

Q4FY24 Result Highlights

- **Aluminium products continued to be the main driver for Q4FY24 while Powertrain segment remaining flat** – CAL's Q4FY24 Revenue/EBITDA grew 12.7%/9.8% YoY to ₹11.1bn/₹2.1bn driven by 36.3% YoY growth in Aluminium products segments. Aluminium Powertrain segment revenue remained flat YoY and QoQ at ₹3.9bn. The decline in Powertrain business was due to inventory pile up at the end user industries leading to deferring of the orders to FY25. Industrial & Engg Revenue declined 7.1% YoY and 5.3% QoQ ₹1.82bn, as the storage business witnessed flat investments at customers end. EBIT margins for Auto Powertrain/Aluminium products/Industrials & storage were at 15.2%/16.1%/2.6% in Q4FY24 compared to 18.2%/14.7%/6.9% in Q4FY23. Value add for Aluminium- Powertrain/Aluminium products/Indus & Engg stood at ₹2.26bn/₹1.07bn/₹0.55bn. Gross margin grew 14bps YoY but declined 94bps QoQ to 45.9%. EBITDA Margins declined 50bps YoY and 77 bps QoQ to 18.7% as RM cost as % to sales increased QoQ from 53.2% to 54.1%. DR Axion estimated revenue for Q4FY24 at ₹2.91bn (Q3FY24 at ₹3.2bn; Q2FY24 was at ₹3.55bn & Q1FY24 at ₹2.8bn) with EBITDA at ₹586mn (Q3FY24 at ₹650mn; Q2FY24 at ₹648mn and Q1FY24 at ₹509mn) giving a margin of 2.10%. PAT at ₹623.3mn (-19.7% YoY and -14.8% QoQ) was due to tax expenses at ₹232.9mn (+104.8% YoY and -16.5% QoQ). The management has decided to carry out deleveraging activity by raising funds (~₹12bn) with the timing to be decided on a later date. Declared final dividend of ₹11.3 per share (F.V. of ₹5) for FY25 with expected better business prospects starting from Q2FY25.
- **80% of maintenance work completed at Kothavadi, Combiatore and Bhiwadi** – With demand from capital goods industry increasing the demand for Made in India casting and to garner the business opportunities in North the management planned to bring up new plants/lines at Kothavadi, Combiatore and Bhiwadi. Kothavadi, Combiatore is a 50-acre campus and it will house all three segments. The size of the foundry is ~2k ton. Initially the Kothavadi plant will cater to Industrial Engg (mainly windmill gearboxes) and Power train products for Off-Highway Vehicles, while the Bhiwadi plant will be utilised to make EV Aluminium products. 80% of the maintenance work is completed with operations to start in 2HFY25. As per the management the Bangalore plant is running out of space with further capacity additions likely to take place in future.
- **Auto-Powertrain business** EBIT margin was down as the fixed cost increased due to investment made for the new plants. The demand from CV industry was flat with slight uptick from the LCVs. Exports were under stress to geopolitics while the SUVs and PVs saw good growth. For Q4FY24/FY24 Revenue Mix (₹mn) - CV: Off-Highway: Tractor: SUV was at ₹2.17/₹8.8bn:₹0.63/₹2.72bn:₹0.48/₹2.1bn:₹0.61/₹1.96bn. The management expects High single digit/ Low double digit growth for FY25 with EBIT margin to be muted in Q1FY25 and pick up in Daimler export orders from Q2FY25 and orders from Hyundai's Talegaon plant from FY26. The focus for the management in the medium to long term is to cater to the Off-Highway and Stationary Engines (Power Gensets) demands which present an \$100mn opportunity for the next three years on continuous basis.

Important Statistics

Nifty	22,677
Sensex	74,734
MCAP (₹ bn)	93.8
52 Week H/L (₹)	5,510/3,111
NSE Code	CRAFTSMAN
BSE Code	543276
Bloomberg Code	CRAFTSMA:IN

Shareholding Pattern Mar'24 (%)	
Promoters	55.0
DIIs	16.0
FIIIs	12.6
Public	16.5

Financials

Particulars	₹ mn		
	FY21	FY22	FY23
Revenue	15,600	22,170	31,826
EBITDA	4,382	5,342	6,836
EBITDA Margin (%)	28.1	24.1	21.5
Net Profit	974	1,631	2,484
EPS (₹)	46.1	77.2	117.6
RoE (%)	11.3	15.1	17.3
RoCE (%)	15.7	19.3	18.0
P/E (x)	96.3	57.5	37.7
EV/EBITDA(x)	23.1	19.0	15.5
P/BV (x)	9.7	8.3	6.5

Particulars	FY24P	FY25E	FY26E
Revenue	44,517	53,718	62,764
EBITDA	8,789	10,785	12,893
EBITDA Margin (%)	19.7	20.1	20.5
Net Profit	3,045	4,242	5,373
EPS (₹)	144.2	200.9	254.4
RoE (%)	17.4	23.4	24.2
RoCE (%)	18.9	19.2	19.7
P/E (x)	30.8	22.1	17.4
EV/EBITDA(x)	12.6	10.7	9.1
P/BV (x)	5.4	4.5	3.9

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
CAL	38.8	244.6	NA
Nifty 50	25.0	55.0	93.4
Sensex	21.8	53.4	91.7

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 View – **ACCUMULATE**

- **Auto-Aluminium products business (including DR Axion) to grow by high teens in FY25.** The management expects the margin to improve from current levels as 98% of the products are machined casted with exports order demand from countries in Africa and South America in pipeline. With the new facility coming up, FY26 growth is likely to be +20% with peak revenue from the new plant estimated at ₹3bn. The company is looking at the global scale of operations in aluminum. The size of top 10 players is between US\$1-4bn, and the company aspires to scale up its operations to at least US\$500mn over the next 2-3 years.
- **Industrial & Engineering business declined 7.1% YoY to ₹1.83bn** as investment in the warehousing industry has taken a pause as per the management. The business segment margin slipped 738/428bps YoY/QoQ to 2.2% due to continued competitive pressure in the storage solution business. The storage division's turnover was flat and the management expects improvement in numbers by 25-30% as close to 50% of total Orders (₹2bn) are to be executed in FY25. The company is looking at opportunities in the Renewable Energy (Windmill gearboxes) which is likely to see incremental traction in FY25.
- Incurred capex of ₹6.3bn in FY24 to address new opportunities expected to come in the near future as investment were made for new plants along with backward integration. Looking at capex of ₹5bn in FY24. Management stated the current Net D/E of 0.95x and Net debt/EBITDA of 1.9x are at comfortable levels.

View

CAL's Revenue was overall strong in Q4FY24 driven by the Aluminium products business even as the demands from the end users for the other segments were muted. Fresh opportunities in import substitution, light weighting and industrial segments (off-highway, windmill-capital goods) is likely to drive power-train performance in FY25. The aluminium segment is likely continue its robust performance aided by orders from domestic and export markets. Industrial & Engineering growth to be driven by storage solutions and renewables along with the announced facilities addition. The company has maintained its track record of creating and gaining market leadership organically enabled by capital efficiency and product mix by diversifying into other sub-business segments. **Hence, we recommend it as an ACCUMULATE stock trading at P/E 17.4x FY26E EPS of ₹254.4.**

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FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY24	FY23	YoY(%)
Revenue	11,053.4	9,803.7	12.7	11,297.0	(2.2)	44,517.3	31,826.0	39.9
Cost of Sales & services	6,765.6	5,631.9	20.1	6,319.4	7.1	25,215.3	16,996.4	48.4
Changes in inventories	(781.5)	(310.4)	151.8	(309.5)	152.5	(1,502.2)	(702.1)	114.0
Employee Exps	729.5	606.4	20.3	763.1	(4.4)	2,884.6	2,335.0	23.5
Other Exps	2,270.8	1,991.4	14.0	2,322.0	(2.2)	9,131.1	6,360.6	43.6
EBITDA	2,069.0	1,884.4	9.8	2,202.0	(6.0)	8,788.5	6,836.1	28.6
EBITDA Margin (%)	18.7	19.2	(50)	19.5	(77)	19.7	21.5	(174)
Depreciation	722.9	599.3	20.6	702.8	2.9	2,776.9	2,216.1	25.3
Finance Cost	464.0	419.1	10.7	441.7	5.0	1,745.4	1,202.3	45.2
Other Income	53.1	48.8	8.8	35.0	51.7	172.4	125.4	37.5
PBT	935.2	914.8	2.2	1,092.5	(14.4)	4,438.6	3,543.1	25.3
Tax	232.9	113.7	104.8	279.0	(16.5)	1,073.6	1,038.3	3.4
JV Profit/(Loss)	3	1.2	150.0	1.2	150.0	8.5	4.8	77.1
Minority Interest - (Profit)/Loss	82.0	25.7	219.1	83.5	(1.8)	328.6	25.7	1,178.6
Net Profit	623.3	776.6	(19.7)	731.2	(14.8)	3,044.9	2,483.9	22.6
EPS (₹)	29.5	36.8	(19.7)	34.6	(14.8)	144.2	117.6	22.6

Source: Company, Way2Wealth

(₹ mn)

Segment Revenue	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY24	FY23	YoY(%)
Automotive – Powertrain & Others	3,897.3	3,926.8	(0.8)	3,924.5	(0.7)	15,583.7	15,270.9	2.0
Automotive –Aluminium products	5,328.3	3,910.3	36.3	5,442.8	(2.1)	21,536.1	9,346.1	130.4
Industrials &Engg	1,827.8	1,966.6	(7.1)	1,929.7	(5.3)	7,397.5	7,209.0	2.6

EBIT	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY24	FY23	YoY(%)
Automotive – Powertrain & Others	591.7	927.5	(36.2)	713.3	(17.0)	2,916.3	3,820.4	(23.7)
Automotive –Aluminium products	856.8	351.8	143.5	800.0	7.1	3,220.3	773.2	316.5
Industrials &Engg	47.5	196.2	(75.8)	132.7	(64.2)	493.5	672.2	(26.6)

EBIT Margin (%)	Q4FY24	Q4FY23	BPS	Q3FY24	BPS	FY24	FY23	BPS
Automotive – Powertrain & Others	15.2	23.6	(844)	18.2	(299)	18.7	25.0	(630)
Automotive –Aluminium products	16.1	9.0	708	14.7	138	15.0	8.3	668
Industrials & Engg	2.6	10.0	(738)	6.9	(428)	6.7	9.3	(265)

% Share of Revenue	Q4FY24	Q4FY23	BPS	Q3FY24	BPS	FY24	FY23	BPS
Automotive – Powertrain & Others	35.3	40.1	(480)	34.7	52	35.0	48.0	(1,298)
Automotive –Aluminium products	48.2	39.9	832	48.2	3	48.4	29.4	1,901
Industrials &Engg	16.5	20.1	(352)	17.1	(55)	16.6	22.7	(603)

Source: Company, Way2Wealth

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 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY20	FY21	FY22	FY23	FY24P	FY25E	FY26E
<i>Automotive- Powertrain & Others</i>	7,093	8,113	11,544	15,271	15,584	17,921	20,251
<i>Automotive- Aluminium products</i>	2,577	3,298	5,520	9,346	21,536	26,920	32,304
<i>Industrials & Engg</i>	5,255	4,189	5,107	7,209	7,398	8,877	10,209
Revenue	14,925	15,600	22,170	31,826	44,517	53,718	62,764
EBITDA	3,980	4,382	5,342	6,836	8,789	10,785	12,893
EBITDA Margin (%)	26.7	28.1	24.1	21.5	19.7	20.1	20.5
Net Profit	400	974	1,631	2,484	3,045	4,242	5,373
EPS(₹)	18.9	46.1	77.2	117.6	144.2	200.9	254.4
DPS (₹)	3.0	-	3.8	11.3	11.3	12.0	13.0
RoE (%)	5.1	11.3	15.1	17.3	17.4	23.4	24.2
RoCE (%)	13.1	15.7	19.3	18.0	18.9	19.2	19.7
P/E (x)	234.3	96.3	57.5	37.7	30.8	22.1	17.4
EV/ EBITDA (x)	26.0	23.1	19.0	15.5	12.6	10.7	9.1
P/BV (x)	13.0	9.7	8.3	6.5	5.4	4.5	3.9
Net Debt/ Equity (x)	1.3	0.8	0.7	0.8	1.0	0.7	0.6
Debtors Days	48	56	49	61	47	48	46
Inventory Days	109	222	221	187	160	158	156
Creditor Days	94	193	163	159	123	121	115
Cash Balances	704	467	435	473	830	1,663	2,184
FCFF	1,613	2,568	1,095	2,625	(1,177)	1,731	2,652
PEG	(4.0)	0.7	0.9	0.7	1.4	0.6	0.7

Source: Company, Way2Wealth

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 View – **ACCUMULATE**
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Name of the Security	CRAFTSMAN AUTOMATION LTD.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	
Analyst :	No
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Analyst's Associate/Firm : Yes/No	No
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