

Asian Markets Rating **ACCUMULATE**

|             |       |
|-------------|-------|
| CMP (Rs)    | 978   |
| Target (Rs) | 1,095 |
| Upside (%)  | 12%   |

Nifty: 21,772      Sensex: 71,731

**Key Stock Data**

|                            |          |
|----------------------------|----------|
| Bloomberg                  | TRPC IN  |
| Shares O/s Mn (FV INR 2.0) | 77.6     |
| Mkt Cap (USD Bn/INR Bn)    | 0.9/76   |
| 52-week high/low           | 1080/591 |
| 6m daily avg vol (INR Mn)  | 68       |
| Free Float %               | 30       |

**Price Performance**

| (%)        | 3m   | 1yr  | 3yr   |
|------------|------|------|-------|
| TRPC       | 20.0 | 60.7 | 292.5 |
| Nifty      | 13.4 | 23.7 | 52.2  |
| NSE500     | 17.0 | 34.5 | 68.4  |
| BSE Midcap | 22.9 | 61.0 | 107.5 |

**Shareholding Pattern**

| (%)      | Jun23 | Sep23 | Dec23 |
|----------|-------|-------|-------|
| Promoter | 66.6  | 69.0  | 69.0  |
| FII      | 3.1   | 3.3   | 3.3   |
| DII      | 11.0  | 10.9  | 10.8  |
| Others   | 19.3  | 16.7  | 16.8  |

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|                               |                                |                   |
|-------------------------------|--------------------------------|-------------------|
| <b>FY23-26E Earnings CAGR</b> | <b>CF &amp; Return Profile</b> | <b>Valuations</b> |
| 14%                           | Moderate                       | Attractive        |

**Muted performance amidst sluggish macros**

- Revenue growth of 3.7% y-o-y to Rs 10.2bn is muted as core dependent sectors like engineering, textiles & capital goods were sluggish. SCM business continues to lead the growth as its core dependent sector, automobile maintaining the growth trajectory.
- Despite festivity, Freight business was flat as core industries were bit soft whereas coastal shipping continued to slide due to no new capacity addition and normalization of bunker rates.
- EBITDA margin compressed by 180bps y-o-y to 10% but remained stable sequentially. Margin compression is largely on account of lower contribution from high margin coastal shipping division. Freight business also witnessed margin pressure because of lower LTL business. Net profit was lower by 6.5% y-o-y to Rs 802mn, owing to margin pressure. Share of profit from JVs remained healthy (mainly from Transystem)

**SCM: Decent growth despite high base**

SCM segment which is largely dependent (~75%) on automobile sector holding the growth trajectory amidst recovery in automobile sector. SCM revenue grew by 16.4% y-o-y to Rs 3.9bn with a four years CQGR of 12%. Despite inflation across cost items, consolidated EBIT margin at 6.5% improved by 50bps y-o-y owing to improved revenue traction. We remain positive on SCM business over the medium to longer term on the back of superior offerings, wide client base and hybrid business model. Further, customers push for efficiencies and integrated single-window solutions across the value chain are also making good roads for SCM and warehousing business.

**Freight segment – Core dependent sectors need to improve for growth revival.**

Tepid & slowing growth over the last few quarters is largely on account of softness in key dependant sectors. On a four-year basis, freight division witnessed a CQGR of 7% which we believe is largely pricing led. Further, margin was lower compared to same quarter last year when it was unusually high. On a sequential basis, EBIT margin of freight segment remained stable. Going ahead, growth improvement will depend on recovery in core sectors which we believe may take some pause.

**Coastal Shipping – High base & static capacity affecting growth.**

Revenue decline of 16% y-o-y is on the back of high base (15% y-o-y), normalised bunker rates and lower neighbouring countries cargo. On a four-year CQGR basis, revenue grew by 12%. Margin of coastal shipping remained under pressure (lower by 480bps y-o-y) because bunker rates normalisation and lower volume.

**Good run in the stock price limits upside potential.**

On the back of attractive valuation and consistent performance, stock price of TCI witnessed a good run (63% /32% & 23% over last 12, 6 and 3 months respectively) which limits upside potential from the near-medium term. However, we maintain our positive stance on TCI on the back of its large logistics infrastructure and proven track record of execution across verticals which will help it winning new accounts/clients across verticals. Further, its return ratios will continue to improve due to favourable change in business mix and prudent capital allocation. **Despite expected capex of Rs 4-5bn over the next three years, TCI will generate cumulative FCF of ~Rs 8bn over FY24-26E and its cash conversions remains healthy as its average pre-tax OCF/EBITDA over the last five years stands at 99%.** Lowering our rating to 'Accumulate' from 'Buy' earlier and assigning TP of Rs 1,095 valuing at 18x FY26E earnings.

**Exhibit 1: Key Financials**

| Y/E Mar (Rs mn) | FY22   | FY23   | FY24E  | FY25E  | FY26E  |
|-----------------|--------|--------|--------|--------|--------|
| Sales           | 32,567 | 37,826 | 39,951 | 44,654 | 49,951 |
| yoy (%)         | 16.2   | 16.1   | 5.6    | 11.8   | 11.9   |
| EBITDA          | 4,087  | 4,240  | 4,115  | 5,001  | 5,744  |
| yoy (%)         | 56.5   | 3.7    | (3.0)  | 21.5   | 14.9   |
| Net Profit      | 2,928  | 3,173  | 3,325  | 4,070  | 4,719  |
| yoy (%)         | 99.0   | 8.4    | 4.8    | 22.4   | 15.9   |
| EBITDAM (%)     | 12.6   | 11.2   | 10.3   | 11.2   | 11.5   |
| Equity          | 155    | 155    | 155    | 155    | 155    |
| EPS             | 37.9   | 40.9   | 42.9   | 52.5   | 60.9   |

Source: Company, AMSEC Research

**Exhibit 2: Key Indicators**

| Y/E Mar       | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------|------|------|-------|-------|-------|
| RoE (%)       | 22.5 | 20.3 | 18.0  | 18.9  | 18.6  |
| RoCE (%)      | 20.8 | 19.5 | 16.2  | 17.6  | 17.7  |
| ROIC (%)      | 19.7 | 18.2 | 16.0  | 18.3  | 19.2  |
| DE            | 0.0  | 0.0  | 0.0   | 0.0   | 0.0   |
| PER (x)       | 16.7 | 15.6 | 22.8  | 18.6  | 16.1  |
| P/BV (x)      | 3.4  | 2.9  | 3.8   | 3.3   | 2.8   |
| EV/Sales (x)  | 1.5  | 1.3  | 1.8   | 1.6   | 1.4   |
| EV/EBITDA (x) | 11.9 | 11.4 | 17.6  | 14.2  | 12.0  |
| Div Yield (%) | 0.8  | 1.1  | 0.7   | 0.8   | 0.9   |


**Exhibit 3: Quarterly Financials (Consolidated)**

| Particulars (Rs. mn)          | Q3FY23         | Q4FY23         | Q1FY24         | Q2FY24         | Q3FY24          | Y-o-y change  | Q-o-q change | 9MFY24          | 9MFY23          | Y-o-y change |
|-------------------------------|----------------|----------------|----------------|----------------|-----------------|---------------|--------------|-----------------|-----------------|--------------|
| <b>Income from operations</b> | <b>9,667.0</b> | <b>9,793.3</b> | <b>9,498.0</b> | <b>9,935.0</b> | <b>10,020.0</b> | <b>3.7%</b>   | <b>0.9%</b>  | <b>29,453.0</b> | <b>28,017.0</b> | <b>5.1%</b>  |
| Less: Expenditures            |                |                |                |                |                 |               |              |                 |                 |              |
| Operating cost                | 7,702.2        | 7,837.6        | 7,595.0        | 8,017.0        | 8,067.0         | 4.7%          | 0.6%         | 23,679.0        | 22,469.0        | 5.4%         |
| Staff cost                    | 492.8          | 509.7          | 555.0          | 568.0          | 566.0           | 14.9%         | -0.4%        | 1,689.0         | 1,455.6         | 16.0%        |
| Other operating & admin cost  | 327.9          | 365.5          | 340.0          | 346.0          | 388.0           | 18.3%         | 12.1%        | 1,074.0         | 948.2           | 13.3%        |
| <b>EBITDA</b>                 | <b>1,144.1</b> | <b>1,080.5</b> | <b>1,008.0</b> | <b>1,004.0</b> | <b>999.0</b>    | <b>-12.7%</b> | <b>-0.5%</b> | <b>3,011.0</b>  | <b>3,144.2</b>  | <b>-4.2%</b> |
| Other Income                  | 70.5           | 120.7          | 85.0           | 113.0          | 95.0            | 34.8%         | -15.9%       | 293.0           | 197.4           | 48.4%        |
| Depreciation                  | 313.9          | 311.0          | 308.0          | 311.0          | 331.0           | 5.4%          | 6.4%         | 950.0           | 903.1           | 5.2%         |
| <b>EBIT</b>                   | <b>900.7</b>   | <b>890.2</b>   | <b>785.0</b>   | <b>806.0</b>   | <b>763.0</b>    | <b>-15.3%</b> | <b>-5.3%</b> | <b>2,354.0</b>  | <b>2,438.5</b>  | <b>-3.5%</b> |
| Interest                      | 26.1           | 23.6           | 23.0           | 34.0           | 35.0            | 34.1%         | 2.9%         | 92.0            | 74.6            | 23.3%        |
| <b>Profit Before Tax</b>      | <b>874.6</b>   | <b>866.6</b>   | <b>762.0</b>   | <b>772.0</b>   | <b>728.0</b>    | <b>-16.8%</b> | <b>-5.7%</b> | <b>2,262.0</b>  | <b>2,363.9</b>  | <b>-4.3%</b> |
| Tax                           | 110.4          | 114.7          | 104.0          | 96.0           | 108.0           | -2.2%         | 12.5%        | 308.0           | 319.7           | -3.7%        |
| <b>Profit after Tax</b>       | <b>764.2</b>   | <b>751.9</b>   | <b>658.0</b>   | <b>676.0</b>   | <b>620.0</b>    | <b>-18.9%</b> | <b>-8.3%</b> | <b>1,954.0</b>  | <b>2,044.2</b>  | <b>-4.4%</b> |
| Extraordinary items           | -              | 33.8           | 9.0            | -              | -               |               |              | 9.0             | -               |              |
| <b>Net Profit</b>             | <b>764.2</b>   | <b>718.1</b>   | <b>649.0</b>   | <b>676.0</b>   | <b>620.0</b>    | <b>-18.9%</b> | <b>-8.3%</b> | <b>1,945.0</b>  | <b>2,044.2</b>  | <b>-4.9%</b> |
| share in profits              | 101.8          | 106.0          | 174.0          | 202.0          | 182.0           | 78.8%         | -9.9%        | 558.0           | 337.6           | 65.3%        |
| Minority Int                  | 8.2            | 9.3            | 9.0            | (8.0)          | (8.0)           | -197.6%       | 0.0%         | (7.0)           | 23.2            | -130.2%      |
| <b>Net Profit</b>             | <b>857.8</b>   | <b>814.8</b>   | <b>832.0</b>   | <b>870.0</b>   | <b>794.0</b>    | <b>-7.4%</b>  | <b>-8.7%</b> | <b>2,496.0</b>  | <b>2,405.0</b>  | <b>3.8%</b>  |
| EPS                           | 11.1           | 10.5           | 10.7           | 11.2           | 10.2            | -7.4%         | 4.6%         | 32.19           | 30.4            | 5.8%         |
| <b>Operating Matrix</b>       |                |                |                |                |                 | <b>bps</b>    | <b>bps</b>   |                 |                 | <b>bps</b>   |
| Operating cost/Sales          | 79.7%          | 80.0%          | 80.0%          | 80.7%          | 80.5%           | 83            | -19          | 80.4%           | 80.2%           | 20           |
| Staff cost/Sales              | 5.1%           | 5.2%           | 5.8%           | 5.7%           | 5.6%            | 55            | -7           | 5.7%            | 5.2%            | 54           |
| Others/Sales                  | 3.4%           | 3.7%           | 3.6%           | 3.5%           | 3.9%            | 48            | 39           | 3.6%            | 3.4%            | 26           |
| <b>EBITDA Margin</b>          | <b>11.8%</b>   | <b>11.0%</b>   | <b>10.6%</b>   | <b>10.1%</b>   | <b>10.0%</b>    | <b>-187</b>   | <b>-14</b>   | <b>10.2%</b>    | <b>11.2%</b>    | <b>-100</b>  |
| Net Margin                    | 8.9%           | 8.3%           | 8.8%           | 8.8%           | 7.9%            | -95           | -83          | 8.5%            | 8.6%            | -11          |
| ETR                           | 12.6%          | 13.2%          | 13.6%          | 12.4%          | 14.8%           | 221           | 240          | 13.6%           | 13.5%           | 9            |

Source: Company, AMSEC Research

**Exhibit 4: Segmental Highlights**

| Segmental Highlights   | Q3FY23         | Q4FY23         | Q1FY24         | Q2FY24         | Q3FY24          | Y-o-y change  | Q-o-q change | 9MFY24          | 9MFY23          | Y-o-y change  |
|------------------------|----------------|----------------|----------------|----------------|-----------------|---------------|--------------|-----------------|-----------------|---------------|
| <b>Revenue (Rs mn)</b> |                |                |                |                |                 |               |              |                 |                 |               |
| Freight                | 4,826.4        | 5,045.7        | 4,754.0        | 4,818.0        | 4,856.0         | 0.6%          | 0.8%         | 14,428.0        | 14,151.7        | 2.0%          |
| SCM                    | 3,335.3        | 3,462.4        | 3,630.0        | 3,907.0        | 3,882.0         | 16.4%         | -0.6%        | 11,419.0        | 9,942.2         | 14.9%         |
| Coastal Shipping       | 1,702.2        | 1,521.1        | 1,254.0        | 1,354.0        | 1,426.0         | -16.2%        | 5.3%         | 4,034.0         | 4,468.4         | -9.7%         |
| Wind                   | 15.2           | 10.6           | 16.0           | 21.0           | 7.0             | -53.9%        | -66.7%       | 44.0            | 49.8            | -11.6%        |
| Others/inter segment   | (212.1)        | (246.5)        | (156.0)        | (165.0)        | (151.0)         | -28.8%        | -8.5%        | (472.0)         | (595.1)         | -20.7%        |
| <b>Total</b>           | <b>9,667.0</b> | <b>9,793.3</b> | <b>9,498.0</b> | <b>9,935.0</b> | <b>10,020.0</b> | <b>3.7%</b>   | <b>0.9%</b>  | <b>29,453.0</b> | <b>28,017.0</b> | <b>5.1%</b>   |
| <b>EBIT (Rs mn)</b>    |                |                |                |                |                 |               |              |                 |                 |               |
| Freight                | 272.8          | 214.1          | 156.0          | 143.0          | 149.0           | -45.4%        | 4.2%         | 448.0           | 625.8           | -28.4%        |
| SCM                    | 200.3          | 226.0          | 229.0          | 262.0          | 253.0           | 26.3%         | -3.4%        | 744.0           | 592.1           | 25.7%         |
| Coastal Shipping       | 458.3          | 421.6          | 366.0          | 310.0          | 315.0           | -31.3%        | 1.6%         | 991.0           | 1,223.2         | -19.0%        |
| Wind                   | 8.5            | 3.4            | 8.0            | 12.0           | -               | -100.0%       | -100.0%      | 20.0            | 25.9            | -22.8%        |
| <b>Total</b>           | <b>939.9</b>   | <b>865.1</b>   | <b>759.0</b>   | <b>727.0</b>   | <b>717.0</b>    | <b>-23.7%</b> | <b>-1.4%</b> | <b>2,203.0</b>  | <b>2,467.0</b>  | <b>-10.7%</b> |
| <b>EBIT %</b>          |                |                |                |                |                 | <b>bps</b>    | <b>bps</b>   |                 |                 | <b>bps</b>    |
| Transport              | 5.7%           | 4.2%           | 3.3%           | 3.0%           | 3.1%            | (258)         | 10           | 3.1%            | 4.4%            | (132)         |
| SCM                    | 6.0%           | 6.5%           | 6.3%           | 6.7%           | 6.5%            | 51            | (19)         | 6.5%            | 6.0%            | 56            |
| Coastal Shipping       | 26.9%          | 27.7%          | 29.2%          | 22.9%          | 22.1%           | (483)         | (81)         | 24.6%           | 27.4%           | (281)         |
| Wind                   | 55.9%          | 32.1%          | 50.0%          | 57.1%          | 0.0%            | (5,592)       | (5,714)      | 45.5%           | 52.0%           | (655)         |
| <b>Total</b>           | <b>9.7%</b>    | <b>8.8%</b>    | <b>8.0%</b>    | <b>7.3%</b>    | <b>7.2%</b>     | <b>(257)</b>  | <b>(16)</b>  | <b>7.5%</b>     | <b>8.8%</b>     | <b>(133)</b>  |

Source: Company, AMSEC Research

## **Earnings call KTAs**

### **Performance**

- Witnessed slowdowns across key dependent sectors which in turn limits the growth.
- Not chasing low margin business, preference remains towards profitable growth.
- Revision in growth guidance from 10-15% earlier to 5-10% for FY24.

### **Freight Business**

- General slowdown is reflected in lower growth in FTL business. TCI is not chasing revenue growth at the cost of margin.
- Witnessing some competitive pressure especially in LTL business.
- Opened 30 new branches in 9MFY24. Targeting 50 branches in FY24. Typically, a new branch takes ~1 year for any positive contribution in profitability.
- Witnessed some improvement in LTL segment (37% of freight business in 9MFY24).

### **SCM**

- Ex of agricultural vehicles, all auto verticals are performing well and driving business growth.
- Multimodal services is witnessing good traction.
- Likely to maintain growth momentum over the medium term.

### **Coastal Shipping**

- Competition (especially from foreign vessels through floating or opportunistic capacity) is increasing especially in western coast, which is also impacting the freight rates.
- Tile movement (major cargo) from west to south is witnessing moderation.
- Weak freight rates and stable fuel rates impacted EBITDA margin.

### **JV & Associates performance (9MFY24)**

- **TCI CONCOR:** Sales grew by 6% y-o-y to Rs 2,387mn with PAT of Rs 40mn
- **Cold chain:** Sales grew by 25.8% y-o-y to Rs 573mn with PAT of Rs 29mn
- **Transystem:** Sales grew by 49% y-o-y to Rs 7,288mn with an improvement in profitability. PAT stands at Rs 1,036mn. Healthy growth over the last 12-18 months is largely due to good performance of Toyota-Kirloskar and other Japanese OEMs.

### **Other KTAs**

- Incurred capex of Rs 1.47bn in 9MFY24. For full FY24, capex will be around Rs 2bn including part (advance) payment for new ship for coastal shipping division.
- Increase in tax rate is on account of lower contribution from low taxed coastal shipping division.
- EBITDA margin will be around 10-11% range over the medium term.


**Financials (Consolidated)**

(Rs mn)

**Profit and Loss Statement**

| Y/E (Mar)                         | FY22          | FY23          | FY24E         | FY25E         | FY26E         |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Operating Income</b>           | <b>32,567</b> | <b>37,826</b> | <b>39,951</b> | <b>44,654</b> | <b>49,951</b> |
| Other operating income            |               |               |               |               |               |
| Operating expenses                | 25,766        | 30,307        | 32,360        | 35,991        | 40,111        |
| Staff expenses                    | 1,700         | 1,965         | 2,077         | 2,233         | 2,498         |
| Selling, admin and other expenses | 1,013         | 1,314         | 1,398         | 1,429         | 1,598         |
| <b>EBITDA</b>                     | <b>4,087</b>  | <b>4,240</b>  | <b>4,115</b>  | <b>5,001</b>  | <b>5,744</b>  |
| Depreciation                      | 1,130         | 1,214         | 1,309         | 1,438         | 1,618         |
| <b>Operating profit</b>           | <b>2,957</b>  | <b>3,026</b>  | <b>2,806</b>  | <b>3,563</b>  | <b>4,126</b>  |
| Other income                      | 199           | 303           | 420           | 500           | 600           |
| <b>EBIT</b>                       | <b>3,156</b>  | <b>3,329</b>  | <b>3,226</b>  | <b>4,063</b>  | <b>4,726</b>  |
| Interest                          | 128           | 98            | 113           | 113           | 113           |
| <b>Profit before tax</b>          | <b>3,028</b>  | <b>3,231</b>  | <b>3,114</b>  | <b>3,951</b>  | <b>4,614</b>  |
| Tax                               | 377           | 434           | 467           | 593           | 692           |
| <b>PAT</b>                        | <b>2,652</b>  | <b>2,796</b>  | <b>2,647</b>  | <b>3,358</b>  | <b>3,922</b>  |
| Share in Profit from JVs          | 277           | 444           | 678           | 712           | 798           |
| Minority Interest                 | -             | (34)          | -             | -             | -             |
| EO Items                          | -             | (33)          | -             | -             | -             |
| <b>Net Profit</b>                 | <b>2,928</b>  | <b>3,173</b>  | <b>3,325</b>  | <b>4,070</b>  | <b>4,719</b>  |
| Share O/s mn                      | 77.4          | 77.6          | 77.6          | 77.6          | 77.6          |
| EPS Rs                            | 37.9          | 40.9          | 42.9          | 52.5          | 60.9          |

**Cash Flow Statement**

| Y/E (Mar)                           | FY22           | FY23           | FY24E          | FY25E          | FY26E          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>PBT</b>                          | <b>3,305</b>   | <b>3,640</b>   | <b>3,114</b>   | <b>3,951</b>   | <b>4,614</b>   |
| Non-cash adjustments                | 1,321          | 1,270          | 1,421          | 1,550          | 1,730          |
| Changes in working capital          | (163)          | (729)          | (34)           | (699)          | (765)          |
| Tax & Interest Paid                 | (494)          | (186)          | (467)          | (593)          | (692)          |
| <b>Cashflow from operations</b>     | <b>3,957</b>   | <b>3,606</b>   | <b>4,034</b>   | <b>4,210</b>   | <b>4,888</b>   |
| Capital expenditure                 | (707)          | (1,530)        | (1,500)        | (2,000)        | (2,000)        |
| Change in investments               | (31)           | (804)          | -              | -              | -              |
| Other investing cashflow            | (241)          | 483            | -              | -              | -              |
| <b>Cashflow from investing</b>      | <b>(979)</b>   | <b>(1,850)</b> | <b>(1,500)</b> | <b>(2,000)</b> | <b>(2,000)</b> |
| Issue of equity                     | 34             | 35             | -              | -              | -              |
| Issue/repay debt                    | -              | -              | -              | -              | -              |
| Interest Paid                       | (105)          | (66)           | (113)          | (113)          | (113)          |
| Inc / (Dec) in Loan Funds           | (2,148)        | (81)           | -              | -              | -              |
| Dividends paid                      | (410)          | (543)          | (499)          | (611)          | (708)          |
| Other financing cashflow            | 34             | 35             | -              | -              | -              |
| <b>Cashflow from financing</b>      | <b>(2,628)</b> | <b>(655)</b>   | <b>(611)</b>   | <b>(723)</b>   | <b>(820)</b>   |
| <b>Change in cash &amp; cash eq</b> | <b>350</b>     | <b>1,101</b>   | <b>1,923</b>   | <b>1,487</b>   | <b>2,067</b>   |
| <b>Opening cash &amp; cash eq</b>   | <b>395</b>     | <b>745</b>     | <b>1,846</b>   | <b>3,768</b>   | <b>5,255</b>   |
| <b>Closing cash &amp; cash eq</b>   | <b>745</b>     | <b>1,846</b>   | <b>3,768</b>   | <b>5,255</b>   | <b>7,323</b>   |
| <b>Free cash flow to firm</b>       | <b>3,250</b>   | <b>2,076</b>   | <b>2,534</b>   | <b>2,210</b>   | <b>2,888</b>   |

**Balance Sheet**

| Y/E Mar                          | FY22          | FY23          | FY24E         | FY25E         | FY26E         |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>APPLICATION OF FUNDS:</b>     |               |               |               |               |               |
| <b>Non-Current Assets</b>        | <b>9,866</b>  | <b>10,150</b> | <b>11,019</b> | <b>12,293</b> | <b>13,472</b> |
| Gross Fixed Assets               | 12,299        | 13,477        | 14,977        | 16,977        | 18,977        |
| Less: Accumulated Dep.           | 5,058         | 6,272         | 7,581         | 9,019         | 10,637        |
| Fixed Assets                     | 7,241         | 7,205         | 7,396         | 7,958         | 8,340         |
| Capital work in progress         | 73            | 260           | 260           | 260           | 260           |
| Right to use                     | 773           | 707           | 707           | 707           | 707           |
| Goodwill                         | -             | -             | -             | -             | -             |
| Noncurrent investment            | 1,780         | 1,977         | 2,655         | 3,367         | 4,165         |
| <b>Current Assets</b>            | <b>8,404</b>  | <b>10,860</b> | <b>13,476</b> | <b>16,001</b> | <b>19,238</b> |
| Current investment               | 147           | 882           | 882           | 882           | 882           |
| Inventories                      | 85            | 50            | 89            | 99            | 110           |
| Sundry debtors                   | 5,083         | 5,609         | 5,877         | 6,569         | 7,348         |
| Cash and bank                    | 745           | 1,846         | 3,768         | 5,255         | 7,323         |
| Short loans and advances         | 2,345         | 2,473         | 2,859         | 3,196         | 3,575         |
| Others current assets            | -             | -             | -             | -             | -             |
| <b>Total Assets</b>              | <b>18,270</b> | <b>21,009</b> | <b>24,494</b> | <b>28,294</b> | <b>32,710</b> |
| <b>SOURCES OF FUNDS :</b>        |               |               |               |               |               |
| Share Capital                    | 155           | 155           | 155           | 155           | 155           |
| Reserves                         | 14,148        | 16,863        | 19,689        | 23,148        | 27,160        |
| <b>Total Shareholders' Funds</b> | <b>14,303</b> | <b>17,018</b> | <b>19,844</b> | <b>23,304</b> | <b>27,315</b> |
| Minority interest                | 274           | 301           | 301           | 301           | 301           |
| <b>Non-Current Liabilities</b>   | <b>1160</b>   | <b>1161</b>   | <b>1161</b>   | <b>1161</b>   | <b>1161</b>   |
| Long term borrowings             | 619           | 625           | 625           | 625           | 625           |
| Lease Liability                  | 265           | 235           | 235           | 235           | 235           |
| Deferred tax liability           | 276           | 300           | 300           | 300           | 300           |
| <b>Current Liab &amp; Prov</b>   | <b>2,534</b>  | <b>2,530</b>  | <b>3,189</b>  | <b>3,528</b>  | <b>3,934</b>  |
| <b>Total Equity &amp; Liab.</b>  | <b>18,270</b> | <b>21,009</b> | <b>24,494</b> | <b>28,294</b> | <b>32,710</b> |
| Net working capital              | 4,978         | 5,603         | 5,637         | 6,335         | 7,100         |
| Total Gross Debt                 | 619           | 625           | 625           | 625           | 625           |
| Total Net debt                   | (272)         | (2,103)       | (4,025)       | (5,512)       | (7,579)       |
| Total capital employed           | 15,736        | 18,480        | 21,306        | 24,765        | 28,777        |

**Ratios**

| Y/E Mar                    | FY22  | FY23  | FY24E | FY25E | FY26E |
|----------------------------|-------|-------|-------|-------|-------|
| <b>PER SHARE</b>           |       |       |       |       |       |
| EPS Rs                     | 37.9  | 40.9  | 42.9  | 52.5  | 60.9  |
| CEPS Rs                    | 52.5  | 56.6  | 59.7  | 71.0  | 81.7  |
| Book Value Rs              | 184.9 | 219.4 | 255.9 | 300.5 | 352.2 |
| <b>VALUATION</b>           |       |       |       |       |       |
| EV / Net Sales             | 1.5   | 1.3   | 1.8   | 1.6   | 1.4   |
| EV / EBITDA                | 11.9  | 11.4  | 17.6  | 14.2  | 12.0  |
| P / E Ratio                | 16.7  | 15.6  | 22.8  | 18.6  | 16.1  |
| P / BV Ratio               | 3.4   | 2.9   | 3.8   | 3.3   | 2.8   |
| FCF Yield (%)              | 6.6   | 4.2   | 3.3   | 2.9   | 3.8   |
| <b>GROWTH YOY%</b>         |       |       |       |       |       |
| Sales Growth               | 16.2  | 16.1  | 5.6   | 11.8  | 11.9  |
| EBITDA Growth              | 56.5  | 3.7   | -3.0  | 21.5  | 14.9  |
| Net Profit Growth          | 99.0  | 8.4   | 4.8   | 22.4  | 15.9  |
| Gross Fixed Asset Growth   | -20.4 | 9.6   | 11.1  | 13.4  | 11.8  |
| <b>PROFITABILITY</b>       |       |       |       |       |       |
| EBITDA / Net Sales (%)     | 12.6  | 11.2  | 10.3  | 11.2  | 11.5  |
| EBIT / Net sales (%)       | 9.7   | 8.8   | 8.1   | 9.1   | 9.5   |
| NPM / Total income (%)     | 9.0   | 8.4   | 8.3   | 9.1   | 9.4   |
| CFO (pre-tax) / EBITDA (%) | 108.9 | 89.4  | 109.4 | 96.0  | 97.1  |
| CFO (post-tax) / PAT (%)   | 143.7 | 123.9 | 135.9 | 115.5 | 116.1 |
| ROE (%)                    | 22.5  | 20.3  | 18.0  | 18.9  | 18.6  |
| ROCE (%)                   | 20.8  | 19.5  | 16.2  | 17.6  | 17.7  |
| ROIC (%)                   | 19.7  | 18.2  | 16.0  | 18.3  | 19.2  |
| Tax / PBT %                | 12.4  | 13.4  | 15.0  | 15.0  | 15.0  |
| <b>TURNOVER</b>            |       |       |       |       |       |
| Net Working Cycle          | 50    | 46    | 46    | 46    | 46    |
| Debtors Velocity (Days)    | 57    | 54    | 54    | 54    | 54    |
| Inventory (Days)           | 1     | 1     | 1     | 1     | 1     |
| Creditors Velocity (Days)  | 9     | 9     | 9     | 9     | 9     |
| Current Ratio              | 3.3   | 3.9   | 3.9   | 4.3   | 4.7   |
| Quick Ratio                | 3.2   | 3.9   | 3.9   | 4.3   | 4.6   |
| <b>LIQUIDITY</b>           |       |       |       |       |       |
| Gross Asset Ratio          | 2.3   | 2.9   | 2.8   | 2.8   | 2.8   |
| Total Asset Ratio          | 2.1   | 2.2   | 2.0   | 1.9   | 1.9   |
| Net Debt-Equity Ratio      | 0.0   | -0.1  | -0.2  | -0.2  | -0.2  |
| Interest Coverage          | 23.0  | 30.8  | 24.9  | 31.7  | 36.7  |
| <b>PAYOUT</b>              |       |       |       |       |       |
| Payout %                   | 20.0  | 20.0  | 20.0  | 20.0  | 20.0  |
| Dividend %                 | 264.8 | 349.9 | 321.5 | 393.6 | 456.4 |
| Yield %                    | 0.8   | 1.1   | 0.7   | 0.8   | 0.9   |



## Recommendation rationale

|                                 |                                    |
|---------------------------------|------------------------------------|
| <b>Buy:</b> Potential upside of | >+15% (absolute returns)           |
| <b>Accumulate:</b>              | >+5 to +15%                        |
| <b>Hold/Reduce:</b>             | +5 to -5%                          |
| <b>Sell:</b>                    | < -5%                              |
| <b>Not Rated (NR):</b>          | No investment opinion on the stock |

## Sector rating

|                     |  |
|---------------------|--|
| <b>Overweight:</b>  | The sector is expected to outperform relative to the Sensex.   |
| <b>Underweight:</b> | The sector is expected to underperform relative to the Sensex. |
| <b>Neutral:</b>     | The sector is expected to perform in line with the Sensex.     |

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