

Capex is expected to be completed by H1FY25E.

**CMP: INR 743**

**Rating: BUY**

**Target Price: INR 894**

**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)	2,382
52w H/L (INR)	749 / 256
Avg Yearly Volume (in 000')	157.0

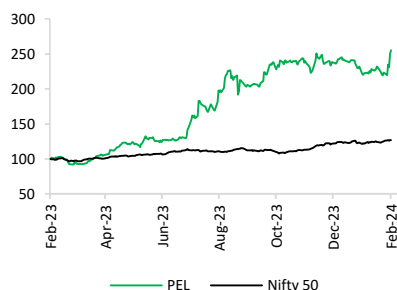
**Shareholding Pattern %**

(As on Dec, 2023)

Promoters	59.29
DII	6.56
FII	0.22
Public & Others	33.94

Stock Performance (%)	3m	6m	12m
PEL	6.6	30.8	155.5
NIFTY	12.2	14.2	26.8

**PEL vs Nifty**



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**Pitti Engineering Ltd** reported numbers, Q3FY24 revenue stood at INR 294cr (+23.4% YoY/+1.2% QoQ); below our estimates of INR 324cr. Gross Profit stood at INR 100cr (+27% YoY/+7.2% QoQ); below our estimates of INR 105cr. Gross margins improved by 98bps YoY (up by 193bps QoQ) to 34.1% vs 33.3% in Q3FY23. The raw material cost in terms of sales stood at 65.9% vs 66.8% in Q3FY23. EBITDA stood at INR 44cr (+13.6% YoY/+3.6% QoQ); below our estimates of INR 53cr. EBITDA margin contracted by 130bps YoY (up by 35bps QoQ) to 15% vs 16.3% in Q3FY23. PAT stood at INR 18cr (+47.6% YoY/-20.6% QoQ); below our estimates of INR 26cr. PAT margin improved by 100bps YoY (down by 167bps QoQ) to 6.1% vs 5.1% in Q3FY23.

**Key Highlights**

**Capacity is expected to be completed by H1FY25E:** The total sheet metal capacity stood at 56,000 tonnes per annum as of Q3FY24. The company is expected to reach 72,000 tonnes per annum by H1FY25E. The machining hours stood at 4,60,800 hours. The company is expected to reach more than 6 lakh machining hours in H1FY25E. The remaining capex is expected to be around INR 120cr for increasing sheet metal capacity and machining hours.

**Growth in volumes with stable realizations:** In Q3FY24, Sales realization per tonne stood at INR 2,77,751 (+6.8% YoY/-1.1% QoQ) due to softening of raw material prices. The volume grew by 15.5% YoY (+2.2% QoQ) to 10,572 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 de-grew by 1.7% YoY (+1.3% QoQ) to INR 41,702 driven by volume growth in assembled and value-added components. The company has focused on 50,000 tonnes of volume in FY25E and 57,000-58,000 tonnes of volume in FY26E.

**Strong execution in traction motors, Railway components & Metros:** The traction motors, Railway components & Metro revenue grew 72.5% YoY (+27.5% QoQ) to INR 146cr which accounts for 49.7% of sales in Q3FY24. Traction motors, Railway components & Metro revenue is expected to be INR 150-160cr per quarter going forward. Industrial & commercial motors grew 15.9% YoY (+0.8% QoQ) to INR 38cr and Mining, oil & gas grew 10.7% YoY (+59.5% QoQ) to INR 21cr as of Q3FY24. The remaining segment witnessed de-growth in Q3FY24. In the automotive segment, the company has some automotive players listed as their clients. The company is looking to enter the IC part of the business with generator related products.

**Strong traction in exports:** The exports revenue stood at INR 118cr (+39.9% YoY/18.9% QoQ) as of Q3FY24. The company is having good demand from Europe and North America markets. It has added over 50 new components in the Railway segment. Realizations are the same for export orders and domestic orders; since the product or profile does not change. In case of exports, increase in realization has corresponding costs with it like packing, interest and trade cost.

**Outlook & Valuation:** PEL is expected to complete the Capex of 72,000 MTPA by H1FY25E. The volume is expected to reach 57,000MT-58,000MT by FY26E 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 Economies 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 743 per share, we upgrade to "BUY" rating (earlier "ACCUMULATE" rating) at a TP of INR 894 per share; valued at a PE multiple of 22x and its FY26E EPS of INR 40.6; an upside of 20.3%.

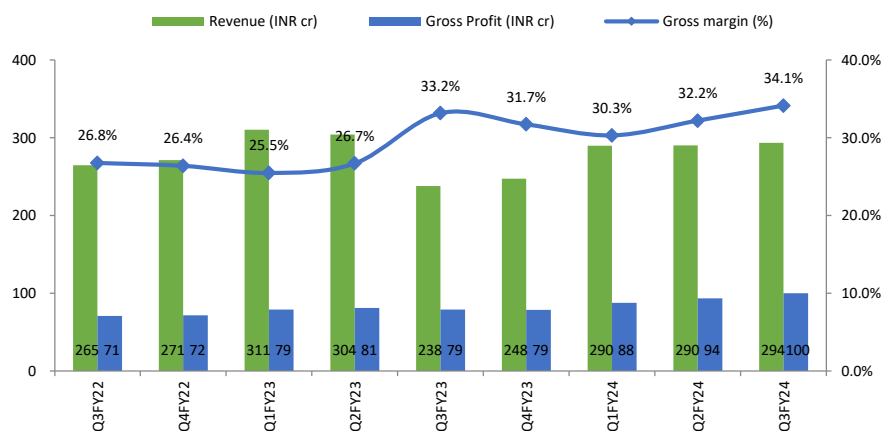
Q3FY24 Results

Income statement summary

Particular (INR cr)	Q3FY23	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Revenue	238	290	294	23.4%	1.2%
Net Raw Materials	159	197	193	21.6%	-1.7%
<b>Gross Profit</b>	<b>79</b>	<b>94</b>	<b>100</b>	<b>27.0%</b>	<b>7.2%</b>
<b>Gross Margin (%)</b>	<b>33.2%</b>	<b>32.2%</b>	<b>34.1%</b>	<b>+98 bps</b>	<b>+193 bps</b>
Employee Cost	22	26	27	23.0%	2.8%
Other Expenses	18	25	29	60.2%	17.9%
<b>EBITDA</b>	<b>39</b>	<b>43</b>	<b>44</b>	<b>13.6%</b>	<b>3.6%</b>
<b>EBITDA Margin (%)</b>	<b>16.3%</b>	<b>14.7%</b>	<b>15.0%</b>	<b>-130 bps</b>	<b>+35 bps</b>
Depreciation	11	12	15		
Interest expense	12	11	14		
Other income	1.1	12.6	3.3		
<b>Profit before tax</b>	<b>17</b>	<b>32</b>	<b>19</b>		
Taxes	5	9	1		
<b>PAT</b>	<b>12</b>	<b>23</b>	<b>18</b>	<b>47.6%</b>	<b>-20.6%</b>
<b>PAT Margin (%)</b>	<b>5.1%</b>	<b>7.8%</b>	<b>6.1%</b>	<b>+100 bps</b>	<b>-167 bps</b>
<b>EPS (INR)</b>	<b>3.8</b>	<b>7.0</b>	<b>5.6</b>		

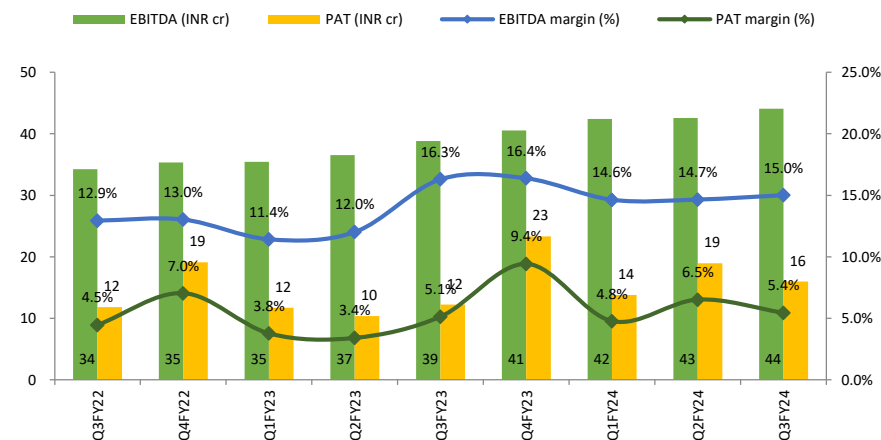
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Gross margins improved by 98bps YoY (up by 193bps QoQ) to 34.1% in Q3FY24 due to softening of raw material prices.



Source: Company Reports, Aриhant Capital Research

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



Source: Company Reports, Aриhant Capital Research

**Q3FY24 Concall Highlights****Capex**

- The capex stood at INR 85cr as of 9MFY24. The remaining capex of INR 120cr is expected to be completed by H1FY25E.
- The maintenance capex is expected to be around INR 30-40cr per annum going forward.

**Capacity expansion**

- The sheet metal capacity is expected to increase from 52,000 tonnes to 72,000 tonnes by H1FY25E.
- The machine hours is expected to increase from 4.6 lakh hours to 6.15 lakhs hours going forward.

**Pitti castings**

- The company received No Objection on 26<sup>th</sup> Oct-23 for its amalgamation with Pitti Castings Ltd and is expected to conclude by H1FY25E.
- Pitti castings has around INR 80cr of unabsorbed losses, which will be used by the merged entity for set off and hence the tax rate should be lower for FY25E.

**Order book**

- The order book stood at INR 898cr.
- The company sees strong growth in order book and projections from clients, majorly driven by rail, wind energy and power generation sector. It has significant new customer acquisition in automotive, power generation and railway segments.

**Automotive segment**

- In the automotive segment, the company has some automotive players listed as their clients.
- The company is looking to enter the IC part of the business with generator related products.
- The company is already supplying 2 wheelers in EV but revenue potential is very small which will be not more than INR 1,500 for one lamination.

**Non-automotive segment**

- The company targets to achieve around INR 500cr of topline by FY27E for non motor business which currently gives INR 120cr of revenue.

**Volumes**

- The company has a capacity utilization of 80% historically and has set a target of 50,000 tonnes of volume for FY25E and 57,000-58,000 tonnes of volume in FY26E.

**Margins**

- The company doesn't let the margins get impacted due to change in steel prices.
- The company is confident to have the ability to pass on the increase in prices of inputs, if any to its customers.
- The company has better margins in machining projects as compared to laminations.
- The company foresees margin improvement post-merger of Pitti Castings.

**Q3FY24 Concall Highlights****Railways**

- As revenues go up, railways will contribute around INR 150-160cr of topline quarterly.

**Demand**

- The company is having good demand from Europe and North America markets. It has added over 50 new components in the Railway segment.

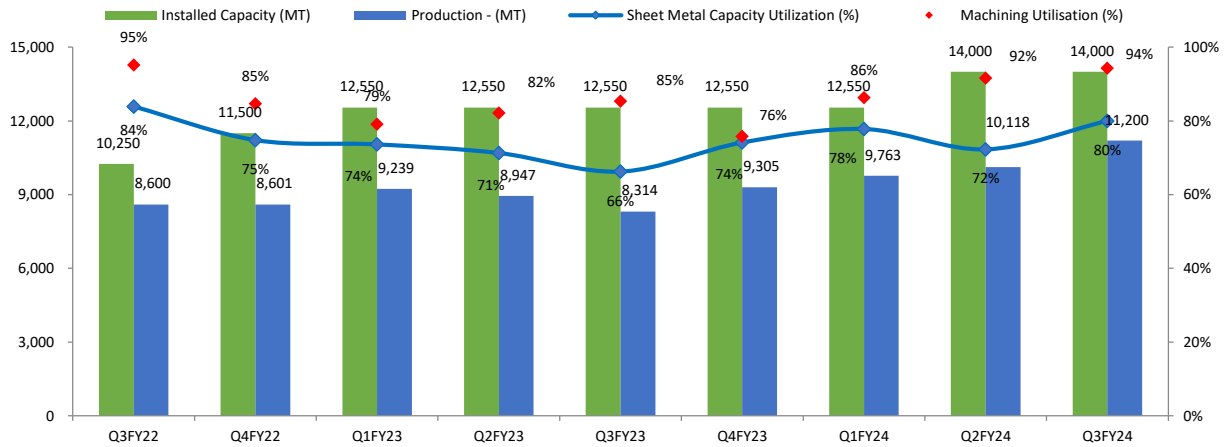
**Realizations**

- Realizations are the same for export orders and domestic ones since the product or profile does not change. In case of exports, increase in realization has corresponding costs with it like packing, interest and trade cost.

**Other highlights**

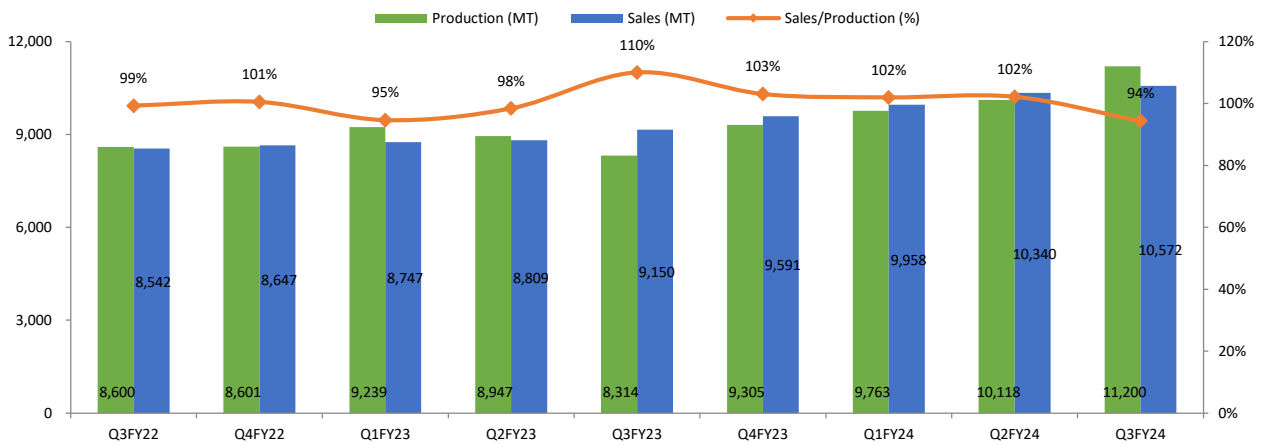
- The consumer motors or the industrial motor side of the business is not growing as fast as the other segments. The growth is primarily driven by railways and renewable energy and power generation segments.
- Around 30% growth in adjusted value order book and 60-65% is driven from the export side.
- Out of INR 30cr of other expenses, half is fixed and half is variable.

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



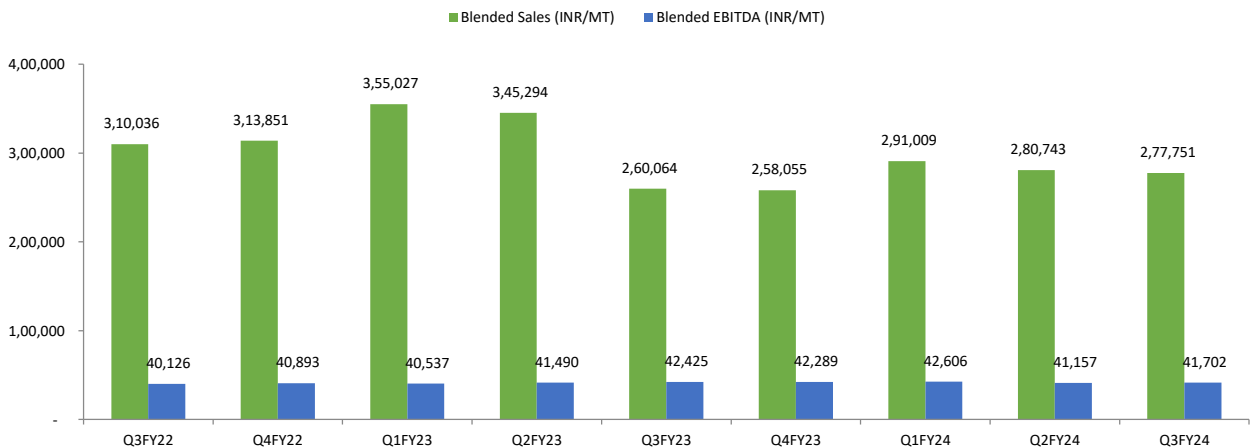
Source: Company Reports, Aриhant Capital Research  
 Installed capacity is quarterly basis

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



Source: Company Reports, Aриhant Capital Research

**Exhibit 5: Sales and 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 (%)										
1,177		65%	67%	69%	71%	73%	75%	77%	79%	81%	83%	85%
Sales Realization (INR)	2,60,000	940	969	998	1,027	1,056	1,085	1,114	1,142	1,171	1,200	1,229
	2,63,000	951	980	1,009	1,039	1,068	1,097	1,126	1,156	1,185	1,214	1,243
	2,66,000	962	991	1,021	1,050	1,080	1,110	1,139	1,169	1,198	1,228	1,258
	2,69,000	973	1,002	1,032	1,062	1,092	1,122	1,152	1,182	1,212	1,242	1,272
	2,72,000	983	1,014	1,044	1,074	1,104	1,135	1,165	1,195	1,225	1,256	1,286
	2,75,000	994	1,025	1,055	1,086	1,117	1,147	1,178	1,208	1,239	1,270	1,300
	2,78,000	1,005	1,036	1,067	1,098	1,129	1,160	1,191	1,222	1,252	1,283	1,314
	2,81,000	1,016	1,047	1,078	1,110	1,141	1,172	1,203	1,235	1,266	1,297	1,328
	2,84,000	1,027	1,058	1,090	1,122	1,153	1,185	1,216	1,248	1,279	1,311	1,343
	2,87,000	1,038	1,070	1,101	1,133	1,165	1,197	1,229	1,261	1,293	1,325	1,357
	2,90,000	1,048	1,081	1,113	1,145	1,177	1,210	1,242	1,274	1,307	1,339	1,371
	2,93,000	1,059	1,092	1,124	1,157	1,190	1,222	1,255	1,287	1,320	1,353	1,385
	2,96,000	1,070	1,103	1,136	1,169	1,202	1,235	1,268	1,301	1,334	1,366	1,399
	2,99,000	1,081	1,114	1,148	1,181	1,214	1,247	1,281	1,314	1,347	1,380	1,414

Revenue (FY25E) - INR cr

		Capacity Utilization (%)										
1,446		60%	62%	64%	66%	68%	70%	72%	74%	76%	78%	80%
Sales Realization (INR)	2,70,000	1,143	1,181	1,219	1,257	1,295	1,334	1,372	1,410	1,448	1,486	1,524
	2,73,000	1,156	1,194	1,233	1,271	1,310	1,348	1,387	1,425	1,464	1,503	1,541
	2,76,000	1,168	1,207	1,246	1,285	1,324	1,363	1,402	1,441	1,480	1,519	1,558
	2,79,000	1,181	1,221	1,260	1,299	1,339	1,378	1,417	1,457	1,496	1,536	1,575
	2,82,000	1,194	1,234	1,273	1,313	1,353	1,393	1,433	1,472	1,512	1,552	1,592
	2,85,000	1,207	1,247	1,287	1,327	1,367	1,408	1,448	1,488	1,528	1,569	1,609
	2,88,000	1,219	1,260	1,301	1,341	1,382	1,422	1,463	1,504	1,544	1,585	1,626
	2,91,000	1,232	1,273	1,314	1,355	1,396	1,437	1,478	1,519	1,561	1,602	1,643
	2,94,000	1,245	1,286	1,328	1,369	1,411	1,452	1,494	1,535	1,577	1,618	1,660
	2,97,000	1,257	1,299	1,341	1,383	1,425	1,467	1,509	1,551	1,593	1,635	1,677
	3,00,000	1,270	1,312	1,355	1,397	1,439	1,482	1,524	1,566	1,609	1,651	1,693
	3,03,000	1,283	1,326	1,368	1,411	1,454	1,497	1,539	1,582	1,625	1,668	1,710
	3,06,000	1,295	1,339	1,382	1,425	1,468	1,511	1,555	1,598	1,641	1,684	1,727
	3,09,000	1,308	1,352	1,395	1,439	1,483	1,526	1,570	1,613	1,657	1,701	1,744

Revenue (FY26E) - INR cr

		Capacity Utilization (%)										
1,668		73%	75%	77%	79%	81%	83%	85%	87%	89%	91%	93%
Sales Realization (INR)	2,80,000	1,442	1,482	1,521	1,561	1,600	1,640	1,679	1,719	1,758	1,798	1,837
	2,83,000	1,458	1,498	1,538	1,578	1,617	1,657	1,697	1,737	1,777	1,817	1,857
	2,86,000	1,473	1,514	1,554	1,594	1,635	1,675	1,715	1,756	1,796	1,836	1,877
	2,89,000	1,489	1,529	1,570	1,611	1,652	1,693	1,733	1,774	1,815	1,856	1,896
	2,92,000	1,504	1,545	1,586	1,628	1,669	1,710	1,751	1,793	1,834	1,875	1,916
	2,95,000	1,520	1,561	1,603	1,644	1,686	1,728	1,769	1,811	1,853	1,894	1,936
	2,98,000	1,535	1,577	1,619	1,661	1,703	1,745	1,787	1,829	1,871	1,913	1,955
	3,01,000	1,550	1,593	1,635	1,678	1,720	1,763	1,805	1,848	1,890	1,933	1,975
	3,04,000	1,566	1,609	1,652	1,695	1,737	1,780	1,823	1,866	1,909	1,952	1,995
	3,07,000	1,581	1,625	1,668	1,711	1,755	1,798	1,841	1,885	1,928	1,971	2,015
	3,10,000	1,597	1,641	1,684	1,728	1,772	1,816	1,859	1,903	1,947	1,990	2,034
	3,13,000	1,612	1,656	1,701	1,745	1,789	1,833	1,877	1,921	1,966	2,010	2,054
	3,16,000	1,628	1,672	1,717	1,761	1,806	1,851	1,895	1,940	1,984	2,029	2,074
	3,19,000	1,643	1,688	1,733	1,778	1,823	1,868	1,913	1,958	2,003	2,048	2,093

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

## Valuation

Exhibit 7: Sales are expected to reach ~INR 1,668cr at 79.5% capacity utilization by FY26E. The current capacity stood at 56,000 MTPA and expected to reach 72,000 MTPA by H1FY25E.

Particular (INR cr)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
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	22,000	23,000	26,000	26,000	26,000	36,000	40,200	46,000	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>56,000</b>	<b>72,000</b>	<b>72,000</b>
Machine Shop (Hours per Annum)	2,47,000	2,47,600	2,47,600	2,47,600	3,62,800	4,03,200	4,60,800	6,48,000	6,48,000	6,48,000
Production - Lamination (MT)	18,145	19,234	25,115	21,435	21,708	32,080	35,803	41,873	51,120	57,240
Sales (MT)	18,776	18,799	27,381	22,122	21,561	31,945	36,297	41,589	50,098	56,095
Sales/Production (%)	103%	98%	109%	103%	99%	99.6%	101.4%	99.3%	98.0%	98.0%
<b>Capacity Utilization (%)</b>	<b>56.7%</b>	<b>58.3%</b>	<b>69.8%</b>	<b>59.5%</b>	<b>60.3%</b>	<b>69.7%</b>	<b>71.3%</b>	<b>74.8%</b>	<b>71.0%</b>	<b>79.5%</b>
Sales (INR cr)	286	379	622	525	518	954	1,100	1,177	1,446	1,668
EBITDA (INR cr)	34	54	90	78	78	133	151	175	221	262
EBITDA Margin (%)	11.7%	14.4%	14.5%	14.8%	15.1%	13.9%	13.8%	14.9%	15.3%	15.7%
Blended Sales Realization (per metric ton)	1,52,267	2,01,496	2,27,243	2,37,349	2,40,326	2,98,583	3,03,103	2,82,959	2,88,619	2,97,277
Blended EBITDA (per metric ton)	17,861	28,983	32,906	35,131	36,197	41,516	41,707	42,179	44,179	46,640

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

## Exhibit 8: Bull Case Scenario

Bull Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	1,100	1,229	1,543	1,772
EBITDA	151	183	235	277
EBITDA Margin (%)	13.8%	14.9%	15.2%	15.6%
PAT	59	87	114	143
PAT Margin (%)	5.3%	7.1%	7.4%	8.1%
EPS (INR)	18.0	27.0	35.4	44.5

## Valuation - P/E (FY26E)

EPS (INR)	44.5
P/E (x)	25.0
<b>Target Price (INR)</b>	<b>1,112</b>
<b>CMP (INR)</b>	<b>743</b>
<b>Upside/Downside (%)</b>	<b>49.7%</b>

## Exhibit 9: Base Case Scenario

Base Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	1,100	1,177	1,453	1,676
EBITDA	151	175	221	262
EBITDA Margin (%)	13.8%	14.9%	15.2%	15.6%
PAT	59	80	102	130
PAT Margin (%)	5.3%	6.8%	7.0%	7.8%
EPS (INR)	18.0	24.8	31.8	40.6

## Valuation - P/E (FY26E)

EPS (INR)	40.6
P/E (x)	22.0
<b>Target Price (INR)</b>	<b>894</b>
<b>CMP (INR)</b>	<b>743</b>
<b>Upside/Downside (%)</b>	<b>20.3%</b>

Source: Company, Arihant Capital Research

## Valuation

## Exhibit 10: Bear Case Scenario

Bear Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	1,100	1,098	1,374	1,594
EBITDA	151	164	209	249
EBITDA Margin (%)	13.8%	14.9%	15.2%	15.6%
PAT	59	69	92	120
PAT Margin (%)	5.3%	6.3%	6.7%	7.5%
EPS (INR)	18.0	21.5	28.7	37.3

Valuation - P/E (FY26E)

EPS (INR) 37.3

P/E (x) 20.0

Target Price (INR) 747

CMP (INR) 743

Upside/Downside (%) 0.5%

Source: Company, Aриhant Capital Research



## Financial Statements

## Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	525	518	954	1,100	1,177	1,453	1,676
Net Raw Materials	345	335	678	782	793	978	1,126
<b>Gross Profit</b>	<b>180</b>	<b>183</b>	<b>276</b>	<b>318</b>	<b>384</b>	<b>475</b>	<b>550</b>
<b>Gross Margin (%)</b>	<b>34.4%</b>	<b>35.3%</b>	<b>28.9%</b>	<b>28.9%</b>	<b>32.6%</b>	<b>32.7%</b>	<b>32.8%</b>
Employee Cost	55	56	78	87	103	125	142
Other Expenses	48	49	65	80	106	129	146
<b>EBITDA</b>	<b>78</b>	<b>78</b>	<b>133</b>	<b>151</b>	<b>175</b>	<b>221</b>	<b>262</b>
<b>EBITDA Margin (%)</b>	<b>14.8%</b>	<b>15.1%</b>	<b>13.9%</b>	<b>13.8%</b>	<b>14.9%</b>	<b>15.2%</b>	<b>15.6%</b>
Depreciation	(27)	(30)	(39)	(45)	(55)	(69)	(75)
Interest expense	(34)	(30)	(40)	(45)	(49)	(47)	(44)
Other income	4	20	16	18	32	35	35
<b>Profit before tax</b>	<b>20</b>	<b>39</b>	<b>71</b>	<b>80</b>	<b>104</b>	<b>140</b>	<b>178</b>
Taxes	(3)	(10)	(19)	(21)	(24)	(38)	(48)
<b>PAT</b>	<b>17</b>	<b>29</b>	<b>52</b>	<b>59</b>	<b>80</b>	<b>102</b>	<b>130</b>
<b>PAT Margin (%)</b>	<b>3.3%</b>	<b>5.5%</b>	<b>5.4%</b>	<b>5.3%</b>	<b>6.8%</b>	<b>7.0%</b>	<b>7.8%</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>102</b>	<b>130</b>
EPS (INR)	5.3	8.7	16.2	18.0	24.8	31.8	40.6

Source: Company Reports, Arianth Capital Research

## Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	16	16	16	16	16	16	16
Reserves	192	220	268	318	398	500	630
<b>Net worth</b>	<b>208</b>	<b>236</b>	<b>284</b>	<b>334</b>	<b>414</b>	<b>516</b>	<b>646</b>
Provisions	34	74	12	12	10	12	14
Debt	241	263	401	365	375	355	315
Other non-current liabilities	11	10	9	9	12	15	17
<b>Total Liabilities</b>	<b>494</b>	<b>583</b>	<b>706</b>	<b>720</b>	<b>810</b>	<b>897</b>	<b>991</b>
Fixed assets	212	193	228	279	383	436	430
Capital Work In Progress	8	1	1	24	2	2	3
Other Intangible assets	11	18	14	9	9	9	9
Investments	42	95	18	26	35	44	50
Other non current assets	4	8	108	98	71	73	101
<b>Net working capital</b>	<b>200</b>	<b>258</b>	<b>301</b>	<b>218</b>	<b>203</b>	<b>252</b>	<b>274</b>
Inventories	127	157	272	239	239	281	309
Sundry debtors	139	172	204	181	184	219	230
Loans & Advances	0.2	0.2	-	-	0.1	0.1	0.2
Other current assets	36	48	75	55	58	72	83
Sundry creditors	(97)	(105)	(220)	(251)	(247)	(287)	(310)
Other current liabilities & Prov	(6)	(13)	(30)	(7)	(31)	(33)	(37)
Cash	15	9	35	65	104	78	121
Other Financial Assets	1	0	1	1	2	3	3
<b>Total Assets</b>	<b>494</b>	<b>583</b>	<b>706</b>	<b>720</b>	<b>810</b>	<b>897</b>	<b>991</b>

Source: Company Reports, Arianth Capital Research

## Du-Pont Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Tax burden (x)	0.9	0.7	0.7	0.7	0.8	0.7	0.7
Interest burden (x)	0.4	0.8	0.8	0.7	0.9	0.9	1.0
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.0	0.9	1.3	1.2	1.2	1.3	1.4
Financial leverage (x)	2.9	2.5	2.9	3.0	2.7	2.4	2.1
<b>RoE (%)</b>	<b>9.0%</b>	<b>13.0%</b>	<b>20.0%</b>	<b>19.0%</b>	<b>21.3%</b>	<b>22.0%</b>	<b>22.4%</b>

Source: Company Reports, Arianth Capital Research

## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	20	39	71	80	104	140	178
Depreciation	27	30	39	45	55	69	75
Tax paid	(3)	(10)	(19)	(21)	(24)	(38)	(48)
Working capital Δ	(4)	(58)	(43)	83	15	(48)	(22)
<b>Operating cashflow</b>	<b>41</b>	<b>1</b>	<b>48</b>	<b>187</b>	<b>149</b>	<b>123</b>	<b>183</b>
Capital expenditure	(23)	(4)	(73)	(119)	(137)	(122)	(69)
<b>Free cash flow</b>	<b>18</b>	<b>(4)</b>	<b>(26)</b>	<b>68</b>	<b>12</b>	<b>0</b>	<b>114</b>
Equity raised	20	(1)	0	(1)	-	-	-
Investments	(25)	(53)	77	(7)	(10)	(8)	(7)
Others	(2)	(9)	(97)	15	26	(3)	(28)
Debt financing/disposal	(32)	22	139	(37)	10	(20)	(40)
Dividends paid	-	-	(4)	(8)	-	-	-
Other items	22	39	(63)	0	1	5	4
<b>Net Δ in cash</b>	<b>1</b>	<b>(6)</b>	<b>26</b>	<b>30</b>	<b>39</b>	<b>(26)</b>	<b>43</b>
<b>Opening Cash Flow</b>	<b>14</b>	<b>15</b>	<b>9</b>	<b>35</b>	<b>65</b>	<b>104</b>	<b>78</b>
<b>Closing Cash Flow</b>	<b>15</b>	<b>9</b>	<b>35</b>	<b>65</b>	<b>104</b>	<b>78</b>	<b>121</b>

Source: Company Reports, Aриhant Capital Research

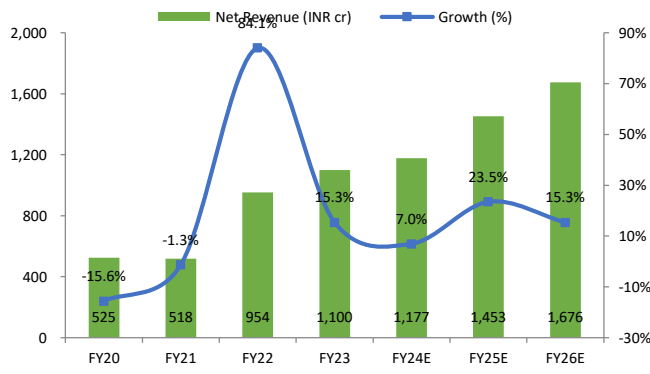
## Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth matrix (%)</b>							
Revenue growth	-15.6%	-1.3%	84.1%	15.3%	7.0%	23.5%	15.3%
Op profit growth	-13.7%	0.4%	69.9%	14.1%	15.9%	26.2%	18.2%
<b>Profitability ratios (%)</b>							
OPM	14.8%	15.1%	13.9%	13.8%	14.9%	15.2%	15.6%
Net profit margin	3.3%	5.5%	5.4%	5.3%	6.8%	7.0%	7.8%
RoCE	10.0%	9.6%	12.8%	13.0%	15.5%	16.3%	17.5%
RoNW	9.0%	13.0%	20.0%	19.0%	21.3%	22.0%	22.4%
RoA	3.5%	4.9%	7.3%	8.2%	9.8%	11.4%	13.1%
<b>Per share ratios (INR)</b>							
EPS	5.3	8.7	16.2	18.0	24.8	31.8	40.6
Dividend per share	-	-	1.2	2.3	-	-	-
Cash EPS	13.9	18.4	28.3	32.3	41.9	53.4	64.0
Book value per share	64.8	73.6	88.6	104.2	129.0	160.9	201.5
<b>Valuation ratios (x)</b>							
P/E	141.5	85.1	45.9	41.3	29.9	23.3	18.3
P/CEPS	53.5	40.3	26.2	23.0	17.7	13.9	11.6
P/B	11.5	10.1	8.4	7.1	5.8	4.6	3.7
EV/EBITDA	33.0	32.5	20.6	17.5	14.9	11.8	9.7
<b>Payout (%)</b>							
Dividend payout	0.0%	0.0%	7.3%	12.8%	0.0%	0.0%	0.0%
Tax payout	13.9%	25.4%	26.5%	26.4%	23.1%	27.0%	27.0%
<b>Liquidity ratios</b>							
Debtor days	112	110	72	64	57	51	49
Inventory days	120	154	116	119	110	97	96
Creditor days	82	84	72	91	91	79	77
WC Days	150	180	115	93	76	69	67
<b>Leverage ratios (x)</b>							
Interest coverage	1.5	1.6	2.4	2.4	2.5	3.2	4.3
Net debt / equity	1.1	1.1	1.3	0.9	0.7	0.5	0.3
Net debt / op. profit	2.9	3.3	2.8	2.0	1.5	1.2	0.7

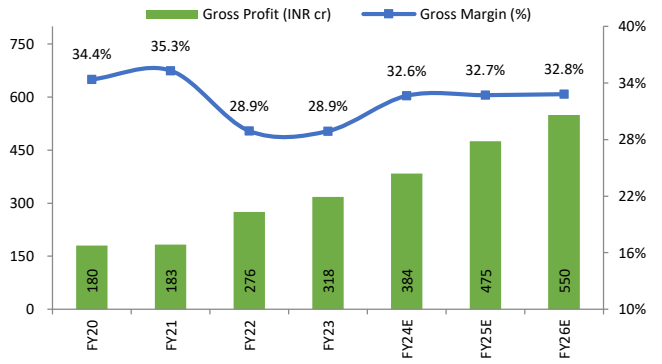
Source: Company Reports, Aриhant Capital Research

**Story in Charts**

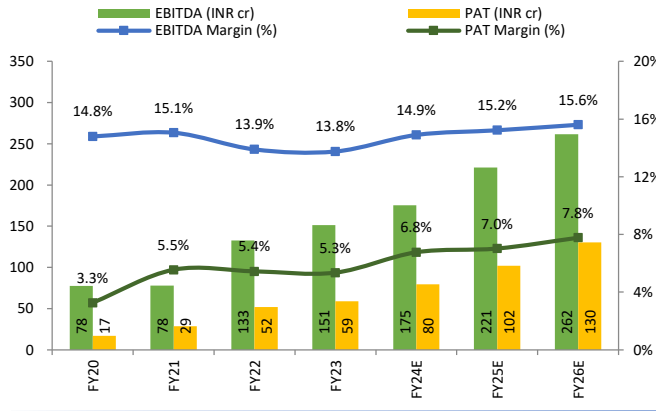
**Exhibit 11: Capacity expansion will lead to incremental revenue going forward.**



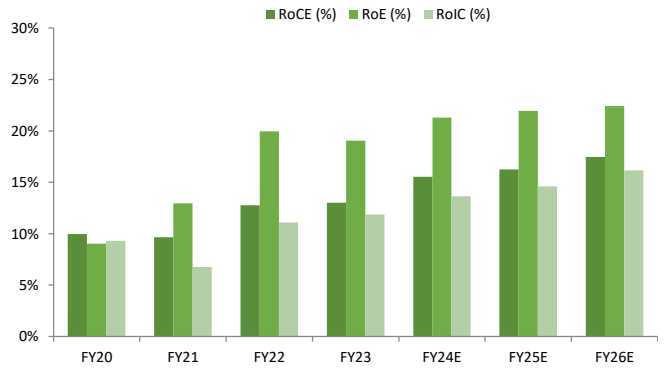
**Exhibit 12: Gross margins are expected to stabilize going forward.**



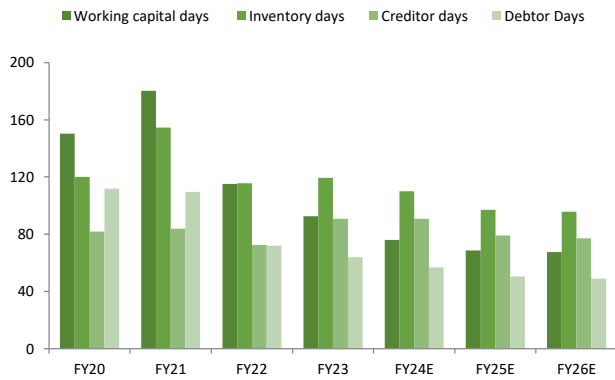
**Exhibit 13: Growth in EBITDA & PAT levels**



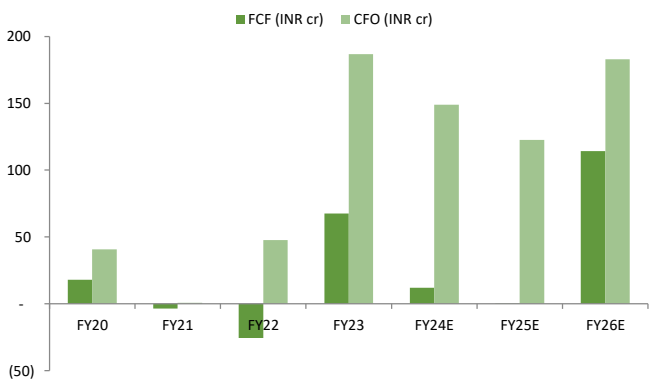
**Exhibit 14: Return ratios to be improve**



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



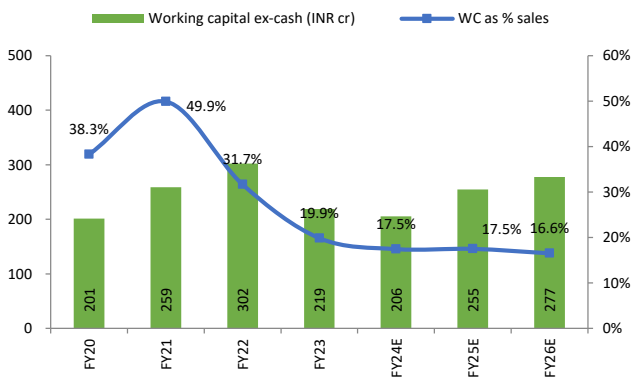
**Exhibit 16: Cash flows to be improve**



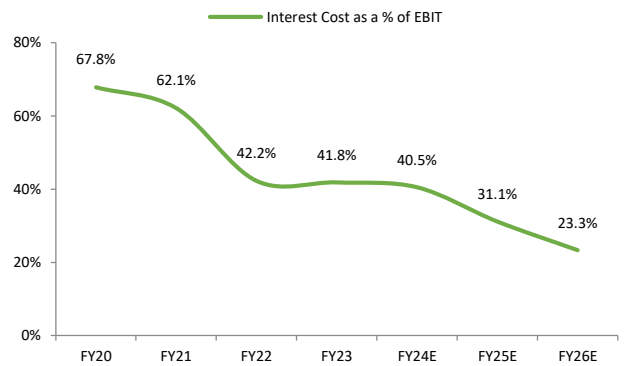
Source: Company Reports, Arihant Capital Research

**Story in Charts**

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

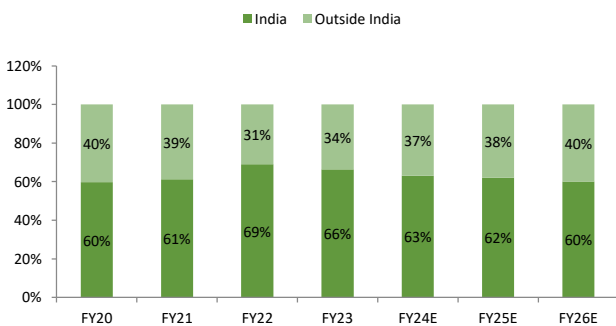


**Exhibit 18: Interest cost as % of EBIT is expected to reduce going forward.**



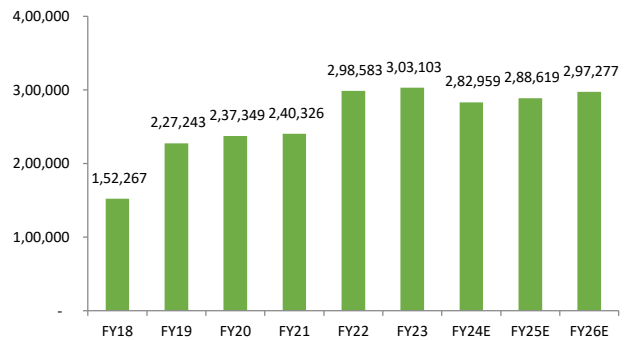
**Exhibit 19: Exports revenue share is expected to reach 35%-40% going forward.**

**Geography Revenue (%)**



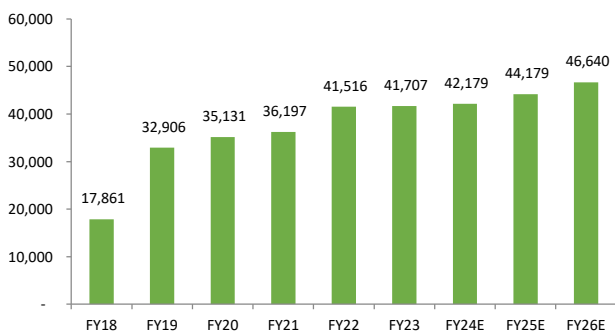
**Exhibit 20: Sales realisation is based on raw material prices.**

**Blended Sales Realization (INR per metric ton)**



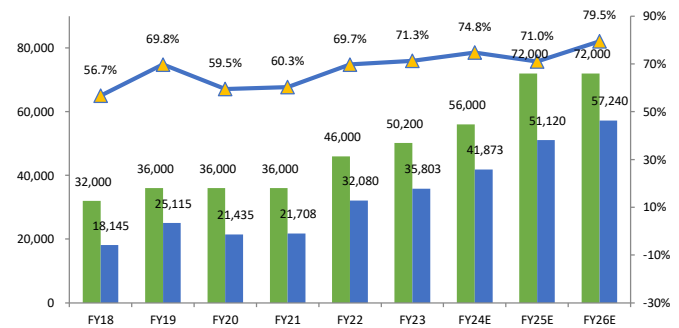
**Exhibit 21: EBITDA realisation is continue to grow going forward**

**Blended EBITDA (INR per metric tonne)**



**Exhibit 22: 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**

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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