

Divgi Torqtransfer Systems

Revenue outlook for FY25 is upbeat

We recently interacted with the management of Divgi Torqtransfer Systems (DTTS). We understood that the revenue headwinds are receding fast. The scheduled execution of the order inflow announced in 2QFY24 has started. The execution of Electric Vehicle Transmission (EVT) and related component picked up in 4QFY24. DTTS has started EVT supply for Tata Punch from Jan-24. The company is trying for customer diversification in EVT business and is working on various RFQs on system and component level across the globe. We maintain FY23-26E revenue CAGR of 31% and PAT CAGR of 30% for DTTS. EBITDA margin and RoE estimated to improve progressively to 27.7% and 16.2% respectively by FY26E. We believe current decline in the stock price provides higher margin of safety. We maintain a BUY with TP of Rs1,283 (35x FY26E EPS of Rs36.7).

Key takeaways from interaction with the management

- One of the reasons for missing revenue guidance for FY24 has been lower than estimated revenue from EVT segment as Tata Motors offtake of EVTs has been lower. The management assessed the business loss of Rs160mn in Q3FY24 due to headwinds in its E-Drive, Defence and Transfer Case business.
- The situation has improved from the last couple of months for EVT business as supply for Tata Punch and EV component supply for M&M's E-Jeeto started from Jan-24.
- Capacity utilisation of EVT plant is currently at ~30% while it is at 75% for the Transfer Case (TC) business and at 60% for component segment. EVT plant utilisation will improve from FY25.
- DTTS witnessed an order inflow of Rs9.32bn in FY24 till date (3.4xFY23 revenue) executable over five years which provides better revenue visibility for FY25 and beyond. Moreover, DTTS is working on several RFQs worth Rs25bn with historical strike rate of 14%.
- The management has guided for a marginal growth (less than 5%) in the revenue for FY24 as against previous guidance of 20%.
- FY25 guidance for revenue growth is at least 20%. Larger growth in revenue expected in FY26, based on the current order book and RFQ pipeline.
- Focus is on the exports of components for all system level product segments. The current exports order book now stands at Rs900mn.
- FY25 EBITDA margin to improve to 25% from current 21% led by improving operating leverage and exports.
- The company continued with its previous investment plans. The total capex for FY24 and FY25 put together would be Rs1.50bn. No debt required to be taken for the same.

DTTS has successfully transformed itself as a system level player and works with global and domestic OEMs and Tier I vendors. It is the largest TC supplier to PVs in India. It has developed EVT on its own and commercialised it. DTTS has in-house capabilities in mechatronics, embedded software and validation testing which makes it a complete solutions provider.

Financial and valuation summary

YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	2,338	2,710	2,759	4,059	6,151
EBITDA	656	745	574	1,028	1,704
EBITDA margin (%)	28.1	27.5	20.8	25.3	27.7
Adj. Net profit	462	512	430	692	1,122
Adj. EPS (Rs)	16.8	16.7	14.1	22.6	36.7
EPS growth (%)	(97.0)	(0.2)	(15.9)	60.9	62.0
PE (x)	42.4	42.4	50.5	31.4	19.4
EV/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
PBV (x)	5.7	3.9	3.7	3.4	2.9
RoE (%)	14.5	11.5	7.6	11.3	16.2
RoCE (%)	16.0	12.7	10.0	13.3	17.5

Source: Company, Centrum Broking

Company Update

India I Auto Ancillaries

14 March, 2024

BUY

Price: Rs710

Target Price: Rs1,283

Forecast return: 81%

Market Data

Bloomberg:	DIVGIITT IN
52 week H/L:	1,150/557
Market cap:	Rs21.7bn
Shares Outstanding:	30.6mn
Free float:	27.3%
Avg. daily vol. 3mth:	38,450
Source: Bloomberg	

Changes in the report

Rating:	BUY; Unchanged
Target price:	Rs1,283; up 79%
EPS:	FY25E: Rs22.6; Unchanged FY26E: Rs36.7, Unchanged

Source: Centrum Broking

Shareholding pattern

	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	60.5	60.5	60.5	60.5
FII	3.6	3.6	3.1	1.1
DII	25.2	25.6	26.2	28.5
Public/other	10.8	10.3	10.2	10.0

Source: BSE



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P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	2,338	2,710	2,759	4,059	6,151
Operating Expense	1,084	1,279	1,326	1,978	3,039
Employee cost	225	245	265	292	324
Others	372	442	594	761	1,085
EBITDA	656	745	574	1,028	1,704
Depreciation & Amortisation	114	130	183	265	317
EBIT	542	615	391	764	1,386
Interest expenses	2	3	3	3	3
Other income	81	76	191	172	127
PBT	622	688	579	933	1,511
Taxes	160	177	149	240	389
Effective tax rate (%)	25.7	25.7	25.7	25.7	25.7
PAT	462	512	430	692	1,122
Minority/Associates	0	0	0	0	0
Recurring PAT	462	512	430	692	1,122
Extraordinary items	0	0	0	0	0
Reported PAT	462	512	430	692	1,122
Ratios					
YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	25.3	15.9	1.8	47.1	51.5
EBITDA	26.4	13.5	(22.9)	79.1	65.7
Adj. EPS	(97.0)	(0.2)	(15.9)	60.9	62.0
Margins (%)					
Gross	59.9	58.9	58.0	57.3	56.5
EBITDA	28.1	27.5	20.8	25.3	27.7
EBIT	23.2	22.7	14.2	18.8	22.5
Adjusted PAT	19.7	18.9	15.6	17.1	18.2
Returns (%)					
ROE	14.5	11.5	7.6	11.3	16.2
ROCE	16.0	12.7	10.0	13.3	17.5
ROIC	23.4	18.6	9.7	14.5	24.8
Turnover (days)					
Gross block turnover ratio (x)	1.2	1.3	0.8	0.9	1.3
Debtors	84	85	98	83	82
Inventory	111	102	103	86	83
Creditors	155	141	148	125	124
Net working capital	48	42	44	54	61
Solvency (x)					
Net debt-equity	(0.5)	(0.6)	(0.5)	(0.4)	(0.4)
Interest coverage ratio	395.3	264.1	201.4	380.8	597.8
Net debt/EBITDA	(2.6)	(4.2)	(5.1)	(2.5)	(2.0)
Per share (Rs)					
Adjusted EPS	16.8	16.7	14.1	22.6	36.7
BVPS	123.5	180.3	191.0	210.8	243.0
CEPS	20.9	21.0	20.0	31.3	47.1
DPS	3.3	3.4	2.8	4.5	7.3
Dividend payout (%)	20.0	20.0	20.0	20.0	20.0
Valuation (x)					
P/E	42.4	42.4	50.5	31.4	19.4
P/BV	5.7	3.9	3.7	3.4	2.9
EV/EBITDA	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	138	153	153	153	153
Reserves & surplus	3,262	5,360	5,688	6,294	7,277
Shareholders fund	3,400	5,513	5,841	6,447	7,430
Minority Interest	0	0	0	0	0
Total debt	1	4	3	3	3
Non Current Liabilities	49	48	47	48	48
Def tax liab. (net)	5	4	4	4	4
Total liabilities	3,456	5,569	5,895	6,502	7,486
Gross block	1,942	2,122	3,287	4,406	4,576
Less: acc. Depreciation	(825)	(954)	(1,137)	(1,402)	(1,719)
Net block	1,118	1,167	2,150	3,005	2,858
Capital WIP	168	809	350	150	100
Net fixed assets	1,403	2,094	2,619	3,273	3,076
Non Current Assets	15	47	37	37	37
Investments	0	0	0	0	0
Inventories	301	319	332	486	736
Sundry debtors	526	732	748	1,101	1,668
Cash & Cash Equivalents	1,732	3,113	2,904	2,586	3,337
Loans & advances	0	0	0	0	0
Other current assets	76	114	114	114	114
Trade payables	396	462	476	713	1,100
Other current liab.	180	367	361	361	361
Provisions	21	22	22	22	22
Net current assets	2,038	3,428	3,239	3,191	4,372
Total assets	3,456	5,569	5,895	6,502	7,486
Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	622	688	579	933	1,511
Depreciation & Amortisation	114	130	183	265	317
Net Interest	(63)	(68)	(181)	(164)	(120)
Net Change – WC	(6)	(169)	(21)	(269)	(431)
Direct taxes	(156)	(174)	(149)	(240)	(389)
Net cash from operations	511	408	411	523	888
Capital expenditure	(399)	(684)	(707)	(919)	(120)
Acquisitions, net	0	0	0	0	0
Investments	0	0	0	0	0
Others	(112)	(1,447)	0	0	0
Net cash from investing	(511)	(2,131)	(707)	(919)	(120)
FCF	0	(1,723)	(297)	(396)	768
Issue of share capital	0	1,695	0	0	0
Increase/(decrease) in debt	(1)	3	(1)	0	0
Dividend paid	(21)	(92)	(86)	(138)	(224)
Interest paid	(1)	(1)	(3)	(3)	(3)
Others	(6)	(8)	177	220	209
Net cash from financing	(29)	1,597	87	78	(18)
Net change in Cash	(29)	(126)	(210)	(317)	750

Source: Company, Centrum Broking

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Solar Industries India



Source: Bloomberg

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