	2,630	8,947	11,433	13,330
PAT growth (%)	(39.2)	30.7	240.1	27.8	16.6
Adjusted PAT	1,976	3,246	8,947	11,433	13,330
Diluted EPS (Rs)	8.0	13.2	36.3	44.1	51.4
Diluted EPS growth (%)	(39.2)	30.7	240.1	21.3	16.6
DPS (Rs)	1.5	2.0	4.5	4.1	4.7
Dividend payout (%)	18.4	18.7	12.4	9.2	9.2
EBITDA margin (%)	9.0	8.9	14.4	14.5	14.9
EBIT margin (%)	5.7	6.1	11.5	11.6	12.0
Effective tax rate (%)	35.6	31.0	32.0	26.0	26.0
NOPLAT (pre-IndAS)	4,431	6,147	11,754	14,218	15,711
Shares outstanding (mn)	246.3	246.3	246.3	259.5	259.5

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	3,054	4,728	13,224	15,517	18,085
Others (non-cash items)	8,045	8,616	9,064	9,103	9,145
Taxes paid	(1,602)	(1,598)	(4,152)	(3,955)	(4,563)
Change in NWC	(14,322)	(450)	(1,357)	(2,720)	(2,453)
Operating cash flow	(4,780)	10,663	16,512	17,621	19,657
Capital expenditure	(3,792)	(5,340)	(8,500)	(9,000)	(9,000)
Acquisition of business	144	(111)	0	0	0
Interest & dividend income	275	156	0	0	0
Investing cash flow	(3,648)	(5,451)	(8,500)	(9,000)	(9,000)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	12,041	(3,380)	(3,749)	(2,045)	(3,961)
Payment of lease liabilities	508	433	0	0	0
Interest paid	(4,191)	(4,545)	(4,695)	(4,405)	(4,105)
Dividend paid (incl tax)	(594)	(445)	(1,106)	(1,054)	(1,229)
Others	1,190	4,060	0	0	0
Financing cash flow	8,446	(4,311)	(9,550)	(7,504)	(9,295)
Net chg in Cash	18	901	(1,538)	1,116	1,363
OCF	(4,780)	10,663	16,512	17,621	19,657
Adj. OCF (w/o NWC chg.)	9,542	11,113	17,869	20,341	22,110
FCFF	(8,572)	5,323	8,012	8,621	10,657
FCFE	(12,488)	933	3,568	4,521	7,089
OCF/EBITDA (%)	(44.5)	82.2	76.3	73.7	74.8
FCFE/PAT (%)	(620.6)	35.5	39.9	39.5	53.2
FCFF/NOPLAT (%)	(193.5)	86.6	68.2	60.6	67.8

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	493	493	522	522	522
Reserves & Surplus	27,991	33,469	46,219	56,539	68,570
Net worth	28,483	33,962	46,741	57,060	69,092
Minority interests	992	997	997	997	997
Deferred tax liability (net)	3,182	3,211	3,211	3,211	3,211
Total debt	52,204	48,824	40,069	38,024	34,064
Total liabilities & equity	84,861	86,993	91,017	99,292	1,07,364
Net tangible fixed assets	61,980	62,088	65,065	69,184	73,144
Net intangible assets	2,254	2,528	2,528	2,528	2,528
Net ROU assets	0	0	0	0	0
Capital WIP	1,062	1,950	3,103	3,286	3,286
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,384	1,383	1,383	1,383	1,383
Cash & equivalents	1,757	2,770	3,642	5,574	7,925
Current assets (ex-cash)	53,171	52,672	54,275	59,971	64,595
Current Liab. & Prov.	36,747	36,398	38,979	42,634	45,498
NWC (ex-cash)	16,424	16,275	15,296	17,337	19,097
Total assets	84,861	86,993	91,017	99,292	1,07,364
Net debt	50,447	46,054	36,427	32,450	26,139
Capital employed	84,861	86,993	91,017	99,292	1,07,364
Invested capital	80,658	80,890	82,889	89,049	94,769
BVPS (Rs)	115.7	137.9	189.8	219.9	266.3
Net Debt/Equity (x)	1.8	1.4	0.8	0.6	0.4
Net Debt/EBITDA (x)	4.7	3.5	1.7	1.4	1.0
Interest coverage (x)	0.6	0.5	0.3	0.2	0.2
RoCE (%)	9.3	10.8	19.9	20.6	21.0

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	63.7	38.8	14.1	11.6	9.9
P/CE(x)	21.6	17.2	9.5	8.2	7.2
P/B (x)	4.4	3.7	2.7	2.3	1.9
EV/Sales (x)	1.5	1.2	1.1	1.0	0.9
EV/EBITDA (x)	16.4	13.2	7.5	6.9	6.0
EV/EBIT(x)	25.6	19.3	9.4	8.6	7.5
EV/IC (x)	2.2	2.1	2.0	1.9	1.7
FCFF yield (%)	(4.9)	3.1	4.9	5.2	6.7
FCFE yield (%)	(9.9)	0.7	2.8	3.4	5.3
Dividend yield (%)	0.3	0.4	0.9	0.8	0.9
DuPont-RoE split					
Net profit margin (%)	1.6	2.2	5.9	6.9	7.5
Total asset turnover (x)	1.5	1.7	1.7	1.7	1.7
Assets/Equity (x)	2.8	2.8	2.2	1.8	1.6
RoE (%)	7.2	10.4	22.2	22.0	21.1
DuPont-RoIC					
NOPLAT margin (%)	3.7	4.2	7.8	8.6	8.9
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	6.1	7.6	14.4	16.5	17.1
Operating metrics					
Core NWC days	50.0	40.6	37.0	38.2	39.4
Total NWC days	50.0	40.6	37.0	38.2	39.4
Fixed asset turnover	1.2	1.4	1.3	1.4	1.3
Opex-to-revenue (%)	24.0	22.8	24.9	24.6	24.2

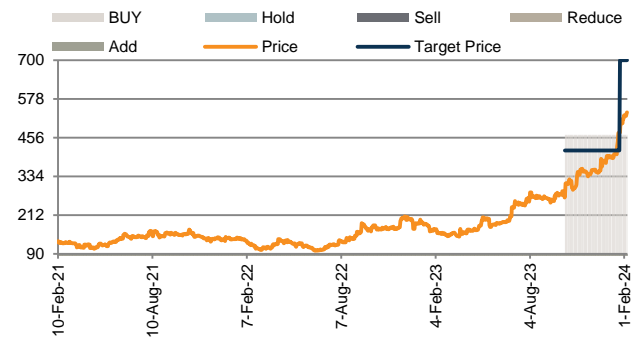
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
23-Jan-24	472	700	Buy	Chirag Jain
10-Oct-23	270	415	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com.

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

RESTRICTIONS ON DISTRIBUTION

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons¹ may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of February 8, 2024
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report
Disclosure of previous investment recommendation produced:
- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of February 8, 2024
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the February 8, 2024
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

OTHER DISCLAIMERS AND DISCLOSURES:**Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) :-**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.