

**CMP: INR 495**

**Rating: BUY**

**Target Price: INR 601**

**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)	1,587
52w H/L (INR)	552 / 256
Avg Yearly Volume (in 000')	137.1

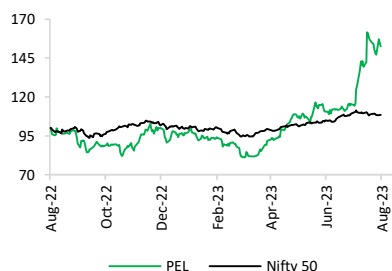
**Shareholding Pattern %**

(As on Jun, 2023)

Promoters	59.29
DII	6.19
FII	0.19
Public & Others	34.34

Stock Performance (%)	3m	6m	12m
PEL	43.0	63.7	52.5
NIFTY	6.5	8.0	8.5

**PEL vs Nifty**



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**Pitti Engineering Ltd** reported numbers, Q1FY24 revenue stood at INR 290cr (-6.7% YoY/+17.1% QoQ); above our estimates of INR 272cr. Gross Profit stood at INR 88Cr (+11% YoY/+11.9% QoQ); above our estimates of INR 78cr. Gross margins improved by 482 bps YoY (down by 142 bps QoQ) to 30.3% vs 25.5% in Q1FY23. The raw material cost in terms of sales stood at 69.7% vs 74.5% in Q1FY23. EBITDA stood at INR 42cr (+19.7% YoY/+4.6% QoQ); above our estimates of INR 37cr. EBITDA margin improved by 322 bps YoY (down by 175 bps QoQ) to 14.6% vs 11.4% in Q1FY23. PAT stood at INR 14cr (+19.3% YoY/-43.8% QoQ); above our estimates of INR 12.8cr. PAT margin improved by 105 bps YoY (down by 522 bps QoQ) to 4.8% vs 3.8% in Q1FY23.

**Key Highlights**

**Capacity is expected to complete by Q2FY24:** The total sheet metal capacity stood at 50,200 tonnes per annum as of Q1FY24. The company is expected to reach 72,000 tonnes per annum by the end of Q2FY24. The machining hours stood at 4,60,800 hours. The company is expected to reach 6,48,000 machining hours in FY24 and is expected to utilize optimum levels in H2FY25. The capex stood at INR 17cr in Q1FY24. Around INR 220cr capex is expected over the next 2 years and is expected to complete in Q2FY25. The Capex is for sheet metal capacity, increasing machining hours, and modernization.

**Realization backed by value-added components:** In Q1FY24, Sales realization per tonne stood at INR 2,91,009 (-18% YoY/+12.8% QoQ) due to softening of raw material prices. The volume grew by 13.8% YoY (+1.9% QoQ) to 9,958 tonnes. The assembled & value-added and loose lamination mix stood at 75:25 and is expected to be 80:20 going forward. EBITDA per tonne realization grew by 5.1% YoY (+0.7% QoQ) to INR 42,606 driven by volume growth in assembled and value-added components. The company is focusing on 10,500 tonnes of volumes in Q2FY24 and 42,000 – 44,000 tonnes of volumes in FY24. Post capex, the company targeting an EBITDA per tonne realization of INR 44,000 – INR 45,000.

**Witnessing traction in exports:** The domestic and Export mix stood at 68:32 in Q1FY24. Railways revenue stood at INR 93cr, out of this INR 60cr from exports. Renewables orders are completely domestic orders and exports will start from Q2FY24 onwards. The execution timeline for Renewables orders is more than 3 months. European markets are opening up for larger assembly and company is expected to export directly. In Europe, highly assembled product realization is 10% higher than domestic markets and opportunities are coming from marine lines, mining, railways, and winds.

**Outlook & Valuation:** PEL is expected to complete the Capex of 72,000 MTPA by Q2FY24. The volume is expected to reach 42,000MT – 44,000MT with continuous improvement on realization would improve profitability. The realization improvement is based on machining utilization and value-added mix, a highly automated new capex plant that requires fewer employees, and Economics of scale. The company is witnessing traction in export markets, especially from Europe and US markets, and is expected to increase direct exports. 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 495 per share, we maintain our “BUY” rating at a TP of INR 601 per share; valued at a PE multiple of 18x and its FY25E EPS of INR 33.4; an upside of 21.3%.

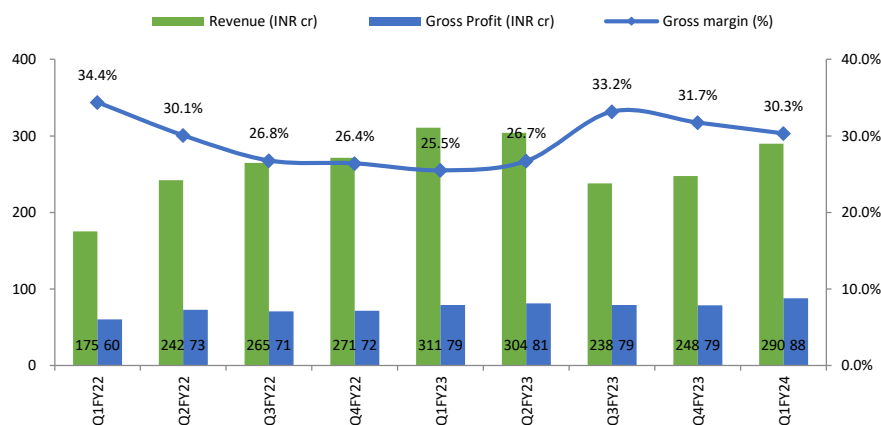
Q1FY24 Results

Income statement summary

Particular (INR cr)	Q1FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Revenue	311	248	290	-6.7%	17.1%
Net Raw Materials	231	169	202	-12.7%	19.5%
Employee Cost	21	20	23	6.9%	12.3%
Other Expenses	22	18	23	1.0%	28.1%
<b>EBITDA</b>	<b>35</b>	<b>41</b>	<b>42</b>	<b>19.7%</b>	<b>4.6%</b>
<b>EBITDA Margin (%)</b>	<b>11.4%</b>	<b>16.4%</b>	<b>14.6%</b>	<b>322 bps</b>	<b>-175 bps</b>
Depreciation	10	13	13		
Interest expense	11	10	12		
Other income	0.5	15.8	0.9		
<b>Profit before tax</b>	<b>15</b>	<b>34</b>	<b>19</b>		
Taxes	3	9	5		
<b>PAT</b>	<b>12</b>	<b>25</b>	<b>14</b>	<b>19.3%</b>	<b>-43.8%</b>
<b>PAT Margin (%)</b>	<b>3.8%</b>	<b>10.0%</b>	<b>4.8%</b>	<b>105 bps</b>	<b>-522 bps</b>
Other Comprehensive income	0.0	(1.5)	(0.1)		
<b>Net profit</b>	<b>12</b>	<b>23</b>	<b>14</b>	<b>18.1%</b>	<b>-40.7%</b>
<b>Net profit Margin (%)</b>	<b>3.8%</b>	<b>9.4%</b>	<b>4.8%</b>	<b>100 bps</b>	<b>-466 bps</b>
<b>EPS (INR)</b>	<b>3.6</b>	<b>7.7</b>	<b>4.4</b>		

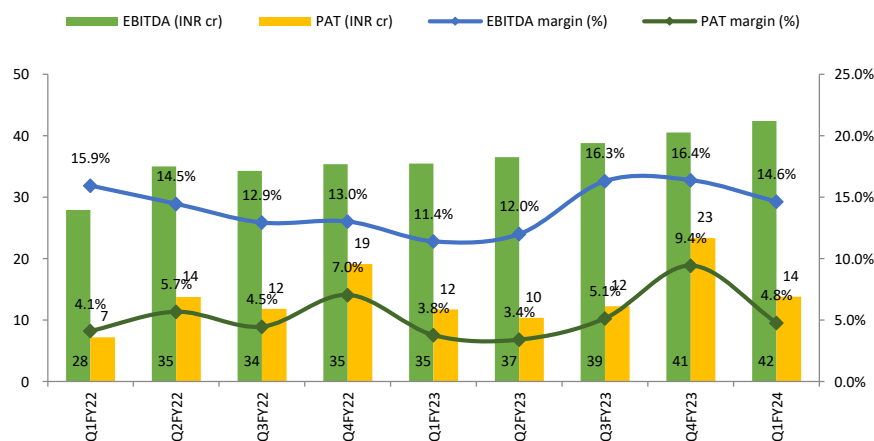
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins were improved by 482bps YoY to 30.3% in Q1FY24 due to softening of raw material prices.



Source: Company Reports, Arihant Capital Research

Exhibit 2: Margins were improved, however employee costs and other expenses remain elevated.



Source: Company Reports, Arihant Capital Research

**Q1FY24 Concall Highlights****Revenue**

- Around INR 1,800cr topline is expected at 80% utilization in FY25.
- The domestic and Export mix stood at 68:32 in Q1FY24 and is expected to be the same in FY24.

**Margins**

- EBITDA margin stood at 14.6% in Q1FY24. The softening of raw material prices and economics of scale would improve margins.

**Order book**

- The order book stood at INR 799cr as of Q1FY24. Out of INR 799cr, around INR 200cr order book are long-term order book and is expected to execute in 2-3 years, and the remaining will be executable within a year.
- The order book is based on steel prices. The company is getting orders on a regular basis. The order execution period is generally around 3 months because the company has a quarterly price variation clause with customers. Renewable orders will be executed in 6-9 months.
- Siemens is in the progress of designing and developing 9,000 HP orders. The company is expected to get potential orders from Siemens. Pitti Engineering is expected to bid for sub-contracting from Siemens.
- Order inflows remain strong in data centers and power systems.

**Market share**

- The company has a 10% market share in the organized electrical laminations market. The company consumed around 70,000 tonnes of steel out of 7,00,000 tonnes. Post capex, the share is expected to increase to 15% going forward.

**Sales volume and Realization**

- The sales volume stood at 9,958MT in Q1FY24. Aurangabad plant sales stood around 6,500MT and remained from the Hyderabad plant.
- The company is targeting around 10,500MT in Q2FY24. The volumes are expected around 42,000MT to 44,000MT in FY24.
- The sales and EBITDA realization per tonne stood at INR 2,91,009 and 42,606 respectively in Q1FY24.
- Post Capex, The company is targeting INR 44,000 to INR 45,000 per tonne on EBITDA Realization. EBITDA per tonne realization improvement is based on machining utilization and value-added mix, highly automated new capex plant which requires fewer employees, and Economics of scale.

**Incentives**

- The company has received INR 14.62cr incentives in Q4FY23 and the remaining ~INR 15cr incentives are expected in Q3FY24. Overall, around INR 45cr incentives are expected in FY24.

**Capex**

- The current capacity stands at 50,200 MTPA as of Q1FY24 and is expected to reach 72,000 MTPA by Q2FY24.

**Q1FY24 Concall Highlights****Capex**

- The current machine hours stand at 4,60,800 hours and are expected to reach 6,50,000 hours in FY24 and are expected to utilize optimum levels in H2FY25.
- Brownfield expansion in Aurangabad and Hyderabad is on Track.
- The capex stood at INR 17cr in Q1FY24. The capex is expected around INR 220cr and expected to complete in Q2FY25.

**Capacity Utilization**

- Sheet metal capacity utilization is around 77.8% and machining utilization is around 86.3% in Q1FY24. The utilization levels are expected to be above 80% till capex completion.

**Assembled and value-added**

- Assembled and Value added components share stood at 75% in Q1FY24. The value added & components and Loose laminations mix is expected 80:20 going forward.

**EV and Automotive**

- In EV & Automotive, the customers are Varroc and Dallas. The company is currently working for Electric buses for the next 2 to 3 years and looking for 2 and 3 wheelers opportunities.

**Pitti Casting**

- Pitti Engineering and Pitti Casting merger is in progress and expected to complete by the end of FY24 or Q1FY25.
- Around INR 15cr capex is expected for Pitti Casting.
- Pitti Casting EBITDA margins are around 20% to 22%.

**Exports**

- In Q1FY24, Railways revenue stood at INR 93cr, out of INR 93cr around INR 60cr revenue from exports.
- Renewables orders are completely domestic orders and exports will start from Q2FY24 onwards. The execution timeline for Renewables orders is more than 3 months.
- In renewable energy, the company is witnessing traction from Europe and the Americas.
- In-direct export sales stood at INR 70cr to INR 80cr, majorly to European and US markets.

**European markets**

- European markets are opening up for larger assembly. The company is expected to export directly.
- In Europe, opportunities are coming from marine lines, mining, railways, and Winds.
- In Europe, highly assembled product realization is 10% higher than in domestic markets.

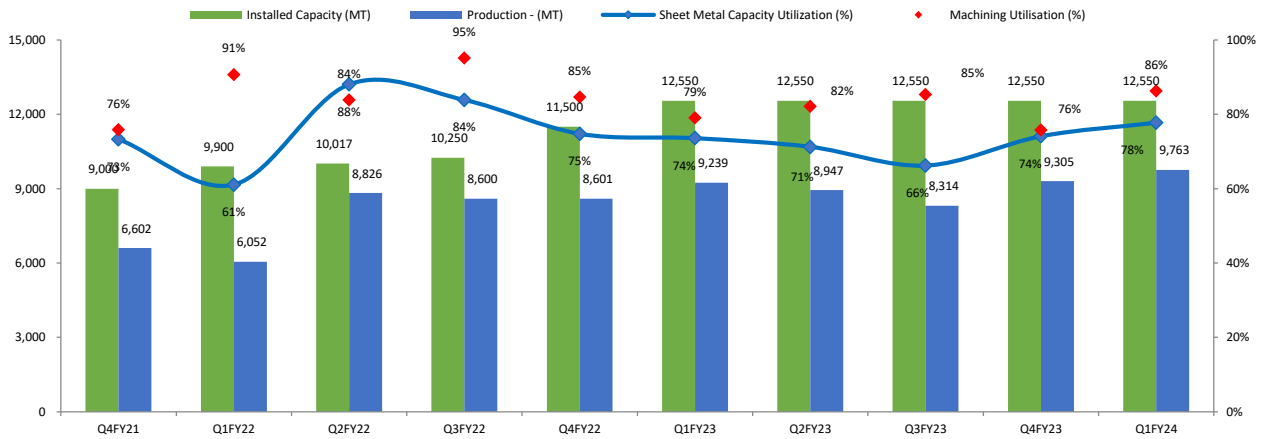
**Working capital**

- The average working capital days are around 70 days and are expected to maintain the same.

**Other highlights**

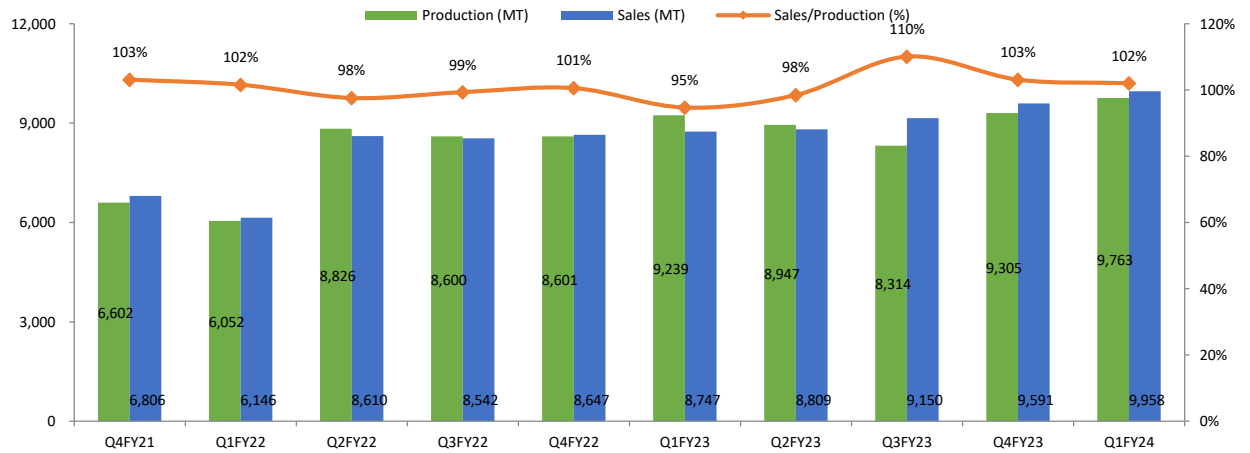
- Components topline revenue is expected around INR 300cr in FY25.
- The company might start its own brands for motors and alternators.

**Exhibit 3: Machining utilization remaining healthy and sheet metal capacity utilisation is expected to improve going forward.**



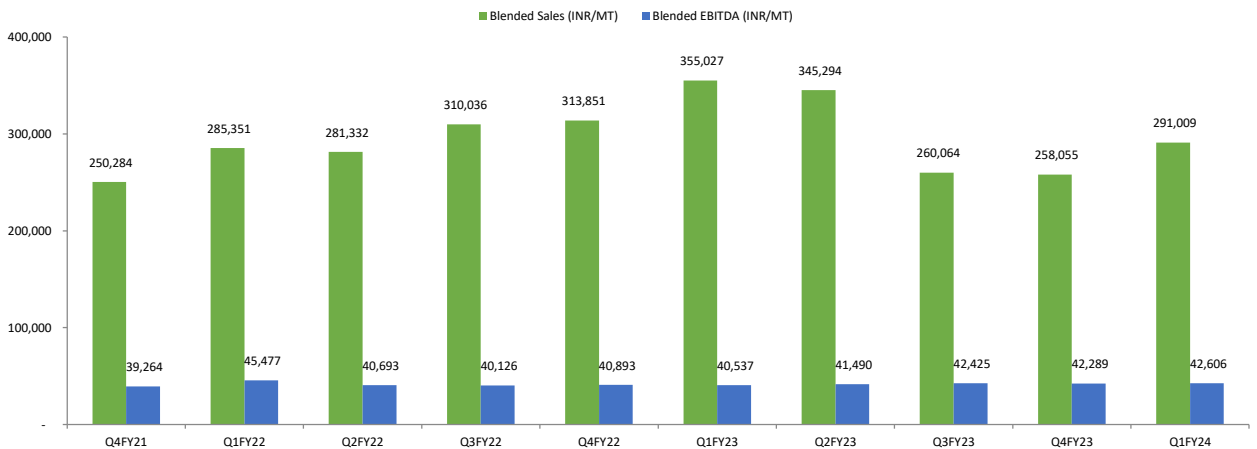
Source: Company Reports, Aриhant Capital Research  
Installed capacity is quarterly basis

**Exhibit 4: Sales are in-line with production.**



Source: Company Reports, Aриhant Capital Research

**Exhibit 5: Improvement in EBITDA realizations**



Source: Company Reports, Aриhant Capital Research

## Scenario Analysis

Exhibit 6: Revenue based on Realizations and Capacity utilizations

Revenue (FY24E) - INR cr		Capacity Utilization (%)										
	1,253	47%	49%	51%	53%	55%	57%	59%	61%	63%	65%	67%
Sales Realization (INR)	300,000	995	1,037	1,080	1,122	1,164	1,207	1,249	1,291	1,334	1,376	1,418
	303,000	1,005	1,048	1,090	1,133	1,176	1,219	1,261	1,304	1,347	1,390	1,432
	306,000	1,015	1,058	1,101	1,144	1,188	1,231	1,274	1,317	1,360	1,403	1,447
	309,000	1,025	1,068	1,112	1,156	1,199	1,243	1,286	1,330	1,374	1,417	1,461
	312,000	1,035	1,079	1,123	1,167	1,211	1,255	1,299	1,343	1,387	1,431	1,475
	315,000	1,045	1,089	1,134	1,178	1,222	1,267	1,311	1,356	1,400	1,445	1,489
	318,000	1,055	1,099	1,144	1,189	1,234	1,279	1,324	1,369	1,414	1,458	1,503
	321,000	1,065	1,110	1,155	1,200	1,246	1,291	1,336	1,382	1,427	1,472	1,518
	324,000	1,074	1,120	1,166	1,212	1,257	1,303	1,349	1,395	1,440	1,486	1,532
	327,000	1,084	1,131	1,177	1,223	1,269	1,315	1,361	1,407	1,454	1,500	1,546
	330,000	1,094	1,141	1,188	1,234	1,281	1,327	1,374	1,420	1,467	1,514	1,560
	333,000	1,104	1,151	1,198	1,245	1,292	1,339	1,386	1,433	1,480	1,527	1,574
336,000	1,114	1,162	1,209	1,257	1,304	1,351	1,399	1,446	1,494	1,541	1,588	
339,000	1,124	1,172	1,220	1,268	1,316	1,363	1,411	1,459	1,507	1,555	1,603	

Revenue (FY25E) - INR cr		Capacity Utilization (%)										
	1,564	60%	62%	64%	66%	68%	70%	72%	74%	76%	78%	80%
Sales Realization (INR)	300,000	1,270	1,312	1,355	1,397	1,439	1,482	1,524	1,566	1,609	1,651	1,693
	303,000	1,283	1,326	1,368	1,411	1,454	1,497	1,539	1,582	1,625	1,668	1,710
	306,000	1,295	1,339	1,382	1,425	1,468	1,511	1,555	1,598	1,641	1,684	1,727
	309,000	1,308	1,352	1,395	1,439	1,483	1,526	1,570	1,613	1,657	1,701	1,744
	312,000	1,321	1,365	1,409	1,453	1,497	1,541	1,585	1,629	1,673	1,717	1,761
	315,000	1,334	1,378	1,422	1,467	1,511	1,556	1,600	1,645	1,689	1,734	1,778
	318,000	1,346	1,391	1,436	1,481	1,526	1,571	1,616	1,660	1,705	1,750	1,795
	321,000	1,359	1,404	1,450	1,495	1,540	1,585	1,631	1,676	1,721	1,767	1,812
	324,000	1,372	1,417	1,463	1,509	1,555	1,600	1,646	1,692	1,737	1,783	1,829
	327,000	1,384	1,431	1,477	1,523	1,569	1,615	1,661	1,707	1,754	1,800	1,846
	330,000	1,397	1,444	1,490	1,537	1,583	1,630	1,677	1,723	1,770	1,816	1,863
	333,000	1,410	1,457	1,504	1,551	1,598	1,645	1,692	1,739	1,786	1,833	1,880
336,000	1,422	1,470	1,517	1,565	1,612	1,660	1,707	1,754	1,802	1,849	1,897	
339,000	1,435	1,483	1,531	1,579	1,627	1,674	1,722	1,770	1,818	1,866	1,914	

 Bull Case

 Base Case

 Bear Case

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

Exhibit 7: Sales are expected to reach ~INR 1,564cr at 71% capacity utilization by FY25. The current capacity stood at 50,200 MTPA and expected to reach 72,000 MTPA by Q2FY24.

Particular (INR cr)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Installed Capacity - Hyderabad plant	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Installed Capacity - Aurangabad plant	22,000	23,000	26,000	26,000	26,000	36,000	40,200	62,000	62,000
<b>Total Installed Capacity (MTPA)</b>	<b>32,000</b>	<b>33,000</b>	<b>36,000</b>	<b>36,000</b>	<b>36,000</b>	<b>46,000</b>	<b>50,200</b>	<b>72,000</b>	<b>72,000</b>
Machine Shop (Hours per Annum)	247,000	247,600	247,600	247,600	362,800	403,200	460,800	648,000	648,000
Production - Lamination (MT)	18,145	19,234	25,115	21,435	21,708	32,080	35,803	41,760	51,120
Sales (MT)	18,776	18,799	27,381	22,122	21,561	31,945	36,297	40,925	50,098
Sales/Production (%)	103%	98%	109%	103%	99%	99.6%	101.4%	98.0%	98.0%
Capacity Utilization (%)	56.7%	58.3%	69.8%	59.5%	60.3%	69.7%	71.3%	58.0%	71.0%
Sales (INR cr)	286	379	622	525	518	954	1,100	1,253	1,564
EBITDA (INR cr)	34	54	90	78	78	133	151	175	222
EBITDA Margin (%)	11.7%	14.4%	14.5%	14.8%	15.1%	13.9%	13.8%	14.0%	14.2%
Blended Sales Realization (per metric tonne)	152,267	201,496	227,243	237,349	240,326	298,583	303,103	306,134	312,256
Blended EBITDA (per metric tonne)	17,861	28,983	32,906	35,131	36,197	41,516	41,707	42,827	44,349

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

## Valuation

## Exhibit 8: Bull Case Scenario

Bull Case (INR cr)	FY23	FY24E	FY25E
Revenue	1,100	1,376	1,821
EBITDA	151	191	257
EBITDA Margin (%)	13.8%	13.9%	14.1%
PAT	59	94	137
PAT Margin (%)	5.3%	6.9%	7.5%
EPS (INR)	18.0	29.5	42.7

Valuation - P/E (FY25)

EPS (INR) 42.7

P/E (x) 20.0

Target Price (INR) 855

CMP (INR) 495

Upside/Downside (%) 72.6%

Source: Company, Arihant Capital Research

## Exhibit 9: Base Case Scenario

Base Case (INR cr)	FY23	FY24E	FY25E
Revenue	1,100	1,259	1,572
EBITDA	151	175	222
EBITDA Margin (%)	13.8%	13.9%	14.1%
PAT	59	80	107
PAT Margin (%)	5.3%	6.4%	6.8%
EPS (INR)	18.0	25.0	33.4

Valuation - P/E (FY25)

EPS (INR) 33.4

P/E (x) 18.0

Target Price (INR) 601

CMP (INR) 495

Upside/Downside (%) 21.3%

Source: Company, Arihant Capital Research

## Exhibit 10: Bear Case Scenario

Bear Case (INR cr)	FY23	FY24E	FY25E
Revenue	1,100	1,182	1,490
EBITDA	151	165	211
EBITDA Margin (%)	13.8%	13.9%	14.1%
PAT	59	71	97
PAT Margin (%)	5.3%	6.0%	6.5%
EPS (INR)	18.0	22.1	30.3

Valuation - P/E (FY25)

EPS (INR) 30.3

P/E (x) 16.0

Target Price (INR) 484

CMP (INR) 495

Upside/Downside (%) -2.2%

Source: Company, Arihant Capital Research

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	525	518	954	1,100	1,259	1,572
Net Raw Materials	345	335	678	782	894	1,113
Employee Cost	55	56	78	87	99	124
Other Expenses	48	49	65	80	90	113
<b>EBITDA</b>	<b>78</b>	<b>78</b>	<b>133</b>	<b>151</b>	<b>175</b>	<b>222</b>
<b>EBITDA Margin (%)</b>	<b>14.8%</b>	<b>15.1%</b>	<b>13.9%</b>	<b>13.8%</b>	<b>13.9%</b>	<b>14.1%</b>
Depreciation	(27)	(30)	(39)	(45)	(54)	(66)
Interest expense	(34)	(30)	(40)	(45)	(47)	(47)
Other income	4	20	16	18	35	38
<b>Profit before tax</b>	<b>20</b>	<b>39</b>	<b>71</b>	<b>80</b>	<b>110</b>	<b>147</b>
Taxes	(3)	(10)	(19)	(21)	(30)	(40)
<b>PAT</b>	<b>17</b>	<b>29</b>	<b>52</b>	<b>59</b>	<b>80</b>	<b>107</b>
<b>PAT Margin (%)</b>	<b>3.3%</b>	<b>5.5%</b>	<b>5.4%</b>	<b>5.3%</b>	<b>6.4%</b>	<b>6.8%</b>
Other Comprehensive income	(0)	(1)	0	(1)	-	-
<b>Net profit</b>	<b>17</b>	<b>28</b>	<b>52</b>	<b>58</b>	<b>80</b>	<b>107</b>
EPS (INR)	5.3	8.7	16.2	18.0	25.0	33.4

Source: Company Reports, Arianth Capital Research

## Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity capital	16	16	16	16	16	16
Reserves	192	220	268	318	398	505
<b>Net worth</b>	<b>208</b>	<b>236</b>	<b>284</b>	<b>334</b>	<b>414</b>	<b>521</b>
Provisions	34	74	12	12	10	13
Debt	241	263	401	365	375	355
Other non-current liabilities	11	10	9	9	13	16
<b>Total Liabilities</b>	<b>494</b>	<b>583</b>	<b>706</b>	<b>720</b>	<b>812</b>	<b>905</b>
Fixed assets	212	193	228	279	359	405
Capital Work In Progress	8	1	1	24	2	2
Other Intangible assets	11	18	14	9	9	9
Investments	42	95	18	26	38	47
Other non current assets	4	8	108	98	76	79
<b>Net working capital</b>	<b>200</b>	<b>258</b>	<b>301</b>	<b>218</b>	<b>228</b>	<b>284</b>
Inventories	127	157	272	239	269	320
Sundry debtors	139	172	204	181	197	237
Loans & Advances	0.2	0.2	-	-	0.1	0.2
Other current assets	36	48	75	55	62	78
Sundry creditors	(97)	(105)	(220)	(251)	(267)	(314)
Other current liabilities & Prov	(6)	(13)	(30)	(7)	(33)	(36)
Cash	15	9	35	65	97	75
Other Financial Assets	1	0	1	1	3	3
<b>Total Assets</b>	<b>494</b>	<b>583</b>	<b>706</b>	<b>720</b>	<b>812</b>	<b>905</b>

Source: Company Reports, Arianth Capital Research

## Du-Pont Analysis

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	0.9	0.7	0.7	0.7	0.7	0.7
Interest burden (x)	0.4	0.8	0.8	0.7	0.9	0.9
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.0	0.9	1.3	1.2	1.3	1.4
Financial leverage (x)	2.9	2.5	2.9	3.0	2.7	2.4
<b>RoE (%)</b>	<b>9.0%</b>	<b>13.0%</b>	<b>20.0%</b>	<b>19.0%</b>	<b>21.4%</b>	<b>22.9%</b>

Source: Company Reports, Arianth Capital Research



## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	20	39	71	80	110	147
Depreciation	27	30	39	45	54	66
Tax paid	(3)	(10)	(19)	(21)	(30)	(40)
Working capital Δ	(4)	(58)	(43)	83	(10)	(56)
<b>Operating cashflow</b>	<b>41</b>	<b>1</b>	<b>48</b>	<b>187</b>	<b>123</b>	<b>117</b>
Capital expenditure	(23)	(4)	(73)	(119)	(112)	(112)
<b>Free cash flow</b>	<b>18</b>	<b>(4)</b>	<b>(26)</b>	<b>68</b>	<b>11</b>	<b>5</b>
Equity raised	20	(1)	0	(1)	-	-
Investments	(25)	(53)	77	(7)	(12)	(9)
Others	(2)	(9)	(97)	15	21	(4)
Debt financing/disposal	(32)	22	139	(37)	10	(20)
Dividends paid	-	-	(4)	(8)	-	-
Other items	22	39	(63)	0	2	6
<b>Net Δ in cash</b>	<b>1</b>	<b>(6)</b>	<b>26</b>	<b>30</b>	<b>32</b>	<b>(23)</b>
<b>Opening Cash Flow</b>	<b>14</b>	<b>15</b>	<b>9</b>	<b>35</b>	<b>65</b>	<b>97</b>
<b>Closing Cash Flow</b>	<b>15</b>	<b>9</b>	<b>35</b>	<b>65</b>	<b>97</b>	<b>75</b>

Source: Company Reports, Aриhant Capital Research

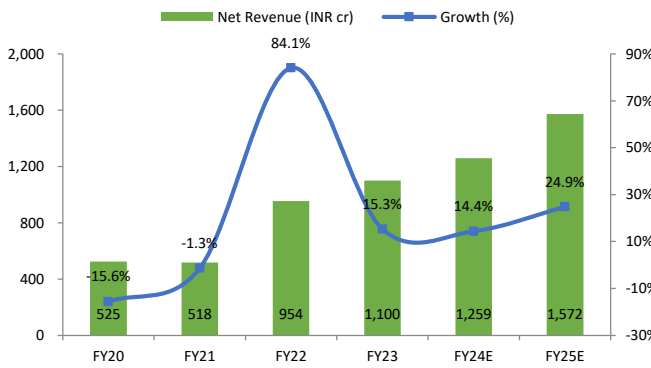
## Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Growth matrix (%)</b>						
Revenue growth	-15.6%	-1.3%	84.1%	15.3%	14.4%	24.9%
Op profit growth	-13.7%	0.4%	69.9%	14.1%	15.8%	26.8%
<b>Profitability ratios (%)</b>						
OPM	14.8%	15.1%	13.9%	13.8%	13.9%	14.1%
Net profit margin	3.3%	5.5%	5.4%	5.3%	6.4%	6.8%
RoCE	10.0%	9.6%	12.8%	13.0%	15.2%	16.8%
RoNW	9.0%	13.0%	20.0%	19.0%	21.4%	22.9%
RoA	3.5%	4.9%	7.3%	8.2%	9.9%	11.8%
<b>Per share ratios (INR)</b>						
EPS	5.3	8.7	16.2	18.0	25.0	33.4
Dividend per share	-	-	1.2	2.3	-	-
Cash EPS	13.9	18.4	28.3	32.3	41.7	53.9
Book value per share	64.8	73.6	88.6	104.2	129.2	162.6
<b>Valuation ratios (x)</b>						
P/E	94.3	56.7	30.6	27.5	19.8	14.8
P/CEPS	35.6	26.8	17.5	15.3	11.9	9.2
P/B	7.6	6.7	5.6	4.8	3.8	3.0
EV/EBITDA	22.8	22.4	14.6	12.3	10.4	8.2
<b>Payout (%)</b>						
Dividend payout	0.0%	0.0%	7.3%	12.8%	0.0%	0.0%
Tax payout	13.9%	25.4%	26.5%	26.4%	27.0%	27.0%
<b>Liquidity ratios</b>						
Debtor days	112	110	72	64	55	50
Inventory days	120	154	116	119	104	97
Creditor days	82	84	72	91	87	79
WC Days	150	180	115	93	71	68
<b>Leverage ratios (x)</b>						
Interest coverage	1.5	1.6	2.4	2.4	2.6	3.3
Net debt / equity	1.1	1.1	1.3	0.9	0.7	0.5
Net debt / op. profit	2.9	3.3	2.8	2.0	1.6	1.3

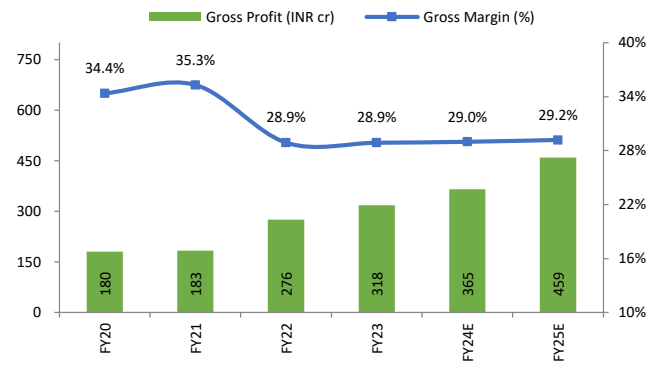
Source: Company Reports, Aриhant Capital Research

**Story in Charts**

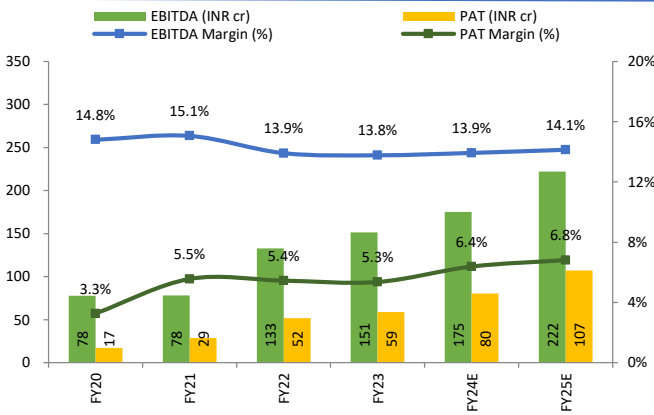
**Exhibit 11: Capacity expansion will lead to incremental revenue going forward.**



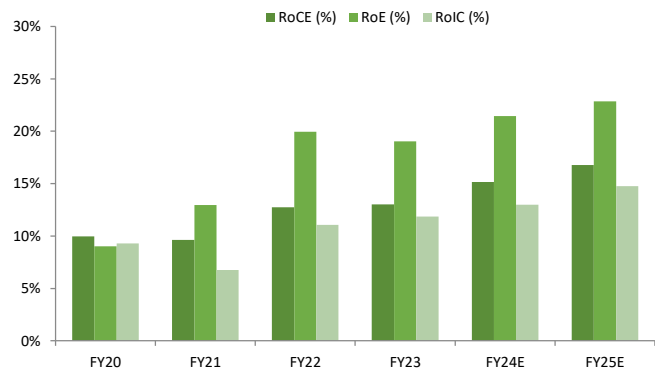
**Exhibit 12: Gross margins are expected to stabilize going forward.**



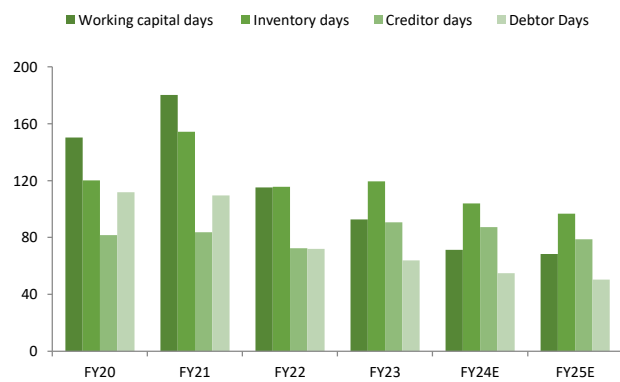
**Exhibit 13: Growth in EBITDA & PAT levels**



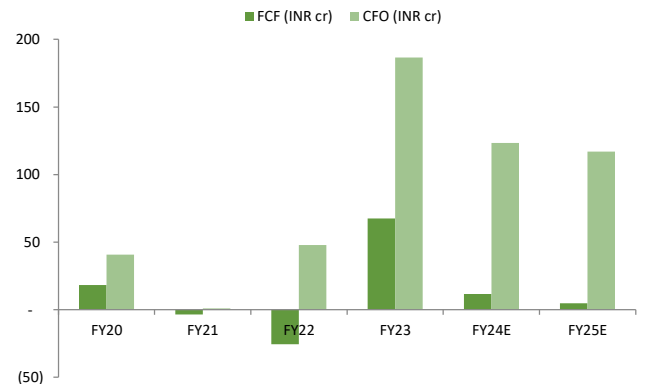
**Exhibit 14: Return ratios to be improve**



**Exhibit 15: Working capital days to be improve**



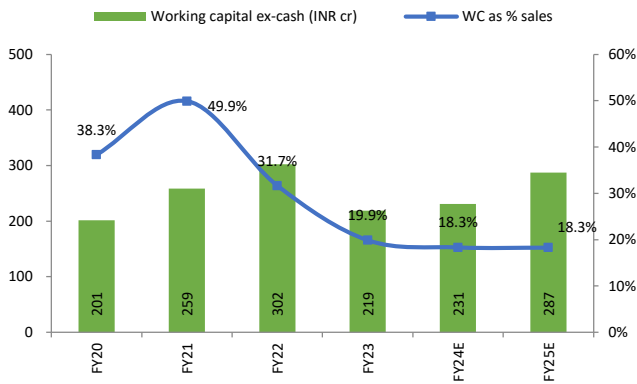
**Exhibit 16: Cash flows to be improve**



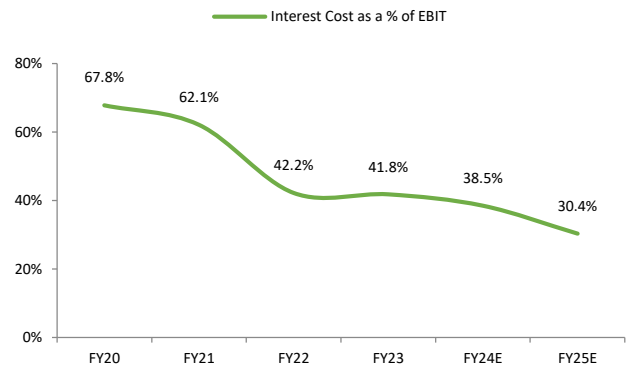
Source: Company Reports, Arianth Capital Research

**Story in Charts**

**Exhibit 17: Working capital in-terms of sales is expected to reduce going forward.**

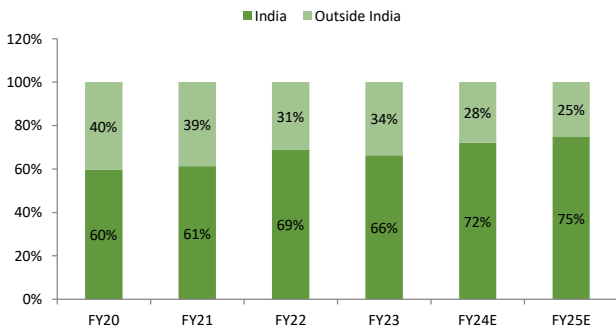


**Exhibit 18: Interest cost as % of EBIT is expected to reduce going forward.**

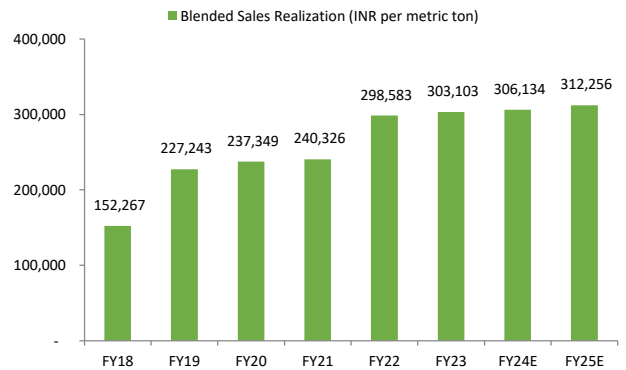


**Exhibit 19: Exports revenue share is expected to reach 20%-25% going forward.**

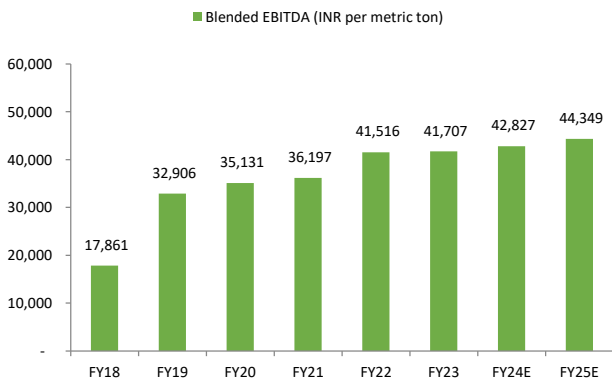
**Geography Revenue (%)**



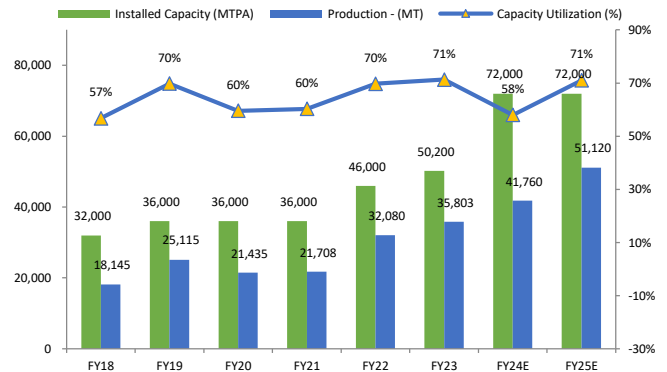
**Exhibit 20: Sales realisation is continue to grow going forward.**



**Exhibit 21: EBITDA realisation is continue to grow going forward**



**Exhibit 22: Capacity utilisation is expected to be 70%-80% going forward. In FY24, additional capacity 21,800 MT will be added which is expected to bring down the blended utilisation.**



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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