

CMP: INR 946

Rating: BUY

Target Price: INR 1,155

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)	3,356
52w H/L (INR)	1,512 / 636
Avg Yearly Volume (in 000')	109.9

Shareholding Pattern %

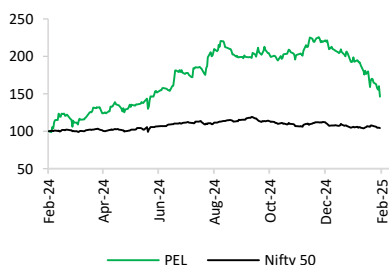
(As on Dec, 2024)

Promoters	54.12
DII	18.36
FII	1.31
Public & Others	26.15

Stock Performance (%) 3m 6m 12m

PEL	-27.4	-27.3	46.3
NIFTY	-2.6	-5.0	4.0

PEL vs Nifty



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Pitti Engineering Ltd reported numbers, Q3FY25 revenue stood at INR 415cr (+41.3% YoY/-3.4% QoQ); above our estimates of INR 396cr. Gross Profit stood at INR 179cr (+78.5% YoY/+6.2% QoQ); above our estimates of INR 161cr. Gross margins improved by 898bps YoY (up by 389bps QoQ) to 43.1% vs 34.1% in Q3FY24. The raw material cost in terms of sales stood at 56.9% vs 65.9% in Q3FY24. EBITDA stood at INR 67cr (+51.9% YoY/+1.3% QoQ); above our estimates of INR 63cr. EBITDA margin improved by 112bps YoY (up by 74bps QoQ) to 16.1% vs 15% in Q3FY24. PAT stood at INR 29cr (+115.9% YoY/-24.4% QoQ); above our estimates of INR 21cr. PAT margin improved by 239bps YoY (down by 193bps QoQ) to 6.9% vs 4.5% in Q3FY24.

Key Highlights

Completion of Aurangabad capacity expansion leads to incremental business: Aurangabad sheet metal capacity is expanded from 64,000 MTPA to 72,000 MTPA and will be available from Q4FY25E onwards. The machining hours stood at 5,90,400 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, BCIPL – 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.

Strategically stocked inventory to maintain supplies: The company is increased inventory due to stocking of electrical steel, anticipating supply chain disruptions. The company has stocked key materials for railway, power, and export markets due to higher demand for machine components. Higher inventories are expected in Q4FY25E and Q1FY26E due to steel supply issues. BIS licenses for Chinese mills are expiring on Apr-25, which will impact potential supply chain disruptions. The raw material cost is expected to increase in the next 6-9 months.

Lower or no tariff sensitivity of US-linked exports: Exports revenue share stood at 35% as of 9MFY25. North America revenue share stood at 30% and US exposure stood at 26%. Around 75% of US-linked products have no tariff sensitivity and the company is the sole supplier for its customers. China+1 strategy helps the company to get more business as US customers look for alternatives to China.

Outlook & Valuation: Pitti Engineering has completed the capex of 72,000 MTPA and capacity will be available from Q4FY25E onwards. 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. The company is exporting majorly railway-related components and US exposure accounts for ~26% of exports; around 75% of US-linked products have no tariff sensitivity and the company is the sole supplier for its customers. We believe, the 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 the data center industry. At the CMP of INR 946 per share, we maintain our “BUY” rating at a TP of INR 1,155 per share; valued at a PE multiple of 25x and its FY27E EPS of INR 46.2; an upside of 22.1%.

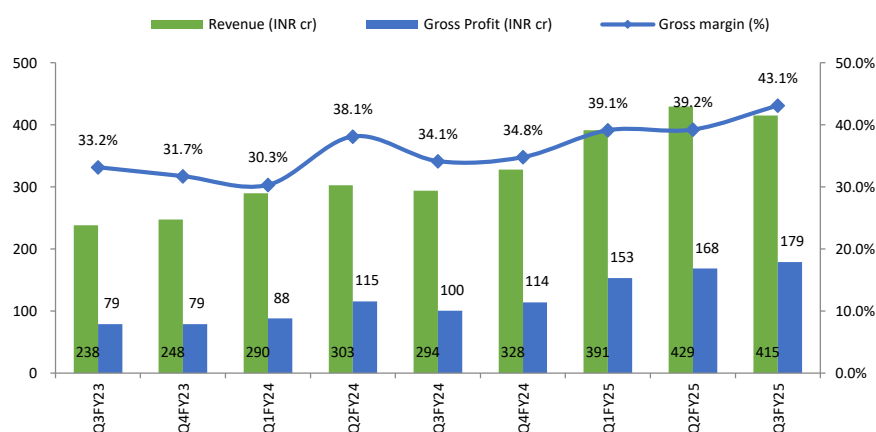
Q3FY25 Results

Income statement summary

Particular (INR cr)	Q3FY24	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Revenue	294	429	415	41.3%	-3.4%
Net Raw Materials	193	261	236	22.0%	-9.5%
Gross Profit	100	168	179	78.5%	6.2%
Gross Margin (%)	34.1%	39.2%	43.1%	+898 bps	+389 bps
Employee Cost	27	48	53	98.5%	11.4%
Other Expenses	29	55	59	100.3%	7.7%
EBITDA	44	66	67	51.9%	1.3%
EBITDA Margin (%)	15.0%	15.4%	16.1%	+112 bps	+74 bps
Depreciation	15	20	21		
Interest expense	14	19	13		
Other income	3	26	6		
Profit before tax	19	53	39		
Taxes	6	15	10		
PAT	13	38	29	115.9%	-24.4%
PAT Margin (%)	4.5%	8.9%	6.9%	+239 bps	-193 bps
EPS (INR)	4.2	11.9	9.0		

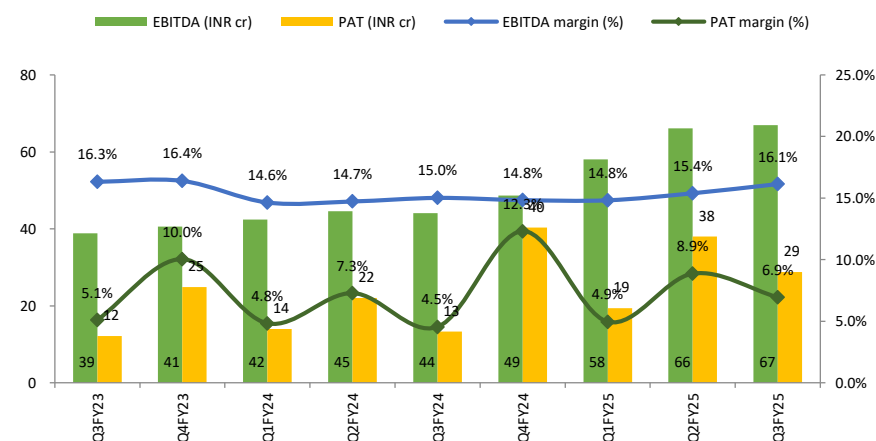
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 898bps YoY (up by 389bps QoQ) to 43.1% in Q3FY25 due to softening of raw material prices.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin improved by 112bps YoY (up by 74bps QoQ) to 16.1% in Q3FY25, however employee cost and other expenses increased in-terms of sales.



Source: Company Reports, Arihant Capital Research

Q3FY25 Concall Highlights**Revenue**

- Revenue is expected to be INR 1,750cr (earlier guidance: INR 2,000cr) in FY25E.
- The shortfall of revenue due to raw material price variations and volatility in small LB motors and alternator markets is linked to CPCB Bharat VI norms. The alternator market is expected to stabilize from Q1FY26E onwards.
- Q4FY25E revenue is expected INR 450cr.

Volumes

- Standalone volumes are expected 48,000 tons and consolidated volumes are expected 60,000-64,000 tons in FY25E.
- Standalone volumes are expected 54,000 tons and consolidated volumes are expected 69,000-70,000 tons in FY26E.
- The consolidated volumes are expected 90,000 tons at 80% utilization.

Order book

- The standalone order book stood at INR 800cr and the consolidated order book stood at INR 900cr. The company is getting repeat orders from customers.

Exports

- Exports revenue share stood at 35% as of 9MFY25. North America revenue share stood at 30% and US exposure stood at 26%. Around 75% of US-linked products have no tariff sensitivity and the company is the sole supplier for its customers.
- China+1 strategy helps the company to get more business as US customers look for alternatives to China.

Working capital

- Net working capital days improved from 77 days (Q3FY24) to 67 days in Q3FY25. Receivables days stood at 60 days and payables days stood at 66 days as of Q3FY25.
- The inventory increased due to stocking of electrical steel, anticipating supply chain disruptions.
- Higher inventories are expected in Q4FY25E and Q1FY26E due to steel supply issues.
- The company has stocked key materials for railway, power, and export markets due to higher demand for machine components.

Industry

- India imports 25% of its electrical steel requirements from China.
- BIS licenses for Chinese mills are expiring on Apr-25, which will impact potential supply chain disruptions. The raw material cost is expected to increase in the next 6-9 months.

Q3FY25 Concall Highlights**Debt**

- Net debt stood at INR 432cr. Around 50% of debt is USD-denominated and linked to the SOFR rate.
- Around 50% of the debt, INR denominated and the cost of funds stood at 8%. The company doesn't have any plans to pre-pay the debt and maintain cash for strategic opportunities.

Capacity

- The Aurangabad facility capacity expanded from 64,000 tons/annum to 72,000 tons/annum.
- The capex was completed in a new coating line for hydro & thermal power generator laminations.

Dakshin Foundries.

- The machining capacity is expected to increase at Dakshin Foundries.
- In Dakshin Foundry, around 50%-60% of revenue is expected from Railways & Metro castings. It also supplies Gas turbine components, transmission housings, gear cases, and axle housings.

Bagadia Chaitra Industries

- The cost synergies are expected INR 3,000/ton by shifting 6,000 tons from Aurangabad to Bangalore.

EV and Hydrogen

- EV-related components are growing; however, it's still below IC engine components. Hydrogen-oriented parts are expected to be supplied to Europe.

Other highlights

- Mark-to-Mark forex loss stood at INR 3.76cr and is expected to reverse over time.
- Slow down witnessed in traction motor business due to order deferrals from Indian railways.
- The pump segment accounted for 2% of sales and is expected to grow gradually.
- The data center segment is expected to double over the next year.

Valuation

Exhibit 3: Pitti Engineering Sales are expected to reach ~INR 1,693cr at 78% capacity utilization by FY27E. The capex of 72,000 MTPA is completed and available from Q4FY25E onwards. 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	45,899	53,280	56,160
Sales (MT)	18,799	27,381	22,122	21,561	31,945	36,297	42,305	45,588	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%	63.7%	74.0%	78.0%
Sales (INR cr)	379	622	525	518	954	1,100	1,202	1,322	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	1,322	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	1,678	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	279	312	345
EBITDA Margin (%)	14.8%	15.6%	15.4%	15.7%
PAT	90	130	151	174
PAT Margin (%)	7.5%	7.2%	7.4%	7.9%
EPS (INR)	24.3	36.6	42.4	49.1

Valuation - P/E (FY27E)

EPS (INR) 49.1

P/E (x) 25.0

Target Price (INR) 1,229

CMP (INR) 946

Upside/Downside (%) 29.9%

Source: Company, Arihant Capital Research

Exhibit 5: Base Case Scenario

Base Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,678	1,954	2,108
EBITDA	178	262	302	331
EBITDA Margin (%)	14.8%	15.6%	15.4%	15.7%
PAT	90	116	142	164
PAT Margin (%)	7.5%	6.9%	7.3%	7.8%
EPS (INR)	24.3	32.8	40.2	46.2

Valuation - P/E (FY27E)

EPS (INR) 46.2

P/E (x) 25.0

Target Price (INR) 1,155

CMP (INR) 946

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	248	280	312
EBITDA Margin (%)	14.8%	15.6%	15.4%	15.7%
PAT	90	106	126	149
PAT Margin (%)	7.5%	6.7%	6.9%	7.5%
EPS (INR)	24.3	29.9	35.4	42.1

Valuation - P/E (FY27E)

EPS (INR) 42.1

P/E (x) 25.0

Target Price (INR) 1,052

CMP (INR) 946

Upside/Downside (%) 11.2%

Source: Company, Arihant Capital Research

Scenario Analysis

Exhibit 7: Revenue based on Realizations and Capacity utilizations

Pitti Engineering Revenue (FY25E) - INR cr

		Capacity Utilization (%)										
	1,322	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

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, Arihant 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	1,678	1,954	2,108
Net Raw Materials	335	678	782	806	990	1,296	1,394
Gross Profit	183	276	318	396	689	659	715
Gross Margin (%)	35.3%	28.9%	28.9%	32.9%	41.0%	33.7%	33.9%
Employee Cost	56	78	87	108	198	170	183
Other Expenses	49	65	80	110	229	187	200
EBITDA	78	133	151	178	262	302	331
EBITDA Margin (%)	15.1%	13.9%	13.8%	14.8%	15.6%	15.4%	15.7%
Depreciation	(30)	(39)	(45)	(54)	(79)	(89)	(94)
Interest expense	(30)	(40)	(45)	(50)	(64)	(63)	(59)
Other income	20	16	18	48	41	44	45
Profit before tax	39	71	80	122	160	194	223
Taxes	(10)	(19)	(21)	(32)	(44)	(51)	(59)
PAT	29	52	59	90	116	142	164
PAT Margin (%)	5.5%	5.4%	5.3%	7.5%	6.9%	7.3%	7.8%
Other Comprehensive income	(1)	0	(1)	(4)	-	-	-
Net profit	28	52	58	86	116	142	164
EPS (INR)	8.7	16.2	16.3	24.3	32.8	40.2	46.2

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	870	1,007	1,164
Net worth	236	284	334	416	888	1,025	1,182
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	1,339	1,422	1,448
Fixed assets	193	228	279	334	653	687	666
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	340	389	421
Inventories	157	272	239	270	312	390	412
Sundry debtors	172	204	181	210	285	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)	(330)	(385)	(390)
Other current liabilities & Prov	(13)	(30)	(7)	(30)	(42)	(45)	(46)
Cash	9	35	65	109	133	99	137
Other Financial Assets	0	1	1	1	3	4	4
Total Assets	583	706	720	1,072	1,339	1,422	1,448

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	0.9	0.9	0.9
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	1.2
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%	17.9%	14.9%	14.9%

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	160	194	223
Depreciation	30	39	45	54	79	89	94
Tax paid	(10)	(19)	(21)	(32)	(44)	(51)	(59)
Working capital Δ	(58)	(43)	83	(120)	(2)	(49)	(32)
Operating cashflow	1	48	187	24	193	182	226
Capital expenditure	(4)	(73)	(119)	(203)	(283)	(123)	(74)
Free cash flow	(4)	(26)	68	(179)	(90)	59	152
Equity raised	(1)	0	(1)	(4)	360	(0)	-
Investments	(53)	77	(7)	7	(15)	(6)	(3)
Others	(9)	(97)	15	(46)	(22)	(28)	26
Debt financing/disposal	22	139	(37)	264	(200)	(55)	(130)
Dividends paid	-	(4)	(8)	(4)	(5)	(6)	(7)
Other items	39	(63)	0	6	(5)	1	(1)
Net Δ in cash	(6)	26	30	44	24	(35)	38
Opening Cash Flow	15	9	35	65	109	133	99
Closing Cash Flow	9	35	65	109	133	99	137

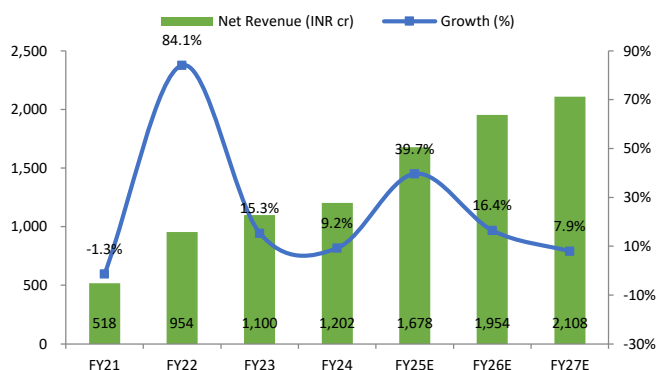
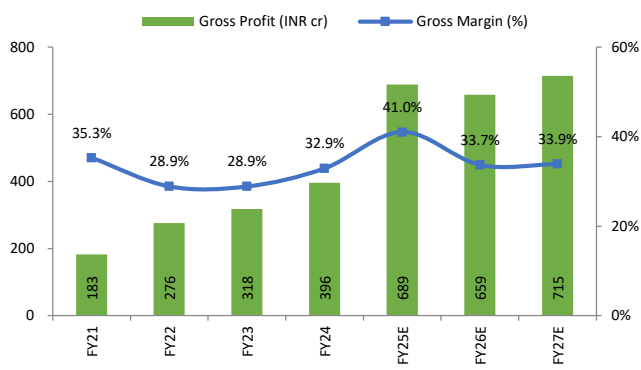
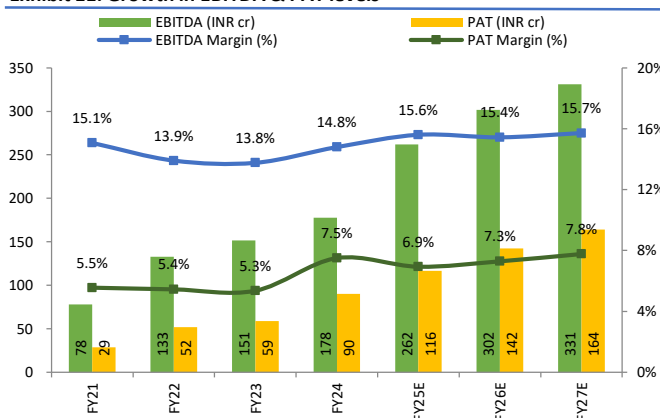
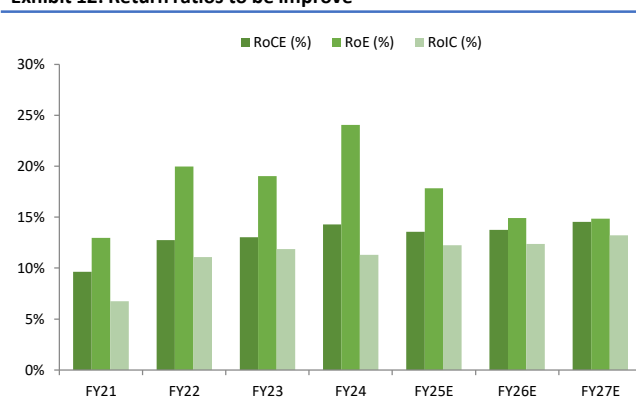
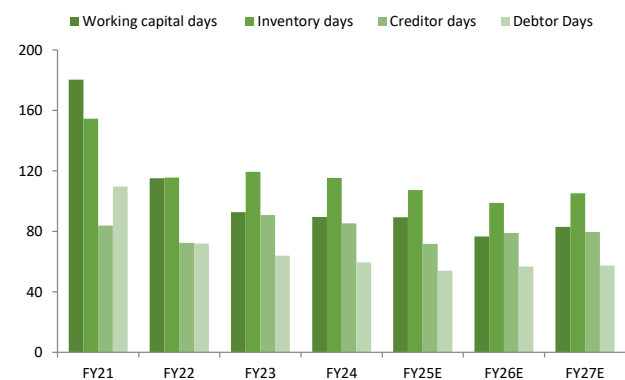
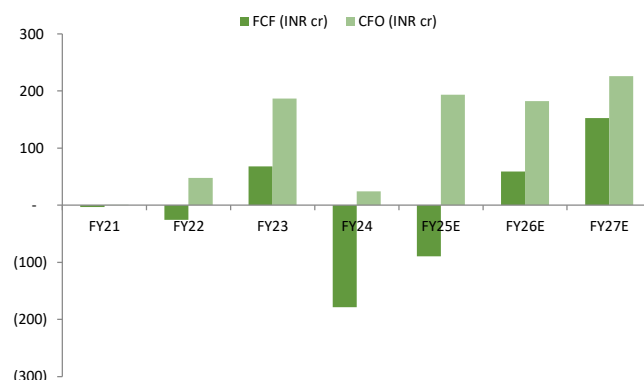
Source: Company Reports, Arianth Capital Research

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%	39.7%	16.4%	7.9%
Op profit growth	0.4%	69.9%	14.1%	17.4%	47.3%	15.2%	9.8%
Profitability ratios (%)							
OPM	15.1%	13.9%	13.8%	14.8%	15.6%	15.4%	15.7%
Net profit margin	5.5%	5.4%	5.3%	7.5%	6.9%	7.3%	7.8%
RoCE	9.6%	12.8%	13.0%	13.6%	13.8%	14.5%	15.5%
RoNW	13.0%	20.0%	19.0%	17.9%	14.9%	14.9%	16.6%
RoA	4.9%	7.3%	8.2%	8.7%	10.0%	11.3%	13.1%
Per share ratios (INR)							
EPS	8.7	16.2	18.0	26.8	32.8	40.2	46.2
Dividend per share	-	1.2	2.3	1.2	1.3	1.6	1.8
Cash EPS	18.4	28.3	32.3	45.0	55.1	65.1	72.8
Book value per share	73.6	88.6	104.2	129.8	250.3	288.9	333.2
Valuation ratios (x)							
P/E	108.3	58.4	52.6	35.2	28.8	23.6	20.5
P/CEPS	51.3	33.4	29.3	21.0	17.2	14.5	13.0
P/B	12.9	10.7	9.1	7.3	3.8	3.3	2.8
EV/EBITDA	40.9	25.5	21.8	19.9	13.8	11.9	10.3
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%	27.3%	26.5%	26.5%
Liquidity ratios							
Debtor days	110	72	64	60	54	57	57
Inventory days	154	116	119	115	107	99	105
Creditor days	84	72	91	85	72	79	80
WC Days	180	115	93	90	89	77	83
Leverage ratios (x)							
Interest coverage	1.6	2.4	2.4	2.5	2.9	3.4	4.0
Net debt / equity	1.1	1.3	0.9	1.2	0.3	0.3	0.1
Net debt / op. profit	3.3	2.8	2.0	2.9	1.1	0.9	0.3

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.

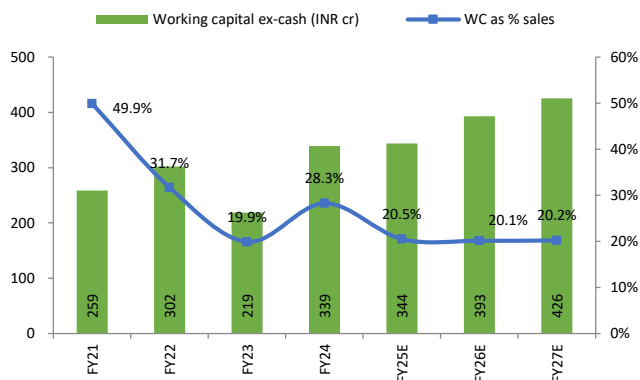


Exhibit 16: Interest cost as % of EBIT is expected to reduce going forward.

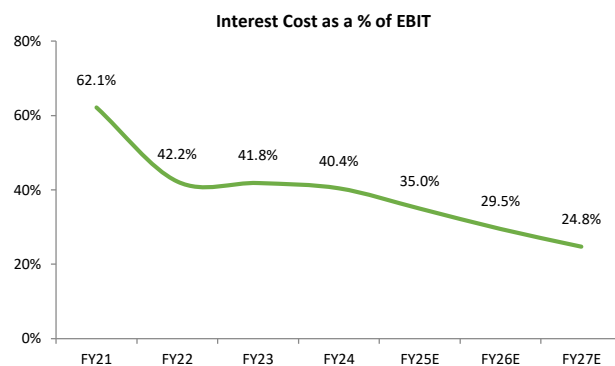


Exhibit 17: Exports revenue share is expected to reach 35%-40% going forward. Exports are majorly to US and Europe markets.

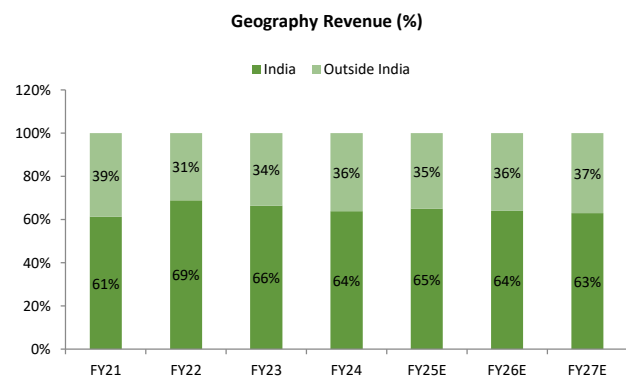


Exhibit 18: Sales realisation is based on raw material prices.

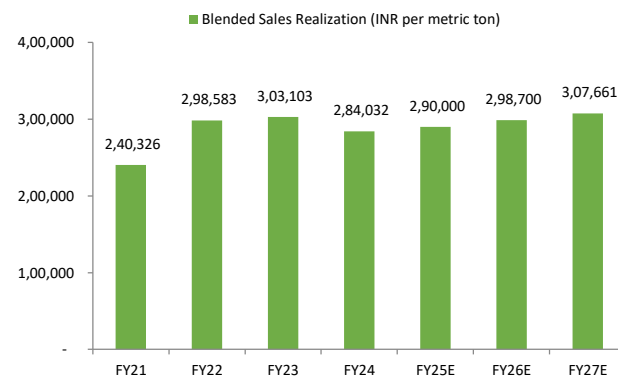


Exhibit 19: EBITDA realisation is continue to grow going forward

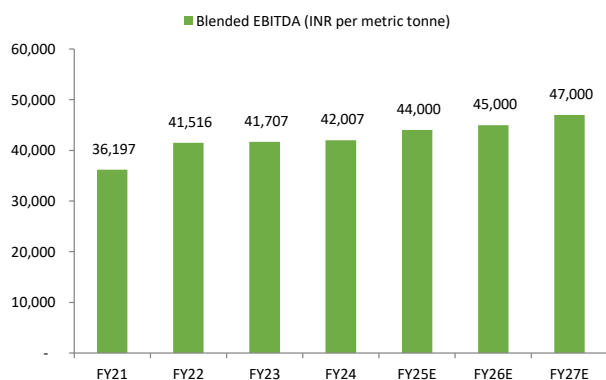
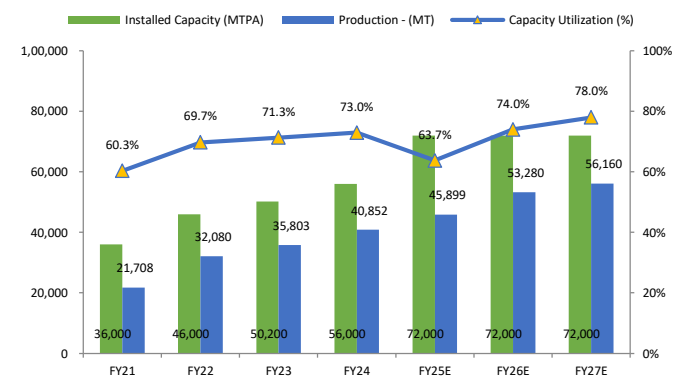


Exhibit 20: Capacity utilisation is expected to be 70%-80% going forward.



Source: Company Reports, Arianth Capital Research

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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%

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