

Tube Investments of India Ltd.

BUY

Sector: Auto Ancillaries

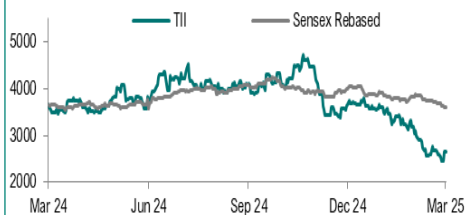
04th March 2025

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs. 3,032		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 2,634
Mid Cap	TIINDIA:IN	73,086	TIINDIA	540762	12 Months	Return	+15%

Data as of: 03-03-2025

Company Data			
Market Cap (Rs.cr)	51,518		
52 Week High - Low (Rs.)	4,807-2,408		
Enterprise Value (Rs.cr)	50,729		
Outstanding Shares (cr)	19.4		
Free Float (%)	56		
Dividend Yield	0.1%		
6m average volume (cr)	0.03		
Beta	0.99		
Face value (Rs.)	1.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	45.0	45.0	44.1
FII's	27.4	28.4	28.3
MFs/Insti	15.5	14.7	15.0
Public	12.1	12.0	12.6
Total	100.0	100.0	100.0
Promoter pledge	0.01	0.01	0.01
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-27.4%	-34.7%	-27.2%
Absolute Sensex	-10.0%	-11.3%	-1.3%
Relative Return*	-17.4%	-23.4%	-25.9%

*over or under performance to benchmark index



Consolidated (cr)	FY25E	FY26E	FY27E
Sales	19,163	22,222	26,179
Growth (%)	13.5	16.0	17.8
EBITDA	2,012	2,556	3,011
EBITDA Margin (%)	10.5	11.5	11.5
Adj. PAT	846	1,112	1,337
Growth (%)	26.3	31.4	20.2
Adj. EPS	43.9	57.6	69.3
Growth (%)	22.8	31.4	20.2
P/E	82.1	62.5	52.0
P/B	11.8	10.1	8.5
EV/EBITDA	32.5	25.1	20.8
ROE (%)	15.4	17.4	17.7
D/E	0.1	0.1	0.1

Author: Saji John - Sr. Research Analyst

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.

- Q3FY25, consolidated revenue grew by 14.7% YoY, driven by industrial, power systems, and EV-mobility segments. Meanwhile, standalone businesses like engineering & metal forming grew by a low single digit, owing to muted volume growth from the automobile & railway business.
- TII's margin contracted by 97bps YoY owing to low mix and high employee cost. We expect the margin to improve on account of EV expansion and strong industrial revenue.
- Sales for 3-W is progressing well, but declined due to lack of growth in the southern market and was impacted due to reduced incentive benefits. TII is currently concentrating on the northern states with a current market share of 4-5%.
- Despite market challenges, TII is optimistic on achieving double-digit growth driven by diversification, EV expansion, and export.
- The company is looking for newer opportunities to enhance long term revenue visibility. However, we maintain cautiousness for near term due to high valuation. Despite macro-economic uncertainty, TII is optimistic about long term growth prospects.

Outlook & Valuation

TII's 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 significant 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.1,020/share, 25x FY27E EPS, CG Power at Rs.1,502/share, Shanti Gears at Rs.125/share, and EV Mobility at Rs.385/share, cumulatively arriving at a target price of Rs.3,032 per share and maintain a BUY rating at CMP.**

Quarterly Financials Consolidated.

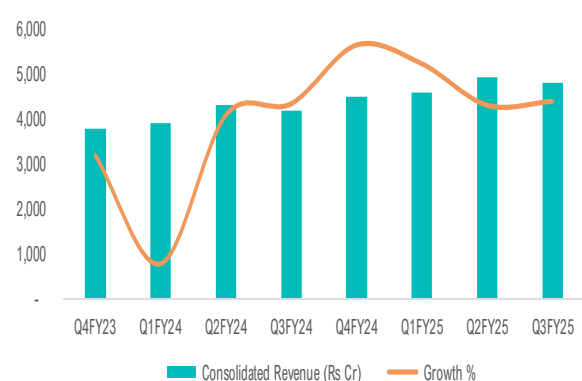
Q3FY25	Q3FY24	YoY Growth (%)	Q2FY25	QoQ Growth (%)	9MFY25	9MFY24	YoY Growth (%)
4,812	4,197	14.7	4,925	-2.3	14,315	12,400	15.4
491	469	4.7	490	0.1	1,510	1,498	0.8
10.2	11.2	-97bps	10.0	25bps	10.5	12.1	-154bps
364	346	5.4	372	-2.0	1,151	1,148	0.3
426	941	-54.7	426	0.1	1,316	1,820	-27.7
194	531	-63.5	207	-6.4	626	1,009	-38.0
194	-20	-1067.5	207	-6.4	626	468	33.8
10.3	-1.1	-1067.5	11.0	-6.4	33.3	24.9	33.8



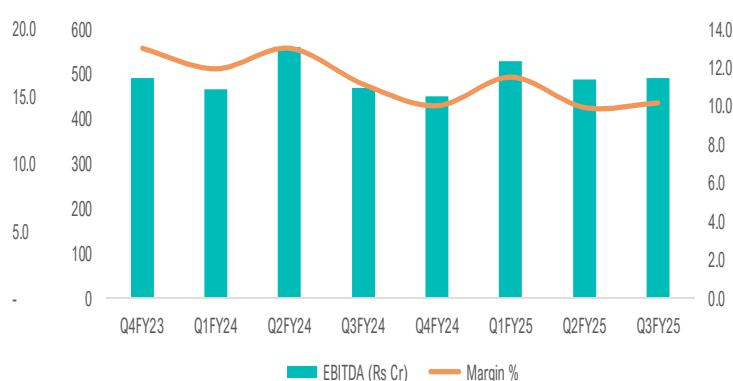
Key Highlights

- 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, factoring a 16% YoY revenue increase for FY26. The company remains dedicated to maintaining EBITDA margins while investing in future growth opportunities.
- The focus is on boosting market share and achieving operational breakeven next year in the EV portfolio. R&D is enhancing in-house capabilities for key components, with over 250 personnel working on proprietary technology to reduce BOM costs and improve competitiveness. Earmarked capex of Rs300cr for EV related business for the year.
- Standalone revenue for Q3FY25 reached ₹1,910 crores, an increase from ₹1,898 crores YoY. Profit Before Tax (PBT) came in at Rs212 crores from ₹210 crores in the previous year, owing to challenges in the railway & automotive business.

Revenue



EBITDA



Valuation Summary (SOTP)

Rs Cr	Valuation	PAT	(x)	Equity Value	Per share value (Rs)
Standalone	P/E	788	25	19,693	1,020
Shanti Gears (70.47% Stake)	P/E	107	25	2,687	125
CG Power (58.09% Holding discount)	P/E	974	35	34,096	1,502
EV Mobility business	Mcap/Sales	1486	5	7,429	385
					3,032

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change(%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	19,123	22,140	19,163	22,222	0.2	0.4
EBITDA	2,505	2,967	2,012	2,556	-19.7	-13.9
Margins (%)	13.1	13.4	10.5	11.5	-260bps	-190bps
Adj. PAT	1,120	1,353	846	1,112	-24.4	-17.8
EPS	58.0	70.1	43.9	57.6	-24.4	-17.8

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	15,126	16,890	19,163	22,222	26,179
% change	21%	12%	13%	16%	18%
EBITDA	1,827	1,949	2,012	2,556	3,011
% change	12%	12%	11%	12%	12%
Depreciation	396	454	475	499	545
EBIT	1,431	1,496	1,537	2,057	2,466
Interest	42	52	67	79	79
Other Income	121	252	287	333	393
PBT	1,763	2,301	1,763	2,316	2,785
% change	52%	30%	-23%	31%	20%
Tax	423	497	564	741	891
Tax Rate (%)	24%	22%	32%	32%	32%
Reported PAT(Post MI)	968	1,276	851	1,117	1,342
Adj*	253.5	605.5	5.0	5.0	5.0
Adj PAT	715	670	846	1,112	1,337
% change	-2%	-6%	26%	31%	20%
No. of shares (cr)	19.3	19.3	19.3	19.3	19.3
Adj EPS (Rs.)	38.1	35.7	43.9	57.6	69.3
% change	-2%	-6%	23%	31%	20%
DPS (Rs.)	3.5	3.5	4.2	4.2	4.2
CEPS (Rs.)	57.5	58.2	68.5	83.4	97.5

* Not Comparable

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	1,111	1,124	1,326	1,616	1,887
Non-cash adj.	416	398	898	1,250	1,483
Other Adjustments	-233	-274	-564	-741	-891
Changes in W.C	-343	-1,090	568	-101	-181
C.F. Operation	951	157	2,228	2,023	2,298
Capital exp.	-922	-1,836	-61	-799	-895
Change in inv.	0	0	206	0	0
Other invest. CF	51	178	0	0	0
C.F – Investment	-871	-1,658	-61	-799	-895
Issue of equity	72	72	0	0	0
Issue/repay debt	-515	-112	-179	-179	-179
Dividends paid	-169	-162	-82	-82	-82
Other finance. CF	277	132	0	0	0
C.F – Finance	-407	-142	-261	-260	-260
Chg. in cash	-328	-1,642	1,905	963	1,143
Closing cash	87	-769	2,446	3,409	4,552

BALANCE SHEET

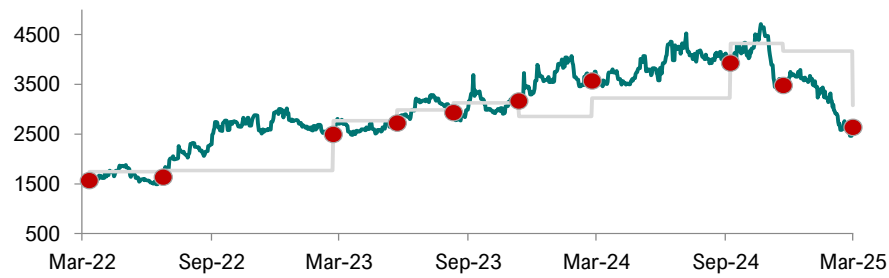
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	954	1,314	3,224	4,186	5,329
Accounts Receivable	2,254	2,854	2,363	2,740	3,228
Inventories	1,353	1,788	2,063	2,374	2,797
Other Cur. Assets	649	680	578	670	789
Investments	741	1,382	1,575	1,826	2,152
Gross Fixed Assets	3,620	4,292	4,755	5,217	5,680
Net Fixed Assets	2,252	2,684	2,671	2,635	2,553
CWIP	191	381	175	175	175
Intangible Assets	1,360	1,748	1,262	1,272	1,282
Def. Tax (Net)	335	125	210	244	287
Other Assets	289	348	441	517	614
Total Assets	10,378	13,303	14,562	16,640	19,206
Current Liabilities	4,213	4,296	4,591	5,265	6,109
Provisions	46	71	26	30	36
Debt Funds	726	896	796	696	596
Other Liabilities	1,042	1,732	2,072	2,535	3,092
Equity Capital	19	19	19	19	19
Reserves & Surplus	3,931	5,080	5,850	6,885	8,146
Shareholder's Fund	4,351	6,307	7,077	8,112	9,372
Total Liabilities	10,378	13,303	14,562	16,640	19,206
BVPS (Rs.)	177	231	296	350	415

RATIOS

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	12.1	11.5	10.5	11.5	11.5
EBIT margin (%)	9.5	8.9	8.0	9.3	9.4
Net profit mgn. (%)	4.7	4.0	4.4	5.0	5.1
ROE (%)	20.4	14.8	15.4	17.4	17.7
ROCE (%)	12.8	9.2	8.2	9.7	10.3
W.C & Liquidity	0.0	0.0	0.0	0.0	0.0
Receivables (days)	50.8	55.2	49.7	41.9	41.6
Inventory (days)	32.3	33.9	36.7	36.4	36.1
Payables (days)	85.1	85.9	78.4	69.3	67.4
Current ratio (x)	1.2	1.6	1.8	1.9	2.0
Quick ratio (x)	0.7	0.8	1.1	1.2	1.3
Turnover & Leverage	0.0	0.0	0.0	0.0	0.0
Gross asset T.O (x)	4.3	4.3	4.2	4.5	4.8
Total asset T.O (x)	1.6	1.4	1.4	1.4	1.5
Int. coverage ratio (x)	33.7	28.6	23.1	26.1	31.4
Adj. debt/equity (x)	0.2	0.1	0.1	0.1	0.1
Valuation	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	4.5	4.0	3.4	2.9	2.4
EV/EBITDA (x)	37.5	34.7	32.5	25.1	20.8
P/E (x)	94.5	100.8	82.1	62.5	52.0
P/BV (x)	17.6	13.6	11.8	10.1	8.5



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
04.Mar.25	Buy	3,032

Investment Rating Criteria

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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