

CMP: INR 873

Rating: BUY

Target Price: INR 1,177

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)	2,799
52w H/L (INR)	919 / 334
Avg Yearly Volume (in 000')	163.5

Shareholding Pattern %

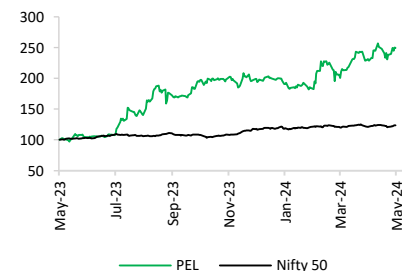
(As on Mar, 2024)

Promoters	59.29
DII	5.88
FII	0.50
Public & Others	34.33

Stock Performance (%)

	3m	6m	12m
PEL	36.6	26.0	149.4
NIFTY	1.7	13.8	23.6

PEL vs Nifty



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Pitti Engineering Ltd reported numbers, Q4FY24 revenue stood at INR 328cr (+32.5% YoY/+11.7% QoQ); above our estimates of INR 303cr. Gross Profit stood at INR 114cr (+45.3% YoY/+13.8% QoQ); above our estimates of INR 102cr. Gross margins improved by 306bps YoY (up by 65bps QoQ) to 34.8% vs 31.7% in Q4FY23. The raw material cost in terms of sales stood at 65.2% vs 68.3% in Q4FY23. EBITDA stood at INR 49cr (+19.9% YoY/+10.3% QoQ); above our estimates of INR 46cr. EBITDA margin contracted by 155bps YoY (down by 18bps QoQ) to 14.8% vs 16.4% in Q4FY23. PAT stood at INR 40cr (+62.5% YoY/+203% QoQ); above our estimates of INR 26cr. PAT margin improved by 227bps YoY (up by 777bps QoQ) to 12.3% vs 10% in Q4FY23.

Key Highlights

Capacity is expected to be completed by Sep-24: The total sheet metal capacity stood at 56,000 MTPA as of Q3FY24. The company is expected to reach 72,000 MTPA by Sep-24. The machining hours stood at 4,60,800 hours. The company is expected to reach more than 6 lakh machining hours going forward. The capacity expansion will lead business growth and machining hours will improve the realization going forward.

Growth in volumes with stable realizations: In Q4FY24, Sales realization per tonne stood at INR 2,86,737 (+11.1% YoY/+3.2% QoQ) due to raw material prices. The volume grew by 19.2% YoY (+8.2% QoQ) to 11,435 MT. The assembled & value-added and loose lamination mix stood at 79:21 and is expected to be 80:20 going forward. EBITDA per tonne realization grew by 0.6% YoY (+2% QoQ) to INR 41,535 driven by volume growth in assembled and value-added components. The company has focused on 48,000 MT of volume in FY25E and 54,000 MT & 58,000MT in FY26E & FY27E respectively.

Continuous traction on railways: Railways business revenue stood at INR 500cr (~40% of sales) in FY24. Domestic revenue stood at INR 125cr and the remaining was from exports. Exports are expected to be flat and domestic is expected to grow more than 100% over the next 2-3 years. The export markets remain strong in Europe and the US. The company supplies to clients and they export to their parents. The company is supplying OEMs like Wabtec, Alstom, Bombardier, etc. In direct supplies, the company is in the field trial stage and expected to be completed in Oct-24 and will start bidding for tenders in Indian railways.

Targeting southern markets through Bagadia Chaitra Industries: Bagadia Chaitra Industries plant is located in Karnataka and capacity stood at 18,000 MTPA. Volumes stood at 14,000 MT in FY24. The company is targeting 16,000 MT in FY25E. Currently, 6,000MT is transported from Aurangabad to southern markets and Bagadia facility is expected to cater southern markets going forward. The transportation cost savings from Aurangabad to Bangalore is around INR 3,000 per tonne and INR 12-13cr synergy benefits are expected in-terms of logistics and raw material advantage. The margins is around ~6% in FY24 and expected to reach 10% at peak utilization levels.

Outlook & Valuation: PEL is expected to complete the Capex of 72,000 MTPA by Sep-24. The volume is expected to reach >55,000MT by FY27E with continuous improvement on realization would improve profitability. 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. We believe, acquisition of Bagadia Industries and 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 873 per share, we maintain a "BUY" rating at a TP of INR 1,177 per share; valued at a PE multiple of 25x and its FY26E EPS of INR 47.1; an upside of 34.8%.

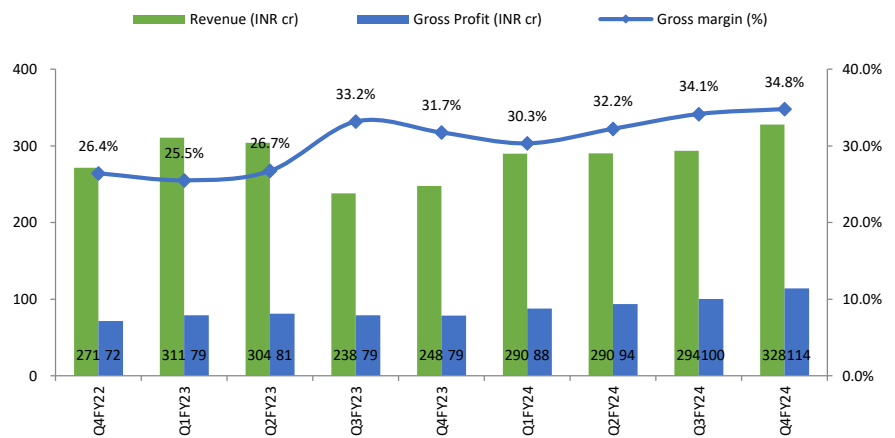
Q4FY24 Results

Income statement summary

Particular (INR cr)	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue	248	294	328	32.5%	11.7%
Net Raw Materials	169	193	214	26.5%	10.6%
Gross Profit	79	100	114	45.3%	13.8%
Gross Margin (%)	31.7%	34.1%	34.8%	+306 bps	+65 bps
Employee Cost	20	27	32	55.8%	19.0%
Other Expenses	18	29	34	91.4%	14.2%
EBITDA	41	44	49	19.9%	10.3%
EBITDA Margin (%)	16.4%	15.0%	14.8%	-155 bps	-18 bps
Depreciation	13	15	14		
Interest expense	10	14	14		
Other income	15.8	3.3	31.4		
Profit before tax	34	19	52		
Taxes	9	6	12		
PAT	25	13	40	62.5%	203.0%
PAT Margin (%)	10.0%	4.5%	12.3%	+227 bps	+777 bps
EPS (INR)	7.7	4.2	12.6		

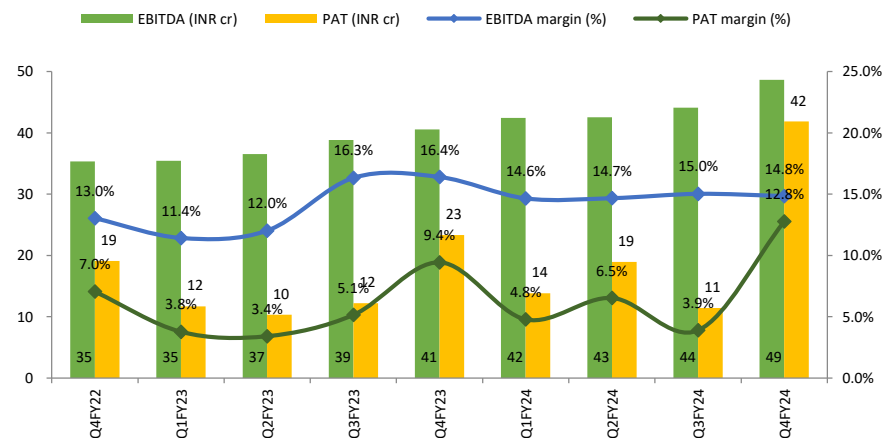
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Gross margins improved by 306bps YoY (up by 65bps QoQ) to 34.8% in Q4FY24 due to softening of raw material prices.



Source: Company Reports, Aриhant Capital Research

Exhibit 2: EBITDA margin contracted by 155bps YoY (down by 18bps QoQ) to 14.8% in Q4FY24 due to increase in employee costs and other expenses in-terms of sales. PAT improved due to incentives.



Source: Company Reports, Aриhant Capital Research

Q4FY24 Concall Highlights**Volumes**

- Pitti engineering's volumes stood at 42,305 MT in FY24 and are expected 48,000 MT in FY25E. Around 45,000 MT from Pitti Engineering and 3,000 MT are expected from Pitti Castings.
- Around 54,000 MT and 58,000 MT of volumes are expected in FY26E and FY27E respectively.
- Bagadia Chaitra Industries' volumes stood at 14,000 MT in FY24. The company is targeting 16,000 MT in FY25E.
- The overall volumes are expected 80,000 MT in FY27E, including Pitti Engineering, Castings, and Bagadia Chaitra Industries.

Realization

- Pitti Engineering's EBITDA per tonne is stood at INR 42,008 in FY24 and expected to reach INR 45,000 in FY25E. EBITDA per tonne is expected to reach INR 48,000 due to economies of scale and better operating leverage.
- Bagadia Chaitra Industries EBITDA per tonne realization stood at ~INR 10,500 in FY24 and expected INR 18,000 at the end of the entire process (18 months).

Bagadia Chaitra Industries

- Bagadia Chaitra Industries revenue stood at INR 260cr and EBITDA stood at INR 14.5cr in FY24. Margin improvement is expected from Q2FY25E onwards based on utilization and raw material management between Pitti Engineering and Bagadia Chaitra Industries.

Order book

- The order book stood at INR 800cr as of Q4FY24. Around 25%-30% of order books are from exports and the remaining from domestic. Around INR 200cr of the order book is executable for more than 1 year and the remaining is executable in less than 1 year.

Capex

- The sheet metal capacity is expected to increase from 56,000 MTPA to 72,000 MTPA by Sep-24. The machine hours are expected to increase from 4.6 lakh hours to 6 lakhs hours going forward.

Incentives

- The company has received an incentive of INR 30.45cr in Q4FY24. The incentives are expected INR 30cr per annum in FY25E and FY26E.
- The current capex for the next 2 years is also eligible for incentives. The incentives are expected INR 300cr to INR 350cr over the next 9 years which starts from FY27E.

Fund raising

- The board has approved INR 360cr fundraising. The funds will be used for growth and debt repayments. The company is focused to be net debt zero over the next 2-3 years.

Q4FY24 Concall Highlights**Railways**

- Railways business revenue stood at INR 500cr (~40% of sales) in FY24. Domestic revenue stood at INR 125cr and the remaining was from exports. Exports are expected to be flat and domestic is expected to grow more than 100% over the next 2-3 years.
- The company is supplying OEMs like Wabtec, Alstom, Bombardier, etc. In direct supplies, the company is in the field trial stage and expected to be completed in Oct-24 and will start bidding for tenders in Indian railways.

Exports

- The export markets remain strong in Europe and the US. The company supplies to clients and they export to their parents.

Components

- In the components business, the topline is expected INR 500-700cr in FY27E. Around INR 200cr revenue is expected from non-motor and INR 300cr revenue is expected from motors.
- Components revenue stood at INR 270cr in FY24. Non-motor revenue stood at INR 90cr and INR 180cr from motors and generators.
- Non-motor revenue is expected to reach from INR 90cr (FY24) to INR 200cr over the next 2 years.

Pitti Casting

- Pitti castings merger is expected going forward.
- Pitti casting business's gross margin is around 45%.

EV

- Most of the EV motors are imported from China. The localization will give opportunity for the company.

Working capital

- The big change in working capital is due to a change in procurement strategy. Earlier, the procurement from vendors was on a calendar year basis, and currently, on a financial year basis. Most of the procurement through cash and carry basis.

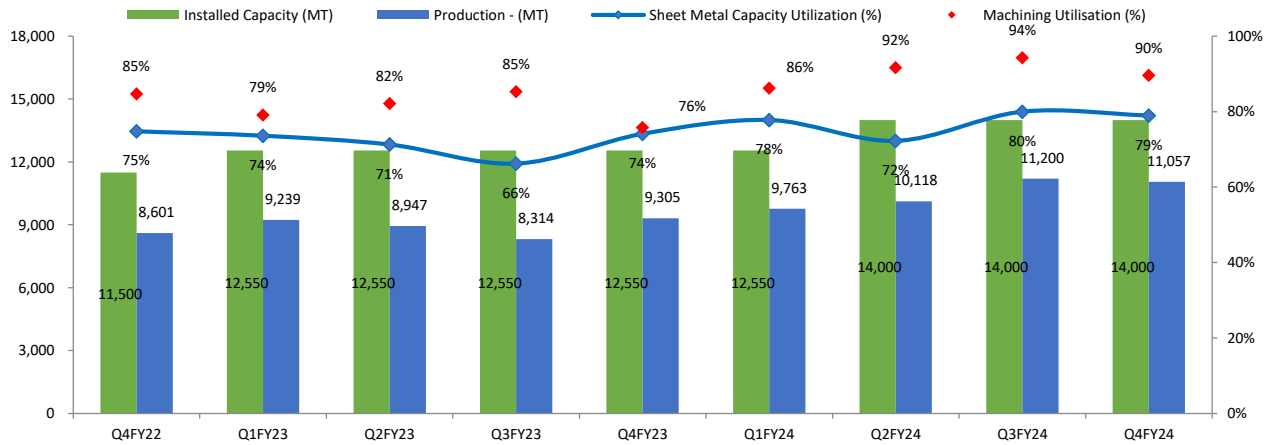
Current and Non-current assets

- The current asset stood at INR 115cr in FY24. Out of this INR 48cr accounted for incentives and yet to receive from the government. The remaining are GST and others.
- The other current asset stood at INR 64cr in FY24. Out of this INR 62cr for capital advances which is deposited with government bodies and it will come down once capex is done.

Other highlights

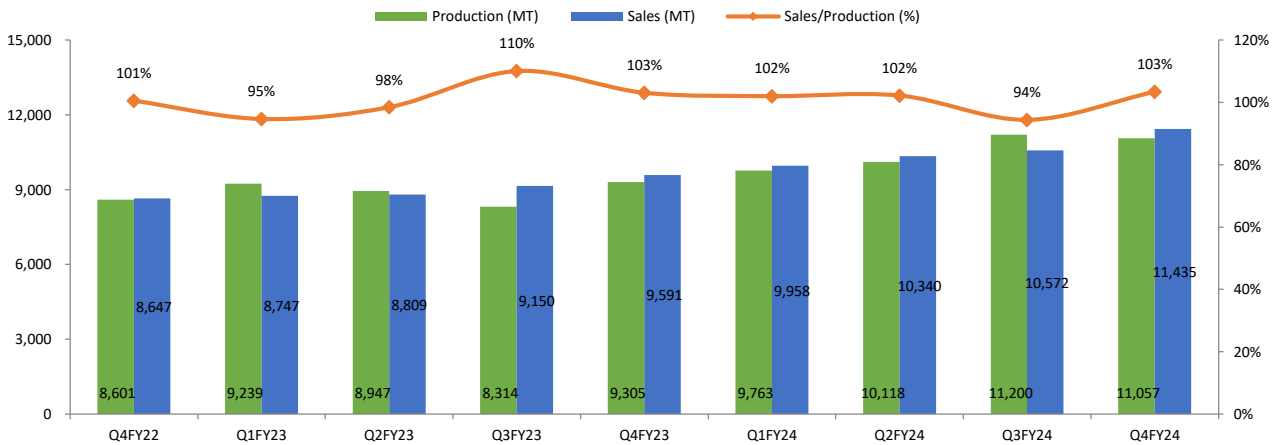
- The company witnessed traction in railways, renewables, and other end-user segments. Railways are continuously outperforming well in domestic and international markets.
- Plain vanilla machining revenue stood at INR 90cr. Machining business gross margins are around 45%-50%.
- In machining, railway margins are lower compared to OEM.
- The top 5 clients' revenue share is around 60% in FY24.

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



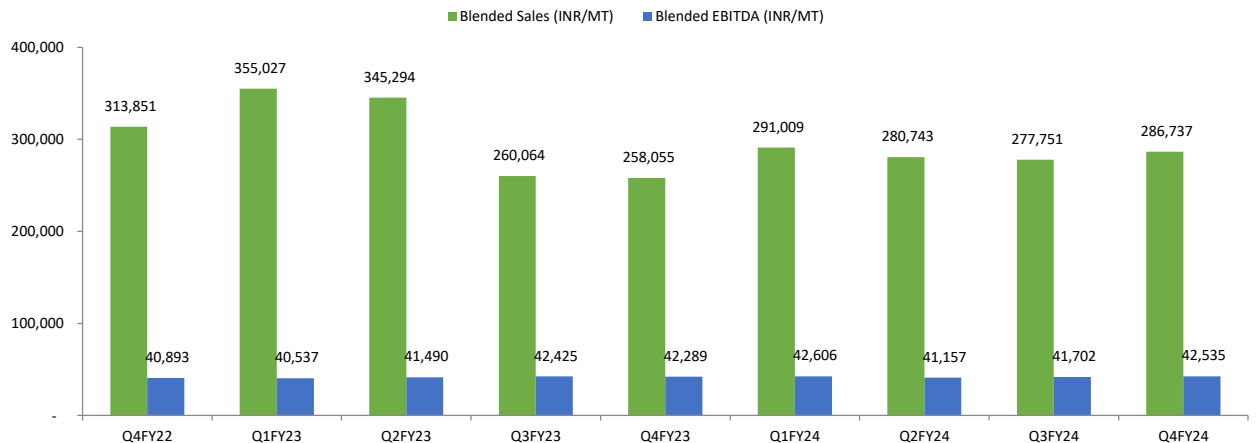
Source: Company Reports, Aриhant Capital Research
Installed capacity is quarterly basis

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.

Particular (INR cr)	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	27	28
EBITDA margin (%)	7.3%	6.4%	5.3%	5.6%	7.8%	8.8%	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	16,875	16,970

Source: Company Reports, Arianth Capital Research

Total Revenue (INR cr)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales (INR cr)	379	622	525	624	1,191	1,364	1,462	1,609	1,866	2,015
Volumes (MT)	18,799	27,381	22,122	21,561	31,945	36,297	56,305	60,767	68,214	71,537
Realization	2,01,496	2,27,243	2,37,349	2,89,225	3,72,798	3,75,855	2,59,586	2,64,716	2,73,514	2,81,710
EBITDA (INR cr)	54	90	78	86	148	165	192	223.4	262.0	286.7
EBITDA per MT (INR)	28,983	32,906	35,131	39,764	46,258	45,595	34,137	36,759	38,403	40,073

Source: Company Reports, Arianth Capital Research; Total revenue includes Pitti Engineering and Bagadia Chaitra Industries

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	-	-	-	-	-	-	260	294	320	340
Base Case	-	-	-	-	-	-	260	281	306	322
Bear Case	-	-	-	-	-	-	260	273	296	312

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	1,717	1,934	2,101
Base Case	379	622	525	518	954	1,100	1,202	1,609	1,866	2,015
Bear Case	379	622	525	518	954	1,100	1,202	1,516	1,724	1,894

Source: Company Reports, Arianth Capital Research

Valuation

Exhibit 7: Bull Case Scenario

Bull Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,717	1,943	2,112
EBITDA	178	238	272	300
EBITDA Margin (%)	14.8%	13.9%	14.0%	14.2%
PAT	90	124	143	161
PAT Margin (%)	7.5%	7.2%	7.4%	7.6%
EPS (INR)	26.8	38.6	44.6	50.2

Valuation - P/E (FY27E)

EPS (INR)	50.2
P/E (x)	30.0
Target Price (INR)	1,505
CMP (INR)	873
Upside/Downside (%)	72.4%

Source: Company, Aриhant Capital Research

Exhibit 8: Base Case Scenario

Base Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,609	1,875	2,025
EBITDA	178	223	262	288
EBITDA Margin (%)	14.8%	13.9%	14.0%	14.2%
PAT	90	112	135	151
PAT Margin (%)	7.5%	6.9%	7.2%	7.5%
EPS (INR)	26.8	34.8	42.2	47.1

Valuation - P/E (FY27E)

EPS (INR)	47.1
P/E (x)	25.0
Target Price (INR)	1,177
CMP (INR)	873
Upside/Downside (%)	34.8%

Source: Company, Aриhant Capital Research

Exhibit 9: Bear Case Scenario

Bear Case (INR cr)	FY24	FY25E	FY26E	FY27E
Revenue	1,202	1,516	1,732	1,904
EBITDA	178	211	242	271
EBITDA Margin (%)	14.8%	13.9%	14.0%	14.2%
PAT	90	101	119	137
PAT Margin (%)	7.5%	6.7%	6.9%	7.2%
EPS (INR)	26.8	31.5	37.2	42.7

Valuation - P/E (FY27E)

EPS (INR)	42.7
P/E (x)	25.0
Target Price (INR)	1,068
CMP (INR)	873
Upside/Downside (%)	22.3%

Source: Company, Aриhant Capital Research

Scenario Analysis

Exhibit 10: Revenue based on Realizations and Capacity utilizations

Pitti Engineering Revenue (FY25E) - INR cr

		Capacity Utilization (%)										
		55%	57%	59%	61%	63%	65%	67%	69%	71%	73%	75%
Sales Realization (INR)	1,327											
	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 (%)										
		64%	66%	68%	70%	72%	74%	76%	78%	80%	82%	84%
Sales Realization (INR)	1,560											
	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 (%)										
		70%	72%	74%	76%	78%	80%	82%	84%	86%	88%	90%
Sales Realization (INR)	1,693											
	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 11: 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	307	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, Aриhant 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	1,609	1,875	2,025
Net Raw Materials	335	678	782	806	1,093	1,265	1,363
Gross Profit	183	276	318	396	516	610	663
Gross Margin (%)	35.3%	28.9%	28.9%	32.9%	32.1%	32.5%	32.7%
Employee Cost	56	78	87	108	142	163	176
Other Expenses	49	65	80	110	151	185	198
EBITDA	78	133	151	178	223	262	288
EBITDA Margin (%)	15.1%	13.9%	13.8%	14.8%	13.9%	14.0%	14.2%
Depreciation	(30)	(39)	(45)	(54)	(74)	(81)	(87)
Interest expense	(30)	(40)	(45)	(50)	(50)	(53)	(54)
Other income	20	16	18	48	53	56	58
Profit before tax	39	71	80	122	152	184	205
Taxes	(10)	(19)	(21)	(32)	(40)	(49)	(54)
PAT	29	52	59	90	112	135	151
PAT Margin (%)	5.5%	5.4%	5.3%	7.5%	6.9%	7.2%	7.5%
Other Comprehensive income	(1)	0	(1)	(4)	-	-	-
Net profit	28	52	58	86	112	135	151
EPS (INR)	8.7	16.2	18.0	26.8	34.8	42.2	47.1

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	16	16	16	16	16	16	16
Reserves	220	268	318	400	506	635	778
Net worth	236	284	334	416	522	651	794
Provisions	74	12	12	23	13	13	11
Debt	263	401	365	629	589	534	404
Other non-current liabilities	10	9	9	4	8	9	10
Total Liabilities	583	706	720	1,072	1,132	1,207	1,219
Fixed assets	193	228	279	334	498	539	520
Capital Work In Progress	1	1	24	118	2	3	3
Other Intangible assets	18	14	9	5	5	5	5
Investments	95	18	26	19	32	38	41
Other non current assets	8	108	98	147	161	188	162
Net working capital	258	301	218	338	365	374	389
Inventories	157	272	239	270	344	381	392
Sundry debtors	172	204	181	210	273	308	322
Loans & Advances	0.2	-	-	-	0.2	0.2	0.2
Other current assets	48	75	55	115	110	103	100
Sundry creditors	(105)	(220)	(251)	(228)	(323)	(376)	(381)
Other current liabilities & Prov	(13)	(30)	(7)	(30)	(40)	(43)	(45)
Cash	9	35	65	109	66	58	95
Other Financial Assets	0	1	1	1	3	4	4
Total Assets	583	706	720	1,072	1,132	1,207	1,219

Source: Company Reports, Arianth Capital Research

Du-Pont Analysis

Y/e 31 Mar (INR cr)	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	1.0	1.0
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	1.2	1.2	1.3
Financial leverage (x)	2.5	2.9	3.0	3.0	2.9	2.6	2.2
RoE (%)	13.0%	20.0%	19.0%	24.0%	23.8%	23.1%	20.9%

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	152	184	205
Depreciation	30	39	45	54	74	81	87
Tax paid	(10)	(19)	(21)	(32)	(40)	(49)	(54)
Working capital Δ	(58)	(43)	83	(120)	(27)	(9)	(15)
Operating cashflow	1	48	187	24	159	208	223
Capital expenditure	(4)	(73)	(119)	(203)	(122)	(123)	(69)
Free cash flow	(4)	(26)	68	(179)	36	85	154
Equity raised	(1)	0	(1)	(4)	(0)	-	-
Investments	(53)	77	(7)	7	(13)	(5)	(3)
Others	(9)	(97)	15	(46)	(15)	(27)	25
Debt financing/disposal	22	139	(37)	264	(40)	(55)	(130)
Dividends paid	-	(4)	(8)	(4)	(6)	(7)	(8)
Other items	39	(63)	0	6	(6)	1	(1)
Net Δ in cash	(6)	26	30	44	(44)	(8)	38
Opening Cash Flow	15	9	35	65	109	66	58
Closing Cash Flow	9	35	65	109	66	58	95

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%	33.9%	16.6%	8.0%
Op profit growth	0.4%	69.9%	14.1%	17.4%	25.7%	17.3%	10.0%
Profitability ratios (%)							
OPM	15.1%	13.9%	13.8%	14.8%	13.9%	14.0%	14.2%
Net profit margin	5.5%	5.4%	5.3%	7.5%	6.9%	7.2%	7.5%
RoCE	9.6%	12.8%	13.0%	13.5%	15.0%	15.8%	17.0%
RoNW	13.0%	20.0%	19.0%	23.8%	23.1%	20.9%	20.5%
RoA	4.9%	7.3%	8.2%	9.8%	11.2%	12.4%	13.5%
Per share ratios (INR)							
EPS	8.7	16.2	18.0	26.8	34.8	42.2	47.1
Dividend per share	-	1.2	2.3	1.2	1.7	2.1	2.4
Cash EPS	18.4	28.3	32.3	45.0	57.9	67.6	74.3
Book value per share	73.6	88.6	104.2	129.8	162.9	203.0	247.7
Valuation ratios (x)							
P/E	100.0	53.9	48.5	32.5	25.1	20.7	18.5
P/CEPS	47.3	30.8	27.0	19.4	15.1	12.9	11.8
P/B	11.9	9.9	8.4	6.7	5.4	4.3	3.5
EV/EBITDA	37.9	23.7	20.3	18.6	14.7	12.4	10.6
Payout (%)							
Dividend payout	0.0%	7.3%	12.8%	4.2%	5.0%	5.0%	5.0%
Tax payout	25.4%	26.5%	26.4%	26.0%	26.5%	26.5%	26.5%
Liquidity ratios							
Debtor days	110	72	64	60	55	57	57
Inventory days	154	116	119	115	103	105	104
Creditor days	84	72	91	85	72	79	79
WC Days	180	115	93	90	85	82	81
Leverage ratios (x)							
Interest coverage	1.6	2.4	2.4	2.5	3.0	3.4	3.7
Net debt / equity	1.1	1.3	0.9	1.2	1.0	0.7	0.4
Net debt / op. profit	3.3	2.8	2.0	2.9	2.3	1.8	1.1

Source: Company Reports, Aриhant Capital Research

Story in Charts

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

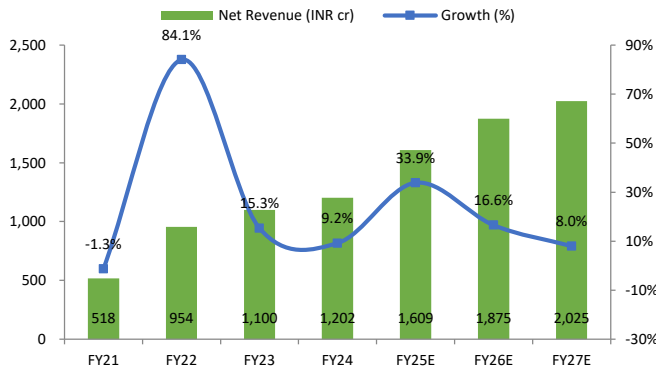


Exhibit 13: Gross margins are expected to stabilize going forward.

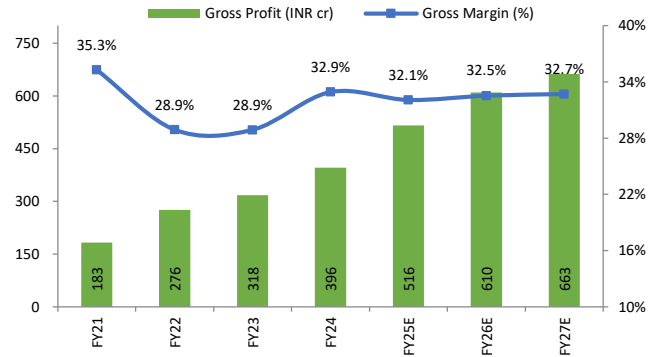


Exhibit 14: Growth in EBITDA & PAT levels

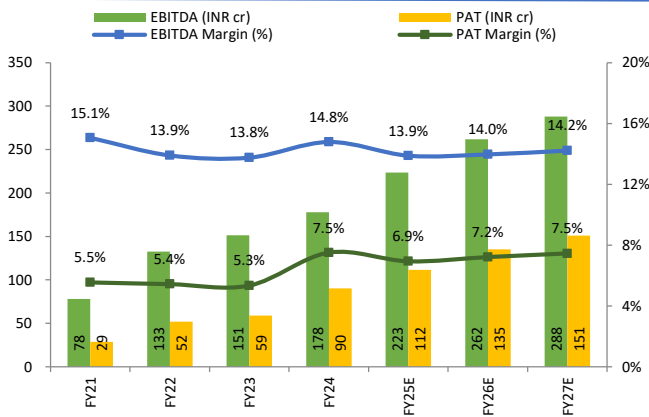


Exhibit 15: Return ratios to be improve

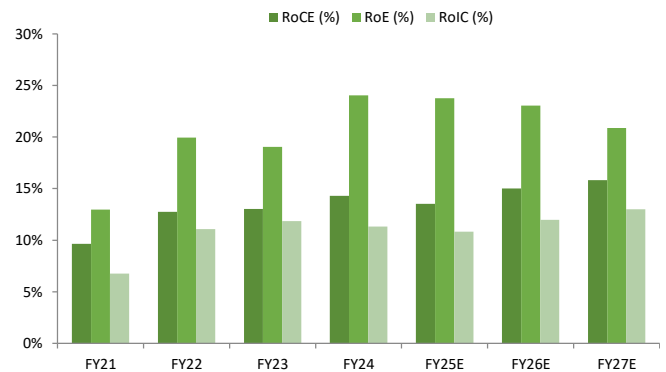


Exhibit 16: Working capital days to be improve

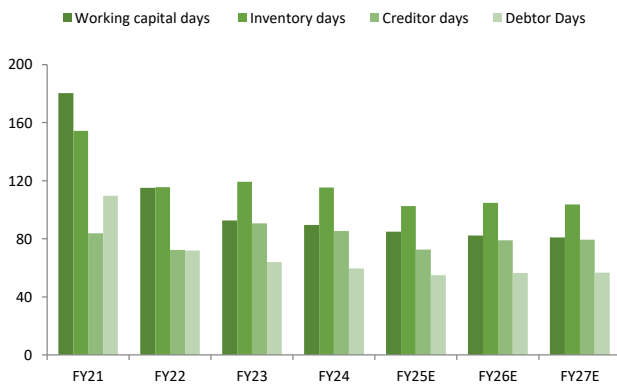
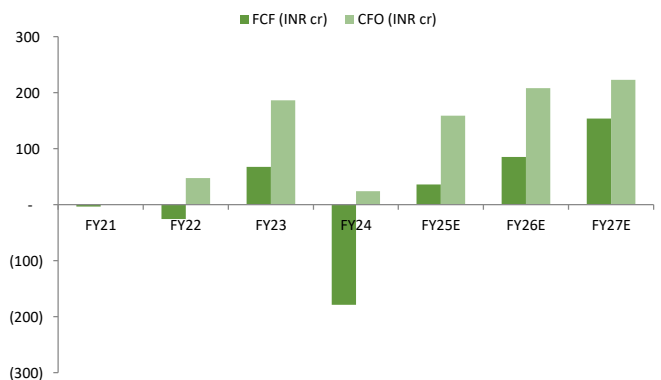


Exhibit 17: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

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

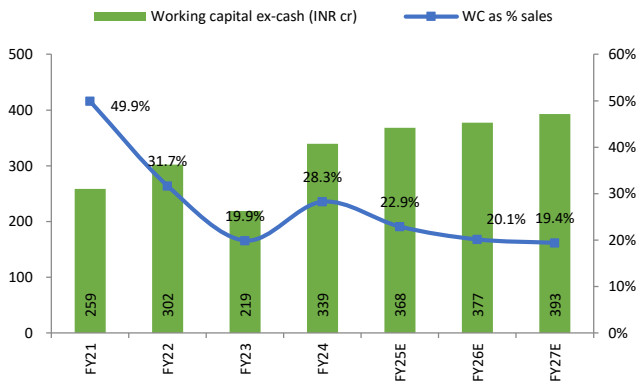


Exhibit 19: Interest cost as % of EBIT is expected to reduce going forward.

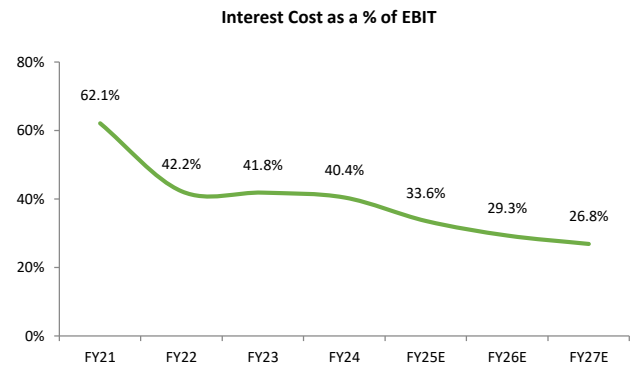


Exhibit 20: Exports revenue share is expected to reach 35%-40% going forward. Exports are majorly to US and Europe markets.

Geography Revenue (%)

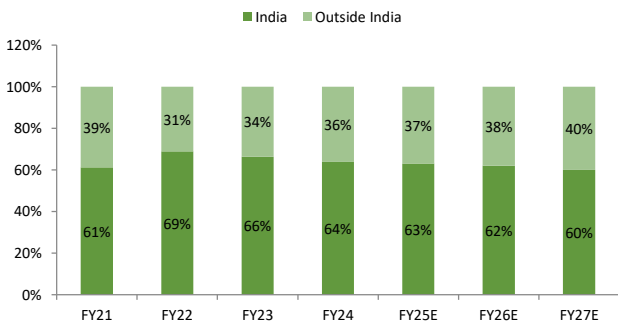


Exhibit 21: Sales realisation is based on raw material prices.

Blended Sales Realization (INR per metric ton)

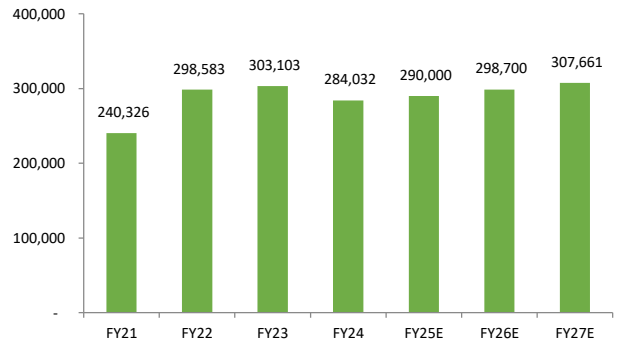


Exhibit 22: EBITDA realisation is continue to grow going forward

Blended EBITDA (INR per metric tonne)

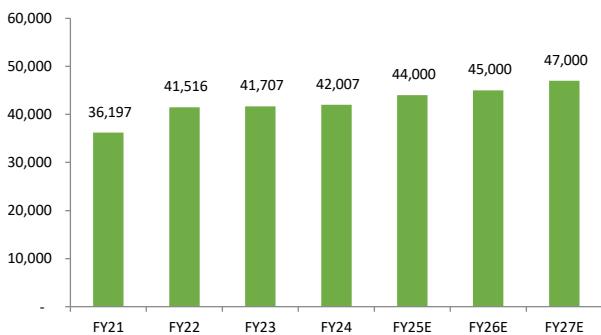
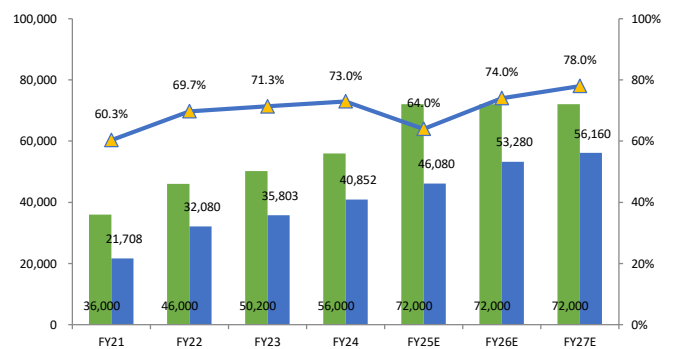


Exhibit 23: Capacity utilisation is expected to be 70%-80% going forward.

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



Source: Company Reports, Arihant 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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