

Q1FY25 Result Highlights

- **Aluminium products and Powertrain segments witnessed equal footing growth in Q1FY25** – CAL's Q1FY25 Revenue grew 10.9% YoY to ₹11.5bn driven by ~9%/8.3% YoY growth in Powertrain/Aluminium products segments. Industrial & Engg Revenue grew 23.5% YoY and 13.1% QoQ ~₹2.1bn, as the storage business witnessed investments at customers end. EBIT margins for Auto Powertrain/Aluminium products/Industrials & storage were at 17%/13.2%/2.1% in Q1FY25 compared to 21.9%/13.7%/6.6% in Q1FY24. Gross margin declined 381bps YoY and 219bps QoQ to 43.7% due to Aluminium prices increasing by 12-13% as per the management resulting in EBITDA Margins decline 350bps YoY and 158 bps QoQ to 17.1% as RM cost as % to sales increased QoQ from 54.1% to 56.3%. PAT at ₹531.9mn (-28.6% YoY and -14.7% QoQ) primarily due to depreciation at ₹724.9mn (+6.2% YoY) with investments made across two greenfield projects and Finance cost at ₹491.5mn (~+16% YoY). As per the management, greenshoots are visible in 2Ws and Tractors with improvement expected in CVs while PVs have slowed down.
- **Phase-1 work at Kothavadi, Combiatore and Bhiwadi to be completed by Nov-Dec'24** – 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. Phase-1 work to be completed by Nov-Dec'24 with initial product sales in Q4FY25 and further ramp up in FY26. Phase-2 construction work is to add capacities for Heavy Industrial Engines as backup for generators and for Data centers.
- **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 Q1FY25 Revenue Mix (%) - CV: Off-Highway: Tractor: SUV was at 54/16/14/16. The management expects High single digit/ Low double digit growth for FY25 with 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.
- **Auto-Aluminium products business (including DR Axion) to grow by high teens in FY25.** Plans to get into structural parts of PVs. 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. 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.

Important Statistics

Nifty	24,786
Sensex	81,124
MCAP (₹ bn)	126.1
52 Week H/L (₹)	5,840/3,782
NSE Code	CRAFTSMAN
BSE Code	543276
Bloomberg Code	CRAFTSMA:IN

Shareholding Pattern Jun'24 (%)

Promoters	48.7
DIIs	21.5
FIIIs	15.8
Public	14.1

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)	114.6	68.4	44.9
EV/EBITDA(x)	30.5	25.0	20.2
P/BV (x)	11.5	9.8	7.8

Particulars	FY24	FY25E	FY26E
	Revenue	44,517	52,984
EBITDA	8,789	10,598	12,907
EBITDA Margin (%)	19.7	20.0	20.6
Net Profit	3,045	4,136	5,385
EPS (₹)	144.2	195.8	255.0
RoE (%)	17.4	23.1	24.3
RoCE (%)	18.9	19.0	19.8
P/E (x)	36.7	27.0	20.7
EV/EBITDA(x)	16.2	12.8	10.9
P/BV (x)	6.4	5.3	4.7

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
CAL	14.0	166.9	NA
Nifty 50	35.6	68.1	109.8
Sensex	31.4	65.4	106.8

Jayakanth Kasthuri
jayakanthk@way2wealth.com

Ph:022-4019 2914

26 July 2024

CMP – ₹5,284.7/-

 View – **ACCUMULATE**

- With a view to expanding its market presence especially in Engine blocks and Industrial engines in Europe, INOS 24-003 GmbH (WoS of Craftsman) acquired assets of strategic interest for ₹600mn (EUR 5.5mn) located in Schwandorf-Fronberg, Germany comprising of a iron-casting foundry and specialising in iron casting solutions serving a broad variety of markets and serving globally leading customers. The Assets are owned by Fronberg Guss GmbH which is currently undergoing liquidation and the land on which the Assets are located is owned by Fronberg Guss Immobilien GmbH an affiliate of Gienanth GmbH. The management plans to further invest EUR 0.5mn for W.C needs.
- Signed MoU with Sunbeam Lightweighting Solutions Pvt Limited for acquiring the whole or part of the business of Sunbeam (excluding certain specific assets of Sunbeam situated in Gurugram) in one or more tranches keeping in mind its Aluminium business which has export orders.
- **Industrial & Engg Revenue grew 23.5% YoY and 13.1% QoQ ~₹2.1bn**, as the storage business witnessed investments at customers end. The business segment margin slipped 452/51bps YoY/QoQ to 2.1% due to continued competitive pressure in the storage solution business. In the storage division orders worth ₹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.

View

CAL's Q1FY25 result was on expected lines with strong footing both from Powertrain and Aluminium products even as the demand from the end users was down (likely to improve in coming quarters with green shoots visible) and RM cost was on upswing. Fresh opportunities in import substitution, light weighting and industrial segments (Industrial Engines, 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. The management's acquisitions drive augers well in terms of the export and domestic opportunities that is presented to the company in coming years. The company has maintained its track record of gaining market leadership organically and by diversifying into other sub-business segments. **Hence, we recommend it as an ACCUMULATE stock trading at P/E 20.7x FY26E EPS of ₹255.0.**

26 July 2024

CMP – ₹5,284.7/-

 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)	FY24	FY23	YoY(%)
Revenue	11,511.9	10,376.3	10.9	11,053.4	4.1	44,517.3	31,826.0	39.9
Cost of Sales & services	6,383.9	5,703.8	11.9	6,765.6	(5.6)	25,215.3	16,996.4	48.4
Changes in inventories	100.0	(254.8)	139.2	(781.5)	(112.8)	(1,502.2)	(702.1)	114.0
Employee Exps	738.3	669.7	10.2	729.5	1.2	2,884.6	2,335.0	23.5
Other Exps	2,316.4	2,115.3	9.5	2,270.8	2.0	9,131.1	6,360.6	43.6
EBITDA	1,973.3	2,142.3	(7.9)	2,069.0	(4.6)	8,788.5	6,836.1	28.6
EBITDA Margin (%)	17.1	20.6	(350)	18.7	(158)	19.7	21.5	(174)
Depreciation	724.9	682.9	6.2	722.9	0.3	2,776.9	2,216.1	25.3
Finance Cost	491.5	423.9	15.9	464.0	5.9	1,745.4	1,202.3	45.2
Other Income	48.4	37.1	30.5	53.1	(8.9)	172.4	125.4	37.5
PBT	805.3	1,072.6	(24.9)	935.2	(13.9)	4,438.6	3,543.1	25.3
Tax	212.2	266.1	(20.3)	232.9	(8.9)	1,073.6	1,038.3	3.4
JV Profit/(Loss)	1.8	1.9	(5.3)	3	(40.0)	8.5	4.8	77.1
Minority Interest - (Profit)/Loss	63.0	63.6	(0.9)	82.0	(23.2)	328.6	25.7	1,178.6
Net Profit	531.9	744.8	(28.6)	623.3	(14.7)	3,044.9	2,483.9	22.6
EPS (₹)	25.2	35.3	(28.6)	29.5	(14.7)	144.2	117.6	22.6

Source: Company, Way2Wealth

(₹ mn)

Segment Revenue	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)	FY24	FY23	YoY(%)
Automotive – Powertrain & Others	4,163.2	3,824.0	8.9	3,897.3	6.8	15,583.7	15,270.9	2.0
Automotive –Aluminium products	5,281.9	4,879.2	8.3	5,328.3	(0.9)	21,536.1	9,346.1	130.4
Industrials &Engg	2,066.8	1,673.1	23.5	1,827.8	13.1	7,397.5	7,209.0	2.6

EBIT	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)	FY24	FY23	YoY(%)
Automotive – Powertrain & Others	708.3	838.1	(15.5)	591.7	19.7	2,916.3	3,820.4	(23.7)
Automotive –Aluminium products	696.7	666.8	4.5	856.8	(18.7)	3,220.3	773.2	316.5
Industrials &Engg	43.2	110.6	(60.9)	47.5	(9.1)	493.5	672.2	(26.6)

EBIT Margin (%)	Q1FY25	Q1FY24	BPS	Q4FY24	BPS	FY24	FY23	BPS
Automotive – Powertrain & Others	17.0	21.9	(490)	15.2	183	18.7	25.0	(630)
Automotive –Aluminium products	13.2	13.7	(48)	16.1	(289)	15.0	8.3	668
Industrials &Engg	2.1	6.6	(452)	2.6	(51)	6.7	9.3	(265)

% Share of Revenue	Q1FY25	Q1FY24	BPS	Q4FY24	BPS	FY24	FY23	BPS
Automotive – Powertrain & Others	36.2	36.9	(69)	35.3	91	35.0	48.0	(1,298)
Automotive –Aluminium products	45.9	47.0	(114)	48.2	(232)	48.4	29.4	1,901
Industrials &Engg	18.0	16.1	183	16.5	142	16.6	22.7	(603)

Source: Company, Way2Wealth

26 July 2024

CMP – ₹5,284.7/-

 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<i>Automotive- Powertrain & Others</i>	7,093	8,113	11,544	15,271	15,584	17,765	20,253
<i>Automotive- Aluminium products</i>	2,577	3,298	5,520	9,346	21,536	26,489	32,052
<i>Industrials & Engg</i>	5,255	4,189	5,107	7,209	7,398	8,729	10,213
Revenue	14,925	15,600	22,170	31,826	44,517	52,984	62,518
EBITDA	3,980	4,382	5,342	6,836	8,789	10,598	12,907
EBITDA Margin (%)	26.7	28.1	24.1	21.5	19.7	20.0	20.6
Net Profit	400	974	1,631	2,484	3,045	4,136	5,385
EPS(₹)	18.9	46.1	77.2	117.6	144.2	195.8	255.0
DPS (₹)	3.0	-	3.8	11.3	11.3	12.0	13.0
RoE (%)	5.1	11.3	15.1	17.3	17.4	23.1	24.3
RoCE (%)	13.1	15.7	19.3	18.0	18.9	19.0	19.8
P/E (x)	279.0	114.6	68.4	44.9	36.7	27.0	20.7
EV/ EBITDA (x)	34.1	30.5	25.0	20.2	16.2	12.8	10.9
P/BV (x)	15.5	11.5	9.8	7.8	6.4	5.3	4.7
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	49	47
Inventory Days	109	222	221	187	160	159	155
Creditor Days	94	193	163	159	123	122	114
Cash Balances	704	467	435	473	830	1,643	2,077
FCFF	1,613	2,568	1,095	2,625	(1,177)	1,744	2,661
PEG	(4.7)	0.8	1.0	0.8	1.6	0.7	0.7

Source: Company, Way2Wealth

26 July 2024

CMP – ₹5,284.7/-

 View – **ACCUMULATE**
Disclaimer

Analyst Certification: I, Jayakanth Kasthuri the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Jayakanth Kasthuri, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement CRAFTSMAN AUTOMATION LTD. as on 26 July 2024

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
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.