

CMP: INR 877

Rating: BUY

Target Price: INR 1,070

Stock Info

BSE	513519
NSE	PITTIENG
Bloomberg	PITTIENG:IN
Reuters	PIE.NS
Sector	Capital Goods
Face Value (INR)	5
Equity Capital (INR cr)	18.8
Mkt Cap (INR cr)	3,303
52w H/L (INR)	1,122 / 675
Avg Yearly Volume (in 000')	60.5

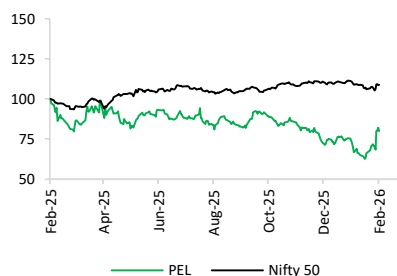
Shareholding Pattern %

(As on Dec, 2025)

Promoters	54.17
DII	20.23
FII	0.93
Public & Others	24.68

Stock Performance (%)	3m	6m	12m
PEL	-6.2	-4.6	-20.0
NIFTY	0.7	4.6	8.9

PEL vs Nifty



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Pitti Engineering Ltd reported numbers, Q3FY26 revenue stood at INR 477cr (+15% YoY/-0.1% QoQ); below our estimates of INR 495cr, supported by railways, data center, etc. Gross Profit stood at INR 191cr (+6.8 YoY/+1.7% QoQ); below our estimates of INR 213cr. Gross margins contracted by 308bps YoY (up by 69bps QoQ) to 40% in Q3FY26, due to the specific product mix and raw material costs. High-value items, such as Stator Main Device (SMD) assemblies, often utilize more expensive specialized steels, and the sale of steel offcuts (byproducts), which are sold at zero margin, resulted in a slightly lower gross margin. EBITDA stood at INR 81cr (+20.9% YoY/+4.2% QoQ); in-line with our estimates of INR 82cr. EBITDA margin improved by 81bps YoY (up by 69bps QoQ) to 16.9% in Q3FY26, supported by lower employee expenses and other expenses in-terms of sales. PAT stood at INR 28cr (-1.9% YoY/-29.6% QoQ); below our estimates of INR 34cr. PAT margin contracted by 107bps YoY (down by 248bps QoQ) to 5.9% in Q3FY26.

Key Highlights

Strategic shift toward high-margin integrated products: The company is pivoting toward value-added and integrated products. Lamination products margins remain steady, and the company is increasing higher margin machine assemblies and value-added stator main device assemblies. The margins are expected to stabilize to 17%, supported by high-value products. The company is strengthening integrated supply chain solutions, which aim to reduce the total cost for global customers while enhancing the company's value proposition.

Focused on diverse high-growth industry verticals: The company is focusing on essential and emerging sectors. Railways and traction motors revenue share around 31.9% in Q3FY26 and remain a high-growth area. The data center segment is an emerging opportunity and revenue share rising to 3.7% in Q3FY26. The data center is anticipated to grow 25-30% over the next 12-18 months. The company holds a 90%+ market share with its main customer for specific stator/rotor products with an annual revenue opportunity of INR 100-120cr. Other segment including power generation, industrial motors, and mining, collectively support healthy capacity utilization across the company's manufacturing facilities.

Beneficial global trade dynamics and export momentum: The international manufacturers seek to de-risk supply chains away from China and India, becoming a preferred sourcing destination, driving consistent inquiries. The reduction of US tariffs on Indian steel products from 50% to 18%, have significantly improved visibility and customer confidence in export markets. The company has onboarded new customers in North America and has a revenue potential of \$10-15mn over the coming years. The FTA with the EU could further enhance market access and cost advantages.

Focusing on operational efficiency and capital optimization: The company has secured long-term ties for BIS-certified steel in Korea and Japan. The planned liquidation of inventory from INR 500cr (Q3FY26) to historical levels of INR 300cr by Apr-26 is expected to release working capital, leading to a finance cost reduction of INR 15cr by FY27E.

Outlook & Valuation: The company is executing the capex plan of INR 150cr; sheet metal capacity stands at 90,000 MT and is expected to reach 1,08,000 MT (+20% addition) by FY27E. Machining hours stood at 6,91,200 hours and are expected to reach 7,20,000 hours (+4.3% addition) by FY27E. Lamination volumes are expected to reach 78,000 MT and the machine components volume of 14,000 MT by FY27E, supported by capacity expansion. Railways and traction motors (31.9% share in Q3FY26) remain the growth engine, while data center is an emerging segment and anticipated to grow 25%-30% over the next 12-18 months, leveraging dominant market share of over 90% in specific stator and rotor products. The company has secured long-term BIS-certified steel supplies from Korea and Japan. It's expected to reduce inventories (INR 500cr to INR 300cr), and export receivables would improve working capital, leading to a finance cost reduction of INR 15cr in FY27E. The global trade developments, including US tariffs from 50% to 18% and India-EU trade, have improved visibility. At the CMP of INR 877 per share, we are maintaining a "BUY" rating at a TP of INR 1,070 per share; valued at a PE multiple of 25x and its FY28E EPS of INR 42.8; an upside of 22%.

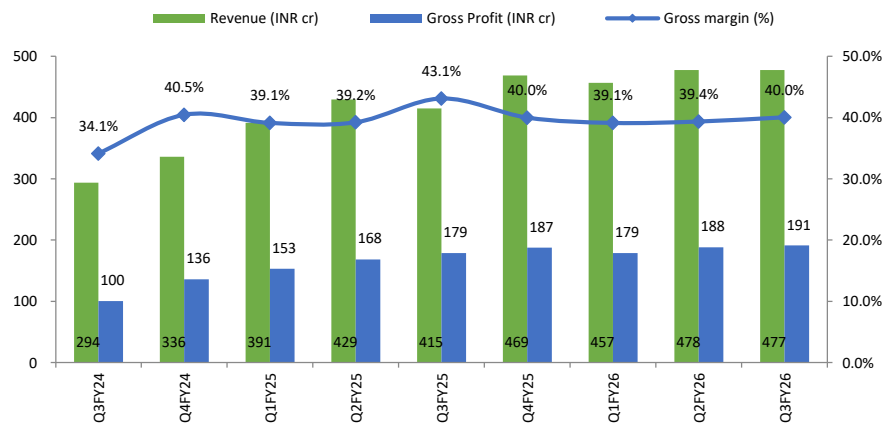
Q3FY26 Results

Income statement summary

Particular (INR cr)	Q3FY25	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Revenue	415	478	477	15.0%	-0.1%
Net Raw Materials	236	290	286	21.3%	-1.2%
Gross Profit	179	188	191	6.8%	1.7%
Gross Margin (%)	43.1%	39.4%	40.0%	-308 bps	+69 bps
Employee Cost	53	40	41		
Other Expenses	59	71	69		
EBITDA	67	78	81	20.9%	4.2%
EBITDA Margin (%)	16.1%	16.3%	16.9%	+81 bps	+69 bps
Depreciation	21	26	27		
Interest expense	13	19	21		
Other income	6	21	7		
Profit before tax	39	54	40		
Taxes	10	14	11		
PAT	29	40	28	-1.9%	-29.6%
PAT Margin (%)	6.9%	8.4%	5.9%	-107 bps	-248 bps
EPS (INR)	7.6	10.6	7.5		

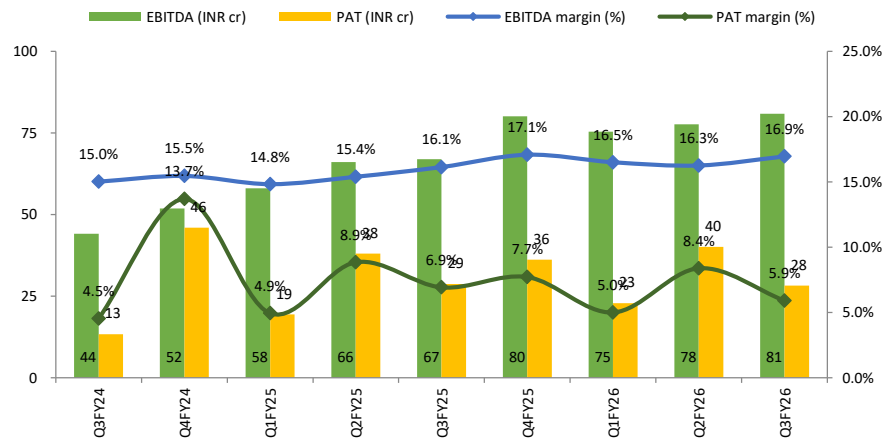
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins contracted by 308 bps (+69 bps QoQ) to 40% in Q3FY26. High-value-added sub-assemblies use more expensive steels, which can pressure gross margins.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin improved by 81 bps YoY (+69 bps QoQ) to 16.9% in Q3FY26, due to reduced employee cost and other expenses in-terms of sales.



Source: Company Reports, Arihant Capital Research

Exhibit 3: Important details in-terms of guidance in Q3FY26.

Category	Details
Revenue	Revenue Guidance: INR 1,900 - 2,000cr by FY26E. Revenue Guidance: INR 2,050cr by FY27E.
Margins	EBITDA Margins: ~17% by FY27E. Gross margins may fluctuate based on the product mix and the volume of zero-margin steel offcuts sold.
Volumes	Lamination: 69,000 MT in FY26E and 78,000 MT in FY27E. Machining: 11,000 MT in FY26E and 14,000 MT in FY27E.
Inventories	Inventory stood at INR 500cr (Q3FY26) and targeting INR 300cr by FY26E. Strategic inventory was held due to BIS certification uncertainty; liquidation is underway now that supply from Korea and Japan is secured.
Raw Materials	The company has secured tie-ups in Korea and Japan ensure uninterrupted execution. Steel offcuts (byproducts) from larger diameter products impact gross margin percentages.
Capex	The capex of INR 150cr till FY27E and capex of INR 80cr spent. The full capacity will be commissioned by the end of FY27E, with incremental revenue starting from FY27E.
Debt	Net Debt stood at INR 550cr (Q3FY26). Inventory reduction is expected to release working capital, leading to a INR 15cr reduction in finance costs in FY27E. The export receivables is also expected to optimize the balance sheet.

Source: Company Reports, Arianth Capital Research

Exhibit 4: Segment and Product wise updates in Q3FY26.

Segment/Product	Details
Railways & Traction Motors	The revenue share stood at 31.9% in Q3FY26. A major growth driver and "outperformer" for the company through both domestic and international supply chains.
Industrial & Commercial	The revenue share stood at 13.9% in Q3FY26. The segment showing strong broad-based demand across multiple applications.
Power Generation	The revenue share stood at 4.4% in Q3FY26. it's a high-growth area.
Data Centers	The revenue share stood at 3.7% in Q3FY26. Anticipated 25-30% growth over the next 12-18 months. The company holds a 90%+ market share with its main customer for specific stator/rotor products. The annual revenue opportunity INR 100-120cr.
Domestic and Export	Domestic and Export mix stood at 72:28 in Q3FY26.
Integrated Products	The focus is shifting toward value-added and integrated products (like SMDs) to improve long-term margins and market position.
Byproducts (Offcuts)	Sold as trade sales; higher demand for large-diameter products increases the generation of these zero-margin offcuts.
Forging (Future)	A longer-term strategy; entry will be explored once captive consumption reaches 250-300 MT per month.
Other Segments	Appliances, pumps, and automotive (including EVs) are currently performing steadily

Source: Company Reports, Arianth Capital Research

Q3FY26 Concall Highlights**Revenue**

- Revenue is expected to be INR 1,900-2,000cr in FY26E and INR 2,050cr by FY27E.
- The domestic and exports mix stood at 72:28 in Q3FY26.
- Segment-wise revenue share: Railways and traction motors – 31.9%, Industrial and commercial applications – 13.9%, power generation – 4.4%, Data center – 3.7%.

Margins

- Gross margins fluctuate based on product mix and raw material fluctuations. High-value-added sub-assemblies use more expensive steels, which can pressure gross margins.
- High-value items requiring larger diameter products generate more offcuts, which are sold at zero margin, impacting overall gross margins.
- EBITDA margins are expected to be 17% going forward.

Volumes

- Lamination volumes stood at 16,823 MT (+21.1% YoY) and Machine component volumes stood at 2,967 MT (+7.7% YoY) in Q3FY26.
- The company is targeting lamination volumes of 69,000 MT; machine components and castings of 11,000 MT in FY26E.
- The company is targeting lamination volumes of 78,000 MT; machine components and castings of 14,000 MT in FY27E.

Utilization

- Machine hours capacity utilization - 85%-90%, Casting - 75%, and Sheet metals - 77%.

Capex

- The capex of INR 150cr is on schedule, and INR 80cr already spent. The facility is expected to be fully operational by FY27E.

Data center

- Data center is expected to grow 25%-30% growth over the next 12-18 months.
- The company holds over 90% market share with its main customer for specific stator and rotor products used in data center diesel generator sets. The annual opportunity size is around INR 100-120cr.

Exports and tariffs

- The reduction of US tariffs on Indian steel products from 50% to 10% has improved visibility and customer confidence.
- In North America, two new customers have been acquired and an estimated revenue of \$10-15mn over the next 2-3 years.
- Europe's revenue share is around 4%-5%. European manufacturers seek to de-risk supply chains from China. FTA with the European Union is seen as a significant future opportunity.

Q3FY26 Concall Highlights**Inventory and supply chain**

- Inventory levels elevated to INR 500cr to mitigate supply chain risks related to BIS-certified steel.
- The company has secured supply from Korea and Japan, and is liquidating excess inventory and expects normal levels of INR 300cr by Apr-26.
- The inventory liquidation is expected to release significant working capital and reduce the finance cost of INR 15cr by FY27E.
- The company is benefiting from global supply chain diversification away from China, particularly in Europe and North America.

Other highlights

- Appliances, consumer durables, automotives, and pumps remain stable in Q3FY26.
- The net-debt stood at INR 550cr.
- The company is evaluating a long-term forging business, contingent on captive consumption reaching a critical scale of 250-300 MT per month.
- Key growth drivers include the railway and traction motor segment, the high-growth data center segment, and the strategy to shift towards value-added and integrated products to improve margins.

Valuation

Exhibit 5: Pitti Engineering is doing capex of INR 155cr to increase the capacity. The sheet metal capacity will increase from 90,000 tons to 108,000 tons, and machine hour capacity will increase from 6,91,200 hours to 7,20,000 hours. We anticipate, the capacity expansion would be available from FY27E onwards.

Pitti Engineering	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
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	26,000	26,000	26,000	36,000	40,200	46,000	62,000	70,000	75,800	75,800
Total Installed Capacity (MTPA)	36,000	36,000	36,000	46,000	50,200	56,000	72,000	80,000	85,800	85,800
Machine Shop (Hours per Annum)	2,47,600	2,47,600	3,62,800	4,03,200	4,60,800	4,60,800	6,33,600	6,91,200	7,20,000	7,20,000
Production - Lamination (MT)	25,115	21,435	21,708	32,080	35,803	40,852	48,679	52,000	54,054	60,060
Sales (MT)	27,381	22,122	21,561	31,945	36,297	42,305	48,679	52,000	54,054	58,859
Sales/Production (%)	109%	103%	99%	99.6%	101.4%	103.6%	100.0%	100.0%	100.0%	98.0%
Capacity Utilization (%)	69.8%	59.5%	60.3%	69.7%	71.3%	73.0%	67.6%	65.0%	63.0%	70.0%
Sales (INR cr)	622	525	518	954	1,100	1,202	1,524	1,612	1,709	1,898
EBITDA (INR cr)	90	78	78	133	151	178	247	291	314	353
EBITDA Margin (%)	14.5%	14.8%	15.1%	13.9%	13.8%	14.8%	16.2%	18.1%	18.3%	18.6%
Blended Sales Realization (per MT)	2,27,243	2,37,349	2,40,326	2,98,583	3,03,103	2,84,032	3,13,170	3,10,000	3,16,200	3,22,524

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

Bagadia Chaitra Industries	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Capacity (MTPA)			18,000	18,000	18,000	18,000	18,000
Sales (INR cr)	237	264	260	240	250	261	270
EBITDA (INR cr)	15	14	15	17	19	20	23
EBITDA margin (%)	6.4%	5.3%	5.6%	7.2%	7.6%	7.7%	8.5%
Volumes (MT)			14,000	14,075	14,500	15,000	15,200
Capacity utilisation (%)			77.8%	78.2%	80.6%	83.3%	84.4%
Sales Realization (INR/MT)			1,85,714	1,70,515	1,72,220	1,73,942	1,77,421
EBITDA Realization (INR/MT)			10,357	12,291	13,103	13,333	15,132

Source: Company Reports, Arihant Capital Research

Dakshin Foundry	FY24	FY25	FY26E	FY27E	FY28E
Capacity (MTPA)	4,200	4,200	4,200	4,200	4,200
Sales (INR cr)	71	72	75	77	79
EBITDA (INR cr)	19	13	13	14	14
EBITDA margin (%)	26.3%	17.4%	17.0%	17.5%	18.0%
Volumes (MT)	2,939	3,224	3,234	3,255	3,276
Capacity utilisation (%)	70.0%	76.8%	77.0%	77.5%	78.0%
Sales Realization (INR/MT)	2,41,204	2,23,325	2,31,911	2,37,327	2,40,522
EBITDA Realization (INR/MT)	63,389	38,772	39,425	41,532	43,294

Source: Company Reports, Arihant Capital Research

Pitti Engineering Revenue (INR cr)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	
Bull Case		622	525	518	954	1,100	1,202	1,524	1,694	1,790	2,028
Base Case		622	525	518	954	1,100	1,202	1,524	1,612	1,709	1,898
Bear Case		622	525	518	954	1,100	1,202	1,524	1,547	1,633	1,813

Bagadia Chaitra Industries Revenue (INR cr)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Bull Case	-	-	105	237	264	260	240	263	271	278
Base Case	-	-	105	237	264	260	240	250	261	270
Bear Case	-	-	105	237	264	260	240	238	254	265

Dakshin Foundry Revenue (INR)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Base case						71	72	75	77	79

Total Revenue (INR cr)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	
Bull Case		622	525	518	954	1,100	1,202	1,705	2,031	2,139	2,386
Base Case		622	525	518	954	1,100	1,202	1,705	1,937	2,047	2,247
Bear Case		622	525	518	954	1,100	1,202	1,705	1,860	1,964	2,156

Source: Company Reports, Arihant Capital Research

Valuation

Exhibit 6: Bull Case Scenario

Bull Case (INR cr)	FY25	FY26E	FY27E	FY28E
Revenue	1,705	2,031	2,139	2,386
EBITDA	271	339	362	412
EBITDA Margin (%)	15.9%	16.7%	16.9%	17.3%
PAT	122	136	149	180
PAT Margin (%)	7.2%	6.7%	7.0%	7.5%
EPS (INR)	32.3	36.2	39.7	47.7

Valuation - P/E (FY28E)

EPS (INR)	47.7
P/E (x)	25.0
Target Price (INR)	1,192
CMP (INR)	877
Upside/Downside (%)	36.0%

Source: Company, Aриhant Capital Research

Exhibit 7: Base Case Scenario

Base Case (INR cr)	FY25	FY26E	FY27E	FY28E
Revenue	1,705	1,937	2,047	2,247
EBITDA	271	323	346	388
EBITDA Margin (%)	15.9%	16.7%	16.9%	17.3%
PAT	122	124	138	161
PAT Margin (%)	7.2%	6.4%	6.7%	7.2%
EPS (INR)	32.3	33.0	36.5	42.8

Valuation - P/E (FY28E)

EPS (INR)	42.8
P/E (x)	25.0
Target Price (INR)	1,070
CMP (INR)	877
Upside/Downside (%)	22.0%

Source: Company, Aриhant Capital Research

Exhibit 8: Bear Case Scenario

Bear Case (INR cr)	FY25	FY26E	FY27E	FY28E
Revenue	1,705	1,860	1,964	2,156
EBITDA	271	310	332	372
EBITDA Margin (%)	15.9%	16.7%	16.9%	17.2%
PAT	122	114	127	149
PAT Margin (%)	7.2%	6.1%	6.4%	6.9%
EPS (INR)	32.3	30.3	33.6	39.6

Valuation - P/E (FY28E)

EPS (INR)	39.6
P/E (x)	25.0
Target Price (INR)	990
CMP (INR)	877
Upside/Downside (%)	12.9%

Source: Company, Aриhant Capital Research

Scenario Analysis

Exhibit 9: Revenue based on Realizations and Capacity utilizations

Pitti Engineering Revenue (FY26E) - INR cr

		Capacity Utilization (%)										
		59%	61%	63%	65%	67%	69%	71%	73%	75%	77%	79%
Sales Realization (INR)	1,612											
	2,92,000	1,378	1,425	1,472	1,518	1,565	1,612	1,659	1,705	1,752	1,799	1,845
	2,95,000	1,392	1,440	1,487	1,534	1,581	1,628	1,676	1,723	1,770	1,817	1,864
	2,98,000	1,407	1,454	1,502	1,550	1,597	1,645	1,693	1,740	1,788	1,836	1,883
	3,01,000	1,421	1,469	1,517	1,565	1,613	1,662	1,710	1,758	1,806	1,854	1,902
	3,04,000	1,435	1,484	1,532	1,581	1,629	1,678	1,727	1,775	1,824	1,873	1,921
	3,07,000	1,449	1,498	1,547	1,596	1,646	1,695	1,744	1,793	1,842	1,891	1,940
	3,10,000	1,463	1,513	1,562	1,612	1,662	1,711	1,761	1,810	1,860	1,910	1,959
	3,13,000	1,477	1,527	1,578	1,628	1,678	1,728	1,778	1,828	1,878	1,928	1,978
	3,16,000	1,492	1,542	1,593	1,643	1,694	1,744	1,795	1,845	1,896	1,947	1,997
	3,19,000	1,506	1,557	1,608	1,659	1,710	1,761	1,812	1,863	1,914	1,965	2,016
	3,22,000	1,520	1,571	1,623	1,674	1,726	1,777	1,829	1,880	1,932	1,984	2,035
	3,25,000	1,534	1,586	1,638	1,690	1,742	1,794	1,846	1,898	1,950	2,002	2,054
	3,28,000	1,548	1,601	1,653	1,706	1,758	1,811	1,863	1,916	1,968	2,020	2,073
3,31,000	1,562	1,615	1,668	1,721	1,774	1,827	1,880	1,933	1,986	2,039	2,092	

Pitti Engineering Revenue (FY27E) - INR cr

		Capacity Utilization (%)										
		55%	57%	59%	61%	63%	65%	67%	69%	71%	73%	75%
Sales Realization (INR)	1,709											
	3,03,000	1,430	1,482	1,534	1,586	1,638	1,690	1,742	1,794	1,846	1,898	1,950
	3,06,000	1,444	1,497	1,549	1,602	1,654	1,707	1,759	1,812	1,864	1,917	1,969
	3,09,000	1,458	1,511	1,564	1,617	1,670	1,723	1,776	1,829	1,882	1,935	1,988
	3,12,000	1,472	1,526	1,579	1,633	1,686	1,740	1,794	1,847	1,901	1,954	2,008
	3,15,000	1,486	1,541	1,595	1,649	1,703	1,757	1,811	1,865	1,919	1,973	2,027
	3,18,000	1,501	1,555	1,610	1,664	1,719	1,773	1,828	1,883	1,937	1,992	2,046
	3,21,000	1,515	1,570	1,625	1,680	1,735	1,790	1,845	1,900	1,955	2,011	2,066
	3,24,000	1,529	1,585	1,640	1,696	1,751	1,807	1,863	1,918	1,974	2,029	2,085
	3,27,000	1,543	1,599	1,655	1,711	1,768	1,824	1,880	1,936	1,992	2,048	2,104
	3,30,000	1,557	1,614	1,671	1,727	1,784	1,840	1,897	1,954	2,010	2,067	2,124
	3,33,000	1,571	1,629	1,686	1,743	1,800	1,857	1,914	1,971	2,029	2,086	2,143
	3,36,000	1,586	1,643	1,701	1,759	1,816	1,874	1,932	1,989	2,047	2,105	2,162
	3,39,000	1,600	1,658	1,716	1,774	1,832	1,891	1,949	2,007	2,065	2,123	2,181
3,42,000	1,614	1,673	1,731	1,790	1,849	1,907	1,966	2,025	2,083	2,142	2,201	

Pitti Engineering Revenue (FY28E) - INR cr

		Capacity Utilization (%)										
		62%	64%	66%	68%	70%	72%	74%	76%	78%	80%	82%
Sales Realization (INR)	1,898											
	3,05,000	1,590	1,641	1,693	1,744	1,795	1,846	1,898	1,949	2,000	2,052	2,103
	3,08,000	1,606	1,657	1,709	1,761	1,813	1,865	1,916	1,968	2,020	2,072	2,124
	3,11,000	1,621	1,674	1,726	1,778	1,831	1,883	1,935	1,987	2,040	2,092	2,144
	3,14,000	1,637	1,690	1,743	1,795	1,848	1,901	1,954	2,007	2,059	2,112	2,165
	3,17,000	1,653	1,706	1,759	1,813	1,866	1,919	1,972	2,026	2,079	2,132	2,186
	3,20,000	1,668	1,722	1,776	1,830	1,883	1,937	1,991	2,045	2,099	2,153	2,206
	3,23,000	1,684	1,738	1,793	1,847	1,901	1,955	2,010	2,064	2,118	2,173	2,227
	3,26,000	1,700	1,754	1,809	1,864	1,919	1,974	2,028	2,083	2,138	2,193	2,248
	3,29,000	1,715	1,770	1,826	1,881	1,936	1,992	2,047	2,102	2,158	2,213	2,268
	3,32,000	1,731	1,787	1,842	1,898	1,954	2,010	2,066	2,122	2,177	2,233	2,289
	3,35,000	1,746	1,803	1,859	1,915	1,972	2,028	2,084	2,141	2,197	2,253	2,310
	3,38,000	1,762	1,819	1,876	1,933	1,989	2,046	2,103	2,160	2,217	2,274	2,330
	3,41,000	1,778	1,835	1,892	1,950	2,007	2,064	2,122	2,179	2,236	2,294	2,351
3,44,000	1,793	1,851	1,909	1,967	2,025	2,083	2,140	2,198	2,256	2,314	2,372	

 - Bull Case - Base Case - Bear Case

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

Scenario Analysis

Exhibit 10: Revenue based on Realizations and Volumes

Bagadia Chaitra Industries Revenue (FY26E) - INR cr

		Volumes (MT)											
		250	13,250	13,500	13,750	14,000	14,250	14,500	14,750	15,000	15,250	15,500	15,750
Sales Realization (INR)	1,65,000	219	223	227	231	235	239	243	248	252	256	260	
	1,66,000	220	224	228	232	237	241	245	249	253	257	261	
	1,67,000	221	225	230	234	238	242	246	251	255	259	263	
	1,68,000	223	227	231	235	239	244	248	252	256	260	265	
	1,69,000	224	228	232	237	241	245	249	254	258	262	266	
	1,70,000	225	230	234	238	242	247	251	255	259	264	268	
	1,71,000	227	231	235	239	244	248	252	257	261	265	269	
	1,72,000	228	232	237	241	245	249	254	258	262	267	271	
	1,73,000	229	234	238	242	247	251	255	260	264	268	272	
	1,74,000	231	235	239	244	248	252	257	261	265	270	274	
	1,75,000	232	236	241	245	249	254	258	263	267	271	276	
	1,76,000	233	238	242	246	251	255	260	264	268	273	277	
	1,77,000	235	239	243	248	252	257	261	266	270	274	279	
	1,78,000	236	240	245	249	254	258	263	267	271	276	280	

Bagadia Chaitra Industries Revenue (FY27E) - INR cr

		Volumes (MT)											
		261	14,000	14,250	14,500	14,750	15,000	15,250	15,500	15,750	16,000	16,250	16,500
Sales Realization (INR)	1,68,000	235	239	244	248	252	256	260	265	269	273	277	
	1,69,000	237	241	245	249	254	258	262	266	270	275	279	
	1,70,000	238	242	247	251	255	259	264	268	272	276	281	
	1,71,000	239	244	248	252	257	261	265	269	274	278	282	
	1,72,000	241	245	249	254	258	262	267	271	275	280	284	
	1,73,000	242	247	251	255	260	264	268	272	277	281	285	
	1,74,000	244	248	252	257	261	265	270	274	278	283	287	
	1,75,000	245	249	254	258	263	267	271	276	280	284	289	
	1,76,000	246	251	255	260	264	268	273	277	282	286	290	
	1,77,000	248	252	257	261	266	270	274	279	283	288	292	
	1,78,000	249	254	258	263	267	271	276	280	285	289	294	
	1,79,000	251	255	260	264	269	273	277	282	286	291	295	
	1,80,000	252	257	261	266	270	275	279	284	288	293	297	
	1,81,000	253	258	262	267	272	276	281	285	290	294	299	

Bagadia Chaitra Industries Revenue (FY28E) - INR cr

		Volumes (MT)											
		270	14,600	14,800	15,000	15,200	15,400	15,600	15,800	16,000	16,200	16,400	16,600
Sales Realization (INR)	1,73,000	253	256	260	263	266	270	273	277	280	284	287	
	1,73,500	253	257	260	264	267	271	274	278	281	285	288	
	1,74,000	254	258	261	264	268	271	275	278	282	285	289	
	1,74,500	255	258	262	265	269	272	276	279	283	286	290	
	1,75,000	256	259	263	266	270	273	277	280	284	287	291	
	1,75,500	256	260	263	267	270	274	277	281	284	288	291	
	1,76,000	257	260	264	268	271	275	278	282	285	289	292	
	1,76,500	258	261	265	268	272	275	279	282	286	289	293	
	1,77,000	258	262	266	269	273	276	280	283	287	290	294	
	1,77,500	259	263	266	270	273	277	280	284	288	291	295	
	1,78,000	260	263	267	271	274	278	281	285	288	292	295	
	1,78,500	261	264	268	271	275	278	282	286	289	293	296	
	1,79,000	261	265	269	272	276	279	283	286	290	294	297	
	1,79,500	262	266	269	273	276	280	284	287	291	294	298	

■ - 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)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	954	1,100	1,202	1,705	1,937	2,047	2,247
Net Raw Materials	678	782	806	1,017	1,169	1,236	1,355
Gross Profit	276	318	396	688	768	812	892
Gross Margin (%)	28.9%	28.9%	32.9%	40.4%	39.6%	39.6%	39.7%
Employee Cost	78	87	108	197	182	192	210
Other Expenses	65	80	110	220	263	273	295
EBITDA	133	151	178	271	322.9	346.05	387.6
EBITDA Margin (%)	13.9%	13.8%	14.8%	15.9%	16.7%	16.9%	17.3%
Depreciation	(39)	(45)	(54)	(81)	(106)	(122)	(129)
Interest expense	(40)	(45)	(50)	(68)	(82)	(78)	(81)
Other income	16	18	48	39	40	41	42
Profit before tax	71	80	122	162	175	187	219
Taxes	(19)	(21)	(32)	(39)	(51)	(50)	(58)
PAT	52	59	90	122	124	138	161
PAT Margin (%)	5.4%	5.3%	7.5%	7.2%	6.4%	6.7%	7.2%
Other Comprehensive income	0	(1)	(4)	(1)	-	-	-
Net profit	52	58	86	122	124	138	161
EPS (INR)	16.2	15.3	22.8	32.3	33.0	36.5	42.8

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	16	16	16	19	19	19	19
Reserves	268	318	400	880	999	1,131	1,286
Net worth	284	334	416	899	1,018	1,150	1,305
Provisions	12	12	23	35	11	11	12
Debt	401	365	629	712	722	682	512
Other non-current liabilities	9	9	4	15	10	10	11
Total Liabilities	706	720	1,072	1,660	1,760	1,854	1,840
Fixed assets	228	279	334	766	884	876	821
Capital Work In Progress	1	24	118	63	4	4	4
Other Intangible assets	14	9	5	8	8	8	8
Goodwill	-	-	-	136	136	136	136
Investments	18	26	19	17	29	31	34
Other non current assets	108	98	147	159	174	164	169
Net working capital	301	218	338	369	474	500	547
Inventories	272	239	270	329	432	440	464
Sundry debtors	204	181	210	256	292	303	332
Loans & Advances	-	-	-	-	0.2	0.2	0.2
Other current assets	75	55	115	127	133	151	166
Sundry creditors	(220)	(251)	(228)	(331)	(354)	(364)	(382)
Other current liabilities & Prov	(30)	(7)	(30)	(13)	(29)	(31)	(34)
Cash	35	65	109	140	47	131	117
Other Financial Assets	1	1	1	2	4	4	4
Total Assets	706	720	1,072	1,660	1,760	1,854	1,840

Source: Company Reports, Arianth Capital Research

Du-Pont Analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tax burden (x)	0.7	0.7	0.7	0.8	0.7	0.7	0.7
Interest burden (x)	0.8	0.7	1.0	0.8	0.8	0.8	0.8
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.3	1.2	1.1	1.1	1.0	1.0	1.1
Financial leverage (x)	2.9	3.0	3.0	2.4	2.0	1.9	1.7
RoE (%)	20.0%	19.0%	24.0%	18.6%	13.0%	12.7%	13.1%

Source: Company Reports, Arianth Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	71	80	122	162	175	187	219
Depreciation	39	45	54	81	106	122	129
Tax paid	(19)	(21)	(32)	(39)	(51)	(50)	(58)
Working capital Δ	(43)	83	(120)	(31)	(105)	(26)	(47)
Change in Goodwill	-	-	-	(136)	-	-	-
Operating cashflow	48	187	24	36	124	233	243
Capital expenditure	(73)	(119)	(203)	(458)	(164)	(114)	(74)
Free cash flow	(26)	68	(179)	(422)	(40)	119	169
Equity raised	0	(1)	(4)	365	0	-	-
Investments	77	(7)	7	2	(12)	(2)	(3)
Others	(97)	15	(46)	(14)	(18)	10	(5)
Debt financing/disposal	139	(37)	264	83	10	(40)	(170)
Dividends paid	(4)	(8)	(4)	(5)	(5)	(6)	(6)
Other items	(63)	0	6	22	(29)	1	2
Net Δ in cash	26	30	44	31	(94)	84	(14)
Opening Cash Flow	9	35	65	109	140	47	131
Closing Cash Flow	35	65	109	140	47	131	117

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)							
Revenue growth	84.1%	15.3%	9.2%	41.9%	13.6%	5.7%	9.7%
Op profit growth	69.9%	14.1%	17.4%	52.6%	19.1%	7.2%	12.0%
Profitability ratios (%)							
OPM	13.9%	13.8%	14.8%	15.9%	16.7%	16.9%	17.3%
Net profit margin	5.4%	5.3%	7.5%	7.2%	6.4%	6.7%	7.2%
RoCE	12.8%	13.0%	12.3%	10.8%	12.0%	-3.8%	-4.0%
RoNW	20.0%	19.0%	16.0%	12.7%	13.1%	-9.2%	-9.0%
RoA	7.3%	8.2%	7.1%	7.4%	8.8%	-6.8%	-6.7%
Per share ratios (INR)							
EPS	16.2	18.0	26.8	32.3	33.0	36.5	42.8
Dividend per share	1.2	2.3	1.2	1.4	1.3	1.5	1.7
Cash EPS	28.3	32.3	45.0	53.8	61.0	68.9	77.0
Book value per share	88.6	104.2	129.8	238.6	270.2	305.3	346.4
Valuation ratios (x)							
P/E	54.2	48.8	32.7	27.1	26.6	24.0	20.5
P/CEPS	31.0	27.2	19.5	16.3	14.4	12.7	11.4
P/B	9.9	8.4	6.8	3.7	3.2	2.9	2.5
EV/EBITDA	23.8	20.4	18.6	14.2	12.2	11.1	9.5
Payout (%)							
Dividend payout	7.3%	12.8%	4.2%	4.3%	4.0%	4.0%	4.0%
Tax payout	26.5%	26.4%	26.0%	24.3%	29.0%	26.5%	26.5%
Liquidity ratios							
Debtor days	72	64	60	50	52	53	52
Inventory days	116	119	115	108	119	129	122
Creditor days	72	91	85	71	77	77	73
WC Days	115	93	90	86	93	105	100
Leverage ratios (x)							
Interest coverage	2.4	2.4	2.5	2.8	2.6	2.9	3.2
Net debt / equity	1.3	0.9	1.2	0.6	0.7	0.5	0.3
Net debt / op. profit	2.8	2.0	2.9	2.1	2.1	1.6	1.0

Source: Company Reports, Arianth Capital Research

Story in Charts

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

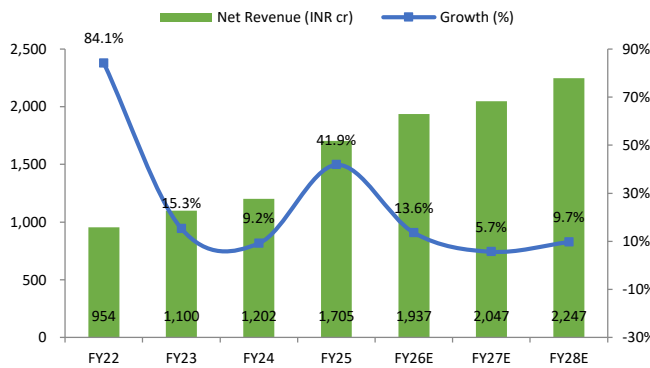


Exhibit 12: Gross margins are expected to stabilize going forward.

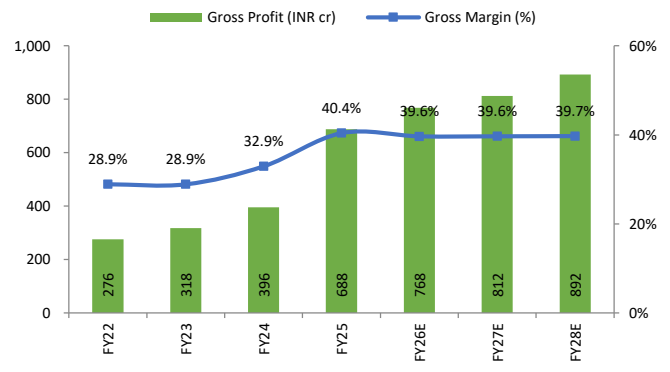


Exhibit 13: Growth in EBITDA & PAT levels

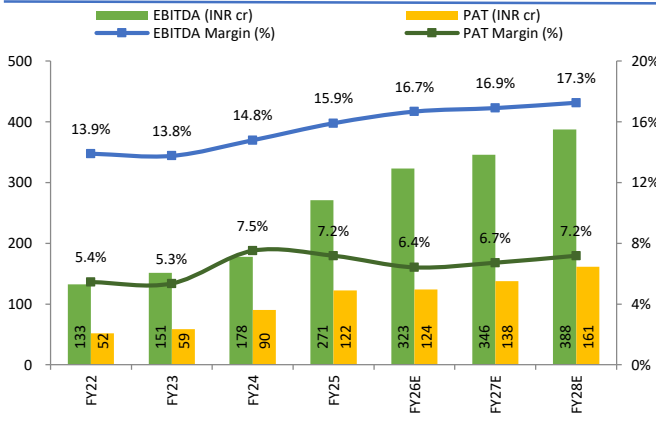


Exhibit 14: Return ratios to be improve

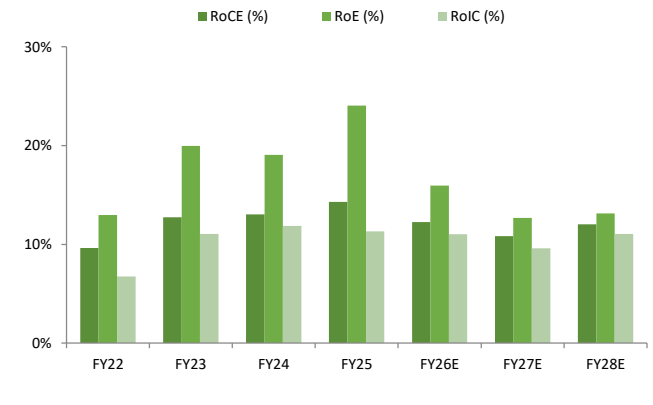


Exhibit 15: Working capital days to be improve

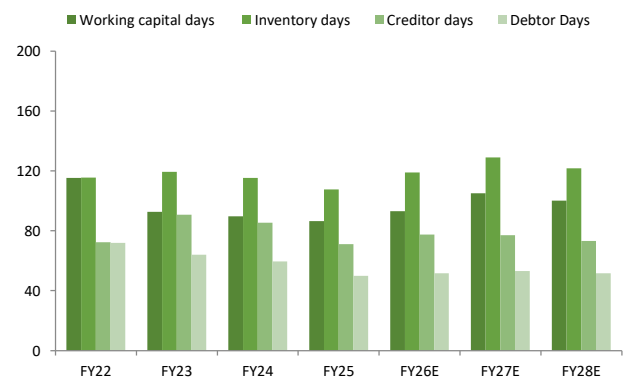
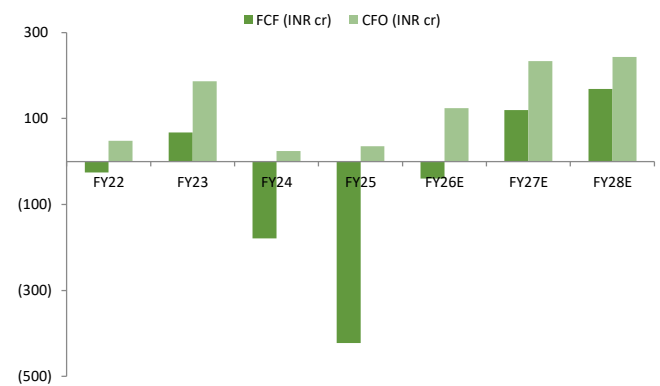


Exhibit 16: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

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

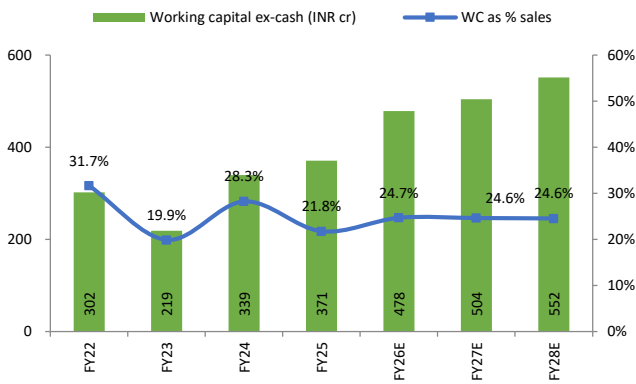


Exhibit 17: Interest cost as % of EBIT is expected to reduce going forward.

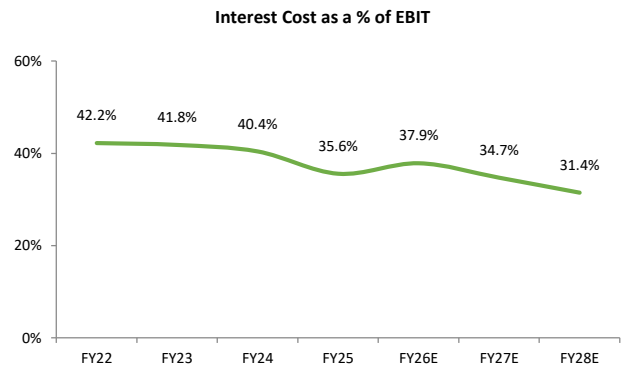


Exhibit 19: Exports revenue share is expected to be in the range of 30%-35% going forward. Exports are majorly to US and Europe markets.

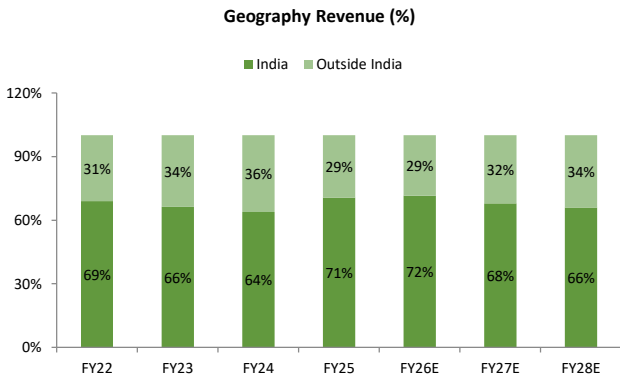


Exhibit 20: Standalone sales realisation.

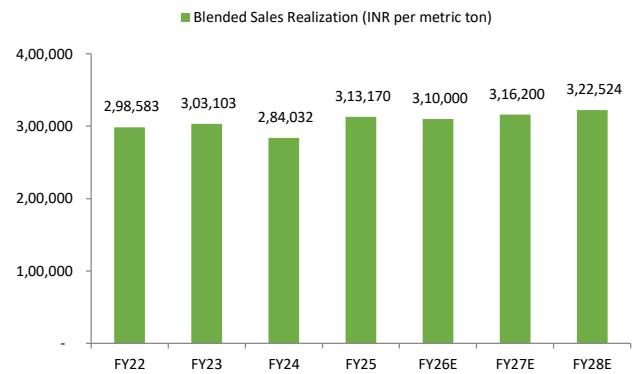


Exhibit 21: Cash conversion cycle is expected less than 90days going forward.

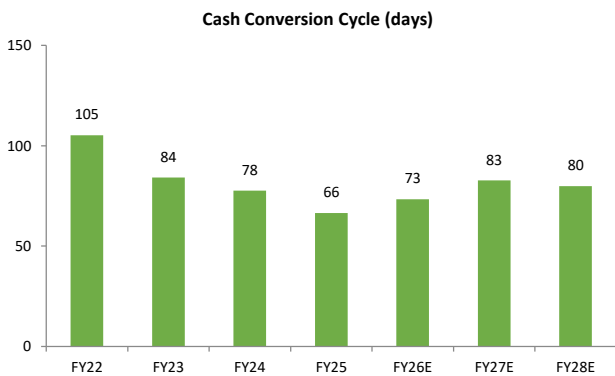
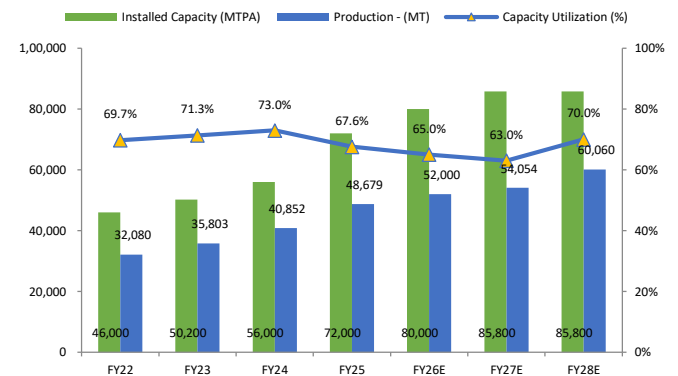


Exhibit 22: Standalone capacity utilisation is expected to be 65%-70% going forward.



Source: Company Reports, Arianth Capital Research

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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