

Tube Investments of India

Estimate changes	↔
TP change	↓
Rating change	↔

Bloomberg	TIINDIA IN
Equity Shares (m)	193
M.Cap.(INRb)/(USDb)	589.1 / 6.9
52-Week Range (INR)	4811 / 2400
1, 6, 12 Rel. Per (%)	15/-18/-31
12M Avg Val (INR M)	1175

Standalone Financials & Valuations (INR b)

INR b	FY25	FY26E	FY27E
Sales	78.9	85.5	94.3
EBITDA	9.6	10.5	12.1
Adj. PAT	7.5	8.1	9.1
EPS (INR)	38.6	41.8	47.1
EPS Gr. (%)	1.7	8.2	12.8
BV/Sh. (INR)	269.3	307.1	349.7
Ratios			
RoE (%)	16.3	14.5	14.4
RoCE (%)	20.3	18.9	18.8
Payout (%)	5.2	9.6	9.5
Valuations			
P/E (x)	18.6	17.2	15.2
P/BV (x)	2.7	2.3	2.1
Div. Yield (%)	0.5	0.6	0.6
FCF Yield (%)	0.5	0.5	0.6

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	44.1	44.1	45.1
DII	16.6	15.5	15.3
FII	26.9	28.2	28.3
Others	12.4	12.2	11.3

FII Includes depository receipts

CMP: INR3,045 TP: INR3,658 (+20%) Buy

Steady performance

Railways order win to help revive metal formed division margins

- Tube Investments' (TIINDIA) 4QFY25 performance was in line with our estimates, with PAT growth of 5% YoY to INR2.6b. Growth drivers from hereon include the ramp-up of a new facility in Nashik for the Engineering division and the INR10b new order win from Railways.
- We have not changed our estimates. TIINDIA has diversified revenue streams, with healthy growth in the core business (~11% standalone PAT CAGR over FY25E-27E) and CG Power and the optionality of new businesses incubated under the TI-2 strategy. **Reiterate BUY with a TP of ~INR3,658 (premised on FY27E SOTP, based on 32x for the standalone business, valuing listed subsidiaries at 30% HoldCo discount).**

4Q performance in line with estimates

- 4Q PAT (adjusted for one-off) at INR2.6b (in line), grew 5% YoY. Revenue remained stable YoY at INR19.6b (in line). EBITDA margin improved 50bp YoY to 11.6% (in line).
- However, only the mobility division's performance was ahead of our estimates, while all other divisions posted weak performance.
- Mobility division revenue grew 17.5% YoY to INR1.8b. Led by strong growth, it reported positive EBIT margin of 2.4%, ahead of our estimate of -0.5%.
- Engineering business revenue declined 4% YoY to INR12.3b. EBIT margin declined 100bp YoY to 11.5%, below our estimate of 12.9%. Margins have been under pressure due to startup costs of the new Nashik facility.
- Metal Formed division posted 5% YoY revenue growth to INR4b. EBIT margin declined 120bp YoY to 9.8% - below estimate of 11.5%. Margins have been under pressure due to weak ramp-up in Railways.
- Overall, 4Q adjusted PAT grew 5% YoY to INR2.6b.
- For FY25, revenue grew 4% YoY to INR78.9b. EBITDA margin remained stable YoY at 12.2%. PAT grew 2% YoY to INR7.5b.
- The board declared a total dividend of INR3.5 per share for FY25 (flat YoY).
- On a standalone basis, TII posted FCF of INR2.8b in FY25 post capex of INR4.2b.

Highlights from the management commentary

- TII has won a large railway order worth INR10b to be executed over seven years and it will commence in 4QFY26. This new order will help TII get back business momentum in the Metal formed division and revive margins for the business, as per management.
- TI Clean Mobility is targeting to become EBITDA positive for at least two of the EV segments (viz. truck and 3W) in FY26 on the back of a pickup in volumes. This business currently has cash of INR9.4b; hence, it would not need any fundraising for the next 1.5-2 years.

- Capex guidance for FY26 stands at INR3b for the core business. Beyond this, TIIL would look to invest in growth opportunities in TI Medical, CDMO and others.

Valuation and view

- We have not changed our estimates. TIINDIA has diversified revenue streams, with healthy growth in the core business (~11% S/A PAT CAGR over FY25E-27E) and CG Power and the optionality of new businesses incubated under the TI-2 strategy. **Reiterate BUY with a TP of ~INR3,658 (premised on FY27E SOTP, based on 32x for the standalone business, valuing listed subsidiaries at 30% HoldCo discount).**

Quarterly performance (S/A)

Y/E March	FY24				FY25				FY24	FY25	4QE	VAS.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				(%)
Net Sales	17,801	19,696	18,983	19,624	19,603	20,648	19,102	19,573	76,105	78,925	19,961	-1.9
YoY Change (%)	-9.0	3.3	11.0	18.0	10.1	4.8	0.6	-0.3	5.2	3.7	1.7	
EBITDA	2,160	2,514	2,395	2,171	2,400	2,460	2,431	2,280	9,239	14,995	2,304	-1.0
Margins (%)	12.1	12.8	12.6	11.1	12.2	11.9	12.7	11.6	12.1	19.0	11.5	10bp
Depreciation	331	346	361	370	386	407	432	463	1,408	1,688	435	
Interest	70	77	74	75	72	69	54	52	295	247	62	
Other Income	219	358	137	1,451	137	261	175	1,502	2,165	2,075	1,585	
PBT before EO expense	1,979	2,448	2,096	3,178	2,079	2,245	2,120	3,267	9,701	15,134	3,392	-3.7
Tax	502	634	521	699	534	567	512	664	2,359	2,237	845	
Tax Rate (%)	25.4	25.9	24.9	22.0	25.7	25.3	24.2	20.3	24.3	23.0	24.9	
Adj PAT	1,477	1,814	1,575	2,479	1,545	1,678	1,607	2,603	7,345	7,509	2,547	2.2
YoY Change (%)	10.0	13.2	14.4	-9.2	4.6	-7.5	2.1	5.0	4.1	2.2	2.7	

E: MOFSL Estimates

Segmental Mix (INR m)

	FY24				FY25				FY24	FY25	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Mobility business	1,867	1,766	1,473	1,539	1,807	1,675	1,418	1,808	6,645	6,708	1,448
Growth (%)	(24.0)	(21.9)	(15.2)	(0.4)	(3.2)	(5.1)	(3.8)	17.5	(16.9)	1.0	(5.9)
PBIT margin (%)	1.1	(1.7)	(5.6)	(5.7)	0.9	(0.2)	(0.6)	2.4	(2.7)	0.7	(0.5)
Contribution (%)	10.5	9.0	7.8	7.8	9.2	8.1	7.4	9.2	8.7	8.5	7.3
Engineering business	11,416	12,741	12,289	12,759	12,652	13,231	12,118	12,287	49,508	49,997	12,571
Growth (%)	(8.2)	6.9	13.7	22.2	10.8	3.8	(1.4)	(3.7)	8.5	1.0	(1.5)
PBIT margin (%)	11.8	13.3	12.4	12.5	12.4	12.3	12.9	11.5	12.5	12.3	12.9
Contribution (%)	64.1	64.7	64.7	65.0	64.5	64.1	63.4	62.8	65.1	63.3	63.0
Metal formed business	3,419	3,996	3,917	3,859	3,576	4,044	3,997	4,031	15,190	15,938	4,339
Growth (%)	2.1	7.7	5.7	11.2	4.6	1.2	2.0	4.5	6.8	4.9	12.4
PBIT margin (%)	12.8	13.4	12.1	11.0	10.0	11.3	10.1	9.8	12.3	10.1	11.5
Contribution (%)	19.2	20.3	20.6	19.7	18.2	19.6	20.9	20.6	20.0	20.2	21.7
Other business	1,776	2,068	2,195	2,302	2,469	2,433	2,524	2,441	8,039	9,866	2,561
Growth (%)	(20.2)	10.1	32.1	20.5	39.1	17.6	15.0	6.0	7.5	22.7	11.3
PBIT margin (%)	9.0	8.4	6.3	7.5	6.1	3.6	4.5	5.2	8.0	4.8	6.6
Contribution (%)	10.0	10.5	11.6	11.7	12.6	11.8	13.2	12.5	10.6	12.5	12.8
Total Revenue (post-inter-segment)	17,801	19,696	18,983	19,624	19,603	20,648	19,102	19,573	76,105	78,925	19,961
Growth (%)	(9.0)	3.3	11.0	18.0	10.1	4.8	0.6	(0.3)	5.5	3.7	1.7

E: MOFSL Estimates



Highlights from the management commentary

Engineering division

- TII has improved its market share in this division in FY25.
- Margins have been under pressure due to startup costs of the new Nashik facility. Given the safeguard duty imposed on steel, demand for CRSS is likely to rise; hence, TII expects this facility to fully ramp up by 3Q/4QFY27.
- This facility has a capacity of 4k tons per day. TII would look for further expansion, if needed, at a later stage.
- After the ramp-up of this plant, TII expects margins to improve from 2HFY26 onward.
- TII maintains its guidance of double-digit growth in this business going forward.
- Capacity utilization, excl. the two new plants coming in Nashik and Phaltan, stands at 80%
- Given the new capex, TII does not foresee the need for additional capex for next 1-2 years.

Metal formed division

- Margins have remained weak in this division due to a weak ramp-up in Railways.
- However, this division has won a large railway order worth INR10b to be executed over seven years, and it will commence in 4QFY26.
- This new order will help TII get back business momentum and revive margins for the business, as per management.
- Utilization in this business stands at 85%. TII is investing in capacity ramp-up at the Phaltan plant, which will be enough for its requirements for the next two years.

TI Clean Mobility

- Adjusted for one-off from fair valuation of CCPS, PBIT loss for this division stood at INR1.1b in 4Q and INR4.1b in FY25.
- TII is currently working toward being EBITDA positive for at least two of the EV segments (viz. truck and 3W) in FY26 on the back of a pickup in volumes.

- This business currently has cash of INR9.4b; hence, TII would not need any fundraising for the next 1.5-2 years.
- TII targets for each of its business segments include: 1) to reach USD1b in revenue over next 3-4 years; 2) EBITDA break-even, 3) to be among top 2-3 players in each segment.

3W EV

- One of the USPs for TI 3W PVs is that TII continues to offer the highest range in the category.
- When TII launched its products, it came up with features unique to the market. These features have over time been copied by competition. TII now expects to launch variants of its existing products with first-in-class consumer-centric features.
- TII has had among the highest battery capacity in the segment at 10.2 kwh, and hence, its products have been expensive relative to competition. It targets to come up with lower battery capacity and launch products in line with competition.
- TII is also looking to indigenize micro controllers in-house, and the company would be among the select few in the industry with such capability.
- Its premium positioning in the market remains unchanged and customers are willing to pay a premium for its products, as per management.
- TII sold 1,662 units of 3W EVs in 4Q, up from 1,800 units in 3Q. In FY25, TII sold 7,334 units, up 116% YoY, relative to industry growth of 91% YoY in L5 segment. Hence, it has continued to outperform the market.
- TII currently has 85 dealers and plans to take this number to 120+ by FY26 end.

E-SCV segment

- Currently, two dealers are operational and TII targets to increase this count to 25 dealers across India by FY26 end.
- The company sold 14 units in 4QFY25.

E-tractors

- Currently, four dealers are operational, which TII plans to increase to 25 dealers across India by FY26 end.
- TII sold 17 units in 4QFY25.

IPTL – e-trucks

- This division saw its best-ever quarter with sales of 65 trucks.
- As of FY25, 205 EV trucks have been deployed in the market, of which 172 are from IPTL.
- TII continues to adopt a direct selling model in this business.
- One of the key learnings in this business is that the lead time for sales is very high in trucks business given that multiple stakeholders are involved, including customers, financiers, charging infra, etc.

Medical devices

- This division reported a loss in 4Q as the export ramp-up did not happen on expected lines.
- TII has applied for CE certification in Europe, which is taking longer than expected. It expects to receive this certification within a couple of quarters, after

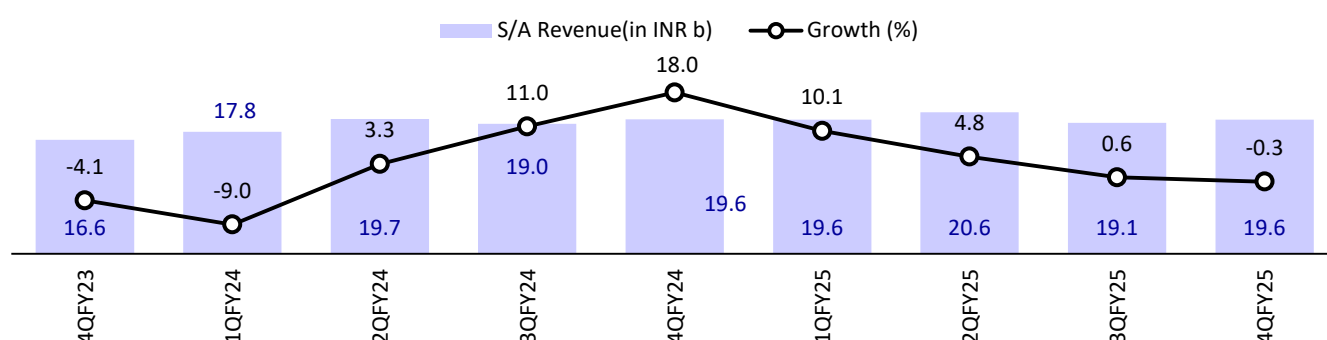
which TII expects exports to ramp up as planned. After this, the division can be back in profitability.

- TII continues to explore inorganic growth opportunities in this space.

Other highlights

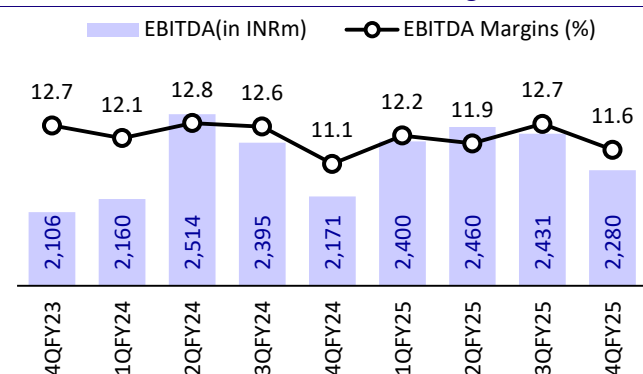
- Capex guidance for FY26 stands at INR3b for the core business. Beyond this, TII would look to invest in growth opportunities in TI Medical, CDMO and others.
- For any new business, TII targets RoCE of 25% on stable operations.
- **Mobility division:** This division is already in black and TII expects to focus on exports for this business for sustainable growth.
- **CDMO:** Construction for the new plant has started and is expected to be operational from 3Q or 4QFY26. Management expects this business to materially ramp-up from FY27.
- **Write-offs taken in 4Q:** TII has taken a write-off toward investment of INR157m in Moshine Electronics. It has done this as the margin expectations from this business have not been met. TII has also taken a write-off in Aerostrolvilos Energy Pvt Ltd of INR35m. This was an investment in a start-up, which is not ramping up on expected lines.

Exhibit 1: Trends in SA revenue and revenue growth



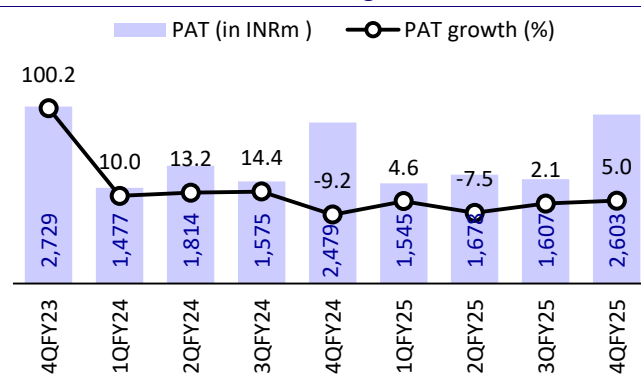
Source: Company, MOFSL

Exhibit 2: Trend in standalone EBITDA margin



Source: Company, MOFSL

Exhibit 3: Trends in PAT and PAT growth



Source: Company, MOFSL

Valuation and view

- TIINDIA offers a robust growth story, driven by reasonable growth and strong cash flows of the core business (TI-1). Cash flows will be used for systematically incubating future growth platforms (TI-2) and opportunistic acquisitions of stressed assets (TI-3) at attractive prices.

- The TI-2 business, based on the venture capital model, has seen seeding of several businesses, such as optics lenses, e-3Ws, e-tractors, e-CVs, and CDMO. Further, it has acquired Lotus Surgical, which is in the domain of medical technology, a focus area for TIINDIA under TI-2. Additionally, it is looking to get into electronics manufacturing in India as a play on localization. These businesses offer a huge potential, though it may take time for them to scale up. Given the nascent stage of each of these businesses, we have not given any value to the Clean Mobility division in our SoTP.
- For the standalone business, we estimate a 9% revenue CAGR over FY25-27 and an EBITDA CAGR of 12%, led by EBITDA margin expansion of 60bp to 12.8%, driven by improving mix and operating leverage benefits. As a result, we estimate a CAGR of 11% in PAT over FY25-27.
- **Valuation and view:** We have not changed our estimates. TIINDIA has diversified revenue streams, with healthy growth in the core business (~11% S/A PAT CAGR over FY25E-27E) and CG Power and the optionality of new businesses incubated under the TI-2 strategy. **Reiterate BUY with a TP of ~INR3,658 (premised on FY27E SOTP, based on 32x for the standalone business, valuing listed subsidiaries at 30% HoldCo discount).**

Exhibit 4: TIINDIA – SoTP-based target price

SOTP (INR/Share)		FY25E	FY26E	FY27E
Value of S/A Business @ 36x Core EPS	PE @ 32x	1,187	1,157	1,325
Value of listed subs post hold-co discount (30%)		30		
Shanthi Gear	488	96	96	96
CG power	696	2,237	2,237	2,237
Fair value (INR/Share)		3,520	3,490	3,658

Story in charts

Exhibit 5: Trend in standalone sales

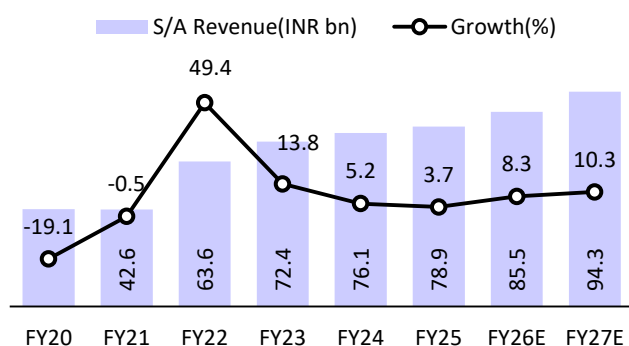


Exhibit 6: Trend in standalone EBITDA

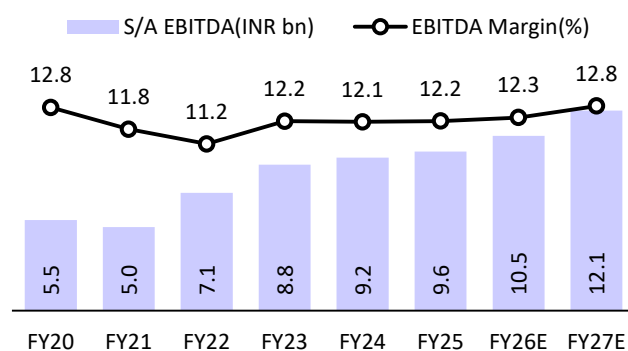


Exhibit 7: Trend in standalone PAT

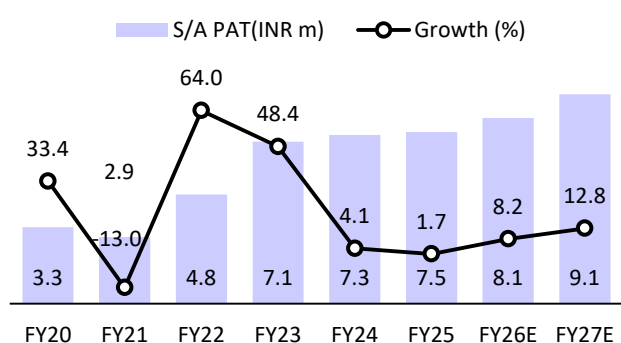


Exhibit 8: Trend in standalone capital efficiency

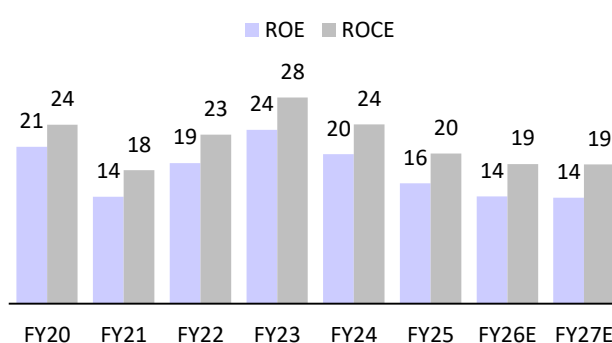


Exhibit 9: Trend in FCF (standalone)

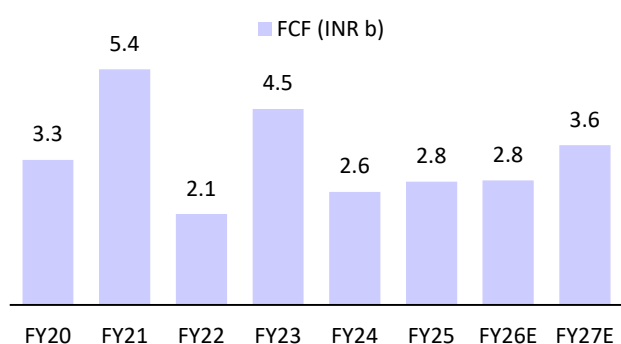
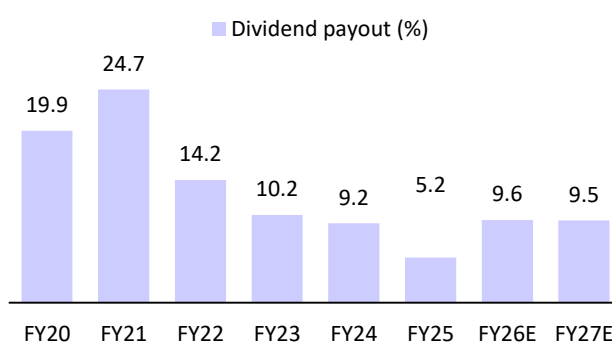


Exhibit 10: Trend in net debt (standalone)



Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Op. Revenues	42,761	42,558	63,593	72,360	76,105	78,925	85,486	94,266
Change (%)	-19.1	-0.5	49.4	13.8	5.2	3.7	8.3	10.3
EBITDA	5,454	5,029	7,113	8,803	9,239	9,606	10,537	12,082
Margin (%)	12.8	11.8	11.2	12.2	12.1	12.2	12.3	12.8
Depreciation	1,607	1,496	1,450	1,456	1,408	1,688	1,904	2,213
EBIT	3,847	3,532	5,662	7,347	7,832	7,918	8,633	9,869
Interest charges	288	191	118	216	295	247	200	175
Other Income	648	465	736	2,152	2,165	2,075	2,132	2,227
PBT bef. EO Exp.	4,207	3,807	6,280	9,283	9,701	9,745	10,565	11,921
EO Income/(Exp)	-29	-217	0	-527	0	5,499	0	0
PBT after EO Exp.	4,179	3,590	6,280	8,756	9,701	15,244	10,565	11,921
Current Tax	1,098	1,012	1,472	2,206	2,359	2,237	2,483	2,801
Deferred Tax	-224	-154	57	-103	-3	41	0	0
Tax Rate (%)	20.9	23.9	24.3	24.0	24.3	14.9	23.5	23.5
Reported PAT	3,305	2,732	4,752	6,652	7,345	12,967	8,082	9,120
Adjusted PAT	3,328	2,897	4,752	7,053	7,345	7,468	8,082	9,120
Change (%)	33.4	-13.0	64.0	48.4	4.1	1.7	8.2	12.8

Standalone - Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	188	193	193	193	193	194	194	194
Total Reserves	16,938	22,739	26,820	32,732	39,511	51,913	59,221	67,470
Net Worth	17,125	22,931	27,013	32,925	39,704	52,106	59,414	67,663
Total Loans	1,659	2,581	3,481	4,732	5,132	1,534	934	334
Capital Employed	18,785	25,512	30,494	37,657	44,837	53,640	60,348	67,997
Gross Block	15,898	16,641	18,229	19,045	21,324	25,146	29,262	33,961
Less: Accum. Deprn.	5,330	6,718	8,044	9,146	10,239	11,927	13,831	16,044
Net Fixed Assets	10,568	9,924	10,185	9,900	11,086	13,220	15,431	17,917
Goodwill on Consolidation								
Capital WIP	521	1,263	556	967	2,044	2,554	2,938	3,240
Total Investments	6,338	15,392	16,709	20,457	26,302	32,136	35,636	39,136
Curr. Assets, Loans&Adv.	10,296	12,715	16,224	17,615	18,178	17,852	19,535	22,171
Inventory	4,138	5,141	6,479	6,044	6,377	6,308	7,026	7,748
Account Receivables	4,392	6,055	7,612	6,882	9,318	9,579	10,539	11,622
Cash and Bank Balance	216	71	24	1,113	520	877	767	1,479
Loans and Advances	1,550	1,448	2,110	3,576	1,963	1,088	1,202	1,323
Curr. Liability & Prov.	8,938	13,808	13,180	11,282	12,773	12,123	13,192	14,467
Account Payables	6,310	11,458	11,408	9,307	10,980	9,710	10,539	11,622
Other Current Liabilities	2,123	1,925	1,399	1,437	1,141	1,633	1,874	2,066
Provisions	506	425	374	538	652	779	779	779
Net Current Assets	1,358	-1,093	3,044	6,334	5,405	5,730	6,342	7,704
Appl. of Funds	18,785	25,512	30,494	37,657	44,837	53,640	60,348	67,997

E: MOFSL Estimates

Financials and valuations

Ratios (standalone)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	17.7	15.0	24.6	36.5	38.0	38.6	41.8	47.1
Cash EPS	26.3	22.8	32.2	44.1	45.3	47.3	51.6	58.6
BV/Share	91.1	118.9	140.0	170.5	205.3	269.3	307.1	349.7
DPS	4	4	4	4	4	4	4	5
Payout (%)	19.9	24.7	14.2	10.2	9.2	5.2	9.6	9.5
Valuation (x)								
P/E	40.5	47.7	29.1	19.6	18.9	18.6	17.2	15.2
Cash P/E	27.3	31.5	22.3	16.3	15.8	15.2	13.9	12.2
P/BV	7.9	6.0	5.1	4.2	3.5	2.7	2.3	2.1
EV/Sales	3.2	3.3	2.2	2.0	1.9	1.8	1.6	1.5
EV/EBITDA	25.0	28.0	19.9	16.1	15.5	14.5	13.2	11.4
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
FCF per share	17.5	27.8	10.7	23.1	13.3	14.5	14.6	18.8
Return Ratios (%)								
RoIC	30.9	28.7	30.7	34.2	29.5	24.7	23.3	23.9
RoE	21.2	14.5	19.0	23.5	20.2	16.3	14.5	14.4
RoCE	24.2	18.0	22.8	27.9	24.2	20.3	18.9	18.8
Working Capital Ratios								
Fixed Asset Turnover (x)	2.7	2.6	3.5	3.8	3.6	3.1	2.9	2.8
Asset Turnover (x)	2.3	1.7	2.1	1.9	1.7	1.5	1.4	1.4
Inventory (Days)	35	44	37	30	31	29	30	30
Debtor (Days)	34	36	22	17	20	18	17	16
Creditor (Days)	54	98	65	47	53	45	45	45
Working Cap. Turnover (Days)	10	-10	17	26	23	22	24	24

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	4,179	3,807	6,280	8,756	9,701	15,244	10,565	11,921
Depreciation	1,531	1,428	1,450	1,456	1,408	1,688	1,904	2,213
Interest & Finance Charges	0	0	-42	0	0	0	-2,132	-2,227
Direct Taxes Paid	-1,181	-943	-1,392	-2,108	-2,423	-2,328	-2,483	-2,801
(Inc)/Dec in WC	784	2,481	-2,799	-815	-1,501	-838	-723	-649
Others	-50	-131	-240	-1,041	-1,244	-6,734	200	175
CF from Operating	5,263	6,641	3,258	6,248	5,941	7,033	7,332	8,631
(Inc)/Dec in FA	-1,969	-1,287	-1,197	-1,797	-3,377	-4,231	-4,500	-5,000
Free Cash Flow	3,294	5,354	2,061	4,451	2,564	2,802	2,832	3,631
(Pur)/Sale of Investments	-840	-2,053	322	-15	780	623	-3,500	-3,500
Others	647	-6,708	-2,029	-3,719	-2,919	1,437	2,132	2,227
CF from Investments	-2,161	-10,049	-2,904	-5,530	-5,516	-2,170	-5,868	-6,273
Issue of Shares	4	3,472	33	47	117	73	0	0
Inc/(Dec) in Debt	-1,829	410	384	1,262	-107	-3,652	-600	-600
Interest Paid	-267	-161	-98	-211	-310	-251	-200	-175
Dividend Paid	-924	-389	-667	-672	-674	-677	-774	-871
Others	522	-72	-69	-38	-43	0	0	0
CF from Fin. Activity	-2,494	3,261	-417	388	-1,017	-4,506	-1,574	-1,646
Inc/Dec of Cash	608	-146	-62	1,105	-592	357	-110	712
Opening Balance	-392	216	70	7	1,113	520	877	767
Closing Balance	216	70	7	1,113	520	877	767	1,479

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NOTES

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UNDER REVIEW	Rating may undergo a change
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