

Weak performance; margin pressure to sustain over near-term

Auto & Auto Ancillaries ▶ Result Update ▶ August 9, 2024

TARGET PRICE (Rs): 600

APTY posted a significantly weak Q4, missing consensus/our consol. EBITDA estimate by ~20% due to weak India operations in both, revenue and margin. APTY guided to gradual improvement in the demand outlook in India and stable demand in Europe; but margin could remain pressured with further spike in RM costs in 2Q/3Q. While APTY reiterated its stance on maintaining focus on profitability/cash flows, it said it will keep close watch on the demand scenario and competitive landscape following the recent market-share loss/under-performance to peers. We introduce our FY27 estimates; we cut FY25E/26E EPS by 9.8%/6.0% due to the miss in Q1 and muted demand/margin commentary. However, we retain BUY with unchanged TP of Rs600/sh (rolled over to Jun-25) amid industry tailwinds and company focus on return ratios.

Apollo Tyres: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	245,681	253,777	268,642	288,476	312,114
EBITDA	33,137	44,474	43,844	48,542	54,427
Adj. PAT	10,821	17,992	18,340	21,843	26,812
Adj. EPS (Rs)	17.0	28.3	28.9	34.4	42.2
EBITDA margin (%)	13.5	17.5	16.3	16.8	17.4
EBITDA growth (%)	28.7	34.2	(1.4)	10.7	12.1
Adj. EPS growth (%)	73.0	55.9	6.5	19.1	22.7
RoE (%)	8.8	13.4	12.5	13.5	14.8
RoIC (%)	8.0	10.8	10.6	12.4	14.8
P/E (x)	30.0	18.1	17.7	14.9	12.1
EV/EBITDA (x)	11.5	8.2	7.9	6.8	5.8
P/B (x)	2.5	2.3	2.1	1.9	1.7
FCFF yield (%)	4.6	6.5	7.0	8.2	7.7

Source: Company, Emkay Research

Weak performance; 20% miss on EBITDA

Consolidated revenue grew 1.4% YoY to Rs63.3bn (in-line) led by APMEA (largely India region; up 5%), with Europe down 1.5% and Others down 16% YoY. Consolidated EBITDA fell ~13.5% YoY/11.6% QoQ to Rs9.1bn. Margin fell by 207bps QoQ to 14.4% due to increase in RM/Staff costs (up by 170/100bps QoQ). APMEA/Europe margins declined QoQ by 198bps/554bps to 9.6%/4.3%. Overall, adjusted PAT at Rs3.4bn was below estimates due to the miss on EBITDA, higher depreciation, and lower than expected 'other income'.

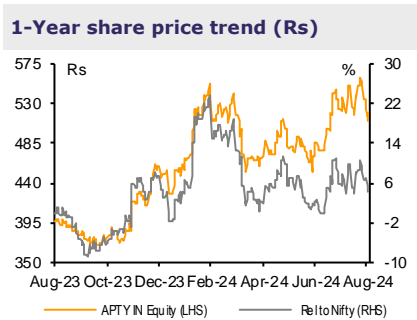
Earnings Call KTAs

1) India volumes were a mixed bag, with overall volumes up in mid-single digits amid double digit growth in TBR and PCR replacement, while OEM volumes saw a decline. 2) APTY expects replacement demand to improve ahead (high single digit growth in India); after the subdued H1, recovery is expected in Truck OEM sales in H2FY25. 3) The company has taken a price hike of 2%/1% in Q1 in PCR/TBR; another 1% hike overall expected in Jul-24; 2-3 more hikes will be required (5% overall, incl. 1% in Q2) to cover the RM cost increase. 4) APTY has sacrificed market share in MHCV OEMs (due to less focus on the lower-margin bus segment). 5) Domestic capacity utilization levels were >80% in PCR and ~70% in TBR. 6) European operations are seen doing better over the medium-to-long term, with sustained 16% margins and improving share of ultra-high performance tyres (47% now vs 39% in FY24). 6) The company remains committed to profitability via calibrated price hikes, premiumization, and new SKU launches; net debt is down 15% QoQ vs Q4FY24. 7) India business is influenced more by natural rubber due to higher RM content and share of natural rubber usage vs European operations. 8) Exports are seen facing some challenges in the near term (due to logistics issues), growth trajectory is improving vs last year. 9) FY25E capex guidance is unchanged (Rs10bn); per the management, there would be no capacity expansion in India in the near term. 10) Q4 RM costs (Rs/kg): natural rubber: 180; synthetic rubber: 180; carbon black: 120.

Target Price – 12M	Jun-25
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	17.3
CMP (08-Aug-24) (Rs)	511.5

Stock Data	Ticker
52-week High (Rs)	568
52-week Low (Rs)	365
Shares outstanding (mn)	635.1
Market-cap (Rs bn)	325
Market-cap (USD mn)	3,869
Net-debt, FY25E (Rs mn)	21,634
ADTV-3M (mn shares)	4
ADTV-3M (Rs mn)	2,111.0
ADTV-3M (USD mn)	25.1
Free float (%)	62.6
Nifty-50	24,117
INR/USD	84.0
Shareholding, Jun-24	
Promoters (%)	37.4
FPIs/MFs (%)	14.5/25.1

Price Performance			
(%)	1M	3M	12M
Absolute	(2.1)	6.7	16.8
Rel. to Nifty	(1.3)	(1.3)	(5.3)



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Exhibit 1: Consolidated result snapshot – Revenues up 1.4% YoY; margins down by 207bps QoQ, on higher RM and Staff costs

Rs mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Revenue	62,473	62,446	62,796	65,954	62,582	63,349	1.4	1.2
Expenditure	52,489	51,931	51,198	53,873	52,302	54,256	4.5	3.7
as % of sales	84.0	83.2	81.5	81.7	83.6	85.6		
Consumption of RM	35,370	34,319	34,096	35,192	33,024	34,517	0.6	4.5
as % of sales	56.6	55.0	54.3	53.4	52.8	54.5		
Employee Cost	6,882	7,388	7,296	7,669	7,288	7,968	7.9	9.3
as % of sales	11.0	11.8	11.6	11.6	11.6	12.6		
Other expenditure	10,237	10,224	9,806	11,012	11,990	11,771	15.1	(1.8)
as % of sales	16.4	16.4	15.6	16.7	19.2	18.6		
EBITDA	9,985	10,515	11,598	12,081	10,280	9,093	(13.5)	(11.6)
EBITDA margin (%)	16.0	16.8	18.5	18.3	16.4	14.4		
Depreciation	3,724	3,620	3,603	3,676	3,880	3,695	2.1	(4.8)
EBIT	6,260	6,895	7,995	8,405	6,400	5,398	(21.7)	(15.7)
Other Income	169	355	253	184	743	308	(13.2)	(58.5)
Interest	1,390	1,355	1,328	1,230	1,146	1,070	(21.0)	(6.7)
PBT	5,039	5,896	6,921	7,358	5,997	4,636	(21.4)	(22.7)
Minority interest	1	0	2	1	1	0		
Total Tax	1,163	1,795	2,058	2,242	2,089	1,212	(32.5)	(42.0)
Adjusted PAT after MI	3,877	4,101	4,865	5,117	3,909	3,424	(16.5)	(12.4)
Extra ordinary items Loss/(Gain)	-226	132	122	151	368	404		
Reported PAT	4,103	3,969	4,743	4,966	3,541	3,020	(23.9)	(14.7)
Adjusted EPS (Rs)	6.5	6.2	7.5	7.8	5.6	4.8	(23.9)	(14.7)

(%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (bps)	QoQ (bps)
EBITDAM	16.0	16.8	18.5	18.3	16.4	14.4	(248)	(207)
EBITM	10.0	11.0	12.7	12.7	10.2	8.5	(252)	(171)
EBTM	8.1	9.4	11.0	11.2	9.6	7.3	(212)	(226)
PATM	6.2	6.6	7.7	7.8	6.2	5.4	(116)	(84)
Effective Tax rate	23.1	30.4	29.7	30.5	34.8	26.2	(429)	(869)

Source: Company, Emkay Research

Exhibit 2: Standalone result snapshot – Margins down by 181bps QoQ to 15.6% due to EPR costs

Rs mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Revenue	43,662	44,133	44,067	43,319	43,874	45,916	4.0	4.7
Expenditure	36,698	36,266	35,653	35,479	37,030	39,585	9.2	6.9
as % of sales	84.1	82.2	80.9	81.9	84.4	86.2		
Consumption of RM	27,329	26,690	26,515	25,620	26,087	28,443	6.6	9.0
as % of sales	62.6	60.5	60.2	59.1	59.5	61.9		
Employee Cost	2,678	2,782	2,719	2,831	2,755	3,002	7.9	9.0
as % of sales	6.1	6.3	6.2	6.5	6.3	6.5		
Other expenditure	6,692	6,794	6,419	7,028	8,187	8,139	19.8	(0.6)
as % of sales	15.3	15.4	14.6	16.2	18.7	17.7		
EBITDA	6,964	7,867	8,414	7,840	6,845	6,331	(19.5)	(7.5)
EBITDA margin (%)	15.9	17.8	19.1	18.1	15.6	13.8		
Depreciation	2,421	2,260	2,279	2,279	2,347	2,291	1.3	(2.4)
EBIT	4,543	5,607	6,135	5,562	4,498	4,041	(27.9)	(10.2)
Other Income	172	286	330	127	616	309	7.9	(49.9)
Interest	1,183	1,099	1,057	995	884	874	(20.5)	(1.2)
PBT	3,531	4,794	5,408	4,693	4,229	3,475	(27.5)	(17.8)
Total Tax	1,142	1,635	1,858	1,587	1,746	1,030	(37.0)	(41.0)
Adjusted PAT	2,389	3,159	3,550	3,106	2,483	2,445	(22.6)	(1.5)
Extra ordinary items Loss/(Gain)	0	-132	-108	-150	-368	-526		
Reported PAT	2,389	3,291	3,658	3,257	2,851	2,971	(9.7)	4.2
Adjusted EPS (Rs)	3.8	4.8	5.4	4.7	3.3	3.0	(36.6)	(9.2)
(%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q4FY24	YoY (bps)	QoQ (bps)
EBITDAM	15.9	17.8	19.1	18.1	15.6	13.8	(404)	(181)
EBITM	10.4	12.7	13.9	12.8	10.3	8.8	(390)	(145)
EBTM	8.1	10.9	12.3	10.8	9.6	7.6	(329)	(207)
PATM	5.5	7.2	8.1	7.2	5.7	5.3	(183)	(33)
Effective Tax rate	32.3	34.1	34.4	33.8	41.3	29.6	(448)	(1,165)

Source: Company, Emkay Research

Exhibit 3: Segmental details – APMEA revenues were up ~5%; Europe margins are better on YoY basis

Segmental Details (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
APMEA								
Net Sales	44,327	44,999	44,730	44,145	44,671	47,140	4.8	5.5
EBIT	4,864	6,109	6,712	5,843	5,191	4,543	(25.6)	(12.5)
Margins (%)	11.0	13.6	15.0	13.2	11.6	9.6	(394)bps	(198)bps
Capital Employed	-	75,678	76,393	79,511	81,499	83,686		
ROCE (%)	-	32.3	35.1	29.4	25.5	21.7		
Europe								
Net Sales	18,395	17,408	18,158	22,192	18,641	17,148	(1.5)	(8.0)
EBIT	1,664	660	960	2,667	1,827	731	10.8	(60.0)
Margins (%)	9.0	3.8	5.3	12.0	9.8	4.3	47bps	(554)bps
Other								
Net Sales	8,554	11,689	10,196	9,929	9,382	9,801	(16.2)	4.5
EBIT	(99)	482	577	79	125	433	(10.2)	245.9
Margins (%)	(1.2)	4.1	5.7	0.8	1.3	4.4	29bps	308bps

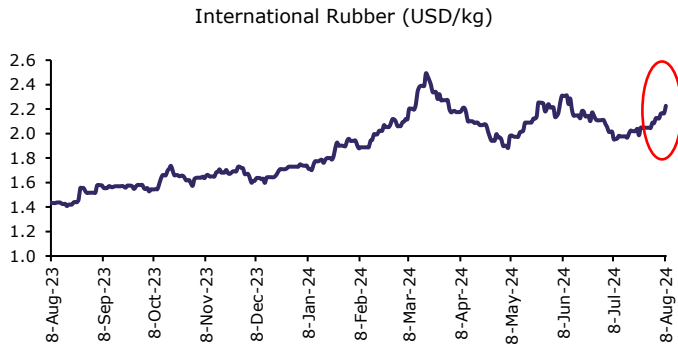
Source: Company, Emkay Research

Exhibit 4: Actual vs. Estimates

Rs mn	Actual	Emkay Est	Variance %	Consensus	Variance %
Net sales	63,349	63,985	(1.0)	64,267	(1.4)
EBITDA	9,093	10,919	(16.7)	11,335	(19.8)
EBITDA Margin (%)	14.4	17.1	(271) bps	17.6	(328) bps
Adj net income	3,424	4,503	(24.0)	4,575	(25.2)
FDEPS (Rs)	5.4	7.1	(24.0)	7.2	(25.2)

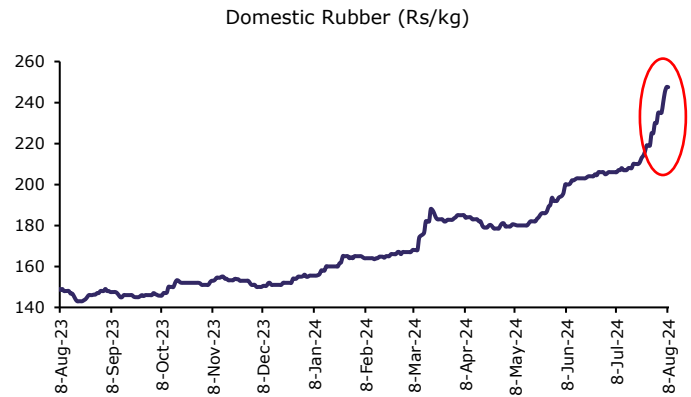
Source: Company, Bloomberg, Emkay Research

Exhibit 5: International rubber prices are inching up, toward their recent peak



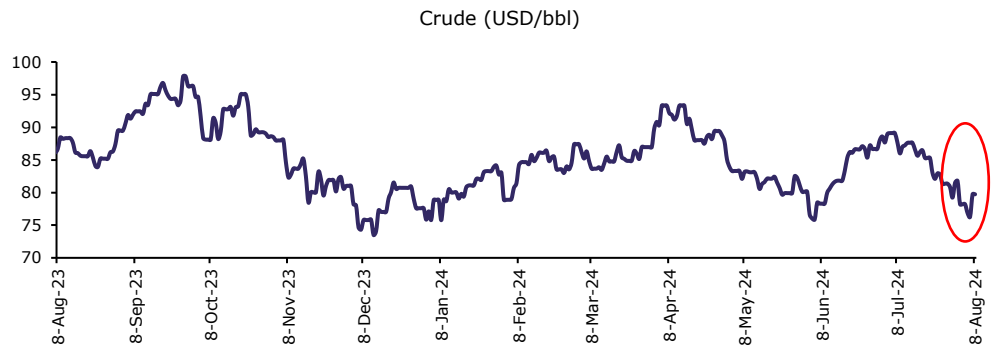
Source: Bloomberg, Emkay Research

Exhibit 6: Domestic rubber prices are currently at a 12-year high



Source: Bloomberg, Emkay Research

Exhibit 7: Crude prices have corrected ~15% from the recent peak



Source: Bloomberg, Emkay Research

Exhibit 8: Strong focus on profitability and cash generation has placed APTY well, with regard to long-term targets around margins, RoCE, and debt levels, though it is unlikely to achieve its revenue target, in our view

Parameter	FY26E - Target	FY24 - Actual	Progress
Revenue (US\$ bn)	5.0	~3.0	Unlikely to achieve
EBITDA margin	Over 15%	17.5%	Achieved
RoCE	16%*	11.4%	Achieved
Net Debt/EBITDA (x)	Below 2x	0.9	Achieved

Source: Company, Emkay Research; Note: *As per company presentation ([link](#))

Exhibit 9: While APTY remains focused on profitability, it has lost market share in the recent quarters

Standalone (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Revenues									
MRF (Standalone)	55,989	57,190	55,349	57,254	63,233	60,876	60,478	62,151	70,778
APTY (Standalone)	44,362	42,519	42,466	43,662	44,133	44,067	43,319	43,874	45,916
JKI (India incl. Cavendish)	30,586	31,495	31,060	30,619	31,655	33,452	31,982	32,152	31,723
CEAT (Standalone)	28,031	28,864	27,111	28,627	29,212	30,432	29,490	29,792	31,682

Revenue Market share (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
MRF	35.2	35.7	35.5	35.7	37.6	36.1	36.6	37.0	39.3
APTY	27.9	26.6	27.2	27.3	26.2	26.1	26.2	26.1	25.5
JKI	19.2	19.7	19.9	19.1	18.8	19.8	19.4	19.1	17.6
CEAT	17.6	18.0	17.4	17.9	17.4	18.0	17.8	17.7	17.6

EBITDA (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
MRF	4,783	4,674	5,486	8,431	11,142	11,287	10,394	8,856	11,378
APTY	4,288	4,374	5,483	6,964	7,867	8,414	7,840	6,845	6,331
JKI	1,711	1,740	2,097	2,201	2,758	3,894	3,629	3,329	3,057
CEAT	1,642	2,059	2,366	3,706	3,865	4,574	4,171	3,948	3,815

EBITDA margin (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
MRF	8.5	8.2	9.9	14.7	17.6	18.5	17.2	14.2	16.1
APTY	9.7	10.3	12.9	15.9	17.8	19.1	18.1	15.6	13.8
JKI	5.6	5.5	6.8	7.2	8.7	11.6	11.3	10.4	9.6
CEAT	5.9	7.1	8.7	12.9	13.2	15.0	14.1	13.3	12.0

EBITDA market share (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
MRF	38.50	36.38	35.55	39.58	43.47	40.07	39.92	38.54	46.29
APTY	34.52	34.05	35.53	32.69	30.69	29.87	30.12	29.79	25.76
JKI	13.77	13.54	13.59	10.33	10.76	13.82	13.94	14.49	12.44
CEAT	13.22	16.03	15.33	17.40	15.08	16.24	16.02	17.18	15.52

EBIT (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
MRF (Standalone)	1,814	1,591	2,337	5,146	7,825	7,787	6,803	5,014	7,436
APTY (Standalone)	2,133	2,149	3,215	4,543	5,607	6,135	5,562	4,498	4,041
JKI (India incl. Cavendish)	1,440	1,549	2,137	2,549	3,172	4,494	4,221	3,544	3,685
CEAT (Standalone)	528	907	1,191	2,453	2,655	3,329	2,898	2,591	2,499

EBIT margin (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
MRF (Standalone)	3.2	2.8	4.2	9.0	12.4	12.8	11.2	8.1	10.5
APTY (Standalone)	4.8	5.1	7.6	10.4	12.7	13.9	12.8	10.3	8.8
JKI (India incl. Cavendish)	4.7	4.9	6.9	8.3	10.0	13.4	13.2	11.0	11.6
CEAT (Standalone)	1.9	3.1	4.4	8.6	9.1	10.9	9.8	8.7	7.9

EBIT market share (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
MRF (Standalone)	30.7	25.7	26.3	35.0	40.6	35.8	34.9	32.0	42.1
APTY (Standalone)	36.1	34.7	36.2	30.9	29.1	28.2	28.5	28.7	22.9
JKI (India incl. Cavendish)	24.3	25.0	24.1	17.4	16.5	20.7	21.7	22.6	20.9
CEAT (Standalone)	8.9	14.6	13.4	16.7	13.8	15.3	14.9	16.6	14.1

Source: Company, Emkay Research

Exhibit 10: Revenue model – We expect 7%/11% consol. revenue/EPS CAGR over FY24-27E

Particulars (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Standalone revenues	110,683	117,334	146,494	173,010	175,393	186,057	199,381	215,571
Europe revenues	52,819	56,636	62,982	72,671	78,384	82,585	89,095	96,543
Consolidated Revenues	163,502	173,970	209,476	245,681	253,777	268,642	288,476	312,114
Growth YoY (%)	-6.8	6.4	20.4	17.3	3.3	5.9	7.4	8.2
EBITDA	19,387	27,975	25,741	33,137	44,474	43,844	48,542	54,427
EBITDA margin (%)	11.9	16.1	12.3	13.5	17.5	16.3	16.8	17.4
Standalone EBIT	8,071	14,425	7,338	12,790	23,159	20,398	23,313	25,847
Europe EBIT	172	1,694	5,641	6,566	8,072	10,540	11,995	12,742
India EBIT margin (%)	7.3	12.3	5.0	7.4	13.2	11.0	11.7	12.0
Europe EBIT margin (%)	0.3	3.0	9.0	9.0	10.3	12.8	13.5	13.2
EBIT	8,243	16,119	12,979	19,356	31,231	30,939	35,308	38,588
EBIT margin (%)	5.0	9.3	6.2	7.9	12.3	11.5	12.2	12.4
PAT	4,764	3,502	6,386	11,046	17,219	18,340	21,843	24,466
EPS (Rs)	8	15	10	17	28	29	34	39
Capex	49,185	17,252	15,561	3,391	9,243	10,000	10,000	10,000
% of sales	(30.1)	(9.9)	(7.4)	(1.4)	(3.6)	(3.7)	(3.5)	(3.2)
Net debt	70,353	64,135	64,309	63,958	47,586	31,748	14,894	518
Net D/E (x)								
Post tax average ROCE (%)	3.7	6.5	4.9	7.2	11.4	11.1	12.3	12.8
ROE (%)	4.8	9.0	5.6	8.8	13.4	12.5	13.5	14.8

Source: Company, Emkay Research

Exhibit 11: We introduce our FY27 estimates and cut FY25E/26E EPS by 9.8%/6.0% due to the miss in Q1 and the muted near-term demand commentary

Rs mn	FY25E				FY26E				FY27E	
	Earlier	Revised	%Change	%YoY	Earlier	Revised	%Change	%YoY	Introduced	%YoY
Revenue	273,421	268,642	(1.7)	5.9	290,074	288,476	(0.6)	7.4	312,114	8.2
EBITDA	47,300	43,844	(7.3)	(1.4)	51,065	48,542	(4.9)	10.7	54,427	12.1
Margin (%)	17.3	16.3	(98)bps	(120)bps	17.6	16.8	(78)bps	51bps	17.4	61bps
APAT	20,341	18,340	(9.8)	1.9	23,253	21,843	(6.1)	19.1	24,466	12.0
EPS (Rs)	32.0	28.9	(9.8)	1.9	36.6	34.4	(6.0)	19.1	38.5	12.0

Source: Emkay Research

Exhibit 12: Emkay vs. Consensus

(Rs mn)	Emkay Estimates			Bloomberg estimates			Difference		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net revenue	268,642	288,476	312,114	272,064	290,635	307,686	-1.3%	-0.7%	1.4%
EBITDA	43,844	48,542	54,427	45,282	47,398	68,228	-3.2%	2.4%	-20.2%
EBITDA margin (%)	16.3	16.8	17.4	16.6	16.3	22.2			
EPS (Rs)	28.9	34.4	38.5	30.6	34.8	37.4	-5.6%	-1.1%	3.0%

Source: Bloomberg, Emkay Research

Apollo Tyres: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	245,681	253,777	268,642	288,476	312,114
Revenue growth (%)	17.3	3.3	5.9	7.4	8.2
EBITDA	33,137	44,474	43,844	48,542	54,427
EBITDA growth (%)	28.7	34.2	(1.4)	10.7	12.1
Depreciation & Amortization	14,191	14,778	14,635	15,119	15,838
EBIT	18,945	29,696	29,209	33,423	38,588
EBIT growth (%)	61.3	56.7	(1.6)	14.4	15.5
Other operating income	0	0	0	0	0
Other income	411	1,536	1,730	1,885	2,345
Financial expense	5,312	5,059	3,881	3,081	2,492
PBT	14,044	26,172	27,058	32,226	38,441
Extraordinary items	0	0	0	0	0
Taxes	3,226	8,183	8,718	10,383	11,630
Minority interest	0	0	0	0	0
Income from JV/Associates	2	4	0	0	0
Reported PAT	11,046	17,219	18,340	21,843	26,812
PAT growth (%)	73.0	55.9	6.5	19.1	22.7
Adjusted PAT	10,821	17,992	18,340	21,843	26,812
Diluted EPS (Rs)	17.0	28.3	28.9	34.4	42.2
Diluted EPS growth (%)	73.0	55.9	6.5	19.1	22.7
DPS (Rs)	4.5	6.0	5.8	7.0	8.0
Dividend payout (%)	25.9	22.1	20.3	20.2	18.9
EBITDA margin (%)	13.5	17.5	16.3	16.8	17.4
EBIT margin (%)	7.7	11.7	10.9	11.6	12.4
Effective tax rate (%)	23.0	31.3	32.2	32.2	30.3
NOPLAT (pre-IndAS)	14,594	20,411	19,798	22,654	26,914
Shares outstanding (mn)	635.1	635.1	635.1	635.1	635.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	14,044	26,172	27,058	32,226	38,441
Others (non-cash items)	24,371	12,912	16,786	16,316	13,640
Taxes paid	(3,226)	(8,183)	(8,718)	(10,383)	(11,630)
Change in NWC	(14,256)	1,959	(940)	(1,186)	(6,327)
Operating cash flow	20,933	32,860	34,186	36,973	34,124
Capital expenditure	(3,521)	(9,265)	(10,000)	(10,000)	(10,000)
Acquisition of business	(34)	(41)	(2,000)	(4,000)	(4,000)
Interest & dividend income	331	348	0	0	0
Investing cash flow	(4,761)	(5,571)	(10,270)	(12,115)	(11,655)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(2,840)	(15,999)	(12,000)	(7,000)	(7,000)
Payment of lease liabilities	(2,577)	(2,859)	(2,859)	(2,859)	(2,859)
Interest paid	(5,312)	(5,059)	(3,881)	(3,081)	(2,492)
Dividend paid (incl tax)	(2,858)	(3,811)	(3,714)	(4,417)	(5,070)
Others	(7,506)	(1,722)	0	0	0
Financing cash flow	(18,516)	(26,591)	(19,596)	(14,498)	(14,562)
Net chg in Cash	(2,345)	698	4,320	10,359	7,908
OCF	20,933	32,860	34,186	36,973	34,124
Adj. OCF (w/o NWC chg.)	35,189	30,900	35,126	38,159	40,452
FCFF	17,412	23,594	24,186	26,973	24,124
FCFE	12,431	18,883	20,305	23,891	21,632
OCF/EBITDA (%)	63.2	73.9	78.0	76.2	62.7
FCFE/PAT (%)	112.5	109.7	110.7	109.4	80.7
FCFF/NOPLAT (%)	119.3	115.6	122.2	119.1	89.6

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	635	635	635	635	635
Reserves & Surplus	128,143	138,387	153,012	170,438	189,835
Net worth	128,778	139,022	153,647	171,073	190,470
Minority interests	0	0	0	0	0
Deferred tax liability (net)	8,875	15,705	15,705	15,705	15,705
Total debt	68,109	52,110	40,110	33,110	26,110
Total liabilities & equity	205,761	206,837	209,462	219,888	232,285
Net tangible fixed assets	158,856	151,414	146,779	141,660	135,822
Net intangible assets	7,387	7,205	7,205	7,205	7,205
Net ROU assets	7,998	9,135	9,135	9,135	9,135
Capital WIP	2,526	3,477	3,477	3,477	3,477
Goodwill	2,288	2,311	2,311	2,311	2,311
Investments [JV/Associates]	341	382	2,382	6,382	10,382
Cash & equivalents	12,479	14,156	18,476	28,835	36,743
Current assets (ex-cash)	80,998	80,670	85,296	91,304	100,943
Current Liab. & Prov.	67,109	61,910	65,596	70,417	73,730
NWC (ex-cash)	13,889	18,760	19,700	20,887	27,214
Total assets	205,761	206,837	209,462	219,888	232,285
Net debt	55,629	37,954	21,634	4,275	(10,633)
Capital employed	205,761	206,837	209,462	219,888	232,285
Invested capital	190,419	188,825	185,130	181,197	181,686
BVPS (Rs)	202.8	218.9	241.9	269.4	299.9
Net Debt/Equity (x)	0.4	0.3	0.1	0.0	(0.1)
Net Debt/EBITDA (x)	1.7	0.9	0.5	0.1	(0.2)
Interest coverage (x)	0.3	0.2	0.1	0.1	0.1
RoCE (%)	7.2	11.4	11.1	12.3	12.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	30.0	18.1	17.7	14.9	12.1
P/CE(x)	13.0	9.9	9.9	8.8	7.6
P/B (x)	2.5	2.3	2.1	1.9	1.7
EV/Sales (x)	1.5	1.4	1.3	1.1	1.0
EV/EBITDA (x)	11.5	8.2	7.9	6.8	5.8
EV/EBIT(x)	20.1	12.2	11.9	9.8	8.1
EV/IC (x)	2.0	1.9	1.9	1.8	1.7
FCFF yield (%)	4.6	6.5	7.0	8.2	7.7
FCFE yield (%)	3.8	5.8	6.3	7.4	6.7
Dividend yield (%)	0.9	1.2	1.1	1.4	1.6
DuPont-RoE split					
Net profit margin (%)	4.4	7.1	6.8	7.6	8.6
Total asset turnover (x)	1.2	1.2	1.3	1.3	1.4
Assets/Equity (x)	1.6	1.5	1.4	1.3	1.3
RoE (%)	8.8	13.4	12.5	13.5	14.8
DuPont-RoIC					
NOPLAT margin (%)	5.9	8.0	7.4	7.9	8.6
IC turnover (x)	1.3	1.3	1.5	1.6	1.7
RoIC (%)	8.0	10.8	10.6	12.4	14.8
Operating metrics					
Core NWC days	20.6	27.0	26.8	26.4	31.8
Total NWC days	20.6	27.0	26.8	26.4	31.8
Fixed asset turnover	0.9	0.9	0.9	0.9	1.0
Opex-to-revenue (%)	26.9	28.6	28.9	28.9	28.9

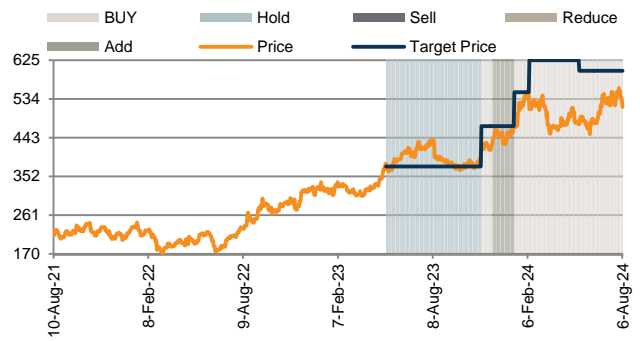
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
15-May-24	474	600	Buy	Chirag Jain
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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ADD	5-15% upside
REDUCE	5% upside to 15% downside
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