

CMP: INR 1,337

Rating: ACCUMULATE

Target Price: INR 1,501

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)	4,743
52w H/L (INR)	1,382 / 492
Avg Yearly Volume (in 000')	150.1

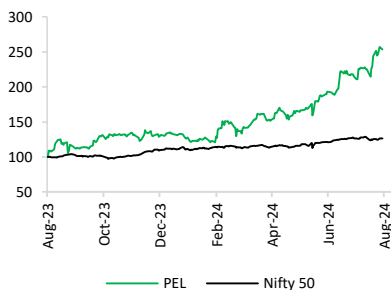
Shareholding Pattern %

(As on Jun, 2024)

Promoters	53.58
DII	15.23
FII	1.31
Public & Others	29.89

Stock Performance (%)	3m	6m	12m
PEL	53.1	109.2	153.5
NIFTY	9.2	11.1	26.7

PEL vs Nifty



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Pitti Engineering Ltd (PEL) reported numbers, Q1FY25 revenue stood at INR 383cr (+32.1% YoY/+16.7% QoQ); above our estimates of INR 371cr. Gross Profit stood at INR 135cr (+53.9% YoY/+18.5% QoQ); above our estimates of INR 113cr. Gross margins improved by 499bps YoY (up by 52bps QoQ) to 35.3% vs 30.3% in Q1FY24. The raw material cost in terms of sales stood at 64.7% vs 69.7% in Q1FY24. EBITDA stood at INR 56cr (+32.8% YoY/+15.9% QoQ); above our estimates of INR 47cr. EBITDA margin improved by 8bps YoY (down by 11bps QoQ) to 14.7% vs 14.6% in Q1FY24. PAT stood at INR 21cr (+47.1% YoY/-49.1% QoQ); above our estimates of INR 17cr. PAT margin improved by 55bps YoY (down by 694bps QoQ) to 5.4% vs 4.8% in Q1FY24.

Key Highlights

Capacity is expected to be completed by Sep-24: Aurangabad sheet metal capacity stood at 56,000 MTPA as of Q1FY25. The installation is in progress and is expected to reach 72,000 MTPA by Sep-24. In the Aurangabad facility, the company has added 22.5 lakh sq.ft of built-up area. The facility has enough space to increase the capacity to 1,00,000 tonnes per annum (Post 72,000 Tonnes; an additional increase of 28,000 Tonnes). The machining hours stood at 4,60,800 hours. The company is expected to reach more than 6 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 business growth and machining hours will improve the realization going forward.

Growth in volumes with EBITDA realizations: In Q1FY25, Sales realization per tonne stood at INR 2,78,406 (-4.3% YoY/-2.9% QoQ) due to raw material prices. The volume grew by 24.6% YoY (+8.5% QoQ) to 12,411 MT. The assembled & value-added and loose lamination mix stood at 78:22 and is expected to be 80:20 going forward. EBITDA per tonne realization grew by 2.8% YoY (+2.9% QoQ) to INR 43,785 driven by volume growth in assembled and value-added components. Pitti Engineering standalone volume is expected 48,000 MT and Consolidated volumes are expected 63,000 MT in FY25E.

Strategic acquisition of Dakshin foundries: 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 revenue stood at INR 71cr in FY24 and expected to reach by INR 83cr by FY27E. Revenue and EBITDA per tonne is around INR 2,41,000 and INR 63,389 as of FY24. The EBITDA per tonne is expected INR 60,000-65,000 going forward. The capacity stood at 4,200 MTPA and capacity utilization is around 70% and expected to reach optimum utilization of 80% going forward. The volumes is around 2,939 MT in FY24 and expected 3,000 MT per annum going forward.

Targeting southern markets through Bagadia Chaitra Industries: The company completed the acquisition of Bagadia Chaitra Industries on 6th May 2024. The one time expenditures related to BCIPL is around INR 2.18cr in Q1FY25. The company has added Pump segment from the acquisition of Bagadia Chaitra industries. It is majorly for agricultural pump sets and its major customer is Texmo. The Bagadia facility is expected to cater to southern markets going forward.

Outlook & Valuation: PEL is expected to complete the Capex of 72,000 MTPA by Sep-24. The standalone volume is expected 48,000 MT and Consolidated volumes are expected 63,000 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 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 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 1,337 per share, we reduce to an "ACCUMULATE" (earlier "BUY") rating at a TP of INR 1,501 per share; valued at a PE multiple of 30x and its FY27E EPS of INR 50; an upside of 12.2%.

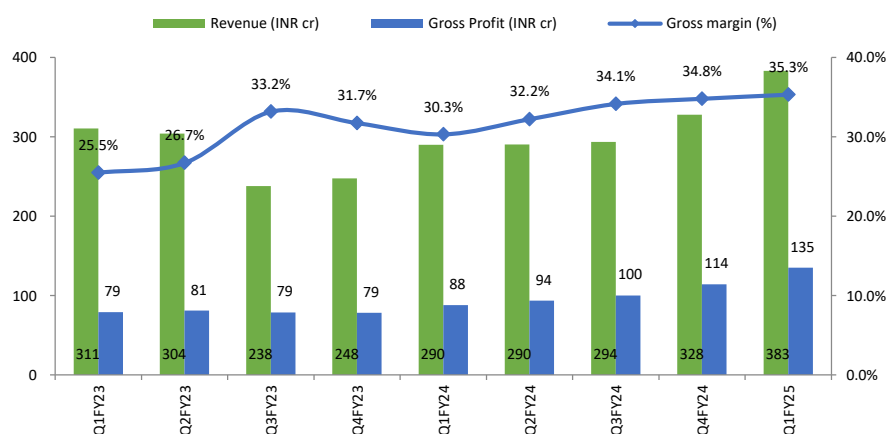
Q1FY25 Results

Income statement summary

Particular (INR cr)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Revenue	290	328	383	32.1%	16.7%
Net Raw Materials	202	214	248	22.6%	15.8%
Gross Profit	88	114	135	53.9%	18.5%
Gross Margin (%)	30.3%	34.8%	35.3%	+499 bps	+52 bps
Employee Cost	23	32	37	60.0%	15.3%
Other Expenses	23	34	42	87.2%	25.2%
EBITDA	42	49	56	32.8%	15.9%
EBITDA Margin (%)	14.6%	14.8%	14.7%	+8 bps	-11 bps
Depreciation	13	14	15		
Interest expense	12	14	17		
Other income	1	31	4		
Profit before tax	19	52	28		
Taxes	5	12	7		
PAT	14	40	21	47.1%	-49.1%
PAT Margin (%)	4.8%	12.3%	5.4%	+55 bps	-694 bps
EPS (INR)	4.4	12.6	6.4		

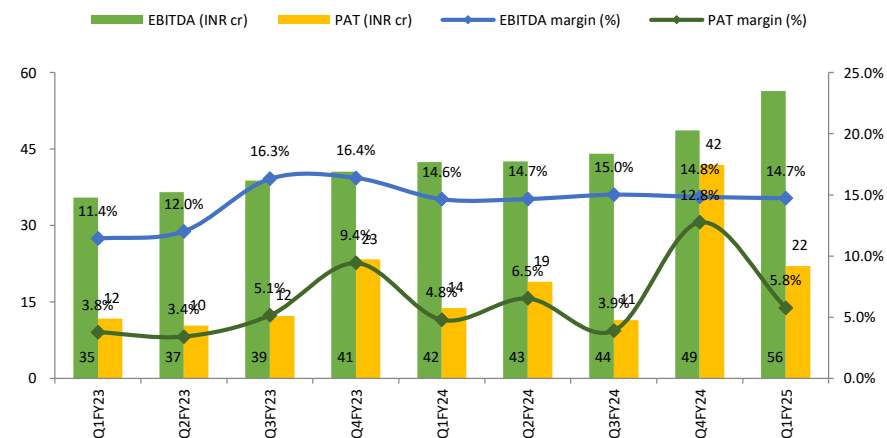
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 499bps YoY (up by 52bps QoQ) to 35.3% in Q1FY25 due to softening of raw material prices.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin improved by 8bps YoY (down by 11bps QoQ) to 14.7% in Q1FY25 due to increase in employee costs and other expenses in-terms of sales.



Source: Company Reports, Arihant Capital Research

Q1FY25 Concall Highlights**Capex**

- Installation of capacities is on track in Aurangabad facility. The sheet metal capacity is expected to increase from 56,000 tonnes to 72,000 tonnes by Sep-24. machine hours are expected to increase from 4.6 lakh hours to 6 lakhs hours going forward.
- In Aurangabad facility, the company has added 22.5 lakh sq.ft of built up area. The facility has enough space to increase the capacity to 1,00,000 tonnes per annum (Post 72,000 Tonnes; an additional increase of 28,000 Tonnes).
- The consolidated capacity is expected to reach 90,000 MT going forward. The consolidated capacity includes acquisition capacities.
- The machining capex of INR 198cr is expected to be completed by 12-18 months.

Volume

- Standalone sales volume stood at 12,411 MT in Q1FY25.
- Pitting Engineering standalone volume is expected 48,000 Tonnes and Consolidated volumes are expected 63,000 Tonnes in FY25E.

Fundraising

- The company has completed fund raising of INR 360cr through QIP. These funds will be utilized for strengthening the balance sheet and fueling future growth.

Bagadia Chaitra Industries

- The company completed the acquisition of Bagadia Chaitra Industries on 6th May 2024.
- The one time expenditures related to BCIPL is around INR 2.18cr in Q1FY25.
- In BCIPL; Post takeover, the company has moved to conservative method of accounting for inventory. The impact of inventory valuation is around INR 2cr.
- BCIPL EBITDA per tonne is expected to reach INR 18,000/tonne over next 2-3 quarters.
- The company has added Pump segment from the acquisition of Bagadia Chaitra industries. It is majorly for agricultural pump sets and its major customer is Texmo.

Dakshin foundries

- Dakshin foundries volumes is around 3,000 MT/annum and expected to continue at the same rate going forward.

Order book

- The order book stood at INR 1,000cr as of Q1FY25. Short term order is around INR 800cr and remaining INR 200cr from long term orders.

Q1FY25 Concall Highlights**Debt**

- The net debt stood at INR 525cr as of Q1FY25. Post fund raise, the company repaid debt and net debt stood at INR 300cr as of 1st Aug 2024. The free cash flows will be used for debt reduction going forward.

Working capital

- Inventory stood at INR 270cr and inventory days stood at 70 days as of Q1FY25.
- Days Sales Outstanding (DSO) stood around 60 days and Days Payables Outstanding (DPO) around 70 days as of Q1FY25. Overall, Net Working capital days is around 63 days.

Realizations

- Standalone EBITDA per tonne stood at INR 43,785. After adjusting one-time expenditure of Bagadia Chaitra, EBITDA per tonne is around INR 45,500. After addition of Pitti castings, EBITDA per tonne is expected to reach INR 48,000 going forward.

Price variation clause

- Pitti Engineering and acquisition companies have Price Variation Clauses (PVC) with all the customers. There is not much lag on prices.
- For example; Jan – Mar quarter, the sale price is built from Feb-Apr to customers and the price staggered by one month. The older inventories consumed at the older rate and there is no much losses/gains when compared to increases/decreases in the market.

Pitti Casting

- Pitti Casting merger is under progress and NCLT approval is expected shortly. The merger is expected to be completed by Q2FY25E.

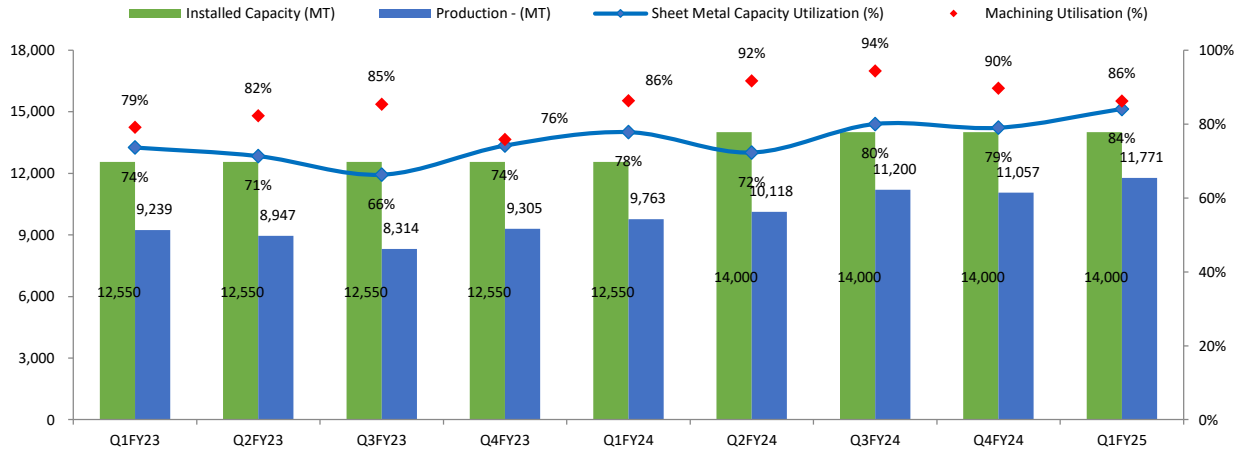
Competitive landscape

- Temple Steel is a MNC company and engaged in the lamination business for the past 15 years. The competitive landscape has not changed.

Other highlights

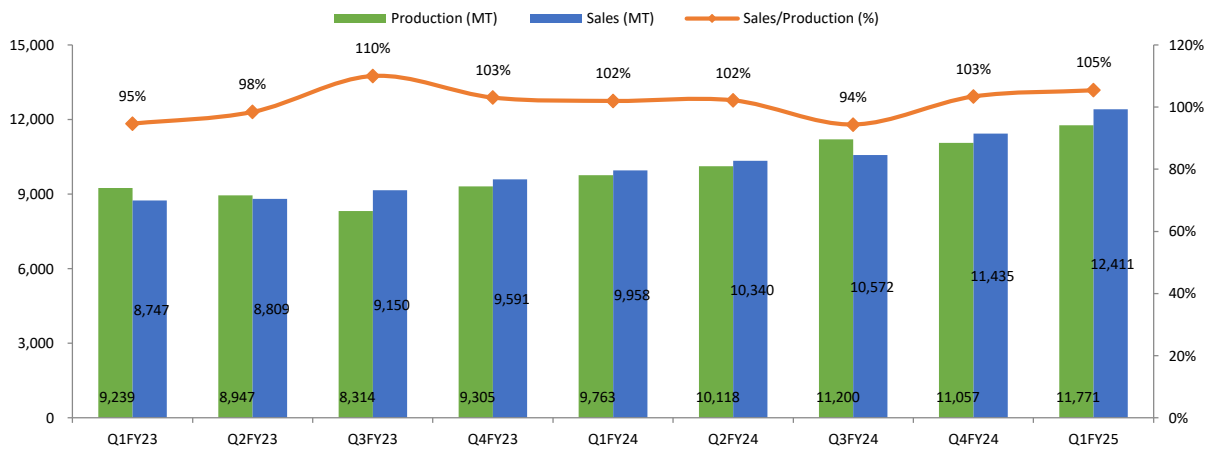
- Around 25% of revenue from railways in FY24. Export and domestic mix stood at 75:25. The company is operating built- to-ship to customers in railways.
- The company is not looking for further in-organic opportunities and focused on consolidating and integrating acquisitions.
- The operating leverage is increased by 25%.

Exhibit 3: Utilization levels remain above 75% over past few quarters.



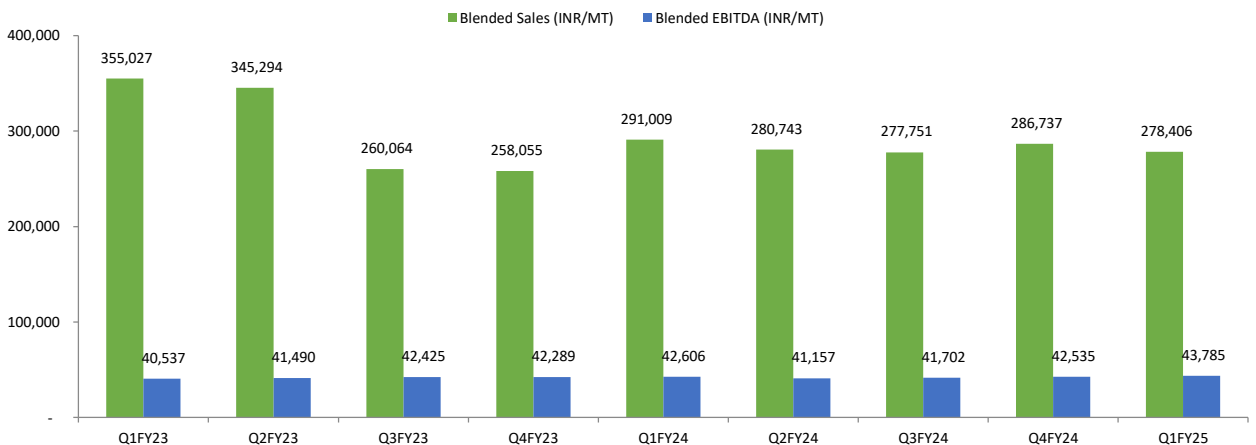
Source: Company Reports, Aриhant Capital Research
 Installed capacity is quarterly basis

Exhibit 4: Sales are in-line with production.



Source: Company Reports, Aриhant Capital Research

Exhibit 5: Sales and EBITDA realizations



Source: Company Reports, Aриhant Capital Research

Valuation

Exhibit 6: Pitti Engineering Sales are expected to reach ~INR 1,693cr at 78% capacity utilization by FY27E. The current capacity stood at 56,000 MTPA and expected to reach 72,000 MTPA by Sep-24. 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 7: Bull Case Scenario

Bull Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,792	2,022	2,195
EBITDA	178	258	296	325
EBITDA Margin (%)	14.8%	14.4%	14.6%	14.8%
PAT	90	142	166	188
PAT Margin (%)	7.5%	7.9%	8.2%	8.6%
EPS (INR)	24.3	40.1	46.9	52.9

Valuation - P/E (FY27E)

EPS (INR) 52.9

P/E (x) 30.0

Target Price (INR) 1,588

CMP (INR) 1,337

Upside/Downside (%) 18.8%

Source: Company, Aриhant Capital Research

Exhibit 8: Base Case Scenario

Base Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,684	1,954	2,108
EBITDA	178	243	286	312
EBITDA Margin (%)	14.8%	14.4%	14.6%	14.8%
PAT	90	130	158	177
PAT Margin (%)	7.5%	7.7%	8.1%	8.4%
EPS (INR)	24.3	36.5	44.6	50.0

Valuation - P/E (FY27E)

EPS (INR) 50.0

P/E (x) 30.0

Target Price (INR) 1,501

CMP (INR) 1,337

Upside/Downside (%) 12.2%

Source: Company, Aриhant Capital Research

Exhibit 9: Bear Case Scenario

Bear Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,591	1,812	1,987
EBITDA	178	229	265	294
EBITDA Margin (%)	14.8%	14.4%	14.6%	14.8%
PAT	90	119	142	163
PAT Margin (%)	7.5%	7.5%	7.8%	8.2%
EPS (INR)	24.3	33.5	39.9	45.9

Valuation - P/E (FY27E)

EPS (INR) 45.9

P/E (x) 30.0

Target Price (INR) 1,378

CMP (INR) 1,337

Upside/Downside (%) 3.1%

Source: Company, Aриhant Capital Research

Scenario Analysis

Exhibit 10: 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, Aриhant 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, Aриhant Capital Research, Other operating income not included

Scenario Analysis

Exhibit 11: Revenue based on Realizations and Volumes

Bagadia Chaitra Industries Revenue (FY25E) - INR cr

		Volumes (MT)										
		14,000	14,200	14,400	14,600	14,800	15,000	15,200	15,400	15,600	15,800	16,000
	281											
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)										
		15,000	15,200	15,400	15,600	15,800	16,000	16,200	16,400	16,600	16,800	17,000
	306											
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)										
		15,500	15,700	15,900	16,100	16,300	16,500	16,700	16,900	17,100	17,300	17,500
	322											
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	1,135	1,311	1,413
Gross Profit	183	276	318	396	549	643	696
Gross Margin (%)	35.3%	28.9%	28.9%	32.9%	32.6%	32.9%	33.0%
Employee Cost	56	78	87	108	148	170	183
Other Expenses	49	65	80	110	158	187	200
EBITDA	78	133	151	178	243	286	312
EBITDA Margin (%)	15.1%	13.9%	13.8%	14.8%	14.4%	14.6%	14.8%
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	176	215	241
Taxes	(10)	(19)	(21)	(32)	(47)	(57)	(64)
PAT	29	52	59	90	130	158	177
PAT Margin (%)	5.5%	5.4%	5.3%	7.5%	7.7%	8.1%	8.4%
Other Comprehensive income	(1)	0	(1)	(4)	-	-	-
Net profit	28	52	58	86	130	158	177
EPS (INR)	8.7	16.2	16.3	24.3	36.5	44.6	50.0

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	883	1,035	1,205
Net worth	236	284	334	416	901	1,053	1,223
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	1,352	1,450	1,489
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	381	390	423
Inventories	157	272	239	270	358	395	418
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)	(336)	(389)	(394)
Other current liabilities & Prov	(13)	(30)	(7)	(30)	(42)	(45)	(46)
Cash	9	35	65	109	99	114	159
Other Financial Assets	0	1	1	1	3	4	4
Total Assets	583	706	720	1,072	1,352	1,450	1,489

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%	19.7%	16.2%	15.6%

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	176	215	241
Depreciation	30	39	45	54	74	83	88
Tax paid	(10)	(19)	(21)	(32)	(47)	(57)	(64)
Working capital Δ	(58)	(43)	83	(120)	(43)	(9)	(33)
Operating cashflow	1	48	187	24	160	232	233
Capital expenditure	(4)	(73)	(119)	(203)	(283)	(123)	(74)
Free cash flow	(4)	(26)	68	(179)	(123)	109	160
Equity raised	(1)	0	(1)	(4)	360	-	0
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)	(5)	(6)	(7)
Other items	39	(63)	0	6	(5)	1	(1)
Net Δ in cash	(6)	26	30	44	(11)	16	45
Opening Cash Flow	15	9	35	65	109	99	114
Closing Cash Flow	9	35	65	109	99	114	159

Source: Company Reports, Aриhant 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%	36.5%	17.9%	9.2%
Profitability ratios (%)							
OPM	15.1%	13.9%	13.8%	14.8%	14.4%	14.6%	14.8%
Net profit margin	5.5%	5.4%	5.3%	7.5%	7.7%	8.1%	8.4%
RoCE	9.6%	12.8%	13.0%	13.6%	13.7%	14.3%	15.3%
RoNW	13.0%	20.0%	19.0%	19.7%	16.2%	15.6%	16.3%
RoA	4.9%	7.3%	8.2%	9.6%	10.9%	11.9%	13.0%
Per share ratios (INR)							
EPS	8.7	16.2	18.0	26.8	36.5	44.6	50.0
Dividend per share	-	1.2	2.3	1.2	1.5	1.8	2.0
Cash EPS	18.4	28.3	32.3	45.0	57.3	68.0	75.0
Book value per share	73.6	88.6	104.2	129.8	253.9	296.7	344.8
Valuation ratios (x)							
P/E	153.1	82.6	74.3	49.8	36.6	30.0	26.7
P/CEPS	72.5	47.2	41.4	29.7	23.3	19.7	17.8
P/B	18.2	15.1	12.8	10.3	5.3	4.5	3.9
EV/EBITDA	56.9	34.9	30.1	26.9	20.8	17.4	15.3
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%	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	71	79	79
WC Days	180	115	93	90	83	82	83
Leverage ratios (x)							
Interest coverage	1.6	2.4	2.4	2.5	3.7	4.5	5.3
Net debt / equity	1.1	1.3	0.9	1.2	0.4	0.2	0.1
Net debt / op. profit	3.3	2.8	2.0	2.9	1.4	0.9	0.3

Source: Company Reports, Aриhant Capital Research

Story in Charts

Exhibit 12: Capacity expansion and acquisition will lead to incremental revenue going forward.

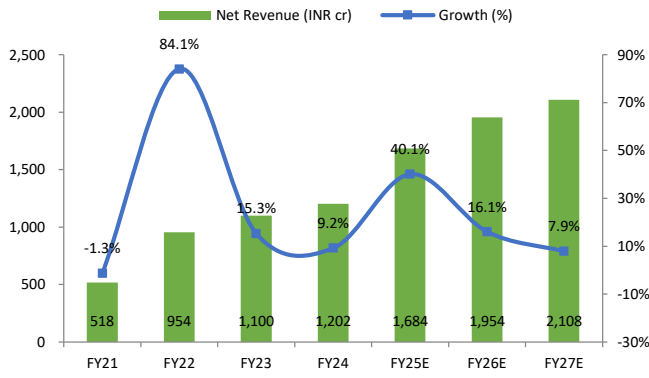


Exhibit 13: Gross margins are expected to stabilize going forward.

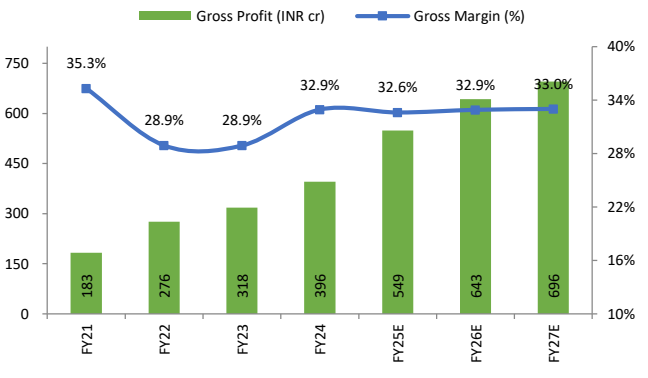


Exhibit 14: Growth in EBITDA & PAT levels

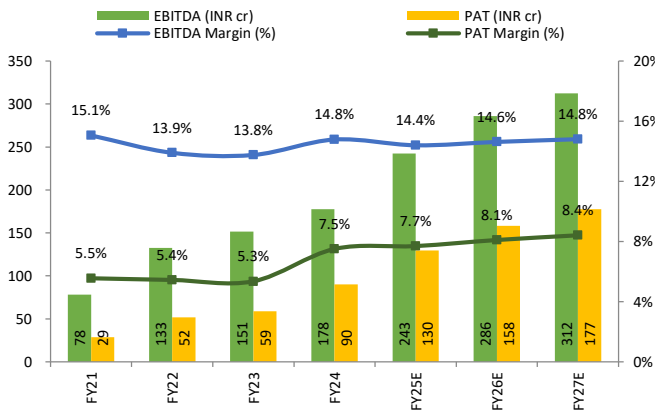


Exhibit 15: Return ratios to be improve

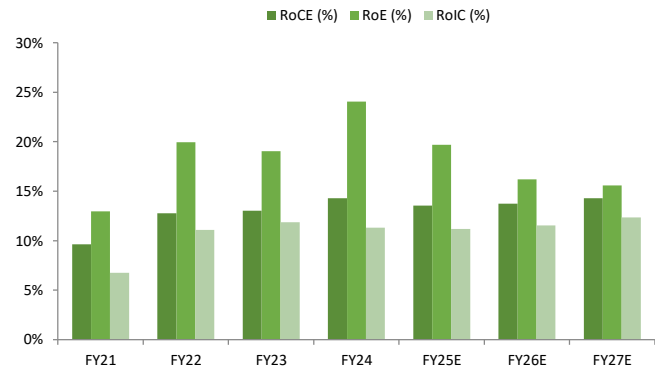


Exhibit 16: Working capital days to be improve

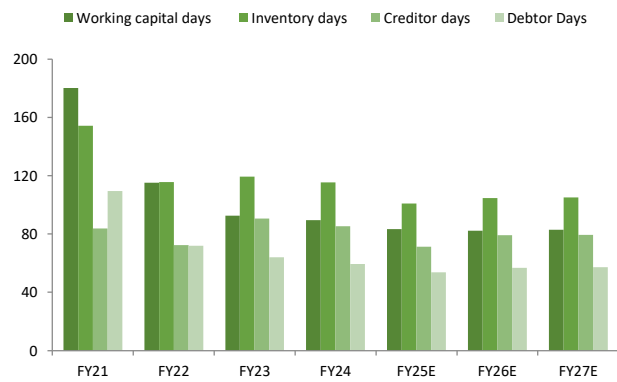
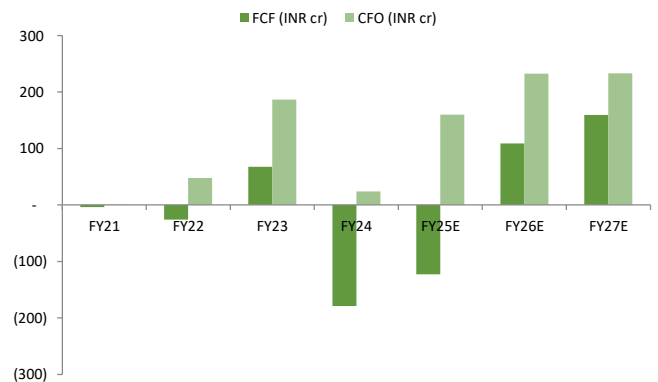


Exhibit 17: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 18: Working capital in-terms of sales is expected to reduce going forward.

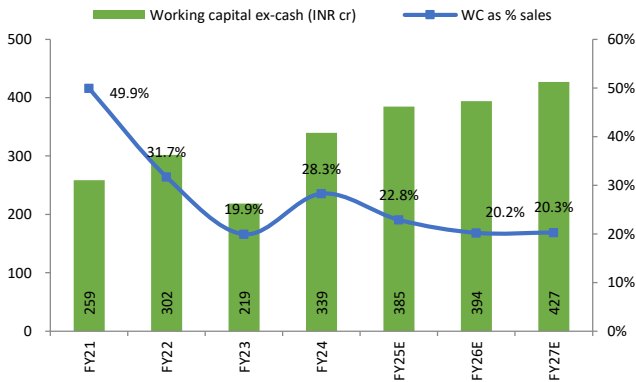


Exhibit 19: Interest cost as % of EBIT is expected to reduce going forward.

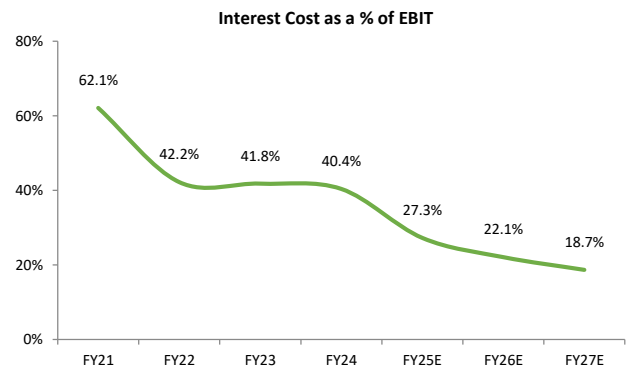


Exhibit 20: Exports revenue share is expected to reach 35%-40% going forward. Exports are majorly to US and Europe markets.

Geography Revenue (%)

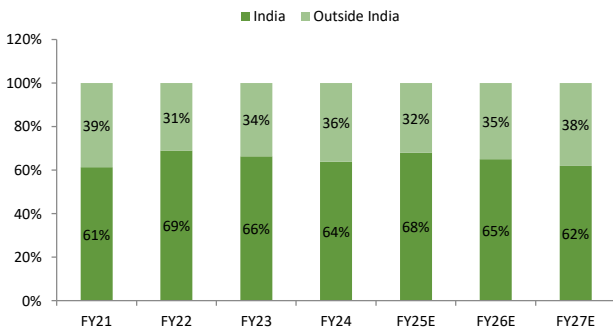


Exhibit 21: Sales realisation is based on raw material prices.

Blended Sales Realization (INR per metric ton)

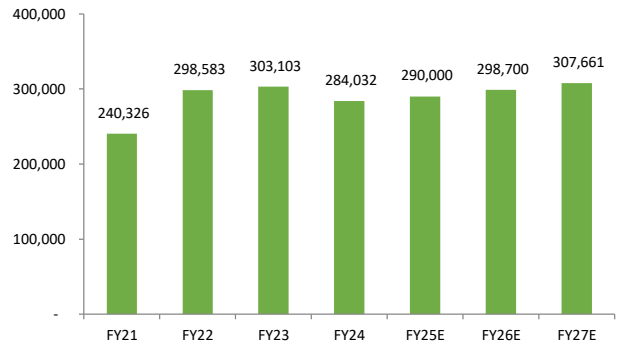


Exhibit 22: EBITDA realisation is continue to grow going forward

Blended EBITDA (INR per metric tonne)

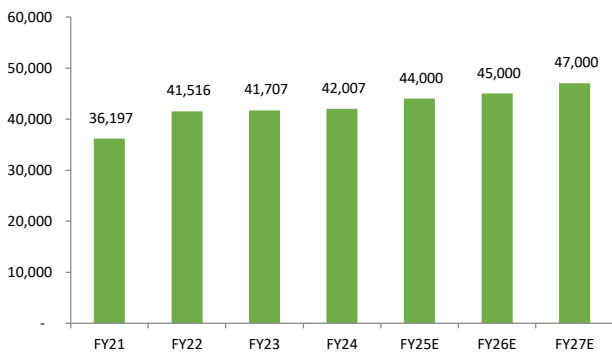
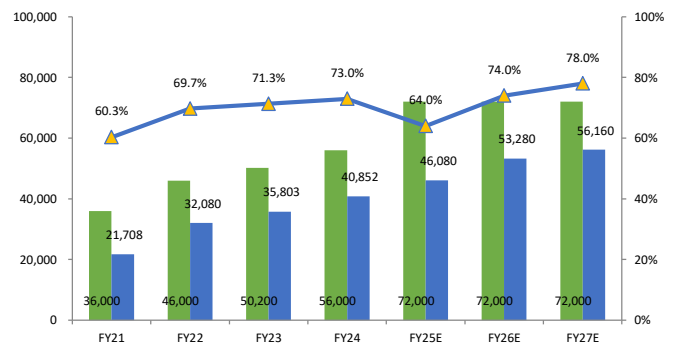


Exhibit 23: Capacity utilisation is expected to be 70%-80% going forward.

Installed Capacity (MTPA) Production - (MT) Capacity Utilization (%)



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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