

CMP: INR 1,304

Rating: BUY

Target Price: INR 1,593

Stock Info

BSE	513519
NSE	PITTIENG
Bloomberg	PITTIENG:IN
Reuters	PITE.NS
Sector	Capital Goods
Face Value (INR)	5
Equity Capital (INR cr)	16
Mkt Cap (INR cr)	4,626
52w H/L (INR)	1,458 / 622
Avg Yearly Volume (in 000')	120.0

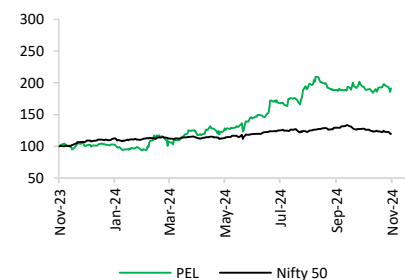
Shareholding Pattern %

(As on Sep, 2024)

Promoters	53.58
DII	17.53
FII	1.29
Public & Others	27.61

Stock Performance (%)	3m	6m	12m
PEL	0.1	49.0	91.1
NIFTY	-2.5	6.0	19.6

PEL vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022-422548871

Balasubramanian A
bala@arihantcapital.com

Pitti Engineering Ltd reported numbers, Q2FY25 revenue stood at INR 429cr (+41.9% YoY/+9.7% QoQ); above our estimates of INR 421cr. Gross Profit stood at INR 168cr (+46% YoY/+10% QoQ); above our estimates of INR 137cr. Gross margins improved by 110bps YoY (up by 10bps QoQ) to 39.2% vs 38.1% in Q2FY24. The raw material cost in terms of sales stood at 60.8% vs 61.9% in Q2FY24. EBITDA stood at INR 66cr (+48.3% YoY/+13.9% QoQ); above our estimates of INR 64cr. EBITDA margin improved by 66bps YoY (up by 57bps QoQ) to 15.4% vs 14.7% in Q2FY24. PAT stood at INR 38cr (+72.8% YoY/+96.3% QoQ); above our estimates of INR 30cr. PAT margin improved by 158bps YoY (up by 391bps QoQ) to 8.9% vs 7.3% in Q2FY24.

Key Highlights

Capacity is expected to be completed by Q3FY25E: Aurangabad sheet metal capacity stood at 64,000 MTPA as of Q2FY25. The installation is in progress and is expected to reach 72,000 MTPA by Q3FY25E. The machining hours stood at 5,47,200 hours. The company is expected to reach more than 6.5 lakh machining hours going forward. After consolidation of acquisition, capacity is expected to reach more than 90,000 MTPA (Pitti Engineering – 72,000 MTPA, BC IPL – 18,000 MTPA, Dakshin foundries – 4,200 MTPA) going forward. The capacity expansion will lead to business growth and machining hours will improve the realization going forward.

Data Center business will be the high growth opportunity: Data center generator's revenue share stood at 2.5% of sales as of Q2FY25. Major capital goods players like Cummins are witnessing strong demand from the industry and execution on rapid pace. Pitti Engineering also witnessed strong growth on the data centers side and the upcoming capex of a data center will be the key opportunity for the company.

Strategic acquisition of Dakshin foundries and Bagadia Chaitra Industries Pitti Engineering has acquired Dakshin foundries at an equity valuation of INR 153cr. The funding for acquisition is from QIP (INR 76.6cr) and the remaining from existing cash and cash balances. The company completed the acquisition of Bagadia Chaitra Industries. The Bagadia facility is expected to cater to southern markets going forward. The acquisitions of Dakshin foundries and Bagadia Chaitra Industries will lead to additional revenue going forward.

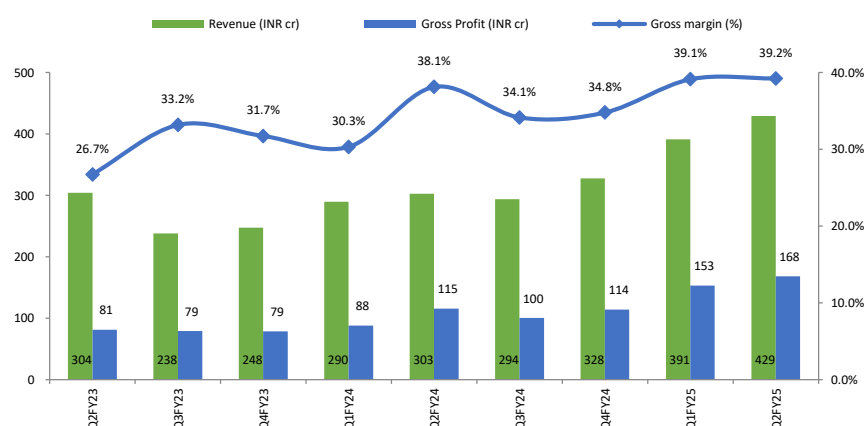
Outlook & Valuation: PEL is expected to complete the Capex of 72,000 MTPA by Q3FY25E. The standalone volume is expected to be 48,000 MT and Consolidated volumes are expected to be 60,000-64,000 MT in FY25E. The company is focused on consolidation and integration of acquisition companies. The increase in assembly and value-added components would improve the margins going forward. Bagadia Chaitra Industries will add additional revenue of >INR 280cr in FY25E and Pitti Casting is majorly for captive consumption and some supplies to 3rd parties. Dakshin foundries will add additional revenue of INR 70-80cr in FY25E and is expected to maintain 3,000 MT/annum going forward. We believe, acquisition of Bagadia Industries, Dakshin foundries, and the merger of Pitti Casting will create a synergy going forward. The company is witnessing traction in data centers and the company is well positioned to supply data center industry. Post capex, incremental revenue is expected with strong execution, and strong orders are expected from top capital goods players due to the capex upcycle. At the CMP of INR 1,304 per share, we upgrade to an "BUY" (earlier "ACCUMULATE") rating at a TP of INR 1,593 per share; valued at a PE multiple of 30x and its FY27E EPS of INR 53.1; an upside of 22.1%.

Q2FY25 Results

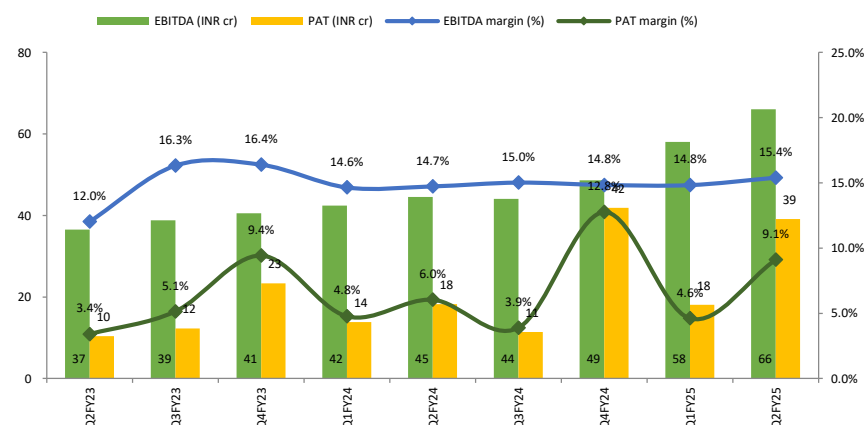
Income statement summary

Particular (INR cr)	Q2FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
Revenue	303	391	429	41.9%	9.7%
Net Raw Materials	187	238	261	39.4%	9.5%
Gross Profit	115	153	168	46.0%	10.0%
Gross Margin (%)	38.1%	39.1%	39.2%	+110 bps	+10 bps
Employee Cost	32	42	48	48.8%	12.0%
Other Expenses	39	53	55	41.0%	4.1%
EBITDA	45	58	66	48.3%	13.9%
EBITDA Margin (%)	14.7%	14.8%	15.4%	+66 bps	+57 bps
Depreciation	13	17	20		
Interest expense	11	17	19		
Other income	13	3	26		
Profit before tax	33	28	53		
Taxes	11	8	15		
PAT	22	19	38	72.8%	96.3%
PAT Margin (%)	7.3%	4.9%	8.9%	+158 bps	+391 bps
EPS (INR)	6.9	6.0	11.9		

Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 110bps YoY (up by 10bps QoQ) to 39.2% in Q2FY25 due to softening of raw material prices.

Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin improved by 66bps YoY (up by 57bps QoQ) to 15.4% in Q2FY25, however employee cost slightly increased in-terms of sales.

Source: Company Reports, Arihant Capital Research

Q2FY25 Concall Highlights**Revenue**

- Consolidated revenue target of INR 23–24bn by FY27E. EBITDA margin expected at 15%-16% from FY26 onwards. Full-year volume target: 60,000-64,000 tonnes.

Order Book

- Estimated order book: INR 8bn, executable over the next 8-12 months.

Volumes

- Lamination and assembly sales volume: 12,514 tonnes in Q2FY25.

Capex and Capacity

- Aurangabad facility: Capacity to reach 72,000 tonnes by Q3FY25.
- Overall consolidated lamination capacity to reach 90,000 tonnes.
- Casting and Machining: Consolidated casting capacity: 18,600 tonnes. Machining capacity to increase from 5,47,000 hours to 6,50,000 hours by FY25E.

Acquisition and Merger

- Acquisitions of Bagadia Chaitra Industries and Dakshin Foundries were completed along with the merger of Pitti Castings Private Limited with Pitti Engineering.

Debt

- The company is focused to reduce the net-debt from INR 3.3bn to INR 2bn by FY25E.
- Efforts underway to optimize inventory and receivables.

Incentives

- Eligible for an annual incentive of INR 300mn until FY26E. Post-FY26E, a new phase of incentives worth INR 400mn annually will start.

Other highlights

- They have utilized INR 3.59bn raised through QIP for expansion and other objectives.
- Strong growth in renewable energy, mining, and locomotive sectors. Some slowdown in low-voltage motor demand due to pricing pressures and competition.
- Data centers, wind turbines, and compact hydro projects identified as key growth drivers.
- EV and IC segments in automotive showing promising trends.

Valuation

Exhibit 3: Pitti Engineering Sales are expected to reach ~INR 1,693cr at 78% capacity utilization by FY27E. The current capacity stood at 64,000 MTPA and expected to reach 72,000 MTPA by Q3FY25E. Bagadia Chaitra Industries will bring revenue of >INR 280cr in FY25E.

Pitti Engineering	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Installed Capacity - Hyderabad plant	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Installed Capacity - Aurangabad plant	23,000	26,000	26,000	26,000	36,000	40,200	46,000	62,000	62,000	62,000
Total Installed Capacity (MTPA)	33,000	36,000	36,000	36,000	46,000	50,200	56,000	72,000	72,000	72,000
Machine Shop (Hours per Annum)	2,47,600	2,47,600	2,47,600	3,62,800	4,03,200	4,60,800	4,60,800	6,00,000	6,00,000	6,00,000
Production - Lamination (MT)	19,234	25,115	21,435	21,708	32,080	35,803	40,852	46,080	53,280	56,160
Sales (MT)	18,799	27,381	22,122	21,561	31,945	36,297	42,305	45,767	52,214	55,037
Sales/Production (%)	98%	109%	103%	99%	99.6%	101.4%	103.6%	99.3%	98.0%	98.0%
Capacity Utilization (%)	58.3%	69.8%	59.5%	60.3%	69.7%	71.3%	73.0%	64.0%	74.0%	78.0%
Sales (INR cr)	379	622	525	518	954	1,100	1,202	1,327	1,560	1,693
EBITDA (INR cr)	54	90	78	78	133	151	178	201	235	259
EBITDA Margin (%)	14.4%	14.5%	14.8%	15.1%	13.9%	13.8%	14.8%	15.2%	15.1%	15.3%
Blended Sales Realization (per MT)	2,01,496	2,27,243	2,37,349	2,40,326	2,98,583	3,03,103	2,84,032	2,90,000	2,98,700	3,07,661
Blended EBITDA (per MT)	28,983	32,906	35,131	36,197	41,516	41,707	42,007	44,000	45,000	47,000

Source: Company Reports, Arianth Capital Research, Other operating income not included

Bagadia Chaitra Industries	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Capacity (MTPA)				18,000	18,000	18,000	18,000
Sales (INR cr)	105	237	264	260	281	306	322
EBITDA (INR cr)	8	15	14	15	22	26	28
EBITDA margin (%)	7.3%	6.4%	5.3%	5.6%	7.8%	8.5%	8.7%
Volumes (MT)				14,000	15,000	16,000	16,500
Capacity utilisation (%)				77.8%	83.3%	88.9%	91.7%
Sales Realization (INR/MT)				1,85,714	1,87,571	1,91,323	1,95,149
EBITDA Realization (INR/MT)				10,357	14,667	16,250	16,970

Source: Company Reports, Arianth Capital Research

Dakshin Foundry	FY24	FY25E	FY26E	FY27E
Capacity (MTPA)	4,200	4,200	4,200	4,200
Sales (INR cr)	71	75	79	83
EBITDA (INR cr)	19	20	20	21
EBITDA margin (%)	26.3%	26.0%	26.0%	26.0%
Volumes (MT)	2,939	3,066	3,150	3,276
Capacity utilisation (%)	70.0%	73.0%	75.0%	78.0%
Sales Realization (INR/MT)	2,41,204	2,44,618	2,50,000	2,52,404
EBITDA Realization (INR/MT)	63,389	63,601	65,000	65,625

Source: Company Reports, Arianth Capital Research

Pitti Engineering Revenue (INR cr)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Bull Case	379	622	525	518	954	1,100	1,202	1,423	1,614	1,761
Base Case	379	622	525	518	954	1,100	1,202	1,327	1,560	1,693
Bear Case	379	622	525	518	954	1,100	1,202	1,243	1,427	1,582

Bagadia Chaitra Industries Revenue (INR cr)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Bull Case	-	-	-	105	237	264	260	294	320	340
Base Case	-	-	-	105	237	264	260	281	306	322
Bear Case	-	-	-	105	237	264	260	273	296	312

Dakshin Foundry Revenue (INR)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Base case							71	75	79	83

Total Revenue (INR cr)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Bull Case	379	622	525	518	954	1,100	1,202	1,792	2,012	2,184
Base Case	379	622	525	518	954	1,100	1,202	1,684	1,945	2,098
Bear Case	379	622	525	518	954	1,100	1,202	1,591	1,803	1,977

Source: Company Reports, Arianth Capital Research

Valuation

Exhibit 4: Bull Case Scenario

Bull Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,792	2,022	2,195
EBITDA	178	271	308	340
EBITDA Margin (%)	14.8%	15.1%	15.2%	15.5%
PAT	90	151	175	199
PAT Margin (%)	7.5%	8.4%	8.7%	9.1%
EPS (INR)	24.3	42.7	49.4	56.1

Valuation - P/E (FY27E)

EPS (INR) 56.1

P/E (x) 30.0

Target Price (INR) 1,683

CMP (INR) 1,304

Upside/Downside (%) 29.1%

Source: Company, Arihant Capital Research

Exhibit 5: Base Case Scenario

Base Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,684	1,954	2,108
EBITDA	178	254	298	327
EBITDA Margin (%)	14.8%	15.1%	15.2%	15.5%
PAT	90	138	167	188
PAT Margin (%)	7.5%	8.2%	8.5%	8.9%
EPS (INR)	24.3	39.0	47.1	53.1

Valuation - P/E (FY27E)

EPS (INR) 53.1

P/E (x) 30.0

Target Price (INR) 1,593

CMP (INR) 1,304

Upside/Downside (%) 22.1%

Source: Company, Arihant Capital Research

Exhibit 6: Bear Case Scenario

Bear Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,591	1,812	1,987
EBITDA	178	240	276	308
EBITDA Margin (%)	14.8%	15.1%	15.2%	15.5%
PAT	90	127	149	173
PAT Margin (%)	7.5%	8.0%	8.3%	8.7%
EPS (INR)	24.3	35.8	42.1	48.8

Valuation - P/E (FY27E)

EPS (INR) 48.8

P/E (x) 30.0

Target Price (INR) 1,465

CMP (INR) 1,304

Upside/Downside (%) 12.3%

Source: Company, Arihant Capital Research

Scenario Analysis

Exhibit 7: Revenue based on Realizations and Capacity utilizations

Pitti Engineering Revenue (FY25E) - INR cr

		Capacity Utilization (%)											
	1,327	55%	57%	59%	61%	63%	65%	67%	69%	71%	73%	75%	
Sales Realization (INR)	2,70,000	1,062	1,101	1,139	1,178	1,216	1,255	1,294	1,332	1,371	1,409	1,448	
	2,73,000	1,074	1,113	1,152	1,191	1,230	1,269	1,308	1,347	1,386	1,425	1,464	
	2,76,000	1,086	1,125	1,164	1,204	1,243	1,283	1,322	1,362	1,401	1,441	1,480	
	2,79,000	1,097	1,137	1,177	1,217	1,257	1,297	1,337	1,377	1,417	1,456	1,496	
	2,82,000	1,109	1,149	1,190	1,230	1,270	1,311	1,351	1,391	1,432	1,472	1,512	
	2,85,000	1,121	1,162	1,202	1,243	1,284	1,325	1,366	1,406	1,447	1,488	1,529	
	2,88,000	1,133	1,174	1,215	1,256	1,298	1,339	1,380	1,421	1,462	1,503	1,545	
	2,91,000	1,145	1,186	1,228	1,269	1,311	1,353	1,394	1,436	1,478	1,519	1,561	
	2,94,000	1,156	1,198	1,240	1,282	1,325	1,367	1,409	1,451	1,493	1,535	1,577	
	2,97,000	1,168	1,211	1,253	1,296	1,338	1,381	1,423	1,465	1,508	1,550	1,593	
	3,00,000	1,180	1,223	1,266	1,309	1,352	1,394	1,437	1,480	1,523	1,566	1,609	
	3,03,000	1,192	1,235	1,278	1,322	1,365	1,408	1,452	1,495	1,538	1,582	1,625	
	3,06,000	1,204	1,247	1,291	1,335	1,379	1,422	1,466	1,510	1,554	1,597	1,641	
	3,09,000	1,215	1,260	1,304	1,348	1,392	1,436	1,481	1,525	1,569	1,613	1,657	

Source: Company reports, Arianth Capital Research

Pitti Engineering Revenue (FY26E) - INR cr

		Capacity Utilization (%)											
	1,560	64%	66%	68%	70%	72%	74%	76%	78%	80%	82%	84%	
Sales Realization (INR)	2,80,000	1,264	1,304	1,343	1,383	1,422	1,462	1,502	1,541	1,581	1,620	1,660	
	2,83,000	1,278	1,318	1,358	1,398	1,438	1,478	1,518	1,558	1,597	1,637	1,677	
	2,86,000	1,292	1,332	1,372	1,413	1,453	1,493	1,534	1,574	1,614	1,655	1,695	
	2,89,000	1,305	1,346	1,387	1,427	1,468	1,509	1,550	1,591	1,631	1,672	1,713	
	2,92,000	1,319	1,360	1,401	1,442	1,483	1,525	1,566	1,607	1,648	1,689	1,731	
	2,95,000	1,332	1,374	1,415	1,457	1,499	1,540	1,582	1,624	1,665	1,707	1,748	
	2,98,000	1,346	1,388	1,430	1,472	1,514	1,556	1,598	1,640	1,682	1,724	1,766	
	3,01,000	1,359	1,402	1,444	1,487	1,529	1,572	1,614	1,657	1,699	1,742	1,784	
	3,04,000	1,373	1,416	1,459	1,502	1,544	1,587	1,630	1,673	1,716	1,759	1,802	
	3,07,000	1,386	1,430	1,473	1,516	1,560	1,603	1,646	1,690	1,733	1,776	1,820	
	3,10,000	1,400	1,444	1,487	1,531	1,575	1,619	1,662	1,706	1,750	1,794	1,837	
	3,13,000	1,413	1,458	1,502	1,546	1,590	1,634	1,678	1,723	1,767	1,811	1,855	
	3,16,000	1,427	1,472	1,516	1,561	1,605	1,650	1,695	1,739	1,784	1,828	1,873	
	3,19,000	1,441	1,486	1,531	1,576	1,621	1,666	1,711	1,756	1,801	1,846	1,891	

Pitti Engineering Revenue (FY27E) - INR cr

		Capacity Utilization (%)											
	1,693	70%	72%	74%	76%	78%	80%	82%	84%	86%	88%	90%	
Sales Realization (INR)	2,85,000	1,408	1,448	1,488	1,528	1,569	1,609	1,649	1,689	1,729	1,770	1,810	
	2,88,000	1,422	1,463	1,504	1,544	1,585	1,626	1,666	1,707	1,748	1,788	1,829	
	2,91,000	1,437	1,478	1,519	1,561	1,602	1,643	1,684	1,725	1,766	1,807	1,848	
	2,94,000	1,452	1,494	1,535	1,577	1,618	1,660	1,701	1,743	1,784	1,826	1,867	
	2,97,000	1,467	1,509	1,551	1,593	1,635	1,677	1,718	1,760	1,802	1,844	1,886	
	3,00,000	1,482	1,524	1,566	1,609	1,651	1,693	1,736	1,778	1,820	1,863	1,905	
	3,03,000	1,497	1,539	1,582	1,625	1,668	1,710	1,753	1,796	1,839	1,881	1,924	
	3,06,000	1,511	1,555	1,598	1,641	1,684	1,727	1,770	1,814	1,857	1,900	1,943	
	3,09,000	1,526	1,570	1,613	1,657	1,701	1,744	1,788	1,831	1,875	1,919	1,962	
	3,12,000	1,541	1,585	1,629	1,673	1,717	1,761	1,805	1,849	1,893	1,937	1,981	
	3,15,000	1,556	1,600	1,645	1,689	1,734	1,778	1,823	1,867	1,911	1,956	2,000	
	3,18,000	1,571	1,616	1,660	1,705	1,750	1,795	1,840	1,885	1,930	1,975	2,019	
	3,21,000	1,585	1,631	1,676	1,721	1,767	1,812	1,857	1,903	1,948	1,993	2,038	
	3,24,000	1,600	1,646	1,692	1,737	1,783	1,829	1,875	1,920	1,966	2,012	2,058	

 - Bull Case
 - Base Case
 - Bear Case

Source: Company Reports, Arianth Capital Research, Other operating income not included

Scenario Analysis

Exhibit 8: Revenue based on Realizations and Volumes

Bagadia Chaitra Industries Revenue (FY25E) - INR cr

		Volumes (MT)										
	281	14,000	14,200	14,400	14,600	14,800	15,000	15,200	15,400	15,600	15,800	16,000
Sales Realization (INR)	1,85,000	259	263	266	270	274	278	281	285	289	292	296
	1,85,300	259	263	267	271	274	278	282	285	289	293	296
	1,85,600	260	264	267	271	275	278	282	286	290	293	297
	1,86,800	262	265	269	273	276	280	284	288	291	295	299
	1,87,100	262	266	269	273	277	281	284	288	292	296	299
	1,87,400	262	266	270	274	277	281	285	289	292	296	300
	1,87,700	263	267	270	274	278	282	285	289	293	297	300
	1,88,000	263	267	271	274	278	282	286	290	293	297	301
	1,88,300	264	267	271	275	279	282	286	290	294	298	301
	1,88,600	264	268	272	275	279	283	287	290	294	298	302
	1,88,900	264	268	272	276	280	283	287	291	295	298	302

Bagadia Chaitra Industries Revenue (FY26E) - INR cr

		Volumes (MT)										
	306	15,000	15,200	15,400	15,600	15,800	16,000	16,200	16,400	16,600	16,800	17,000
Sales Realization (INR)	1,87,000	281	284	288	292	295	299	303	307	310	314	318
	1,87,500	281	285	289	293	296	300	304	308	311	315	319
	1,88,000	282	286	290	293	297	301	305	308	312	316	320
	1,90,000	285	289	293	296	300	304	308	312	315	319	323
	1,90,500	286	290	293	297	301	305	309	312	316	320	324
	1,91,000	287	290	294	298	302	306	309	313	317	321	325
	1,91,500	287	291	295	299	303	306	310	314	318	322	326
	1,92,000	288	292	296	300	303	307	311	315	319	323	326
	1,92,500	289	293	296	300	304	308	312	316	320	323	327
	1,93,000	290	293	297	301	305	309	313	317	320	324	328
	1,93,500	290	294	298	302	306	310	313	317	321	325	329

Bagadia Chaitra Industries Revenue (FY27E) - INR cr

		Volumes (MT)										
	322	15,500	15,700	15,900	16,100	16,300	16,500	16,700	16,900	17,100	17,300	17,500
Sales Realization (INR)	1,91,000	296	300	304	308	311	315	319	323	327	330	334
	1,91,500	297	301	304	308	312	316	320	324	327	331	335
	1,92,000	298	301	305	309	313	317	321	324	328	332	336
	1,94,000	301	305	308	312	316	320	324	328	332	336	340
	1,94,500	301	305	309	313	317	321	325	329	333	336	340
	1,95,000	302	306	310	314	318	322	326	330	333	337	341
	1,95,500	303	307	311	315	319	323	326	330	334	338	342
	1,96,000	304	308	312	316	319	323	327	331	335	339	343
	1,96,500	305	309	312	316	320	324	328	332	336	340	344
	1,97,000	305	309	313	317	321	325	329	333	337	341	345
	1,97,500	306	310	314	318	322	326	330	334	338	342	346

- Bull Case
 - Base Case
 - Bear Case

Source: Company Reports, Arianth Capital Research, Other operating income not included

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	518	954	1,100	1,202	1,684	1,954	2,108
Net Raw Materials	335	678	782	806	1,123	1,300	1,398
Gross Profit	183	276	318	396	561	655	711
Gross Margin (%)	35.3%	28.9%	28.9%	32.9%	33.3%	33.5%	33.7%
Employee Cost	56	78	87	108	148	170	183
Other Expenses	49	65	80	110	158	187	200
EBITDA	78	133	151	178	254	298	327
EBITDA Margin (%)	15.1%	13.9%	13.8%	14.8%	15.1%	15.2%	15.5%
Depreciation	(30)	(39)	(45)	(54)	(74)	(83)	(88)
Interest expense	(30)	(40)	(45)	(50)	(46)	(45)	(42)
Other income	20	16	18	48	54	57	60
Profit before tax	39	71	80	122	188	227	256
Taxes	(10)	(19)	(21)	(32)	(50)	(60)	(68)
PAT	29	52	59	90	138	167	188
PAT Margin (%)	5.5%	5.4%	5.3%	7.5%	8.2%	8.5%	8.9%
Other Comprehensive income	(1)	0	(1)	(4)	-	-	-
Net profit	28	52	58	86	138	167	188
EPS (INR)	8.7	16.2	16.3	24.3	39.0	47.1	53.1

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	16	16	16	16	18	18	18
Reserves	220	268	318	400	891	1,051	1,232
Net worth	236	284	334	416	909	1,069	1,250
Provisions	74	12	12	23	14	13	12
Debt	263	401	365	629	429	374	244
Other non-current liabilities	10	9	9	4	8	10	11
Total Liabilities	583	706	720	1,072	1,360	1,466	1,516
Fixed assets	193	228	279	334	658	698	683
Capital Work In Progress	1	1	24	118	3	3	4
Other Intangible assets	18	14	9	5	5	5	5
Investments	95	18	26	19	34	39	42
Other non current assets	8	108	98	147	168	195	169
Net working capital	258	301	218	338	380	389	422
Inventories	157	272	239	270	354	392	414
Sundry debtors	172	204	181	210	286	321	341
Loans & Advances	0.2	-	-	-	0.2	0.2	0.2
Other current assets	48	75	55	115	115	107	104
Sundry creditors	(105)	(220)	(251)	(228)	(333)	(386)	(390)
Other current liabilities & Prov	(13)	(30)	(7)	(30)	(42)	(45)	(46)
Cash	9	35	65	109	108	132	187
Other Financial Assets	0	1	1	1	3	4	4
Total Assets	583	706	720	1,072	1,360	1,466	1,516

Source: Company Reports, Arianth Capital Research

Du-Pont Analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Interest burden (x)	0.8	0.8	0.7	1.0	1.0	1.1	1.1
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	0.9	1.3	1.2	1.1	1.1	1.1	1.1
Financial leverage (x)	2.5	2.9	3.0	3.0	2.3	1.8	1.6
RoE (%)	13.0%	20.0%	19.0%	24.0%	20.9%	16.9%	16.2%

Source: Company Reports, Arianth Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	39	71	80	122	188	227	256
Depreciation	30	39	45	54	74	83	88
Tax paid	(10)	(19)	(21)	(32)	(50)	(60)	(68)
Working capital Δ	(58)	(43)	83	(120)	(42)	(9)	(32)
Operating cashflow	1	48	187	24	170	241	244
Capital expenditure	(4)	(73)	(119)	(203)	(283)	(123)	(74)
Free cash flow	(4)	(26)	68	(179)	(113)	117	171
Equity raised	(1)	0	(1)	(4)	360	-	-
Investments	(53)	77	(7)	7	(15)	(5)	(3)
Others	(9)	(97)	15	(46)	(23)	(28)	26
Debt financing/disposal	22	139	(37)	264	(200)	(55)	(130)
Dividends paid	-	(4)	(8)	(4)	(6)	(7)	(8)
Other items	39	(63)	0	6	(5)	1	(1)
Net Δ in cash	(6)	26	30	44	(1)	24	56
Opening Cash Flow	15	9	35	65	109	108	132
Closing Cash Flow	9	35	65	109	108	132	187

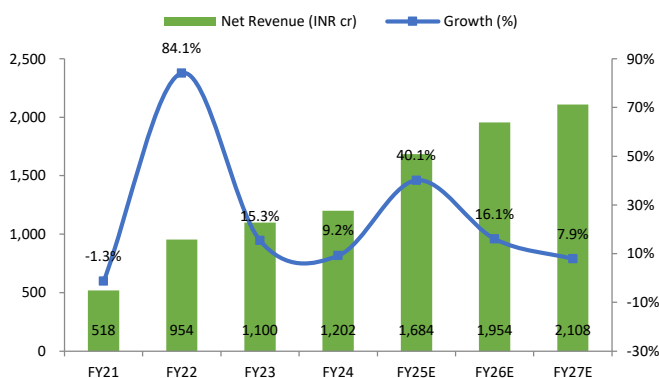
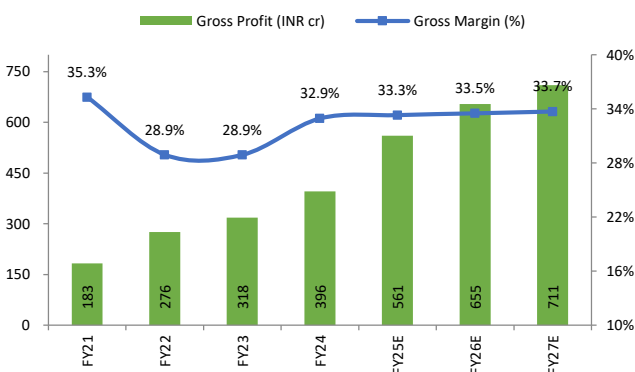
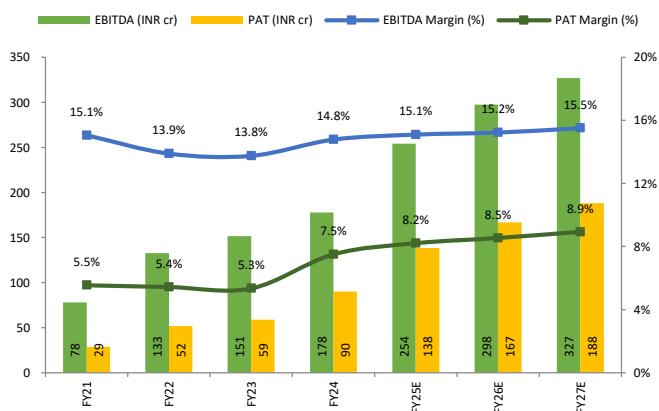
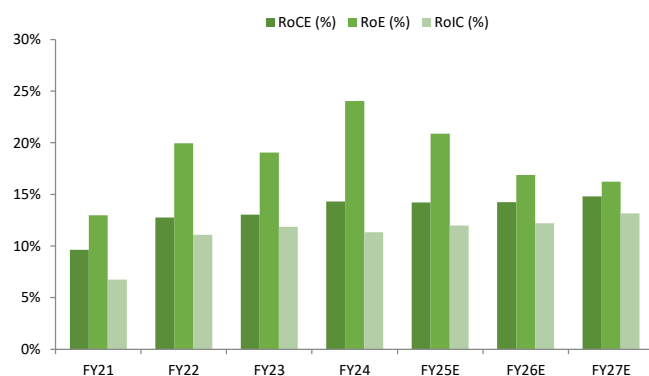
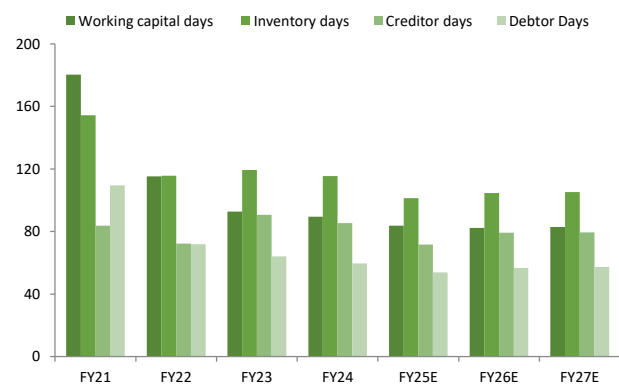
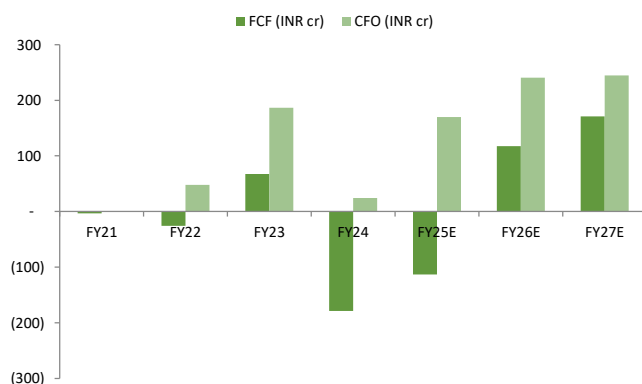
Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)							
Revenue growth	-1.3%	84.1%	15.3%	9.2%	40.1%	16.1%	7.9%
Op profit growth	0.4%	69.9%	14.1%	17.4%	43.1%	17.0%	9.9%
Profitability ratios (%)							
OPM	15.1%	13.9%	13.8%	14.8%	15.1%	15.2%	15.5%
Net profit margin	5.5%	5.4%	5.3%	7.5%	8.2%	8.5%	8.9%
RoCE	9.6%	12.8%	13.0%	14.2%	14.2%	14.8%	15.8%
RoNW	13.0%	20.0%	19.0%	20.9%	16.9%	16.2%	16.9%
RoA	4.9%	7.3%	8.2%	10.2%	11.4%	12.4%	13.4%
Per share ratios (INR)							
EPS	8.7	16.2	18.0	26.8	39.0	47.1	53.1
Dividend per share	-	1.2	2.3	1.2	1.6	1.9	2.1
Cash EPS	18.4	28.3	32.3	45.0	59.8	70.5	78.0
Book value per share	73.6	88.6	104.2	129.8	256.2	301.4	352.4
Valuation ratios (x)							
P/E	149.3	80.6	72.5	48.6	33.5	27.7	24.6
P/CEPS	70.7	46.1	40.4	29.0	21.8	18.5	16.7
P/B	17.7	14.7	12.5	10.0	5.1	4.3	3.7
EV/EBITDA	55.6	34.1	29.4	26.3	19.3	16.2	14.2
Payout (%)							
Dividend payout	0.0%	7.3%	12.8%	4.2%	4.0%	4.0%	4.0%
Tax payout	25.4%	26.5%	26.4%	26.0%	26.5%	26.5%	26.5%
Liquidity ratios							
Debtor days	110	72	64	60	54	57	57
Inventory days	154	116	119	115	101	105	105
Creditor days	84	72	91	85	72	79	80
WC Days	180	115	93	90	84	82	83
Leverage ratios (x)							
Interest coverage	1.6	2.4	2.4	2.5	3.9	4.8	5.7
Net debt / equity	1.1	1.3	0.9	1.2	0.4	0.2	0.0
Net debt / op. profit	3.3	2.8	2.0	2.9	1.3	0.8	0.2

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 9: Capacity expansion and acquisition will lead to incremental revenue going forward.**Exhibit 10: Gross margins are expected to stabilize going forward.****Exhibit 11: Growth in EBITDA & PAT levels****Exhibit 12: Return ratios to be improve****Exhibit 13: Working capital days to be improve****Exhibit 14: Cash flows to be improve**

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 15: Working capital in-terms of sales is expected to reduce going forward.

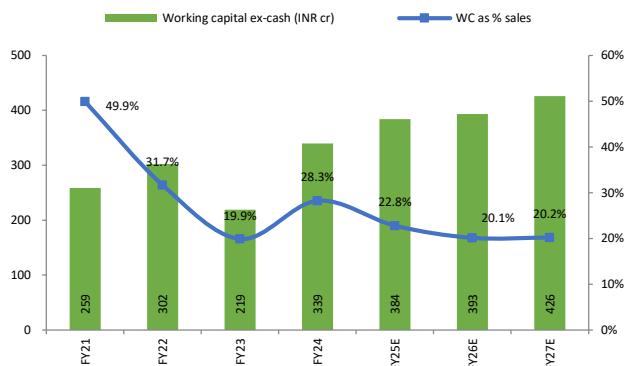


Exhibit 16: Interest cost as % of EBIT is expected to reduce going forward.

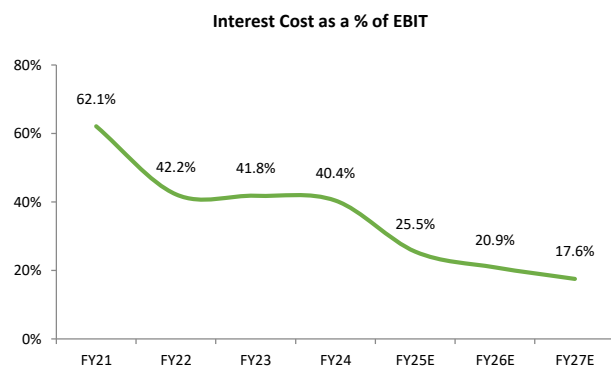


Exhibit 17: Exports revenue share is expected to reach 35%-40% going forward. Exports are majorly to US and Europe markets.

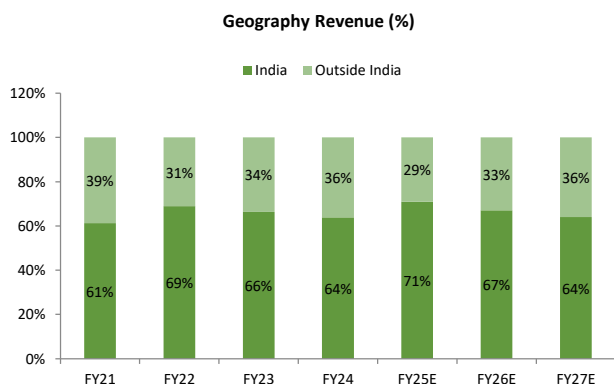


Exhibit 18: Sales realisation is based on raw material prices.

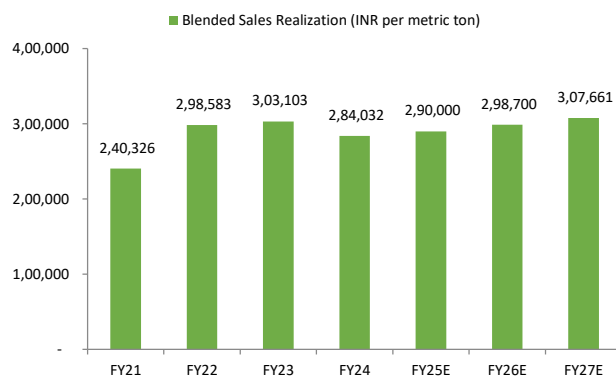


Exhibit 19: EBITDA realisation is continue to grow going forward

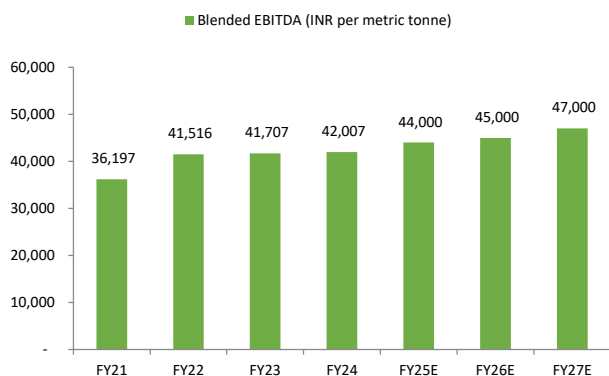
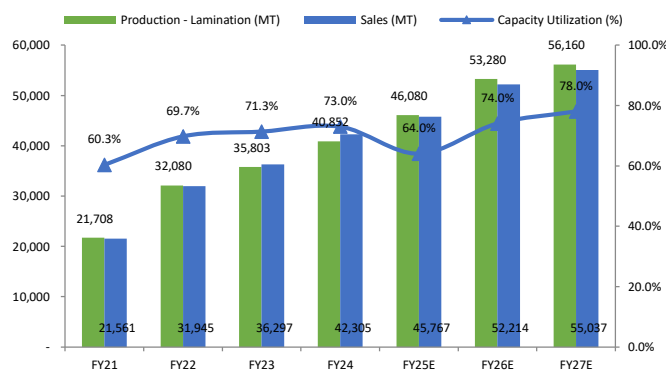


Exhibit 20: Capacity utilisation is expected to be 70%-80% going forward.



Source: Company Reports, Arianth Capital Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880