# Apollo Tyres

| | |
|---|---|
| Estimate change | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | APTY IN |
| Equity Shares (m) | 635 |
| M.Cap.(INRb)/(USDb) | 324.9 / 3.9 |
| 52-Week Range (INR) | 568 / 365 |
| 1, 6, 12 Rel. Per (%) | -1/-16/-6 |
| 12M Avg Val (INR M) | 1421 |

**Financials & valuations (INR b)**

| Y/E March | FY24 | FY25E | FY26E |
|---|---|---|---|
| Sales | 253.8 | 264.3 | 286.2 |
| EBITDA | 45.0 | 39.9 | 44.6 |
| Adj. PAT | 18.2 | 16.8 | 21.0 |
| EPS (INR) | 28.7 | 26.5 | 33.0 |
| EPS Growth (%) | 77.3 | -7.6 | 24.6 |
| BV/Share (INR) | 273.1 | 297.3 | 329.8 |
| **Ratios** | | | |
| RoE (%) | 13.8 | 11.6 | 13.1 |
| RoCE (%) | 16.8 | 14.1 | 15.9 |
| Payout (%) | 20.1 | 25.1 | 21.2 |
| P/E (x) | 17.8 | 19.3 | 15.5 |
| P/BV (x) | 1.9 | 1.7 | 1.6 |
| Div. Yield (%) | 1.0 | 1.3 | 1.4 |
| FCF Yield (%) | 6.8 | 6.4 | 5.9 |

**Shareholding pattern (%)**

| As On | Jun-24 | Mar-24 | Jun-23 |
|---|---|---|---|
| Promoter | 37.4 | 37.4 | 37.3 |
| DII | 26.7 | 23.6 | 18.8 |
| FII | 14.5 | 18.2 | 23.4 |
| Others | 21.5 | 20.9 | 20.5 |

FII Includes depository receipts

**CMP: INR512 TP: INR590 (+15%) Buy**

## Rising cost pressure hurts margins

### Q1 performance sub-par relative to peers

- Apollo Tyres (APTY)'s 1QFY25 consol. performance was weak across both the geographies (India and Europe). While sales were largely in line, sharp RM inflation adversely impacted the profitability, resulting in a lower EBITDA/PAT at INR9.1b/INR3.3b (est. INR10.1b/4.3b).
- We cut our FY25E/26E consol. EPS by 11%/8% to factor in the increase in RM costs and higher operating expenses. APTY's sustained discipline in prudent capital allocation and subsequent improvement in RoCE have been truly commendable. APTY offers the best blend of earnings growth, balance sheet deleveraging, improving capital efficiencies, and cheap valuations. Given this, we **reiterate our BUY rating on APTY** with a TP of INR590 (valued at 17x Jun'26E consol. EPS)**.**

### Replacement demand stable while weak OE demand dent growth

- Consol. revenue grew ~1% YoY at INR63.3b (in line), while EBITDA/adj. PAT declined ~14%/19% YoY to INR9.1b/INR3.3b (est. INR10.1b/INR4.3b).
- Gross margin expanded declined 170bp QoQ to 45.5% (in line) due to higher RM costs.
- EBITDA declined 13.5% YoY to INR9.1b (vs. est. INR10.1b). EBITDA margin contracted 240bp YoY (-280bp QoQ) to 14.4% (est. 16%) mainly due to higher input costs and employee expenses.
- Further, lower-than-estimated other income led to a decline in adj. PAT.
- S/A business revenue was in line with our estimate at INR45.9b (+4% YoY). Gross margin contracted 140bp YoY (-240bp QoQ) to 38.1% (est. 38.8%). EBITDA margin contracted 400bp YoY (-300bp QoQ) to 13.8% (est. 15.8%) mainly due to higher input and other expenses.
- The EU revenue grew ~1% YoY to EUR146m (est. EUR155m), with an EBITDA margin of 13.7%, up 30bp YoY, for the quarter.

### Highlights from the management commentary

- **Demand outlook-** Both OE and exports are likely to improve in 2HFY25. Replacement demand to remain positive. In 1QFY25, TBR and PCR volumes grew double digit YoY. However, weak OE impacted overall volumes. Volumes in truck OE declined in double digits YoY, while in PCR it was marginally negative. The demand for T&B OE segment is expected to recover towards 2HFY25.
- RM costs to go up by mid-single digit in 2Q sequentially. Near term, RM pressure will be there but may see some correction from 4Q onwards. The company indicated that it will need 2-3 price hikes to offset the cost increase so far and needs to take about 5% price hike to fully pass on the cost pressure (so far taken 1% in Jul'24).
- The India business performance has been sub-par relative to peers, both in terms of revenue growth and profitability, and management has clearly indicated that it is unhappy with the same. APTY is cognizant of this and would focus hard on getting its performance back on track in the coming quarters.

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- **Europe-** Expect mid-to-high single-digit YoY growth for FY25. 1Q margin was better than last year, despite just 1% YoY growth, led by better product mix (UUHP volumes grew 20% YoY)

## Valuation and view

- We cut our FY25E/26E consol. EPS by 11%/8% to factor in the increase in RM costs and higher operating expenses.
- APTY's sustained discipline in prudent capital allocation and subsequent improvement in RoCE have been truly commendable. APTY offers the best blend of earnings growth, balance sheet deleveraging, improving capital efficiencies, and cheap valuations. Given this, we **reiterate our BUY rating on APTY** with a TP of INR590 (valued at 17x Jun'26E consol. EPS).

**Consolidated - Quarterly Earning Model** (INR M)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 1QE |
| **Net Revenues** | **62,446** | **62,797** | **65,954** | **62,582** | **63,349** | **63,988** | **68,474** | **69,361** | **2,53,777** | **2,64,339** | **63,749** |
| YoY Change (%) | 5.1 | 5.4 | 2.7 | 0.2 | 1.4 | 1.9 | 3.8 | 10.8 | 3.3 | 4.2 | 2.1 |
| Total Expenditure | 51,931 | 51,198 | 53,873 | 51,788 | 54,256 | 54,710 | 56,970 | 58,464 | 2,08,790 | 2,24,399 | 53,613 |
| **EBITDA** | **10,515** | **11,599** | **12,081** | **10,794** | **9,093** | **9,278** | **11,504** | **10,897** | **44,987** | **39,939** | **10,136** |
| Margins (%) | 16.8 | 18.5 | 18.3 | 17.2 | 14.4 | 14.5 | 16.8 | 15.7 | 17.7 | 15.1 | 15.9 |
| Depreciation | 3,620 | 3,603 | 3,676 | 3,880 | 3,695 | 3,710 | 3,725 | 3,906 | 14,778 | 15,036 | 3,680 |
| Interest | 1,355 | 1,328 | 1,230 | 1,146 | 1,070 | 1,070 | 1,068 | 1,056 | 5,059 | 4,263 | 1,150 |
| Other Income | 355 | 253 | 184 | 743 | 308 | 435 | 485 | 489 | 1,536 | 1,717 | 470 |
| **PBT before EO expense** | **5,896** | **6,922** | **7,358** | **6,511** | **4,636** | **4,933** | **7,196** | **6,424** | **26,685** | **22,357** | **5,776** |
| Extra-Ord expense | 132 | 122 | 151 | 1,381 | 404 | 0 | 0 | 0 | 1,786 | 404 | 0 |
| **PBT** | **5,764** | **6,800** | **7,207** | **5,130** | **4,232** | **4,933** | **7,196** | **6,424** | **24,899** | **21,953** | **5,776** |
| Tax Rate (%) | 31.1 | 30.3 | 31.1 | 31.0 | 28.6 | 25.4 | 22.9 | 19.8 | 30.9 | 24.5 | 26.0 |
| Minority Interest & Profit/Loss of Asso. Cos. | 0 | -2 | -1 | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Reported PAT** | **3,969** | **4,744** | **4,966** | **3,541** | **3,020** | **3,680** | **5,550** | **5,153** | **17,215** | **16,572** | **4,273** |
| **Adj PAT** | **4,060** | **4,828** | **5,071** | **4,648** | **3,272** | **3,680** | **5,550** | **5,153** | **18,607** | **16,876** | **4,273** |
| YoY Change (%) | 112.9 | 169.1 | 81.9 | 18.1 | -19.4 | -23.8 | 9.5 | 10.9 | 80.8 | -9.3 | 5.2 |
| Margins (%) | 6.5 | 7.7 | 7.7 | 7.4 | 5.2 | 5.8 | 8.1 | 7.4 | 7.3 | 6.4 | 6.7 |

E: MOFSL Estimates

| **Standalone (India)** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Revenues** | **44,133** | **44,067** | **43,319** | **43,874** | **45,916** | **46,270** | **46,785** | **46,875** | **1,75,393** | **1,85,846** | **45,898** |
| YoY Change (%) | -0.5 | 3.6 | 2.0 | 0.5 | 4.0 | 5.0 | 8.0 | 6.8 | 1.4 | 6.0 | 4.0 |
| **EBITDA** | **7,867** | **8,414** | **7,840** | **7,358** | **6,331** | **6,663** | **6,971** | **6,992** | **31,480** | **26,958** | **7,252** |
| Margins (%) | 17.8 | 19.1 | 18.1 | 16.8 | 13.8 | 14.4 | 14.9 | 14.9 | 17.9 | 14.5 | 15.8 |
| **Adj PAT** | **3,111** | **3,511** | **3,064** | **2,748** | **2,297** | **2,781** | **3,007** | **2,711** | **12,434** | **11,323** | **3,281** |
| YoY Change (%) | 198.1 | 434.1 | 146.6 | 15.0 | -26.2 | -20.8 | -1.9 | -1.3 | 114.9 | -8.9 | 5.4 |
| **Europe (EUR m)** | | | | | | | | | | | |
| **Net Revenues** | **144** | **169** | **176** | **182** | **146** | **169** | **187** | **179** | **671** | **681** | **156** |
| YoY Change (%) | -4.6 | -6.6 | -2.2 | 2.8 | 1.4 | 0.0 | 6.0 | -1.6 | 7.9 | 0.1 | 8.0 |
| Margins (%) | 13.4 | 14.1 | 20.3 | 19.1 | 13.7 | 13.5 | 18.0 | 16.3 | 16.9 | 15.5 | 18.0 |

Source: MOFSL Estimates

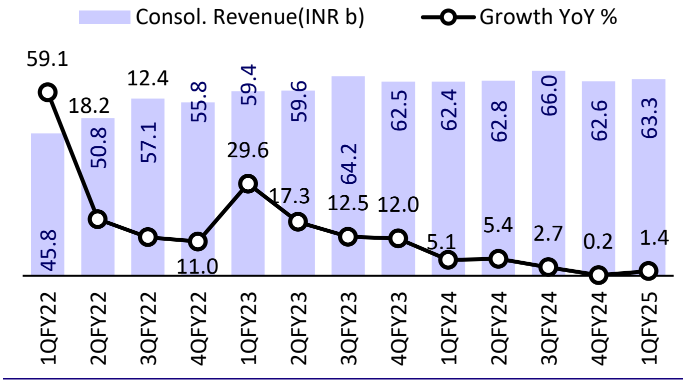
CONFERENCE CALL

## Highlights from the management commentary

- Demand outlook- Both OE and exports are likely to improve in 2HFY25. Replacement demand to remain positive.
- 1QFY25 performance-
  - In 1QFY25, TBR and PCR volumes grew double digit YoY. However, weak OE impacted overall volumes. Volumes in truck OE declined in double digits YoY, while in PCR it was marginally negative. The demand for T&B OE segment is expected to recover towards 2HFY25.
  - Replacement- Expects high single digit YoY growth for FY25E.
  - Exports- Freight rate disruptions and geopolitical challenges dented growth, but still doing better than the last year (saw 20% growth YoY).
  - RM cost pressure impacted margins in 1QFY25. RM basket gone up by 5% QoQ in 1QFY25. RM costs for the commodities in 1QFY25: NR INR180/kg, SR 180/kg, CB- 120/kg
  - Capacity utilization in India and Europe stood at 82% and 78%.
- RM costs to go up by mid-single digit in 2Q sequentially. Near term, RM pressure will be there but might see some correction from 4Q onwards.
  - The company has taken 1% price hike in 2Q as of now. In 1QFY25, it has already taken 2%/1% price hike in PCR/TBR, which is over and above EPR related price hike of 0.7% in replacement.
  - The company indicated that it will need 2-3 price hikes to offset the cost increase so far and needs to take about 5% price hike to fully pass on the cost pressure (so far taken 1% in Jul'24).
- The India business performance has been sub-par relative to peers, both in terms of revenue growth and profitability, and management has clearly indicated that it is unhappy with the same. APTY is cognizant of this and would focus hard on getting its performance back on track in the coming quarter.
- Europe- Expect mid-to-high single-digit YoY growth for FY25. 1Q margin was better than last year, despite just 1% YoY growth, fueled by better product mix (UUHP volumes grew 20% YoY). The competition has not taken any price hike in Europe. RM pressure is relatively less in Europe business as the proportion of NR in tyres is relatively small than that for India.
- Consol- Will target over 15% EBITDA margin
  - Net debt reduced by INR2.8b QoQ and it now stands at INR22.5b. Net debt/EBITDA stood at 0.6x.
  - Net debt declined to INR19b for standalone business from INR22b in 4QFY24. Standalone net debt to EBITDA reduced to 0.7x.
- Others-
  - Market share stood at 28-29% in TBR replacement in India and at 20% in PCR replacement for FY24
  - Started supplies to a German luxury passenger car OEM in India.
  - Other expenses- INR270m EPR provision taken in current quarter.
  - Utilization in PCR is in mid-80s and ~70% in T&B.
  - Reifen- Revenue was EUR50m and margin of 4%

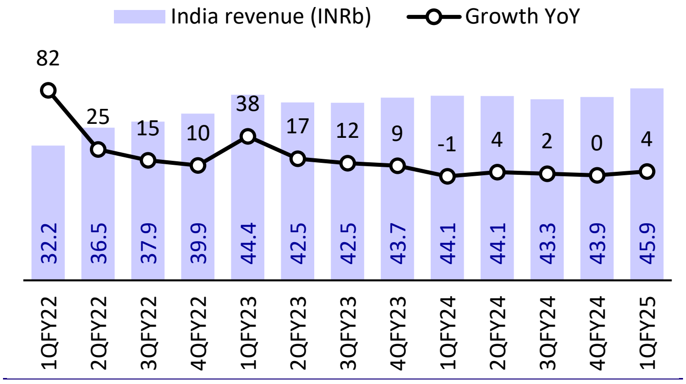
## Key exhibits

**Exhibit 1: Consolidated revenue trend**



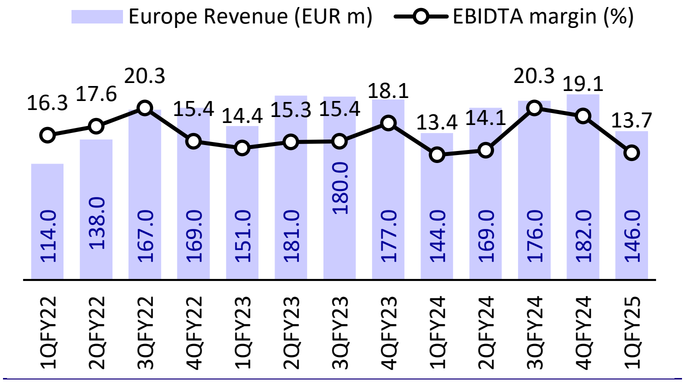

Source: MOFSL, Company

**Exhibit 2: Trend in APTY's India revenue**



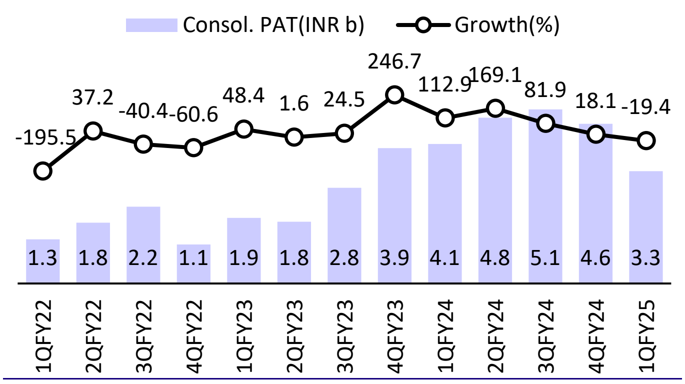

Source: MOFSL, Company

**Exhibit 3: Performance trend in APTY's EU operations**



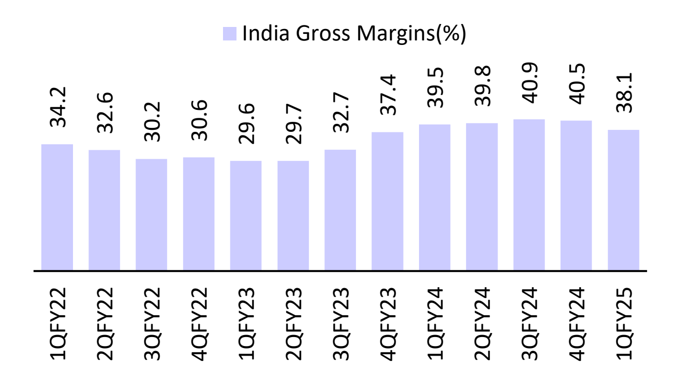

Source: MOFSL, Company

**Exhibit 4: Consolidated PAT and PAT growth trends**



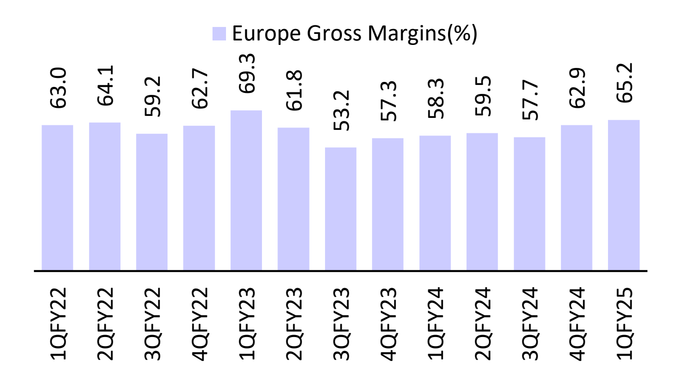

Source: MOFSL, Company

**Exhibit 5: Trend in India's gross margin (%)**




Source: MOFSL, Company

**Exhibit 6: Trend in the EU (derived) gross margin (%)**




Source: MOFSL, Company

## Valuation and view

- **India business well placed for growth over the long term:** APTY is well placed with a strong competitive positioning, ready capacities to benefit from strong growth in TBR/PCR in OEM, and a recovery in the replacement segment. While the near- term demand may remain subdued, we estimate a 7% volume CAGR over FY24-26, led by steady growth in the TBR and PCR segments. The India business has several levers to support margin: 1) operating leverage, 2) increasing share of the most efficient AP plant (not factored in), and 3) healthy pricing discipline in the industry. While we expect margins to contract over FY24-26E led by increasing RM prices and EPR provisions, operating leverage and balance sheet deleveraging will drive a ~7% PAT CAGR over this period over a high base of FY24 (77% growth).
- **Premiumization focus driving better brand positioning and a healthy margin profile**: It has been focusing on enhancing its product offerings in both India and Europe. Benefiting from its robust R&D capabilities, the company experienced notable enhancements in its sales mix, with the PV revenue contribution rising from 18% in FY18 to 23% in 1QFY25, aligning with its premiumization strategy. In Europe also, given the premium status of the Vredestein brand, coupled with the establishment of a cutting-edge manufacturing facility in Hungary, the company is well-positioned to enhance its product portfolio by shifting toward the lucrative premium car tyre segment. This is evident from the rising share of its UHP/UUHP mix in Europe to 47% in 1QFY25 from 43% in 4QFY23. With improved competitiveness, APTY has gained market share in the replacement segment and made inroads with OEMs. APTY's relentless focus on the margin-lucrative segments would be the key margin tailwind in the coming years.
- **Leaner business model driving healthy returns:** APTY has achieved a PAT CAGR of approximately 30% over the last five years. Moreover, the company has opted for smaller-scale capex plans rather than consolidating them, with an anticipated average annual capex of INR11.2b for FY24-26E compared to INR27.2b during the previous capex cycle of FY18-20. These measures have contributed to the consistent generation of positive free cash flow over the past four years and a reduction in net debt to INR23b in 1QFY25, down from INR43.5b in FY21. Additionally, the company's RoE/RoCE improved to around 13.9% and 16.8%, respectively, in FY24 from 8.4% each in FY19, demonstrating its effective strategy in yielding better returns. Going forward, with a continued focus on profitability, prudent capital expenditure, and debt reduction, we anticipate ROEs to remain at ~13.1% by FY26 (vs. 13.8% in FY24).
- **Valuation and view:** We cut our FY25E/26E consol. EPS by 11%/8% to factor in the increase in RM costs and higher operating expenses. APTY continues to focus on profitability and capital efficiency. APTY is geared for the next leg of growth, with sufficient capacity to cater to demand from India and Europe. APTY offers the best blend of earnings growth and cheap valuations. We **reiterate our BUY rating on APTY** with a TP of INR590 (valued at 17x Jun'26E consol. EPS).

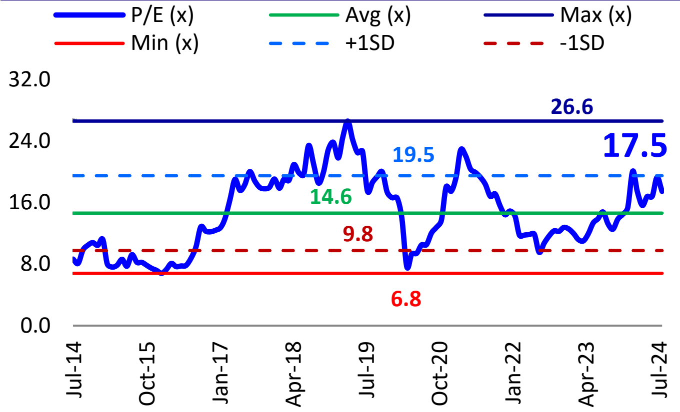
**Exhibit 7: Changes to our estimates**

**Revised forecast (Consol)**

| (INR M) | FY25E | | | FY26E | | |
|---|---|---|---|---|---|---|
| | Rev | Old | Chg (%) | Rev | Old | Chg (%) |
| Net Sales | 2,64,339 | 2,64,197 | 0.1 | 2,86,216 | 2,84,746 | 0.5 |
| EBITDA | 39,939 | 42,790 | -6.7 | 44,608 | 47,369 | -5.8 |
| EBITDA (%) | 15.1 | 16.2 | -110bp | 15.6 | 16.6 | -110bp |
| EPS (INR) | 26.5 | 29.8 | -11.1 | 33.0 | 35.8 | -7.7 |

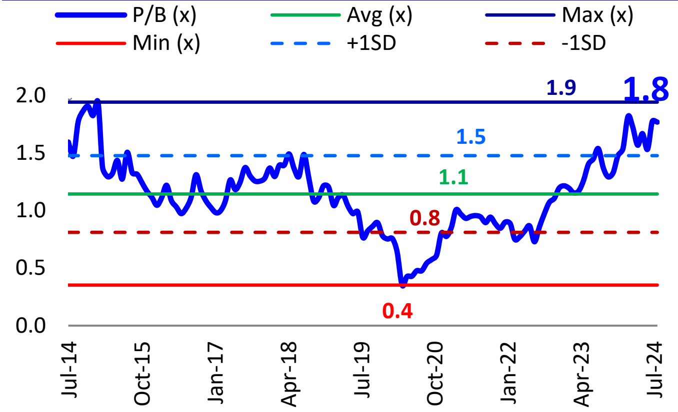
Source: Company, MOFSL

**Exhibit 8: One-year forward P/E**




Source: MOFSL, Company

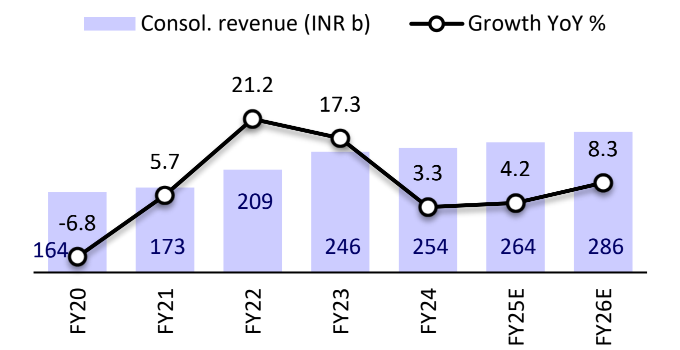
**Exhibit 9: One-year forward P/B band**




Source: MOFSL, Company

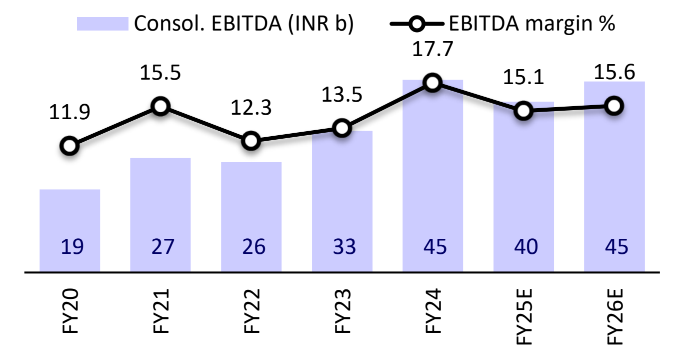
## Story in charts

### Exhibit 10: Revenue and growth trends



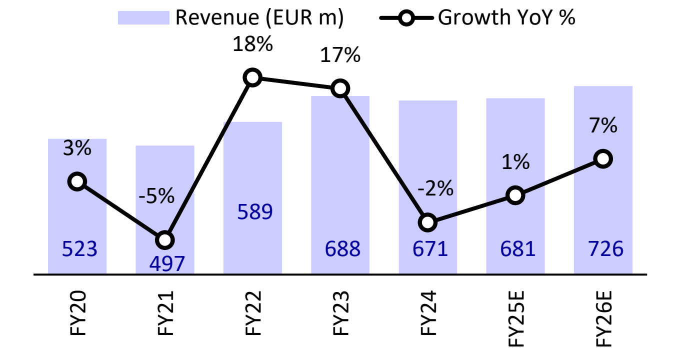

Source: Company, MOFSL

### Exhibit 11: EBITDA and EBITDA margin trends



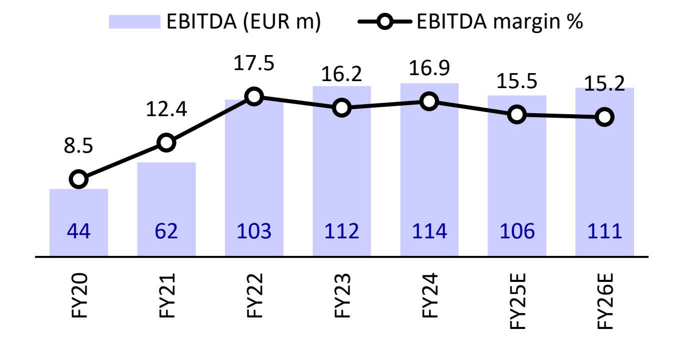

Source: Company, MOFSL

### Exhibit 12: Revenue and growth trends for the EU business



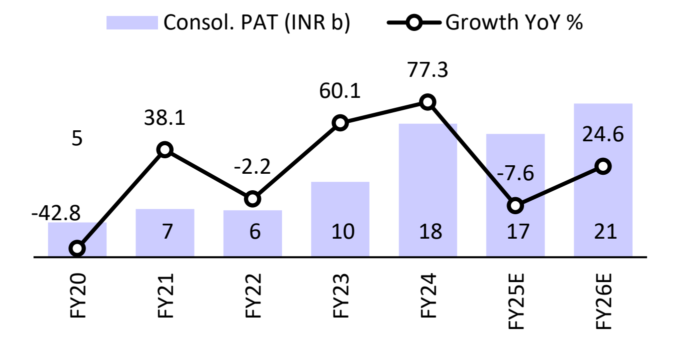

Source: Company, MOFSL

### Exhibit 13: EBITDA margin trend for APTY's European operations



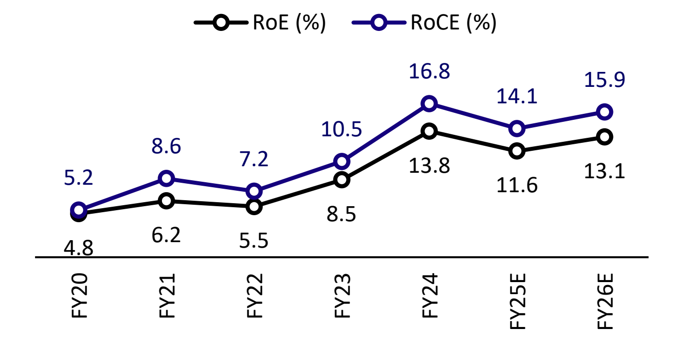

Source: Company, MOFSL

### Exhibit 14: PAT and PAT growth trends



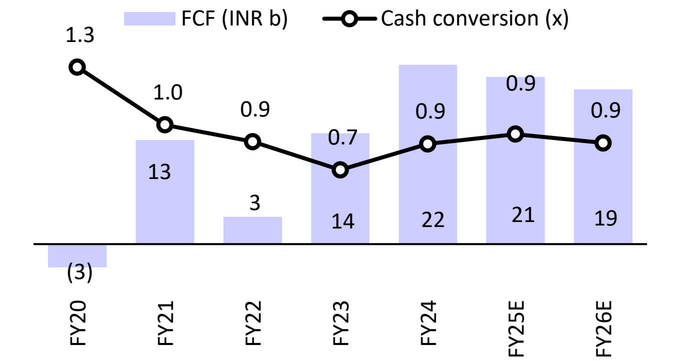

Source: MOFSL, Company

### Exhibit 15: Trend in APTY's return profile



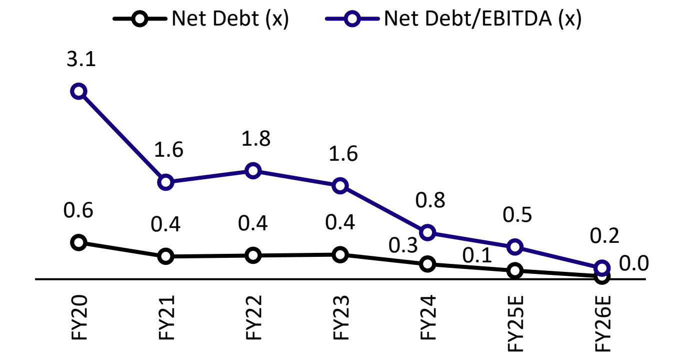

Source: MOFSL, Company

### Exhibit 16: FCF to remain positive due to lower capex




Source: MOFSL, Company

### Exhibit 17: Expect APTY to become net cash by FY26




Source: MOFSL, Company

# Financials and valuations

| Consolidated - Income Statement | | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY19** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25E** | **FY26E** |
| **Total Income from Operations** | **1,75,488** | **1,63,502** | **1,72,820** | **2,09,476** | **2,45,681** | **2,53,777** | **2,64,339** | **2,86,216** |
| Change (%) | 18.2 | -6.8 | 5.7 | 21.2 | 17.3 | 3.3 | 4.2 | 8.3 |
| Raw Materials | 1,01,383 | 90,756 | 93,945 | 1,23,855 | 1,46,371 | 1,36,631 | 1,46,550 | 1,59,515 |
| Employees Cost | 24,296 | 24,822 | 25,134 | 25,742 | 26,199 | 29,640 | 30,961 | 32,668 |
| Other Expenses | 30,224 | 28,537 | 26,917 | 34,137 | 39,975 | 42,519 | 46,888 | 49,424 |
| **Total Expenditure** | **1,55,902** | **1,44,115** | **1,45,995** | **1,83,735** | **2,12,545** | **2,08,790** | **2,24,399** | **2,41,608** |
| % of Sales | 88.8 | 88.1 | 84.5 | 87.7 | 86.5 | 82.3 | 84.9 | 84.4 |
| **EBITDA** | **19,586** | **19,387** | **26,825** | **25,741** | **33,137** | **44,987** | **39,939** | **44,608** |
| EBITDA Margin (%) | 11.2 | 11.9 | 15.5 | 12.3 | 13.5 | 17.7 | 15.1 | 15.6 |
| Depreciation | 8,127 | 11,381 | 13,150 | 13,997 | 14,191 | 14,778 | 15,036 | 15,305 |
| **EBIT** | **11,460** | **8,006** | **13,675** | **11,744** | **18,945** | **30,209** | **24,904** | **29,304** |
| EBIT Margin (%) | 6.5 | 4.9 | 7.9 | 5.6 | 7.7 | 11.9 | 9.4 | 10.2 |
| Int. and Finance Charges | 1,811 | 2,808 | 4,430 | 4,444 | 5,312 | 5,059 | 4,263 | 3,390 |
| Other Income | 1,231 | 237 | 1,294 | 1,235 | 411 | 1,536 | 1,717 | 1,871 |
| **PBT bef. EO Exp.** | **10,880** | **5,434** | **10,539** | **8,535** | **14,044** | **26,685** | **22,357** | **27,785** |
| EO Items | 2,000 | 0 | 4,927 | 59 | -226 | 2,404 | 526 | 0 |
| **PBT after EO Exp.** | **8,880** | **5,434** | **5,612** | **8,476** | **14,269** | **24,281** | **21,832** | **27,785** |
| Total Tax | 2,083 | 670 | 2,110 | 2,091 | 3,813 | 7,684 | 5,382 | 6,797 |
| Tax Rate (%) | 23.5 | 12.3 | 37.6 | 24.7 | 26.7 | 31.6 | 24.7 | 24.5 |
| **Reported PAT** | **6,797** | **4,764** | **3,502** | **6,385** | **10,456** | **16,596** | **16,450** | **20,988** |
| **Adjusted PAT** | **8,328** | **4,764** | **6,576** | **6,429** | **10,290** | **18,240** | **16,846** | **20,988** |
| Change (%) | 15.0 | -42.8 | 38.1 | -2.2 | 60.1 | 77.3 | -7.6 | 24.6 |

| Consolidated - Balance Sheet | | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY19** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25E** | **FY26E** |
| Equity Share Capital | 572 | 572 | 635 | 635 | 635 | 635 | 635 | 635 |
| Total Reserves | 99,826 | 98,728 | 1,13,796 | 1,16,886 | 1,25,147 | 1,38,387 | 1,50,708 | 1,67,250 |
| **Net Worth** | **1,00,398** | **99,300** | **1,14,431** | **1,17,521** | **1,25,782** | **1,39,022** | **1,51,343** | **1,67,885** |
| Total Loans | 51,801 | 68,383 | 65,843 | 61,937 | 64,205 | 49,051 | 39,051 | 34,051 |
| Deferred Tax Liabilities | 7,707 | 7,032 | 7,020 | 9,014 | 12,590 | 16,530 | 16,530 | 16,530 |
| **Capital Employed** | **1,59,906** | **1,74,715** | **1,87,294** | **1,88,471** | **2,02,577** | **2,04,603** | **2,06,924** | **2,18,466** |
| Gross Block | 1,93,899 | 2,42,083 | 2,64,875 | 2,90,635 | 3,05,312 | 3,13,603 | 3,21,939 | 3,33,507 |
| Less: Accum. Deprn. | 78,352 | 89,734 | 1,02,883 | 1,16,880 | 1,31,071 | 1,45,850 | 1,60,885 | 1,76,190 |
| **Net Fixed Assets** | **1,15,547** | **1,52,350** | **1,61,992** | **1,73,755** | **1,74,241** | **1,67,753** | **1,61,053** | **1,57,318** |
| Goodwill on Consolidation | 1,993 | 2,134 | 2,204 | 2,158 | 2,288 | 2,311 | 2,311 | 2,311 |
| Capital WIP | 15,393 | 16,420 | 11,065 | 6,182 | 2,526 | 3,477 | 6,249 | 7,819 |
| **Total Investments** | **60** | **194** | **1,096** | **4,813** | **4,358** | **5,317** | **15,317** | **20,317** |
| **Curr. Assets, Loans&Adv.** | **68,516** | **60,957** | **82,088** | **84,550** | **90,117** | **90,716** | **90,218** | **1,04,572** |
| Inventory | 34,841 | 32,069 | 33,185 | 41,554 | 44,285 | 42,457 | 47,074 | 54,891 |
| Account Receivables | 13,144 | 9,399 | 13,808 | 20,513 | 24,885 | 26,648 | 27,520 | 29,798 |
| Cash and Bank Balance | 5,627 | 7,496 | 21,458 | 10,807 | 8,462 | 9,221 | 2,720 | 5,911 |
| Loans and Advances | 14,905 | 11,993 | 13,637 | 11,677 | 12,485 | 12,389 | 12,904 | 13,972 |
| **Curr. Liability & Prov.** | **41,603** | **57,340** | **71,151** | **82,987** | **70,953** | **64,971** | **68,224** | **73,870** |
| Account Payables | 20,665 | 23,090 | 28,067 | 35,309 | 33,956 | 29,786 | 32,590 | 35,287 |
| Other Current Liabilities | 16,002 | 29,115 | 38,644 | 44,193 | 33,505 | 31,427 | 31,721 | 34,346 |
| Provisions | 4,936 | 5,134 | 4,440 | 3,484 | 3,492 | 3,757 | 3,914 | 4,237 |
| **Net Current Assets** | **26,913** | **3,617** | **10,937** | **1,563** | **19,164** | **25,745** | **21,994** | **30,702** |
| **Appl. of Funds** | **1,59,906** | **1,74,715** | **1,87,294** | **1,88,471** | **2,02,577** | **2,04,603** | **2,06,924** | **2,18,466** |

# Financials and valuations

| Ratios | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY19** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25E** | **FY26E** |
| **Basic (INR)** | | | | | | | | |
| **EPS** | **14.6** | **8.3** | **10.4** | **10.1** | **16.2** | **28.7** | **26.5** | **33.0** |
| BV/Share | 197.2 | 195.1 | 224.8 | 230.9 | 247.1 | 273.1 | 297.3 | 329.8 |
| DPS | 3.0 | 6.2 | 3.5 | 3.3 | 4.3 | 5.3 | 6.5 | 7.0 |
| Payout (%) | 30.4 | 90.5 | 63.5 | 32.3 | 25.8 | 20.1 | 25.1 | 21.2 |
| **Valuation (x)** | | | | | | | | |
| P/E | 35.2 | 61.5 | 49.4 | 50.6 | 31.6 | 17.8 | 19.3 | 15.5 |
| P/BV | 2.6 | 2.6 | 2.3 | 2.2 | 2.1 | 1.9 | 1.7 | 1.6 |
| EV/Sales | 1.9 | 2.2 | 2.1 | 1.8 | 1.6 | 1.4 | 1.4 | 1.2 |
| EV/EBITDA | 17.3 | 18.2 | 13.8 | 14.6 | 11.5 | 8.1 | 9.1 | 7.9 |
| Dividend Yield (%) | 0.6 | 1.2 | 0.7 | 0.6 | 0.8 | 1.0 | 1.3 | 1.4 |
| FCF per share | -21.0 | -5.0 | 20.3 | 5.3 | 21.6 | 35.0 | 32.6 | 30.2 |
| **Return Ratios (%)** | | | | | | | | |
| RoE | 8.4 | 4.8 | 6.2 | 5.5 | 8.5 | 13.8 | 11.6 | 13.1 |
| RoCE (pre-tax) | 8.4 | 5.2 | 8.6 | 7.2 | 10.5 | 16.8 | 14.1 | 15.9 |
| RoIC | 6.9 | 4.8 | 5.6 | 5.5 | 7.8 | 11.0 | 10.2 | 12.1 |
| **Working Capital Ratios** | | | | | | | | |
| Fixed Asset Turnover (x) | 0.9 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 |
| Asset Turnover (x) | 1.1 | 0.9 | 0.9 | 1.1 | 1.2 | 1.2 | 1.3 | 1.3 |
| Inventory (Days) | 72 | 72 | 70 | 72 | 66 | 61 | 65 | 70 |
| Debtor (Days) | 27 | 21 | 29 | 36 | 37 | 38 | 38 | 38 |
| Creditor (Days) | 43 | 52 | 59 | 62 | 50 | 43 | 45 | 45 |
| **Leverage Ratio (x)** | | | | | | | | |
| Net Debt/Equity | 0.5 | 0.6 | 0.4 | 0.4 | 0.4 | 0.2 | 0.1 | 0.0 |

| Consolidated - Cash Flow Statement | | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY19** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25E** | **FY26E** |
| OP/(Loss) before Tax | 8,881 | 5,434 | 5,612 | 8,477 | 14,272 | 26,685 | 22,357 | 27,785 |
| Depreciation | 8,127 | 11,381 | 13,150 | 13,997 | 14,191 | 14,778 | 15,036 | 15,305 |
| Interest & Finance Charges | 1,811 | 2,808 | 4,430 | 4,444 | 5,312 | 3,524 | 2,546 | 1,519 |
| Direct Taxes Paid | -2,199 | -925 | -2,035 | -1,222 | -2,168 | -7,684 | -5,382 | -6,797 |
| (Inc)/Dec in WC | -5,433 | 7,996 | 4,616 | -1,829 | -7,890 | -5,821 | -2,751 | -5,516 |
| **CF from Operations** | **11,187** | **26,695** | **25,772** | **23,867** | **23,717** | **31,481** | **31,807** | **32,296** |
| Others | -476 | -1,522 | -1,303 | -2,332 | -2,373 | 0 | 0 | 0 |
| **CF from Operating incl EO** | **10,711** | **25,174** | **24,469** | **21,535** | **21,344** | **31,481** | **31,807** | **32,296** |
| (Inc)/Dec in FA | -22,740 | -28,055 | -11,563 | -18,164 | -7,604 | -9,265 | -11,108 | -13,139 |
| **Free Cash Flow** | **-12,028** | **-2,881** | **12,906** | **3,371** | **13,739** | **22,217** | **20,699** | **19,157** |
| (Pur)/Sale of Investments | 11,366 | -134 | -12,547 | 5,960 | 2,512 | -959 | -10,000 | -5,000 |
| Others | 1,414 | 230 | 667 | 482 | 331 | 1,536 | 1,717 | 1,871 |
| **CF from Investments** | **-9,959** | **-27,959** | **-23,443** | **-11,722** | **-4,761** | **-8,688** | **-19,391** | **-16,267** |
| Issue of Shares | 0 | 0 | 10,800 | 0 | 0 | -22 | 0 | 0 |
| Inc/(Dec) in Debt | 3,265 | 13,863 | -3,222 | -1,875 | -7,484 | -15,154 | -10,000 | -5,000 |
| Interest Paid | -1,819 | -2,232 | -3,407 | -4,022 | -4,793 | -5,059 | -4,263 | -3,390 |
| Dividend Paid | -2,069 | -4,310 | 0 | -2,223 | -2,064 | -3,334 | -4,128 | -4,446 |
| Others | -314 | -2,810 | -2,626 | -2,694 | -2,577 | 0 | 0 | 0 |
| **CF from Fin. Activity** | **-936** | **4,510** | **1,545** | **-10,814** | **-16,918** | **-23,571** | **-18,392** | **-12,836** |
| **Inc/Dec of Cash** | **-184** | **1,725** | **2,571** | **-1,000** | **-336** | **-777** | **-5,976** | **3,192** |
| Opening Balance | 4,806 | 4,622 | 6,347 | 9,725 | 8,724 | 8,389 | 7,612 | 1,636 |
| **Closing Balance** | **4,622** | **6,347** | **8,918** | **8,724** | **8,389** | **7,612** | **1,636** | **4,827** |

# N O T E S

| Explanation of Investment Rating | |
|---|---|
| **Investment Rating** | **Expected return (over 12-month)** |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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