

Q4FY23 Result Highlights

- **Q4FY23 Revenue growth driven by 16.3%/~2x/~29% YoY growth in Auto powertrain/Aluminium products/Industrials & storage segments** – CAL Q4FY23 Revenue/EBITDA/ PAT grew 49%/21.6%/50.9% YoY to '9.8bn/₹1.9bn/₹777mn driven by 16%/2.5x/29% YoY growth in Auto powertrain/Aluminium products/Industrials & storage segments. EBIT margins for Auto powertrain/Aluminium products/Industrials & storage were at 23.6%/9%/10% in Q4FY23 compared to 25.5%/6.3%/13.7% in Q4FY22. Gross margin contracted 511bps YoY and 383bps QoQ to 45.7%. This was offset by higher other expenses that led to an EBITDA margin of 19.2%, a decline of 438bps YoY & 191bps QoQ. PAT grew ~51% YoY to ₹776.6mn aided by lower tax due to shift in tax regime. DR Axion's Q4FY23 revenue came in at ₹1.9bn (~20% of consolidated revenue. EBITDA was at ₹209mn with margin at 10.7%. EBIT margin came in at 7.3% during the quarter. The Board declared a final dividend of ₹11.25 per share for FY23 compared to ₹3.75 per share in FY22.
- **The company reported ~27% YoY growth on value additions for 4QFY23.** Value additions for Powertrain/Aluminum/Industrial divisions grew ~24%/37%/38% YoY to ₹2.41bn/₹0.79bn/₹0.73bn. The management indicated 20% YoY growth on value additions for FY24 (slightly higher for Aluminum and Industrials divisions) largely driven by growth in volumes for existing customers and new customers/product additions. While 1HFY24 growth will be driven by CV/PV, the other segments such as Farm Equipment and Construction will witness traction from Q3FY24 onwards.
- **EBIT margin for Aluminum division improved to 9% (+268 /+508 bps YoY/QoQ) in Q4FY23** largely driven by increase in value addition to net block at ~76% in Q4FY23 (v/s ~59% in Q3FY23 and average of ~42% for entire FY23). For Powertrain division, value addition to net block stood at 103% in FY23 (v/s 106% for FY22). At overall level, it stood at 93% in FY23 (v/s 78% in FY22) as per the management.
- **Management expects DR Axion India likely to grow 10-15% YoY in FY24 driven by product mix and growth in customer base.** One of the customers is looking to setup a new plant in the western part for which if the company gets the order then growth will be higher. EBITDA margin for Q4FY23 was marginally below 11% and is likely to be in the range of 14-15% in FY24. As per the management the capacity utilization as of Dec'22 was 80% of installed capacity. DRAIPL's key client M&M (40% of revenue) is anticipated to outperform the underlying industry, led by robust order backlog and its dominance in the growing SUV market. The merger is not only expected to be operationally beneficial, but also EPS accretive from the first year of the acquisition, and its full benefits are expected to reflect from FY24 onwards. DRAIPL has incurred a capex of ₹300-350mn resulting in capacity expansion by 10%. It has further headroom to grow by 20-25%.
- **New business opportunities for ramp up** – Business in Aluminum division is likely to grow due to ramp up in order from Stellantis in Q3FY24. Further, the company is going through the validation phase for supply of a critical part for one of the domestic SUV that is likely to start from Jul'23.
- Capex guidance for FY24 at ₹3.2bn largely towards refurbishment of old equipment and increasing semi-automation in material handling. While the net block is expected to increase by ₹1bn, growth on value addition would be over 20% resulting in improving RoCE. The management estimates the debt to come down by ₹2bn in FY24 resulting in finance cost to be in the range of ₹1.5-1.6bn for FY24.

Important Statistics

MCAP (₹ bn)	73.0
52 Week H/L (₹)	3,710/2,024
NSE Code	CRAFTSMAN
BSE Code	543276

Shareholding Pattern	Mar'23 (%)
Promoters	58.8
DII's	16.6
FII's	8.8
Public	15.9

Financials

	(₹ mn)			
Particulars	FY19	FY20	FY21	FY22
Revenue	18,181	14,925	15,600	22,170
EBITDA	4,426	3,980	4,382	5,342
EBITDA Margin (%)	24.3	26.7	28.1	24.1
Net Profit	974	400	974	1,631
EPS (₹)	46.1	18.9	46.1	77.2
RoE (%)	15.2	5.1	11.3	15.1
RoCE (%)	12.3	9.0	10.4	12.5
P/E (x)	74.9	182.3	74.9	44.7
EV/EBITDA (x)	18.7	20.7	18.4	15.1
P/BV (x)	10.7	10.1	7.5	6.4

Particulars	FY23P	FY24E	FY25E
Revenue	31,826	44,324	59,149
EBITDA	6,836	8,854	12,808
EBITDA Margin (%)	21.5	20.0	21.7
Net Profit	2,484	3,476	5,062
EPS (₹)	117.6	164.6	239.7
RoE (%)	17.3	21.7	25.1
RoCE (%)	12.1	16.3	19.3
P/E (x)	29.4	21.0	14.4
EV/EBITDA (x)	12.6	8.8	7.6
P/BV (x)	5.1	4.3	3.4

Source: Company, Way2Wealth

11th May 2023

CMP – ₹3,453.6/-

 View – **BUY**
View

CAL's has leveraged its engineering abilities to evolve into the largest independent machining player, among the top three players in Storage Solutions, and a credible competitor in the Aluminum Die-casting business (within six years of starting the business). With the government's increasing focus on import substitution and emerging opportunities from global supply chain realignments, the company will be one of the key beneficiaries of these opportunities due to its strong capabilities in product design, process, and captive sourcing of fixtures and machines. It has a very well-diversified business model, with a balanced exposure between Auto and non-Auto domains. Revenue is now well-balanced, with not a single end-user industry constituting over 30% of revenue. The same should further reduce going forward. With a cyclical recovery in CVs and 2Ws, and visible drivers in other segments in the form of new order wins, we expect linearity in revenue and earnings over the next few years. DRAIPL acquisition has enabled CAL to gain access to new OEMs and EV products with full benefits are expected to reflect from FY24 onwards. The company has maintained its track record of creating and gaining market leadership organically which is uncommon in the auto component industry. This has enabled it to deliver a good balance of strong growth and superior capital efficiency. **Hence, we continue to maintain our BUY with the stock trading at P/E 14.4x FY25E EPS of ₹239.7.**

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FINANCIAL PERFORMANCE

(₹mn)

Particulars	Q4FY23	Q4FY22	YoY(%)	Q4FY23	QoQ(%)	FY23	FY22	YoY(%)
Revenue	9,803.7	6,566.7	49.3	7,490.3	30.9	31,826.0	22,170.2	43.6
Cost of Sales & services	5,631.9	3,257.3	72.9	4,006.5	40.6	16,996.4	10,654.9	59.5
Changes in inventories	(310.4)	(28.3)	996.8	(227.9)	36.2	(702.1)	(314.4)	123.3
Employee Exps	606.4	462.5	31.1	582.4	4.1	2,335.0	1,877.6	24.4
Other Exps	1,991.4	1,325.1	50.3	1,546.3	28.8	6,360.6	4,610.5	38.0
EBITDA	1,884.4	1,550.1	21.6	1,583.0	19.0	6,836.1	5,341.6	28.0
EBITDA Margin (%)	19.2	23.6	(438)	21.1	(191)	21.5	24.1	(261)
Depreciation	599.3	544.9	10.0	537.6	11.5	2,216.1	2,059.9	7.6
Finance Cost	419.1	237.8	76.2	296.3	41.4	1,202.3	842.2	42.8
Other Income	48.8	42.3	15.4	46.1	5.9	125.4	74.0	69.5
PBT	914.8	809.7	13.0	795.2	15.0	3,543.1	2,513.5	41.0
Tax	113.7	296.3	(61.6)	281.2	(59.6)	1,038.3	886.4	17.1
JV Profit/(Loss)	1.2	1.2	-	2.1	(42.9)	4.8	3.8	(26.3)
Minority Interest - (Profit)/Loss	25.7	-	NM	-	NM	25.7	-	NM
Net Profit	776.6	514.6	50.9	516.1	50.5	2,483.9	1,630.9	52.3
EPS (₹)	36.8	24.4	50.9	24.4	50.5	117.6	77.2	52.3

Source: Company, Way2Wealth

(₹mn)

Segment Revenue	Q4FY23	Q4FY22	YoY(%)	Q3FY22	QoQ(%)	FY23	FY22	YoY(%)
Automotive – Powertrain & Others	3,926.8	3,375.5	16.3	4,084.4	(3.9)	15,270.9	11,543.5	32.3
Automotive –Aluminium products	3,910.3	1,665.6	134.8	1,758.5	122.4	9,346.1	5,520.1	69.3
Industrials &Engg	1,966.6	1,525.6	28.9	1,647.4	19.4	7,209.0	5,106.6	41.2

EBIT	Q4FY23	Q4FY22	YoY(%)	Q3FY22	QoQ(%)	FY23	FY22	YoY(%)
Automotive – Powertrain & Others	927.5	862.1	7.6	1,010.2	(8.2)	3,820.4	3,037.4	25.8
Automotive –Aluminium products	351.8	105.2	234.4	68.9	410.6	773.2	409.7	88.7
Industrials &Engg	196.2	208.6	(5.9)	94.9	106.7	672.2	378.0	77.8

EBIT Margin (%)	Q4FY23	Q4FY22	BPS	Q3FY23	BPS	FY23	FY22	BPS
Automotive- Powertrain & Others	23.6	25.5	(192)	24.7	(111)	25.0	26.3	(130)
Automotive- Aluminium products	9.0	6.3	268	3.9	508	8.3	7.4	85
Industrials &Engg	10.0	13.7	(370)	5.8	422	9.3	7.4	192

% Share of Revenue	Q4FY23	Q4FY22	BPS	Q3FY23	BPS	FY23	FY22	BPS
Automotive- Powertrain & Others	40.1	51.4	(1,135)	54.5	(1,447)	48.0	52.1	(409)
Automotive- Aluminium products	39.9	25.4	1,452	23.5	1,641	29.4	24.9	447
Industrials &Engg	20.1	23.2	(317)	22.0	(193)	22.7	23.0	(38)

Source: Company, Way2Wealth

11th May 2023

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 View – **BUY**
FINANCIALS & VALUATIONS

	(₹mn)						
Particulars	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
<i>Automotive- Powertrain & Others</i>	10,085	7,093	8,113	11,544	15,271	19,852	25,411
<i>Automotive- Aluminium products</i>	3,082	2,577	3,298	5,520	9,346	14,019	19,627
<i>Industrials & Engg</i>	5,014	5,255	4,189	5,107	7,209	10,453	14,112
Revenue	18,181	14,925	15,600	22,170	31,826	44,324	59,149
EBITDA	4,426	3,980	4,382	5,342	6,836	8,854	12,808
EBITDA Margin (%)	24.3	26.7	28.1	24.1	21.5	20.0	21.7
Net Profit	974	400	974	1,631	2,484	3,476	5,062
EPS(₹)	46.1	18.9	46.1	77.2	117.6	164.6	239.7
DPS (₹)	0.6	3.0	-	3.8	11.3	12.0	13.0
RoE (%)	15.2	5.1	11.3	15.1	17.3	21.7	25.1
RoCE (%)	12.3	9.0	10.4	12.5	12.1	16.3	19.3
P/E (x)	74.9	182.3	74.9	44.7	29.4	21.0	14.4
EV/ EBITDA (x)	18.7	20.7	18.4	15.1	12.6	8.8	7.6
P/BV (x)	10.7	10.1	7.5	6.4	5.1	4.3	3.4
Net Debt/ Equity (x)	1.4	1.3	0.8	0.7	0.9	0.7	0.5
Debtors Days	42	48	56	49	61	60	58
Inventory Days	65	109	222	221	187	185	178
Creditor Days	66	94	193	163	159	145	140
Cash Balances	266	704	467	435	473	512	2,921
FCFF	374	1,613	2,568	1,095	2,625	2,231	4,885

Source: Company, Way2Wealth

11th May 2023

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View – **BUY**

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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
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
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