

31<sup>st</sup> January 2023

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### Q3FY24 Result Highlights

➤ **Q3FY24 Revenue growth driven by Aluminium products & Industrial & Engg segments as there was weakness in end user industries** – CAL's Q3FY24 Revenue/EBITDA/PAT grew ~51%/39%/~42% YoY to ₹11.3bn/₹2.2bn/₹731.2mn driven by 3x/17.1% YoY growth in Aluminium products/Industrial & Engg segments. Aluminium Powertrain segment revenue declined ~4% YoY and 0.3% YoY to ₹3.9bn. The decline in Powertrain business was attributed to deferring of the orders from end user industries. EBIT margins for Auto Powertrain/Aluminium products/Industrials & storage were at 18.2%/14.7%/6.9% in Q3FY24 compared to ~25%/~4%/~6% in Q3FY23. Value add for Aluminium-Powertrain/Aluminium products/Indus & Engg stood at ₹2.37bn/₹0.97bn/₹0.73bn. Gross margin declined 275bps YoY and 2bps QoQ to 46.8%. EBITDA Margins declined 164bps YoY and 65 bps QoQ to 19.5% as RM cost as % to sales increased YoY from 50.4% to 53.2%. DR Axion estimated revenue for Q3FY24 at ₹3.2bn (Q2FY24 was at ₹3.55bn & Q1FY24 at ₹2.8bn) with EBITDA at ₹650mn (Q2FY24 at ₹648mn & Q1FY24 at ₹509mn) giving a margin of 20%. PAT at ₹731.2mn (+41.7% YoY and -22.7% QoQ) was due to lower other income at ₹35mn (-24.1% YoY and -25.8% QoQ). The management is cautious about FY25 growth as most underlying industries are witnessing flat YoY growth.

➤ **Setting up new plants for increasing capacity and adding new products – Kothavadi, Combiatore** – This is a 50-acre campus and it will house all three segments. The size of the foundry is ~2k ton. Construction activity is in line with the timeline and the company is looking to fast track the start-up production process, which was earlier expected in 24-36 months. **NCR**- Making a composite unit in the vicinity of the National Capital Region (NCR) for major customers in the auto sector and for the storage solutions segment. The company has already progressed with two clients and is under discussions with two more

➤ **Auto-Powertrain business** – The company won new orders for cylinder blocks from an SUV manufacturer who was importing from Italy. It has already started supplying from last month. The segment is going to benefit from the focus of large MNC players in India. Expects high single-digit growth in FY25 as end-user industries are likely to witness flat growth. However, it should see healthy double-digit growth in FY26. There was a marginal increase in demand; however, overall it was a weak quarter. The weakness in the market was due to the election year, and hence there can be some reduction in volumes, especially in the construction side and flat performance in CVs next year. TREM-V norms in the construction industry were supposed to come in Apr'23; however, the government has deferred the timeline because of a huge cost impact, especially on the farm sector. The company has already invested in these lines and some of the products are totally new. It has increased its capacity by 10% and has also refurbished old equipment, which are more than 15 years old. About 70% of refurbishment has been done so far and the balance will be done over the next two quarters.

➤ **Auto-Aluminium products business (including DR Axion) to grow by high teens in FY25** – With the new facility coming up, FY26 growth is likely to be +20% with peak revenue from the new plant estimated at ₹3bn. Healthy growth of 3x YoY was led by 2Ws, while the PV segment has

### Important Statistics

|                 |             |
|-----------------|-------------|
| Nifty           | 21,692      |
| Sensex          | 71,706      |
| MCAP (₹ bn)     | 92.7        |
| 52 Week H/L (₹) | 5,514/2,735 |
| NSE Code        | CRAFTSMAN   |
| BSE Code        | 543276      |
| Bloomberg Code  | CRAFTSMA:IN |

| Shareholding Pattern | Dec'23 (%) |
|----------------------|------------|
| Promoters            | 55.0       |
| DII's                | 17.3       |
| FII's                | 12.7       |
| Public               | 15.1       |

### Financials

| Particulars       | 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)           | 95.1   | 56.8   | 37.3   |
| EV/EBITDA(x)      | 22.9   | 18.8   | 15.5   |
| P/BV (x)          | 9.6    | 8.2    | 6.4    |

| Particulars       | FY24E  | FY25E  | FY26E  |
|-------------------|--------|--------|--------|
| Revenue           | 44,769 | 50,576 | 58,998 |
| EBITDA            | 9,353  | 10,932 | 12,753 |
| EBITDA Margin (%) | 20.9   | 21.6   | 21.6   |
| Net Profit        | 3,468  | 4,074  | 5,202  |
| EPS (₹)           | 164.2  | 192.9  | 246.3  |
| RoE (%)           | 21.4   | 22.5   | 23.1   |
| RoCE (%)          | 16.3   | 17.2   | 17.6   |
| P/E (x)           | 26.7   | 22.7   | 17.8   |
| EV/EBITDA(x)      | 11.1   | 9.1    | 7.3    |
| P/BV (x)          | 5.5    | 4.5    | 3.9    |

Source: Company, Way2Wealth

### Relative Performance

| Return (%) | 1 Yr | 3Yr  | 5 Yr |
|------------|------|------|------|
| CAL        | 36.1 | NA   | NA   |
| Nifty 50   | 26.4 | 51.9 | 99.1 |
| Sensex     | 20.1 | 47.5 | 96.6 |

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not picked up materially during the quarter. Management expects EBITDA margin to sustain in the range of 16-18%. 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 grew 17.1% YoY to ₹1.93bn** even as investment in the warehousing industry has taken a pause as per the management. The storage division's turnover stood at ₹2.61bn (v/s ₹2.71bn). Management expects the storage segment to grow by ~15% in FY25 on a lower base with recovery in FY26. The company is now looking for backward integration by doing castings of more critical parts of windmill gearbox housing. It is at an advanced stage of negotiations and should get LoA in the next few months with a sizable order
- Incurred capex of ₹3.95bn as of Dec'23 to address new opportunities expected to come in the near future. Looking at capex of ₹5bn in FY24. FY25 capex will depend on the operations of its plant in the north region. Management stated the current D/E of 0.86x and debt/EBITDA of 1.6x are at comfortable levels.

### View

CAL's Revenue was strong in Q3FY24 even as the current geo politics is likely to have an impact in FY25 with the current weakness in the end user industries. DRAIPL's performance is led by a robust order backlog and its dominance in the growing SUV market. The company has maintained its track record of creating and gaining market leadership organically enabled by capital efficiency and product mix. **Hence, we recommend it as an ACCUMULATE stock trading at P/E 17.8x FY26E EPS of ₹246.3.**

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## FINANCIAL PERFORMANCE

(₹ mn)

| Particulars                       | Q3FY24          | Q3FY23         | YoY(%)       | Q2FY24          | QoQ(%)        | 9MFY24          | 9MFY23          | YoY(%)       |
|-----------------------------------|-----------------|----------------|--------------|-----------------|---------------|-----------------|-----------------|--------------|
| <b>Revenue</b>                    | <b>11,297.0</b> | <b>7,490.3</b> | <b>50.8</b>  | <b>11,790.6</b> | <b>(4.2)</b>  | <b>33,463.9</b> | <b>22,022.3</b> | <b>52.0</b>  |
| Cost of Sales & services          | 6,319.4         | 4,006.5        | 57.7         | 6,426.5         | (1.7)         | 18,449.7        | 11,364.5        | 62.3         |
| Changes in inventories            | (309.5)         | (227.9)        | 35.8         | (156.4)         | 97.9          | (720.7)         | (391.7)         | 84.0         |
| Employee Exps                     | 763.1           | 582.4          | 31.0         | 722.3           | 5.6           | 2,155.1         | 1,728.6         | 24.7         |
| Other Exps                        | 2,322.0         | 1,546.3        | 50.2         | 2,423.2         | (4.2)         | 6,860.5         | 4,369.2         | 57.0         |
| <b>EBITDA</b>                     | <b>2,202.0</b>  | <b>1,583.0</b> | <b>39.1</b>  | <b>2,375.0</b>  | <b>(7.3)</b>  | <b>6,719.3</b>  | <b>4,951.7</b>  | <b>35.7</b>  |
| <b>EBITDA Margin (%)</b>          | <b>19.5</b>     | <b>21.1</b>    | <b>(164)</b> | <b>20.1</b>     | <b>(65)</b>   | <b>20.1</b>     | <b>22.5</b>     | <b>(241)</b> |
| Depreciation                      | 702.8           | 537.6          | 30.7         | 668.3           | 5.2           | 2,054.0         | 1,616.8         | 27.0         |
| Finance Cost                      | 441.7           | 296.3          | 49.1         | 415.8           | 6.2           | 1,281.4         | 783.2           | 63.6         |
| Other Income                      | 35.0            | 46.1           | (24.1)       | 47.2            | (25.8)        | 119.3           | 76.6            | 55.7         |
| PBT                               | 1,092.5         | 795.2          | 37.4         | 1,338.1         | (18.4)        | 3,503.2         | 2,628.3         | 33.3         |
| Tax                               | 279.0           | 281.2          | (0.8)        | 295.6           | (5.6)         | 840.7           | 924.6           | (9.1)        |
| JV Profit/(Loss)                  | 1.2             | 2.1            | (42.9)       | 2.4             | (50.0)        | 5.5             | 3.6             | 52.8         |
| Minority Interest - (Profit)/Loss | 83.5            | -              | -            | 99.5            | (16.1)        | 246.6           | -               | -            |
| <b>Net Profit</b>                 | <b>731.2</b>    | <b>516.1</b>   | <b>41.7</b>  | <b>945.4</b>    | <b>(22.7)</b> | <b>2,421.4</b>  | <b>1,707.3</b>  | <b>41.8</b>  |
| EPS (₹)                           | 34.6            | 24.4           | 41.7         | 44.8            | (22.7)        | 114.6           | 80.8            | 41.8         |

Source: Company, Way2Wealth

(₹ mn)

| Segment Revenue                  | Q3FY24  | Q3FY23  | YoY(%) | Q2FY24  | QoQ(%) | 9MFY24   | 9MFY23   | YoY(%) |
|----------------------------------|---------|---------|--------|---------|--------|----------|----------|--------|
| Automotive – Powertrain & Others | 3,924.5 | 4,084.4 | (3.9)  | 3,937.9 | (0.3)  | 11,686.4 | 11,344.1 | 3.0    |
| Automotive –Aluminium products   | 5,442.8 | 1,758.5 | 209.5  | 5,885.8 | (7.5)  | 16,207.8 | 5,435.8  | 198.2  |
| Industrials &Engg                | 1,929.7 | 1,647.4 | 17.1   | 1,966.9 | (1.9)  | 5,569.7  | 5,242.4  | 6.2    |

| EBIT                             | Q3FY24 | Q3FY23  | YoY(%)  | Q2FY24 | QoQ(%) | 9MFY24  | 9MFY23  | YoY(%) |
|----------------------------------|--------|---------|---------|--------|--------|---------|---------|--------|
| Automotive – Powertrain & Others | 713.3  | 1,010.2 | (29.4)  | 773.2  | (7.7)  | 2,324.6 | 2,892.9 | (19.6) |
| Automotive –Aluminium products   | 800.0  | 68.9    | 1,061.1 | 896.7  | (10.8) | 2,363.5 | 421.4   | 460.9  |
| Industrials &Engg                | 132.7  | 94.9    | 39.8    | 202.7  | (34.5) | 446.0   | 476.0   | (6.3)  |

| EBIT Margin (%)                  | Q3FY24 | Q3FY23 | BPS   | Q2FY24 | BPS   | 9MFY24 | 9MFY23 | BPS   |
|----------------------------------|--------|--------|-------|--------|-------|--------|--------|-------|
| Automotive – Powertrain & Others | 18.2   | 24.7   | (656) | 19.6   | (146) | 19.9   | 25.5   | (561) |
| Automotive –Aluminium products   | 14.7   | 3.9    | 1,078 | 15.2   | (54)  | 14.6   | 7.8    | 683   |
| Industrials &Engg                | 6.9    | 5.8    | 112   | 10.3   | (343) | 8.0    | 9.1    | (107) |

| % Share of Revenue               | Q3FY24 | Q3FY23 | BPS     | Q2FY24 | BPS   | 9MFY24 | 9MFY23 | BPS     |
|----------------------------------|--------|--------|---------|--------|-------|--------|--------|---------|
| Automotive – Powertrain & Others | 34.7   | 54.5   | (1,979) | 33.4   | 134   | 34.9   | 51.5   | (1,659) |
| Automotive –Aluminium products   | 48.2   | 23.5   | 2,470   | 49.9   | (174) | 48.4   | 24.7   | 2,375   |
| Industrials &Engg                | 17.1   | 22.0   | (491)   | 16.7   | 40    | 16.6   | 23.8   | (716)   |

Source: Company, Way2Wealth

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**FINANCIALS & VALUATIONS**

(₹ mn)

| Particulars                                | FY20          | FY21          | FY22          | FY23          | FY24E         | FY25E         | FY26E         |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <i>Automotive- Powertrain &amp; Others</i> | 7,093         | 8,113         | 11,544        | 15,271        | 15,587        | 17,611        | 18,335        |
| <i>Automotive- Aluminium products</i>      | 2,577         | 3,298         | 5,520         | 9,346         | 21,722        | 24,631        | 31,772        |
| <i>Industrials &amp; Engg</i>              | 5,255         | 4,189         | 5,107         | 7,209         | 7,460         | 8,334         | 8,891         |
| <b>Revenue</b>                             | <b>14,925</b> | <b>15,600</b> | <b>22,170</b> | <b>31,826</b> | <b>44,769</b> | <b>50,576</b> | <b>58,998</b> |
| <b>EBITDA</b>                              | <b>3,980</b>  | <b>4,382</b>  | <b>5,342</b>  | <b>6,836</b>  | <b>9,353</b>  | <b>10,932</b> | <b>12,753</b> |
| <b>EBITDA Margin (%)</b>                   | <b>26.7</b>   | <b>28.1</b>   | <b>24.1</b>   | <b>21.5</b>   | <b>20.9</b>   | <b>21.6</b>   | <b>21.6</b>   |
| <b>Net Profit</b>                          | <b>400</b>    | <b>974</b>    | <b>1,631</b>  | <b>2,484</b>  | <b>3,468</b>  | <b>4,074</b>  | <b>5,202</b>  |
| EPS(₹)                                     | 18.9          | 46.1          | 77.2          | 117.6         | 164.2         | 192.9         | 246.3         |
| DPS (₹)                                    | 3.0           | -             | 3.8           | 11.3          | 12.0          | 13.0          | 14.0          |
| RoE (%)                                    | 5.1           | 11.3          | 15.1          | 17.3          | 21.4          | 22.5          | 23.1          |
| RoCE (%)                                   | 13.1          | 15.7          | 19.3          | 18.0          | 16.3          | 17.2          | 17.6          |
| P/E (x)                                    | 231.5         | 95.1          | 56.8          | 37.3          | 26.7          | 22.7          | 17.8          |
| EV/ EBITDA (x)                             | 25.7          | 22.9          | 18.8          | 15.5          | 11.1          | 9.1           | 7.3           |
| P/BV (x)                                   | 12.8          | 9.6           | 8.2           | 6.4           | 5.5           | 4.5           | 3.9           |
| Net Debt/ Equity (x)                       | 1.3           | 0.8           | 0.7           | 0.9           | 0.7           | 0.5           | 0.4           |
| Debtors Days                               | 48            | 56            | 49            | 61            | 51            | 50            | 49            |
| Inventory Days                             | 109           | 222           | 221           | 187           | 182           | 177           | 175           |
| Creditor Days                              | 94            | 193           | 163           | 159           | 140           | 128           | 125           |
| Cash Balances                              | 704           | 467           | 435           | 473           | 1,276         | 5,774         | 8,991         |
| FCFF                                       | 1,613         | 2,568         | 1,095         | 2,625         | 2,134         | 3,643         | 7,104         |

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   | No                        |
| 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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