

26<sup>th</sup> July 2023

CMP – ₹4,714.5/-

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### Q1FY24 Result Highlights

- **Q1FY24 Revenue growth driven by 10%/~3x YoY growth in Auto Powertrain/Aluminium products segments after DR Axion consolidation** – CAL Q1FY24 Revenue/EBITDA/PAT grew 53.3%/30.1%/31.5% YoY to ₹10.4bn/₹2.1bn/₹744.8mn driven by 10%/~3x/6% YoY growth in Auto Powertrain/Aluminium products/Industrials & storage segments. EBIT margins for Auto Powertrain/Aluminium products/Industrials & storage were at 21.9%/13.7%/6.6% in Q1FY24 compared to 27.4%/11.9%/7.8% in Q1FY23. Gross margin contracted 489bps YoY and grew 177bps QoQ to 47.5%. Value additions for Powertrain/Aluminum/Industrial divisions was at ₹2.37bn/₹0.86bn/₹0.63bn. DR Axion revenue for Q1FY24 was at ₹2.8bn with EBITDA margin at ₹509mn giving a margin of 18.1%. The management expects EBITDA margins to sustain at 16-17% range. Despite experiencing sluggish growth in the powertrain and industrial business segments, the company remains optimistic about maintaining its guidance of 15-20% YoY growth.
- **Auto-Powertrain business** – While the CV segment remained weak in Q1FY24, the Tractors and construction equipment (CE) segments showed muted performance. However, the CV and CE segments are expected to pick up in Q3FY24, with tractors already showing signs of recovery in Q2FY24 as per the management. The operating deleverage significantly impacted the EBIT margins of these segments, as utilization rates declined to 60% compared to 70% in Q4FY23. Revenue Mix (%) - CV/OHV/Tractors/PV-59%/18%/14%/9%
- **In the Aluminium products business, both 2Ws and the PV segment performed well;** industrial aluminum was adversely impacted by export weakness. It operated at a 70% utilization in Q1FY24 and expects further ramp-up in the coming quarters. Revenue Mix (%) - CV/2Ws/PV/Others-7%/70%/3%/20%.
- With limited capacity expansion taking place in the ferrous casting foundries in India and strong traction visible in export opportunities, the company may look to invest in a foundry to support export opportunities. For export orders, one needs to showcase adequate spare capacity and willingness to invest.
- **Industrial & Engineering business** – Storage solutions (47% of segment revenues) declined 10% YoY, whereas engineering business grew 28% YoY. It is confident of achieving 15-20% YoY growth in this segment, despite a weak Q1FY24, as orders have started to come in Q2FY24.
- **Management expects DR Axion India (DRAIPL) likely to grow 10-15% YoY in FY24 driven by product mix and growth in customer base.** Its key client MM (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.
- Capex for Q1FY24 stood at ₹810mn and FY24 guidance remains unchanged at ₹3.2-3.3bn. Out of this, ₹1.5bn is allocated for maintenance capex and the remaining amount will be dedicated to automation and growth capex. Net debt was ~₹10.5bn (which includes ₹3.75bn for DR Axion acquisition).

### Important Statistics

<b>MCAP (₹ bn)</b>	99.6
<b>52 Week H/L (₹)</b>	4,947/2,464
<b>NSE Code</b>	CRAFTSMAN
<b>BSE Code</b>	543276

<b>Shareholding Pattern</b>	<b>Jun'23 (%)</b>
<b>Promoters</b>	55.0
<b>DIIIs</b>	17.2
<b>FIIIs</b>	12.1
<b>Public</b>	15.7

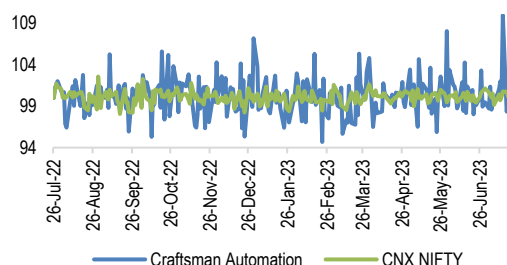
### Financials

	(₹ mn)		
<b>Particulars</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>Revenue</b>	<b>14,925</b>	<b>15,600</b>	<b>22,170</b>
<b>EBITDA</b>	<b>3,980</b>	<b>4,382</b>	<b>5,342</b>
<b>EBITDA Margin (%)</b>	<b>26.7</b>	<b>28.1</b>	<b>24.1</b>
<b>Net Profit</b>	<b>400</b>	<b>974</b>	<b>1,631</b>
<b>EPS (₹)</b>	18.9	46.1	77.2
<b>RoE (%)</b>	5.1	11.3	15.1
<b>RoCE (%)</b>	13.1	15.7	19.3
<b>P/E (x)</b>	248.9	102.3	61.1
<b>EV/EBITDA (x)</b>	27.4	24.5	20.1
<b>P/BV (x)</b>	13.8	10.3	8.8

<b>Particulars</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
<b>Revenue</b>	<b>31,826</b>	<b>45,565</b>	<b>52,451</b>
<b>EBITDA</b>	<b>6,836</b>	<b>9,853</b>	<b>11,514</b>
<b>EBITDA Margin (%)</b>	<b>21.5</b>	<b>21.6</b>	<b>22.0</b>
<b>Net Profit</b>	<b>2,484</b>	<b>3,848</b>	<b>5,073</b>
<b>EPS (₹)</b>	117.6	182.2	240.2
<b>RoE (%)</b>	17.3	24.3	25.6
<b>RoCE (%)</b>	18.0	18.1	19.5
<b>P/E (x)</b>	40.1	25.9	19.6
<b>EV/EBITDA (x)</b>	16.5	11.0	9.3
<b>P/BV (x)</b>	6.9	5.7	4.5

Source: Company, Way2Wealth

### Relative Comparison



Source: Company, Way2Wealth

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**View**

CAL's 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. The integration of DRAIPL which was acquired recently, is shaping out well and we believe that synergy benefits will further enhance the overall consolidated performance. The 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, **hence, we continue to maintain our BUY with the stock trading at P/E 19.6x FY25E EPS of ₹240.2.**

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## FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q1FY24	Q1FY23	YoY(%)	Q4FY23	QoQ(%)	FY23	FY22	YoY(%)
<b>Revenue</b>	<b>10,376.3</b>	<b>6,769.6</b>	<b>53.3</b>	<b>9,803.7</b>	<b>5.8</b>	<b>31,826.0</b>	<b>22,170.2</b>	<b>43.6</b>
Cost of Sales & services	5,703.8	3,301.5	72.8	5,631.9	1.3	16,996.4	10,654.9	59.5
Changes in inventories	(254.8)	(77.8)	227.5	(310.4)	(17.9)	(702.1)	(314.4)	123.3
Employee Exps	669.7	568.4	17.8	606.4	10.4	2,335.0	1,877.6	24.4
Other Exps	2,115.3	1,330.7	59.0	1,991.4	6.2	6,360.6	4,610.5	38.0
<b>EBITDA</b>	<b>2,142.3</b>	<b>1,646.8</b>	<b>30.1</b>	<b>1,884.4</b>	<b>13.7</b>	<b>6,836.1</b>	<b>5,341.6</b>	<b>28.0</b>
<b>EBITDA Margin (%)</b>	<b>20.6</b>	<b>24.3</b>	<b>(368)</b>	<b>19.2</b>	<b>142</b>	<b>21.5</b>	<b>24.1</b>	<b>(261)</b>
Depreciation	682.9	532.3	28.3	599.3	13.9	2,216.1	2,059.9	7.6
Finance Cost	423.9	254.1	66.8	419.1	1.1	1,202.3	842.2	42.8
Other Income	37.1	13.1	183.2	48.8	(24.0)	125.4	74.0	69.5
PBT	1,072.6	873.5	22.8	914.8	17.2	3,543.1	2,513.5	41.0
Tax	266.1	307.6	(13.5)	113.7	134.0	1,038.3	886.4	17.1
JV Profit/(Loss)	1.9	0.5	280.0	1.2	58.3	4.8	3.8	26.3
Minority Interest - (Profit)/Loss	63.6	-	NM	25.7	147.5	25.7	-	NM
<b>Net Profit</b>	<b>744.8</b>	<b>566.4</b>	<b>31.5</b>	<b>776.6</b>	<b>(4.1)</b>	<b>2,483.9</b>	<b>1,630.9</b>	<b>52.3</b>
EPS (₹)	35.3	26.8	31.5	36.8	(4.1)	117.6	77.2	52.3

Source: Company, Way2Wealth

(₹ mn)

Segment Revenue	Q1FY24	Q1FY23	YoY(%)	Q3FY22	QoQ(%)	FY23	FY22	YoY(%)
Automotive – Powertrain & Others	3,824.0	3,477.9	10.0	3,926.8	(2.6)	15,270.9	11,543.5	32.3
Automotive –Aluminium products	4,879.2	1,713.9	184.7	3,910.3	24.8	9,346.1	5,520.1	69.3
Industrials &Engg	1,673.1	1,577.8	6.0	1,966.6	(14.9)	7,209.0	5,106.6	41.2

EBIT	Q1FY24	Q1FY23	YoY(%)	Q4FY23	QoQ(%)	FY23	FY22	YoY(%)
Automotive – Powertrain & Others	838.1	953.8	(12.1)	927.5	(9.6)	3,820.4	3,037.4	25.8
Automotive –Aluminium products	666.8	204.0	226.9	351.8	89.5	773.2	409.7	88.7
Industrials &Engg	110.6	122.4	(9.6)	196.2	(43.6)	672.2	378.0	77.8

EBIT Margin (%)	Q1FY24	Q1FY23	BPS	Q4FY23	BPS	FY23	FY22	BPS
Automotive- Powertrain & Others	21.9	27.4	(551)	23.6	(170)	25.0	26.3	(130)
Automotive- Aluminium products	13.7	11.9	176	9.0	467	8.3	7.4	85
Industrials &Engg	6.6	7.8	(115)	10.0	(337)	9.3	7.4	192

% Share of Revenue	Q1FY24	Q1FY23	BPS	Q4FY23	BPS	FY23	FY22	BPS
Automotive- Powertrain & Others	36.9	51.4	(1,452)	40.1	(320)	48.0	52.1	(409)
Automotive- Aluminium products	47.0	25.3	2,170	39.9	714	29.4	24.9	447
Industrials &Engg	16.1	23.3	(718)	20.1	(394)	22.7	23.0	(38)

Source: Company, Way2Wealth

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**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<i>Automotive- Powertrain &amp; Others</i>	10,085	7,093	8,113	11,544	15,271	16,316	17,873
<i>Automotive- Aluminium products</i>	3,082	2,577	3,298	5,520	9,346	19,517	22,413
<i>Industrials &amp; Engg</i>	5,014	5,255	4,189	5,107	7,209	9,732	12,165
<b>Revenue</b>	<b>18,181</b>	<b>14,925</b>	<b>15,600</b>	<b>22,170</b>	<b>31,826</b>	<b>45,565</b>	<b>52,451</b>
<b>EBITDA</b>	<b>4,426</b>	<b>3,980</b>	<b>4,382</b>	<b>5,342</b>	<b>6,836</b>	<b>9,853</b>	<b>11,514</b>
<b>EBITDA Margin (%)</b>	<b>24.3</b>	<b>26.7</b>	<b>28.1</b>	<b>24.1</b>	<b>21.5</b>	<b>21.6</b>	<b>22.0</b>
<b>Net Profit</b>	<b>974</b>	<b>400</b>	<b>974</b>	<b>1,631</b>	<b>2,484</b>	<b>3,848</b>	<b>5,073</b>
EPS(₹)	46.1	18.9	46.1	77.2	117.6	182.2	240.2
DPS (₹)	0.6	3.0	-	3.8	11.3	12.0	13.0
RoE (%)	15.2	5.1	11.3	15.1	17.3	24.3	25.6
RoCE (%)	17.3	13.1	15.7	19.3	18.0	18.1	19.5
P/E (x)	102.2	248.9	102.3	61.1	40.1	25.9	19.6
EV/ EBITDA (x)	24.7	27.4	24.5	20.1	16.5	11.0	9.3
P/BV (x)	14.6	13.8	10.3	8.8	6.9	5.7	4.5
Net Debt/ Equity (x)	1.4	1.3	0.8	0.7	0.9	0.6	0.4
Debtors Days	42	48	56	49	61	60	57
Inventory Days	65	109	222	221	187	184	175
Creditor Days	66	94	193	163	159	142	137
Cash Balances	266	704	467	435	473	998	2,997
FCFF	374	1,613	2,568	1,095	2,625	2,372	4,913

Source: Company, Way2Wealth

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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
Conflict of Interest	No
Receipt of Compensation	No
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