

Tube Investments of India

Estimate changes

TP change

Rating change



Bloomberg	TIINDIA IN
Equity Shares (m)	194
M.Cap.(INRb)/(USDb)	569.2 / 5.9
52-Week Range (INR)	3420 / 2165
1, 6, 12 Rel. Per (%)	10/6/3
12M Avg Val (INR M)	1169

Consol. Financials & Valuations (INR b)

INR b	FY26	FY27E	FY28E
Sales	85.6	92.5	100.0
EBITDA	10.8	10.7	12.4
Adj. PAT	8.4	8.2	9.5
EPS (INR)	43.4	42.1	49.1
EPS Gr. (%)	12.4	-2.9	16.6
BV/Sh. (INR)	309.4	347.6	391.7

Ratios

RoE (%)	15.0	12.8	13.3
RoCE (%)	19.4	16.9	17.4
Payout (%)	8.2	9.5	10.2

Valuations

P/E (x)	7.6	7.9	6.7
P/BV (x)	1.1	1.0	0.8
Div. Yield (%)	1.1	1.2	1.5
FCF Yield (%)	1.2	0.6	0.9

Shareholding pattern (%)

As of	Mar-26	Dec-25	Mar-25
Promoter	44.1	44.1	44.1
DII	22.2	20.1	16.6
FII	21.4	23.1	26.9
Others	12.3	12.7	12.4

FII includes depository receipts

CMP: INR2,941

TP: INR3,454 (+17%)

Buy

Earnings miss led by lower margin across segments

TI Medical and CDMO to ramp up in FY27

- Tube Investments' (TIINDIA) 4QFY26 adj. PAT at INR2.8b came in 7% below our est. due to a margin miss across segments amid input cost pressure.
- We cut our EPS estimates by 9%/4% for FY27/FY28 on the back of a cautious outlook for the auto sector and rising input cost pressure. Despite near-term margin headwinds, TIINDIA offers diversified revenue streams, with steady growth in core business (~6% S/A PAT CAGR over FY26E-28E) and CG Power, as well as the optionality of new businesses incubated under the TI-2 strategy. **We reiterate our BUY rating with a TP of ~INR3,454 (premised on FY28E SoTP; our valuation is based on a 20x PER for the standalone business, valuing the listed subsidiaries at a 35% HoldCo discount).**

Earnings miss due to margin pressure across segments

- TIINDIA's 4Q standalone revenues grew ~16% YoY to INR22.7b (in line).
- EBITDA margins contracted 340bp QoQ to 11% (200bp below our est.), led by subdued margin performance across segments.

Segmental performance:

- Mobility business revenue grew 15% YoY to INR2b (in line). However, EBIT margins contracted 40bp YoY to 2% vs. our est. of 3.2%.
- Engineering business revenue grew 21.7% YoY to INR14.9b (in line), and EBIT margin improved 30bp YoY (-180bp QoQ) to 11.8% (below our est of 13.2%).
- Metal-formed business revenue grew 4% YoY to INR4.2b (in line), whereas EBIT margin contracted 140bp YoY to 8.4% vs. our est. of 11.1%.
- Other business revenue grew 1% YoY to INR2.5b (8% above our est), and EBIT margins improved 110bp YoY to 6.4% vs. our est. of 8.9%.
- EBITDA grew 10% YoY to INR2.5b (13% below of est.).
- The company incurred a one-time expense of INR77.5m on account of changes in the labor code.
- Adjusted for this, PAT stood at INR2.8b, up 10% YoY (7% below our estimate).
- **FY26 performance:** Revenue/EBITDA/PAT grew 8%/13%/13% to INR85.5b/INR10.8b/INR8.5b. OCF/FCF stood at INR9b/INR7b.

Highlights from the management commentary

- Management indicated that volume growth remains strong. However, raw material prices are a headwind, with pass-through typically happening with a lag of 1-2 quarters. The company would look to offset this headwind through internal cost-reduction initiatives.

- The company is seeing an upswing in EV demand, especially in SCV and HCV, and has a strong HCV order book. Major challenges are finance availability and deployment of charging infrastructure.
- The Railway business is still under the product development stage. While TI is ready with the product, the customer needs government approval, and management expects progress over the next 2–3 quarters.
- The CRSS plant in Nashik is ramping up and is expected to reach 100% utilization by FY27 end or 1HFY28. The tube facility in Western India is currently at 30% utilization and is also expected to reach full utilization by FY27 or 1HFY28.
- The company expects 15-20% growth in TI Medical revenue in the near term.
- The CDMO plant is under final commissioning, with commercial production expected from 2Q.
- Core business capex for FY27 is expected to be in the INR3.0-3.5b range. Additional investments will be required for TICMPL and TI Medical, estimated at around INR3b for FY27.

Valuation and view

- We cut our EPS estimates by 9%/4% for FY27/FY28 on the back of a cautious outlook for the auto sector and rising input cost pressure. Despite near-term margin headwinds, TIINDIA offers diversified revenue streams, with steady growth in core business (~6% S/A PAT CAGR over FY26E-28E) and CG Power, as well as the optionality of new businesses incubated under the TI-2 strategy. **We reiterate our BUY rating with a TP of ~INR3,454 (premised on FY28E SoTP; our valuation is based on a 20x PER for the standalone business, valuing the listed subsidiaries at a 35% HoldCo discount).**

Quarterly performance (S/A)

Y/E March	FY25				FY26				FY25	FY26	4Q	VAV. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4Q			
Net Sales	19,603	20,648	19,102	19,573	20,066	21,190	21,522	22,786	78,925	85,564	22,060	3.3
YoY Change (%)	10.1	4.8	0.6	-0.3	2.4	2.6	12.7	16.4	3.7	8.4	12.7	
EBITDA	2,400	2,460	2,431	2,280	2,474	2,765	3,094	2,511	9,606	10,844	2,880	-12.8
YoY Change (%)	11.1	-2.1	1.5	5.0	3.1	12.4	27.3	10.1	4.0	12.9	26.3	
Margins (%)	12.2	11.9	12.7	11.6	12.3	13.1	14.4	11.0	12.2	12.7	13.1	-200bp
Depreciation	386	407	432	463	450	474	477	487	1,688	1,888	483	
Interest	72	69	54	52	37	16	14	11	247	78	23	
Other Income	137	261	175	1,502	234	229	78	1,593	2,075	2,110	1,598	-0.3
PBT before EO expense	2,079	2,245	2,120	3,267	2,221	2,504	2,681	3,606	9,745	10,988	3,972	-9.2
Tax	534	567	512	664	540	637	641	737	2,277	2,553	891	
Tax Rate (%)	25.7	25.3	24.2	20.3	24.3	25.4	25.3	24.0	23.4	23.2	22.4	
Adj PAT	1,545	1,678	1,607	2,603	1,681	1,868	2,005	2,861	7,468	8,472	3,080	-7.1
YoY Change (%)	4.6	-7.5	2.1	5.0	8.8	11.3	24.7	9.9	1.7	13.4	18.3	

Segmental Mix (INR m)
(INR M)

	FY25				FY26				FY25	FY26	4Q	VAV. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Mobility business	1,807	1,675	1,418	1,808	1,984	1,938	1,831	2,076	6,708	7,828	2,073	0.2
Growth (%)	(3.2)	(5.1)	(3.8)	17.5	9.8	15.7	29.1	14.8	1.0	16.7	14.7	
PBIT margin (%)	0.9	(0.2)	(0.6)	2.4	3.5	2.2	2.2	2.0	0.7	2.5	3.2	
Contribution (%)	9.2	8.1	7.4	9.2	9.9	9.1	8.5	9.1	8.5	9.1	9.4	
Engineering business	12,652	13,231	12,118	12,287	12,982	13,816	14,375	14,949	49,997	56,208	14,511	3.0
Growth (%)	10.8	3.8	(1.4)	(3.7)	2.6	4.4	18.6	21.7	1.0	12.4	18.1	
PBIT margin (%)	12.4	12.3	12.9	11.5	11.8	11.9	13.6	11.8	12.3	12.3	13.2	
Contribution (%)	64.5	64.1	63.4	62.8	64.7	65.2	66.8	65.6	63.3	65.7	65.8	
Metal formed business	3,576	4,044	3,997	4,031	3,658	4,079	4,084	4,209	15,938	16,058	4,170	0.9
Growth (%)	4.6	1.2	2.0	4.5	2.3	0.9	2.2	4.4	4.9	0.8	3.4	
PBIT margin (%)	10.0	11.3	10.1	9.8	10.0	10.9	11.3	8.4	10.1	10.1	11.1	
Contribution (%)	18.2	19.6	20.9	20.6	18.2	19.2	19.0	18.5	20.2	18.8	18.9	
Other business	2,469	2,433	2,524	2,441	2,363	2,269	2,137	2,460	9,866	9,229	2,282	7.8
Growth (%)	39.1	17.6	15.0	6.0	(4.3)	(6.7)	(15.3)	0.8	22.7	(6.5)	(6.5)	
PBIT margin (%)	6.1	3.6	4.5	5.2	7.2	8.1	8.9	6.4	4.8	7.6	8.9	
Contribution (%)	12.6	11.8	13.2	12.5	11.8	10.7	9.9	10.8	12.5	10.8	10.3	
Total Revenue (post inter segment)	19,603	20,648	19,102	19,573	20,066	21,190	21,522	22,786	78,925	85,564	22,060	
Growth (%)	10.1	4.8	0.6	(0.3)	2.4	2.6	12.7	16.4	3.7	8.4	12.7	



Highlights from the management commentary

FY26 performance

- FCF stood at INR3.13b in 4Q and INR8.26b in FY26, representing 100% of PAT. The company proposed a total dividend of INR3.5 per share for FY26.
- TII achieved ROIC of 44% in FY26.

Outlook

- Management indicated that volume growth remains strong. However, raw material prices are a headwind, with pass-through typically happening with a lag of 1-2 quarters. The company would look to offset this headwind through internal cost-reduction initiatives.

Update on Railway business

- The business is still under the product development stage. While TI is ready with the product, the customer needs government approval, and management expects progress over the next 2–3 quarters.

Update on Engineering business

- Revenue grew 21.7% YoY to INR14.9b, driven entirely by volume growth, with no price increase.
- The CRSS plant in Nashik is ramping up and is expected to reach 100% utilization by FY27 end or 1HFY28.
- The tube facility in Western India is currently at 30% utilization and is also expected to reach full utilization by FY27 or 1HFY28.
- Management will evaluate further capacity expansion after six months.

Update on metal formed business

- Growth in MFD segment has been slow due to three reasons – 1) the absence of profitability in the railway tender business, 2) delays in product approval from private players, and 3) subdued performance from HMIL.
- HMIL is likely to improve performance in FY27, led by its new launches.

Update on TI Clean Mobility

- 4Q volumes stood at 87 units in MHCV, 241 units in SCV, 1,176 units in 3W, and nil in tractors.
- The company is seeing an upswing in EV demand, especially in SCV and HCV, and has a strong HCV order book. The main challenges are finance availability and deployment of charging infrastructure.
- Management indicated that with the advent of fast-charging and larger battery sizes, battery swapping may not be the preferred solution for long-haul vehicles. The company is ready with both technologies, though management expects the traditional charging model to be more relevant for long-haul routes.
- In HCV, there are 11 players, and TICMPL was the market leader with 28% market share. In SCV, 4Q market share was 27% with high competitive intensity.
- In 3W, the upgraded SuperAuto introduced in 2QFY25 is gaining traction. The earlier supplier-side BIW issue limited the production to 50% of capacity, but this has now been resolved after TII took over the supplier facility. 1Q should operate at normal capacity, supported by demand and customer acceptance.

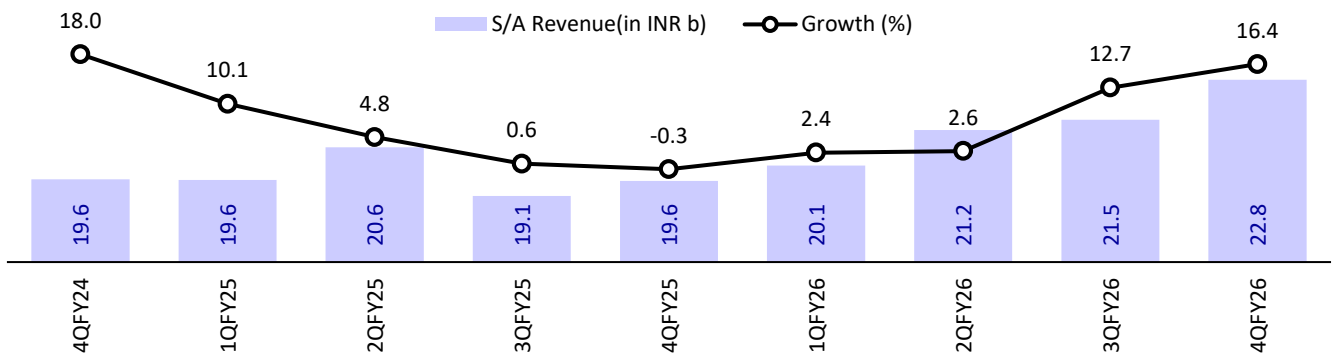
Update on TI Medical and CDMO

- TI Medical is facing headwinds in the Middle East, which was earlier a strong market. It is now increasing its focus on Europe and Southeast Asia markets.
- TI recently acquired the IV cannula business of Medicura through an asset purchase. The purchase is complete and the Ambala plant approval is in progress, along with team hiring. The transaction is expected to close by 1Q, with operations starting in 2Q. The entity does not generate revenue currently.
- The company expects 15-20% growth in TI Medical revenue in the near term.
- The CDMO plant is under final commissioning, with commercial production expected from 2Q.

Update on capex and investments

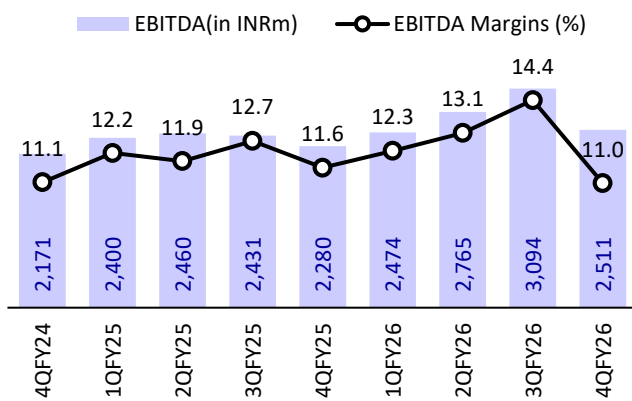
- Core business capex in FY27 would be around INR3.0-3.5b. Additional investments for TICMPL and TI Medical are estimated at around INR3b in FY27.

Exhibit 1: Trends in SA revenue and revenue growth



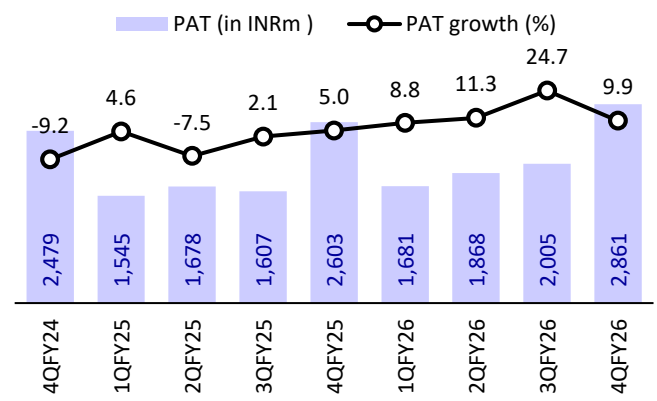
Source: Company, MOFSL

Exhibit 2: Trend in standalone EBITDA margin



Source: Company, MOFSL

Exhibit 3: Trends in PAT and PAT growth



Source: Company, MOFSL

Valuation and view

- Two of the standalone entity’s business segments, viz., Engineering and Metal Formed divisions, which contribute ~80% of its revenue, are dependent on the auto business. While the GST rate reduction has helped revive auto demand across segments, the near-term outlook for the sector has turned cautious given the potential impact of the ongoing geopolitical issues on the economy. We, hence, expect the standalone business to post a steady CAGR of 8%/7%/6% in revenue/EBITDA/PAT over FY26-28E.
- TII uses the cash flow from the domestic business to incubate future growth platforms (TI-2) and for opportunistic acquisitions of stressed assets (TI-3) at attractive prices. The TI-2 business, based on the venture capital model, has seen the seeding of several businesses, such as TICMPL (e-3Ws, e-tractors, e-CVs, e-SCVs), Sedis (Industrial chains in France), TI Medical (manufacturer of medical and surgical consumables), and 3XPER Innoventure (CDMO and API business). Additionally, it is looking to foray into electronics manufacturing in India as a play on localization. These businesses offer huge potential, though it may take time for them to scale up. However, given the nascent stage of each of these businesses, we have not given any value to any of these businesses in our SoTP. These businesses provide optionality for the core.
- **Valuation and view:** We cut our EPS estimates by 9%/4% for FY27/FY28 on the back of a cautious outlook for the auto sector and rising input cost pressure. Despite near-term margin headwinds, TIINDIA offers diversified revenue streams, with steady growth in core business (~6% S/A PAT CAGR over FY26E-28E) and CG Power, as well as the optionality of new businesses incubated

under the TI-2 strategy. **We reiterate our BUY rating with a TP of ~INR3,454 (premised on FY28E SoTP; our valuation is based on a 20x PER for the standalone business, valuing the listed subsidiaries at a 35% HoldCo discount).**

Exhibit 4: Our revised estimates (standalone)

(INR b)	FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	92,468	91,578	1.0	99,990	99,034	1.0
EBITDA Margin (%)	11.5	12.6	-109.5bp	12.4	13.0	-53.1bp
PAT	8,152	8,907	-8.5	9,504	9,881	-3.8
EPS (Rs)	42.1	46.0	-8.5	49.1	51.1	-3.8

Exhibit 5: Our SoTP-based TP

SOTP (INR/Share)		FY26	FY27E	FY28E
Value of S/A Business @ 20x Core EPS	PE @ 20x	837	721	846
Value of listed subs post hold-co discount (35%)				
Shanthi gear	440	80	80	80
CG power	849	2,527	2,527	2,527
Fair value (INR/Share)		3,444	3,328	3,454

Story in charts

Exhibit 6: Trend in standalone sales

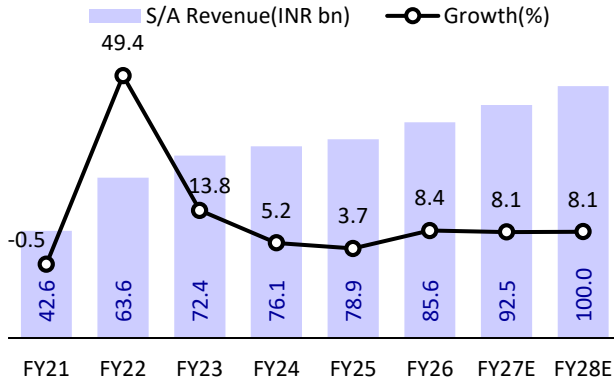


Exhibit 7: Trend in standalone EBITDA

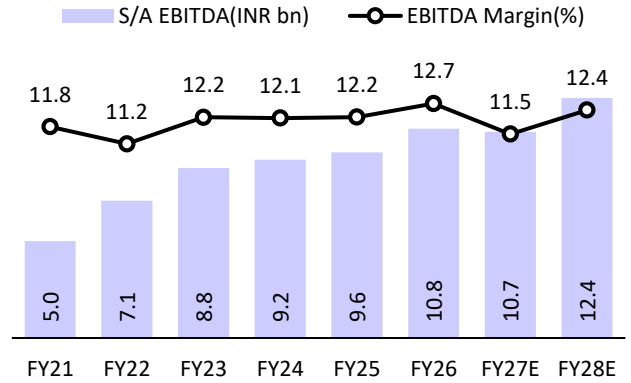


Exhibit 8: Trend in standalone PAT

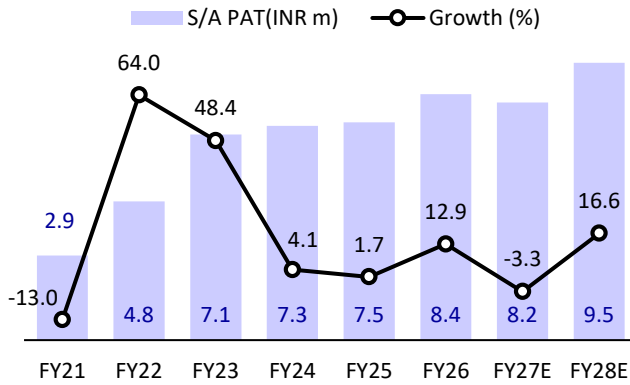


Exhibit 9: Trend in standalone capital efficiency

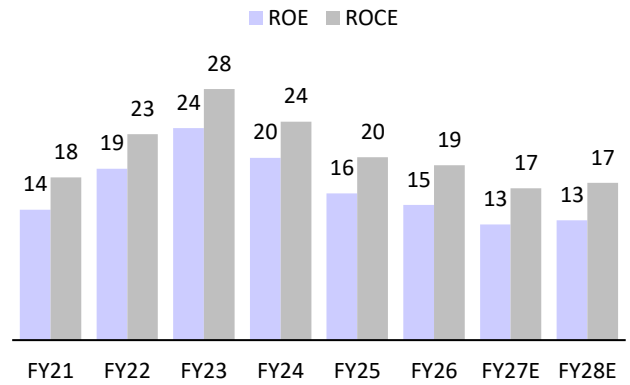


Exhibit 10: FCF dipped in FY24 mainly due to higher capex

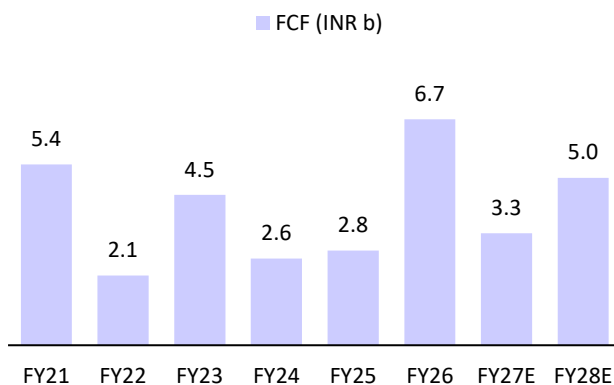
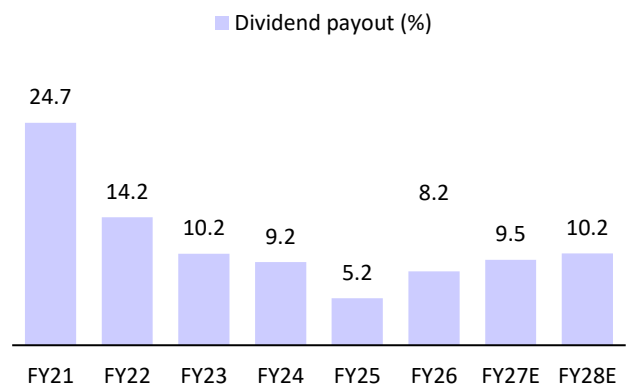


Exhibit 11: Dividend payout over the years



Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Op. Revenues	42,558	63,593	72,360	76,105	78,925	85,564	92,468	99,990
Change (%)	-0.5	49.4	13.8	5.2	3.7	8.4	8.1	8.1
EBITDA	5,029	7,113	8,803	9,239	9,606	10,844	10,673	12,434
Change (%)	(7.8)	41.4	23.8	5.0	4.0	12.9	(1.6)	16.5
Margin (%)	11.8	11.2	12.2	12.1	12.2	12.7	11.5	12.4
Depreciation	1,496	1,450	1,456	1,408	1,688	1,888	2,185	2,412
EBIT	3,532	5,662	7,347	7,832	7,918	8,956	8,489	10,022
Interest charges	191	118	216	295	247	78	140	125
Other Income	465	736	2,152	2,165	2,075	2,110	2,307	2,527
PBT bef. EO Exp.	3,807	6,280	9,283	9,701	9,745	10,988	10,656	12,424
EO Income/(Exp)	-217	0	-527	0	5,499	-160	0	0
PBT after EO Exp.	3,590	6,280	8,756	9,701	15,244	10,828	10,656	12,424
Current Tax	1,012	1,472	2,206	2,359	2,237	2,553	2,504	2,920
Deferred Tax	-154	57	-103	-3	41	2	0	0
Tax Rate (%)	23.9	24.3	24.0	24.3	14.9	23.6	23.5	23.5
Reported PAT	2,732	4,752	6,652	7,345	12,967	8,274	8,152	9,504
Adjusted PAT	2,897	4,752	7,053	7,345	7,468	8,395	8,152	9,504
Change (%)	-13.0	64.0	48.4	4.1	1.7	12.4	-2.9	16.6

Standalone - Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	193	193	193	193	194	194	194	194
Total Reserves	22,739	26,820	32,732	39,511	51,913	59,680	67,058	75,595
Net Worth	22,931	27,013	32,925	39,704	52,106	59,874	67,251	75,788
Total Loans	2,581	3,481	4,732	5,132	1,534	504	444	384
Capital Employed	25,512	30,494	37,657	44,837	53,640	60,378	67,695	76,172
Gross Block	16,641	18,229	19,045	21,324	24,972	29,062	32,480	36,428
Less: Accum. Deprn.	6,718	8,044	9,146	10,239	11,752	13,640	15,825	18,236
Net Fixed Assets	9,924	10,185	9,900	11,086	13,220	15,422	16,655	18,191
Capital WIP	1,263	556	967	2,044	2,554	561	642	694
Total Investments	15,392	16,709	20,457	26,302	32,136	38,568	43,268	49,668
Curr. Assets, Loans&Adv.	12,715	16,224	17,615	18,178	17,852	20,375	21,276	22,857
Inventory	5,141	6,479	6,044	6,377	6,308	7,102	7,600	8,218
Account Receivables	6,055	7,612	6,882	9,318	9,579	11,104	11,400	12,328
Cash and Bank Balance	71	24	1,113	520	877	553	498	430
Loans and Advances	1,448	2,110	3,576	1,963	1,088	1,615	1,778	1,881
Curr. Liability & Prov.	13,808	13,180	11,282	12,773	12,123	14,547	14,146	15,238
Account Payables	11,458	11,408	9,307	10,980	9,710	12,394	11,400	12,328
Other Current Liabilities	1,925	1,399	1,437	1,141	1,633	1,434	2,027	2,192
Provisions	425	374	538	652	779	719	719	719
Net Current Assets	-1,093	3,044	6,334	5,405	5,730	5,828	7,130	7,619
Appl. of Funds	25,512	30,494	37,657	44,837	53,640	60,378	67,695	76,172

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	15.0	24.6	36.5	38.0	38.6	43.4	42.1	49.1
Cash EPS	22.8	32.2	44.1	45.3	47.3	53.1	53.4	61.6
BV/Share	118.9	140.0	170.5	205.3	269.3	309.4	347.6	391.7
DPS	4	4	4	4	4	4	4	5
Payout (%)	24.7	14.2	10.2	9.2	5.2	8.2	9.5	10.2
Valuation (x)								
P/E	22.0	13.4	9.1	8.7	8.6	7.6	7.9	6.7
Cash P/E	14.5	10.3	7.5	7.3	7.0	6.2	6.2	5.4
P/BV	2.8	2.4	1.9	1.6	1.2	1.1	1.0	0.8
EV/Sales	1.6	1.1	0.9	0.9	0.8	0.7	0.7	0.6
EV/EBITDA	13.2	9.5	7.7	7.4	6.7	5.9	6.0	5.1
Dividend Yield (%)	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.5
FCF per share	27.8	10.7	23.1	13.3	14.5	34.6	17.1	25.6
Return Ratios (%)								
RoIC	28.7	30.7	34.2	29.5	24.7	25.1	20.7	22.0
RoE	14.5	19.0	23.5	20.2	16.3	15.0	12.8	13.3
RoCE	18.0	22.8	27.9	24.2	20.3	19.4	16.9	17.4
Working Capital Ratios								
Fixed Asset Turnover (x)	2.6	3.5	3.8	3.6	3.2	2.9	2.8	2.7
Asset Turnover (x)	1.7	2.1	1.9	1.7	1.5	1.4	1.4	1.3
Inventory (Days)	44	37	30	31	29	30	30	30
Debtor (Days)	52	44	35	45	44	47	45	45
Creditor (Days)	98	65	47	53	45	53	45	45
Working Cap. Turnover (Days)	-10	17	26	23	22	23	26	26

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	3,807	6,280	8,756	9,701	15,244	10,828	10,656	12,424
Depreciation	1,428	1,450	1,456	1,408	1,688	1,888	2,185	2,412
Interest & Finance Charges	0	-42	0	0	0	0	-2,307	-2,527
Direct Taxes Paid	-943	-1,392	-2,108	-2,423	-2,328	-2,311	-2,504	-2,920
(Inc)/Dec in WC	2,481	-2,799	-815	-1,501	-838	104	-1,357	-556
Others	-131	-240	-1,041	-1,244	-6,734	-1,526	140	125
CF from Operating	6,641	3,258	6,248	5,941	7,033	8,982	6,812	8,958
(Inc)/Dec in FA	-1,287	-1,197	-1,797	-3,377	-4,231	-2,291	-3,500	-4,000
Free Cash Flow	5,354	2,061	4,451	2,564	2,802	6,691	3,312	4,958
(Pur)/Sale of Investments	-2,053	322	-15	780	623	-6,835	-4,700	-6,400
Others	-6,708	-2,029	-3,719	-2,919	1,437	1,588	2,307	2,527
CF from Investments	-10,049	-2,904	-5,530	-5,516	-2,170	-7,539	-5,893	-7,873
Issue of Shares	3,472	33	47	117	73	35	0	0
Inc/(Dec) in Debt	410	384	1,262	-107	-3,607	-1,000	-60	-60
Interest Paid	-161	-98	-211	-310	-251	-78	-140	-125
Dividend Paid	-389	-667	-672	-674	-677	-677	-774	-968
Others	-72	-69	-38	-43	-45	-46	0	0
CF from Fin. Activity	3,261	-417	388	-1,017	-4,506	-1,767	-974	-1,153
Inc/Dec of Cash	-146	-62	1,105	-592	357	-324	-55	-68
Opening Balance	216	70	7	1,113	520	877	553	498
Closing Balance	70	7	1,113	520	877	553	498	430

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NOTES

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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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