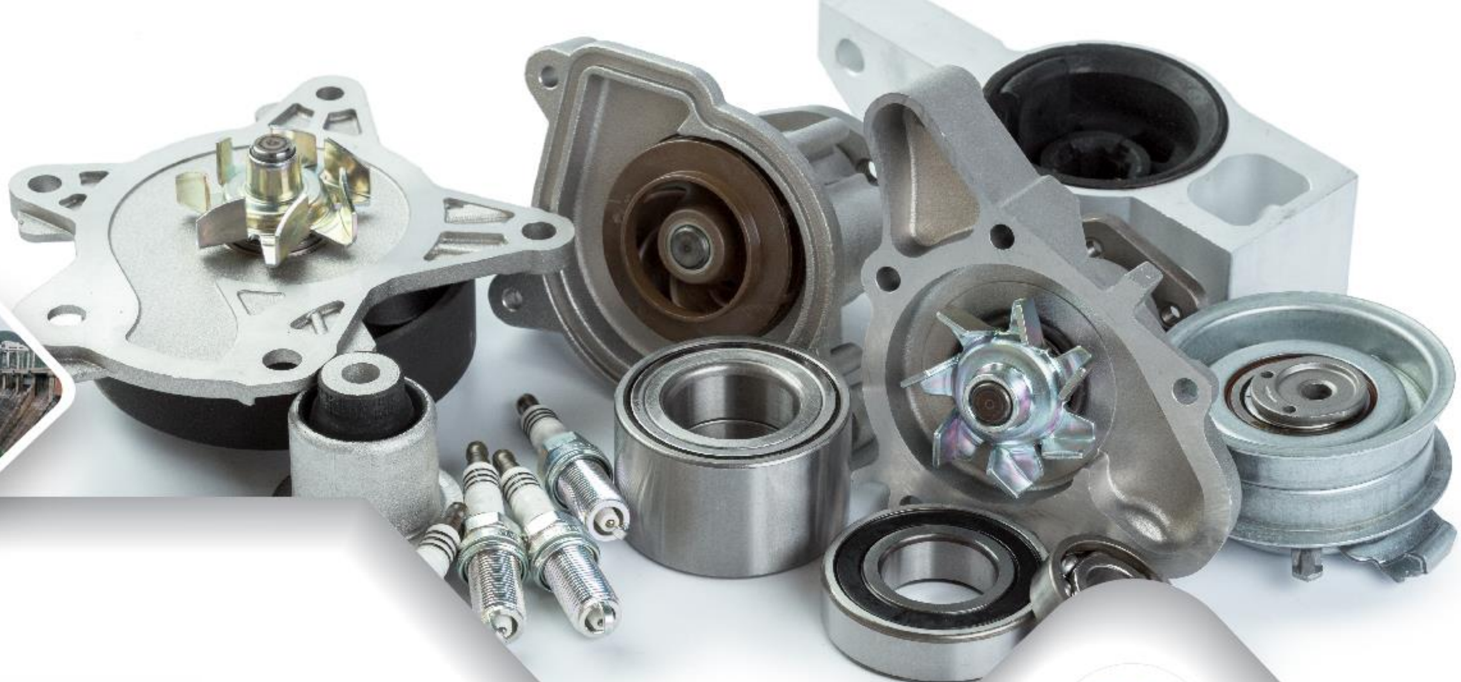


KRChoksey | Institutional

PITTI ENGINEERING LTD

Initiating Coverage

DATE 31st July, 2023

Pitti Engineering Limited

Sailing Towards Success: Riding the Industry Tailwind to New Horizons

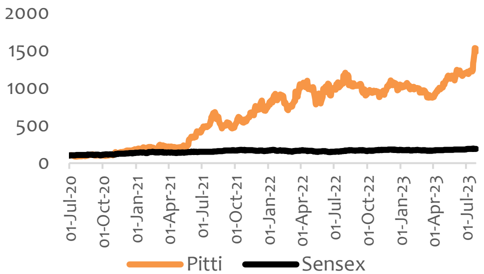
Recommendation

CMP (Closing price 28.07.23)	460
Target Price (INR)	754
Upside	63.9%
Rating	BUY
Sector	Capital Goods

Market Data

Shares outs (Mn)	32.05
Equity Cap (INR Mn)	160.5
Mkt Cap (INR Mn)	1474.3
52 Wk H/L (INR)	482/256
Volume Avg (3M in K)	373.2
Face Value (INR)	5
Bloomberg Code	PITTIENG

Price Chart



SENSEX	66,160
NIFTY	19,646

Shareholding Pattern (%)

Particulars	Jun-23	Mar-23	Dec-22
Promoters	59.3	59.3	59.3
FIIs	0.2	0.00	0.1
DIIs	6.2	5.9	5.5
Others	34.3	34.8	35.1
Total	100.0	100.0	100

Company Snapshot

Pitti Engineering (PEL) is India's largest and most renowned manufacturer of Electrical Sheet Metal products, founded in 1983. It operates fully automated manufacturing facilities in Telangana and Aurangabad and is divided into two primary business segments: Motors and generators, and components. The company boasts a diverse product portfolio and holds a leading position in assembling large alternators and motors in India. Some of its esteemed clients include GE, Siemens, and Wabtec. PEL's order-book currently stands at INR 8,230 Mn and is expected to grow further due to government emphasis on Railway development projects and ongoing capex plans from industrial and infrastructure companies. PEL is also a trailblazer in manufacturing traction motor sub-assemblies in India. A significant portion, 33% of its total revenues, comes from exports. Remarkably, over 50% of PEL's revenues are derived from its monopoly business. An illustrative example of this is PEL being the sole supplier for motor assemblies to Railways, even though they have multiple approved suppliers for their diesel and electric locomotives. Regardless of which supplier receives the order, the motors must be supplied by Pitti Engineering.

Outlook

We are optimistic about the company's prospects and expect it to capitalize on the upcoming capex cycle in the core sectors and emerging opportunities from sunrise sectors such as renewable energy and EV, resulting in a robust revenue CAGR of 24% from FY23- FY25E. Moreover, we anticipate an improvement in EBITDA margins and a positive trend in EBITDA/ton. The company's efforts towards debt reduction and its superior return ratios further add to its positive outlook. The company's manufacturing plants are equipped with advanced technology, which positions it well for growth. Additionally, its impressive client base spanning various industries and a wide range of product offerings contribute to its potential for continued expansion. **Based on these positive factors, we recommend a "BUY" rating for the company with a Target Price of INR 754, which corresponds to 18x the estimated EPS for FY25.**

Key Financials

Particulars (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	5,182	9,538	11,002	13,911	16,921
EBITDA	780	1,326	1,514	1,975	2,454
PAT	288	519	588	1,026	1,342
EPS	8.97	16.2	18.4	32.0	41.9
EBITDA Margin (%)	15.1%	13.9%	13.8%	14.2%	14.5%
PAT Margin (%)	5.5%	5.4%	5.3%	7.4%	7.9%

Source: KRChoksey Research

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Investment Thesis

Potential business opportunities

Engineered products catering to user industries like diesel and electric locomotives, data centers, consumer durables and renewable energy formed a large portion of its residual order book. The emerging segments like power systems for data farms, propulsion systems for electric vehicles, various sub-assemblies for intercity passenger and freight movement, components for mass urban transit systems, and components and assemblies for renewable energy segments starting to make sizeable contributions to the order book. Capital goods players, operating mostly on just in time inventories, are countering a fully depleted inventory across the supply value chain.

Value addition products to drive the realization higher

Pitti Engineering has emerged as a prominent and respected player in India's electrical engineering sector, specializing in manufacturing electrical steel laminations, motor cores, sub-assemblies, die-cast rotors, machined components, and press tools. Notably, they hold the distinction of being the largest exporter of laminations in India. Over the years, Pitti has undergone significant growth and transformation, diversifying its product range to include machined, casted, and fabricated components, shafts, stator and rotor assemblies, and subassemblies for various industrial applications. This expansion has turned Pitti into a fully integrated manufacturer, capable of offering customized assemblies to meet its customers' specific requirements. By focusing on value-added products and assembled offerings, Pitti has achieved higher realizations, ensuring competitiveness in the market and effectively catering to its clients' evolving demands.

Healthy Order-Book with strong visibility in Domestic market

In the recent past, Pitti Engineering Limited (PEL) has experienced a significant increase in demand and inquiries. As a result, the current order-book stands at INR 823 crore for FY23. This surge in orders can be attributed to the company's strong emphasis on the domestic market, capitalizing on the positive economic growth. PEL is confident that the demand from the domestic market will continue to be robust and is expected to outpace the growth in the export market. As a result, the company anticipates that the domestic market's revenue share will increase to 70-75% compared to the current 66%. Currently, PEL caters to 11 international countries, indicating its presence and reach in the global market. By focusing on the domestic market and leveraging the favorable economic conditions, Pitti Engineering aims to enhance its revenue share and maintain a strong position in the industry. The company's proactive approach to meeting increasing demand is expected to drive its growth and profitability in the coming periods.

Demand driven by Railways, capex in Power and Industrial Sectors; EV is an emerging opportunity

During the recent budget, the Railways has received an unprecedented capital outlay of Rs 2.4 lakh crore. Looking ahead, the Railways aims to capitalize on emerging opportunities in various segments, including RRTS, Vande Bharat, State, and Metro projects. The company is also exploring new business prospects in the international market through the "China plus One" supply chain strategy and new product development. With a focus on stator and rotor components for the EV segment's motors, as well as windmill components such as generator parts, shafts, and smaller castings, the Railways anticipates a combined revenue potential of approximately INR 100 crore per year over the next three years. Moreover, the government's emphasis on green energy projects like Solar and Hydro, currently contributing around 5% to the revenue, is expected to grow in the future. The power segment (16% of revenue) and Industrial Commercial segment (14% of revenue) are also projected to strengthen due to robust demand.

Investment Thesis

Catering the well diversified product range to Marquee clientele

Pitti Engineering operates facilities in Aurangabad and Hyderabad, where they have developed an extensive range of approximately 6200 products over a span of 40 years. The company continually introduces new products and holds the exclusive position as a supplier for certain items. PEL stands out by offering a unique combination of three capabilities within a single company: sheet metal, machining, and components manufacturing. This combination is a rarity, with only a few companies possessing such capabilities under one roof. The company's impressive clientele includes renowned names like Siemens, ABB, GE, Wabtec, Caterpillar, and BHEL, which speaks volumes about the exceptional quality of their products. Additionally, the entry barrier for new players is high, as it would take them 4-5 years to establish and deliver end products, further highlighting the company's strong competitive advantage.

Expanding the capacity and productivity to drive the Revenue further

In order to meet the impending demand, the company has undertaken the Capex expansion in phased manner. The company had taken approval of INR 270 cr (June-20) and INR 197 cr (May-22). The company has spent INR 244 cr out of first tranche towards capacity expansion at Aurangabad and the remaining INR 26 crore would be spent during the current financial year. While second tranche of INR 197 crore (utilized by FY24) will be used towards reorganization of lamination facility from Hyderabad to Aurangabad and taking the machining capacity from 4,06,800 machine hours to 6,48,000 machining hours, thus increasing the productivity. Overall, post the Capex, the capacity will surge to 72000 MTPA by FY24 from 50,200 MTPA now and 41000 MTPA in FY22.

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Manufacturing Infrastructure

Plant Location: PEL has three manufacturing facilities located in Hyderabad and Aurangabad. The Hyderabad unit has a larger machining capacity and primarily focuses on the Export market, while the Aurangabad unit has a larger lamination capacity and is situated closer to the end consumers

Installed Capacity: As of now, the total installed capacity of the Laminations segment stands at 50,200 MT (increased from 41,000 MT in FY22), and the machining segment has a capacity of 460,800 hours (increased from 362,800 hours in FY22).

Aurangabad Unit Eligibility: The Aurangabad unit is eligible under the Mega Project Incentive Package Scheme 2013 of the Government of Maharashtra.

Technological Advancements: The Aurangabad unit is equipped with the latest manufacturing techniques, including Robotics, Machine Learning, and IoT, indicating the company's commitment to advanced manufacturing processes.

Shift in Focus: By the end of the current year, the Hyderabad plant will shift its focus to the components business, concentrating on machining capacity. On the other hand, the Aurangabad facility will focus on laminations for motors and generators.

Capabilities: PEL has developed capabilities in punch, cut, machine, and assemble components with higher complexities and integration, achieving greater accuracy and lower tolerance levels. They also have a sophisticated tooling facility, capable of producing large single-piece tools. Additionally, the company can produce sheet metal products with extremely high tolerance levels, leading to reduced lead times for tool development.

Overall, PEL has a diversified manufacturing setup, utilizing advanced technologies to meet market demands and focusing on optimizing logistics and operational costs. It also demonstrates a strong commitment to enhancing manufacturing capabilities and producing high-quality products with precision.

Location	Sheet Metal (MT)	Machining (Hours)
Hyderabad	15,000	-
Aurangabad	35,200	-
Total	**50,200**	**4,60,800**

Source: Company, KRChoksey Research

Hyderabad Plant, Telangana

Auragabad Plant, Maharashtra

Source: Company

Products Profile

PEL is the largest manufacturer of laminations in India with an impressive capacity of 50,200 tons per annum. They have the ability to produce laminations ranging from 50mm to 1250mm as a single piece and can also manufacture segmental laminations of any size. PEL utilizes three different manufacturing processes for laminations: Gang Slotting, Single Point Notching, and Progression Coil Feeding. This variety of processes allows them to cater to different requirements and applications.

The company has developed expertise in manufacturing laminations for various industries and applications, including home appliances, aerospace, railways, power generation, medical equipment, consumer motors, industrial motors, special purpose motors, and more. This broad range of applications demonstrates their versatility and adaptability to different industries' needs. PEL possesses the only lamination re-varnishing line in India. This capability enables them to improve the performance and longevity of laminations through a specialized varnishing process.

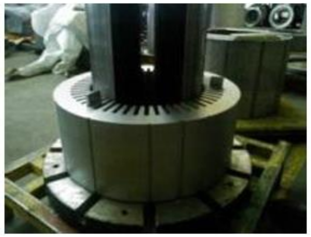
Value-Added Products: In addition to loose laminations, PEL offers value-added products such as Stator Core Assemblies, Rotor Core Assemblies, and Pole Assemblies.

- **Stator Core Assemblies:** PEL supplies a wide range of assembled stator cores with diameters of up to 2000 mm, providing ready-to-use assemblies for various applications.
- **Rotor Core Assemblies:** The company can assemble rotor cores with heights of up to 1800mm, complete with spacers, end rings, and flanges. These assemblies can weigh up to 5 tons per core.
- **Pole Assemblies:** PEL manufactures assembled pole bricks using hydraulic pressure stacking and employs welding or core bolting with end castings.

The overall growth in the transportation and power sectors is expected to drive demand for value-added products like stators and rotors. These assemblies find usage in power generators and various transportation vehicle motors, indicating a positive outlook for these segments. PEL's diverse range of laminations and value-added products, combined with their capacity and expertise, positions them well to cater to the growing demand in multiple industries and capitalize on the opportunities in the transportation and power sectors.

Loose Laminations

Stacking of Laminations



Riveting & Bolting of Laminations

Stator

Diecast Rotor with Shaft

Assembled Stator

Source: Company

Customer Profile

PEL's engineered products have a wide range of applications and its product offerings to serve a wide range of industries, and the company has adapted to emerging market trends by tapping into segments related to sustainable energy, transportation, and data infrastructure. Here are the key industries and emerging segments that the company serves:

Diesel and Electric Locomotives: PEL supplies engineered products for both diesel and electric locomotives, which are crucial for the transportation and logistics sectors

Consumer Durables: The company provides engineered components for consumer durables, indicating its involvement in the manufacturing of household appliances and other consumer products.

Renewable Energy: PEL contributes to the renewable energy sector by providing engineered products for various renewable energy segments, such as solar, wind, or other clean energy sources.

Power Systems for Data Farms: With the growth of data centers and data farms, PEL plays a role in supplying power systems to support their operations and energy requirements.

Propulsion Systems for Electric Vehicles: As the electric vehicle market expands, PEL is involved in providing propulsion systems, which are essential for the operation of electric vehicles.

Sub-assemblies for Intercity Passenger and Freight Movement: PEL manufactures sub-assemblies that contribute to the efficient movement of passengers and freight in intercity transportation systems.

Components for Mass Urban Transit Systems: The company is involved in producing components for mass urban transit systems, which are crucial for public transportation in urban areas.

Components and Assemblies for Renewable Energy: In addition to catering to the renewable energy sector as a whole, PEL also manufactures specific components and assemblies that are utilized in renewable energy systems.

Clientele Base includes Global engineering leaders like ABB, BHEL, Andritz, Siemens, Gamesa, VOITH, and GE are clients of PEL. The company has been awarded as Best Performer in Quality by ABB and Cummins India for support in product development excellence.

Source: Company

Key highlights from Management interaction:

Key international markets: The Company serves various international markets, including Australia, Brazil, Canada, Germany, Japan, South Africa, Egypt, and other South African countries. Additionally, it supplies locomotives to North and South America, which significantly contribute to its international revenue. Recently, the company has entered the Kazakhstan market and has plans to venture deeper into European markets within the next 2-3 years, seeing an opportunity in the locomotive replacement market.

Product Mix change: The company foresees faster growth in the domestic market compared to exports, leading to a shift in the product mix towards the domestic segment. It expects the domestic market share to increase to 75% while reducing the share of exports to 25% in the coming years, compared to the current distribution of 67%. For the fiscal year 2024, the target for exports is approximately 28% with a revenue of INR 400-450 crore.

Orders: The total order book currently stands at INR 823 crore, with approximately INR 200 crore designated for long-term contracts (10-year contract with Wabtec, spanning 5-6 years), and the rest allocated to short-term contracts (less than 12 months). The turnaround time for Appliances and Industrial products is 3-6 weeks, Power projects require 3-6 months, wind power takes 8-9 months, and locomotives have a lead time of 1-1.5 years Power generation projects (~600MW) necessitate a one-year lead time for development from scratch.

Locomotive Order: The company has secured orders for manufacturing shafts for various freight locomotives. These orders are expected to generate revenue potential of INR 1 million per year for the next 10 years. Additionally, the company has developed laminations of 1200 MW and 1440 MW for pump storage and machine applications catering to large hydro customers. These machines serve the dual purpose of power generation and water pumping. Furthermore, the company has received a Letter of Intent (LOI) for manufacturing parts used in Electric Vehicles (EVs).

Business – EV Segment: With the increasing presence of electric vehicles on the roads, it is anticipated that more models will enter mass production in the coming years. Factors such as government subsidies, expansion of charging networks, and falling battery prices due to technological advancements drive growth in the electric car market. The company believes that the lamination business, especially in the case of electric vehicles, will witness significant growth as laminations are a crucial component of electric motors. The Company is well-positioned to take advantage of this trend and aims to contribute more to this segment in the future. Currently, the revenue from the EV segment is relatively small (0.8%, ~2Cr). Nevertheless, the management is optimistic about its growth and has set targets to achieve INR 30-50 crore in this segment within the next 3 years.

EV talks: The company is engaged in discussions with Tata Motors for EV motor development. It has also received orders from Medha Engineering for electric buses, as well as from Varroc Engineering and Metro train motors.

Other Highlights:

Entry barrier: The company enjoys a significant entry barrier, making it challenging for new players to replicate a similar-sized business. It would take around 4-5 years for a new entrant to establish a comparable position.

Incentive: The Aurangabad facility was established under the Mega Project under the Incentive Package Scheme 2013 of the Government of Maharashtra. The company is set to receive INR 320 million from Q4FY23 onwards for 11 years, which will be considered as operational income, providing a consistent income stream for a decade.

Acquisition target: The company is considering the acquisition of smaller companies in North and South regions to act as feeder points. Some companies have already been shortlisted. The southern company would cater to South & Central India, while the northern one would serve Northern India. The East region has limited scope of work.

Peers: Although the company has no direct peers in the listed space, there are other players present in this industry, including Temple Steel, Magcore, Kapsons Industries, Pearl Engineering, and Kitra Industries.

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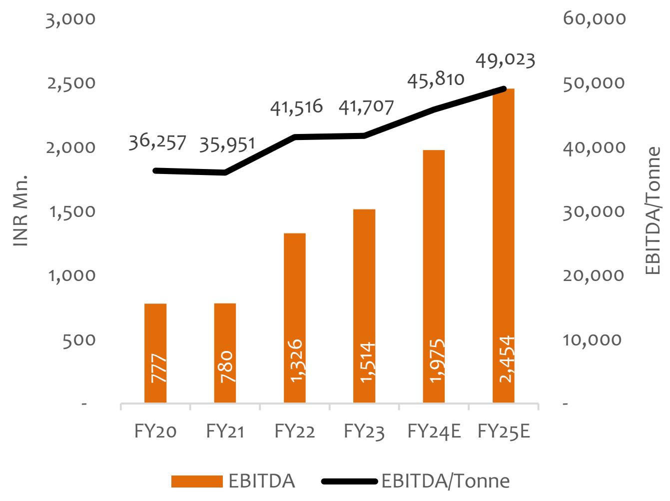
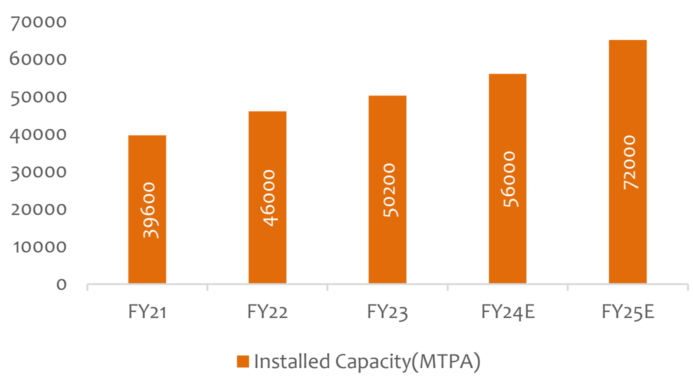
Investment Rationale



Source: KRChoksey Research



Source: KRChoksey Research

Transitioning from Commodities to Value-Added Products: Pitti Engineering's Success Story

Pitti Engineering has made significant progress and achieved success in India's electrical engineering sector. The company's transformation from an electrical laminations manufacturer to an Integrated Engineering Solutions Provider reflects a strategic decision to move away from the commoditized laminations business, which had low EBIDTA per ton. This expansion has involved adding various components like machined, casted, and fabricated parts, shafts, stator and rotor assemblies, and sub-assemblies, catering to diverse industrial applications. As a result, Pitti has become a fully integrated manufacturer, offering a wide range of customized assemblies tailored to meet the specific needs of its customers.

By concentrating on value-added products like Stator Core and Rotor Core assemblies and precision shaft manufacturing, Pitti Engineering has been able to command higher prices in the market. This approach has not only enhanced their competitiveness but also enabled them to effectively adapt to their clients evolving demands. These value-added products, produced through the integration of multiple engineering processes such as sheet metal, machining, fabrication, and assembly, have received positive feedback from customers. Consequently, the share of value-added products in the company's total revenues has grown to 75% in FY23.

The growth outlook of these value-added products, particularly Stator Core and Rotor Core assemblies, looks promising, driven by strong demand in the transportation and power sectors These assemblies play a critical role in power generators and transportation vehicle motors, making them essential components for these industries. Overall, Pitti Engineering's strategic shift towards specialized and integrated engineering solutions has yielded positive outcomes, fueling growth and expanding its market share with distinct products.

Persistent Capacity Investment for Driving Revenue and Profitability Growth

Pitti Engineering has been consistently investing in manufacturing capabilities such as new equipment, facilities, and technology its production capacity as part of its strategy to ensure the company can effectively cater to the growing demand, improve productivity, and support its business growth in the coming years.

Thus, the board approval capex of INR 270 crore (June 2020) and INR 197 crore (May 2022). In the first phase, the company has already spent INR 244 crore on capacity expansion at the Aurangabad facility and the remaining amount of INR 26 crore that will be utilized during the current financial year. For the second phase of INR 197 crore, which will be utilized by FY24, the funds will be used to reorganize the lamination facility from Hyderabad to Aurangabad. Additionally, the machining capacity will be increased from 4,06,800 machine hours to 6,48,000 machining hours, thereby enhancing productivity. The overall outcome of this capital expenditure will lead to capacity expansion to 72,000 MTPA by FY24, compared to the current capacity of 50,200 MTPA and the previous capacity of 41,000 MTPA in FY22.

Expanding capacity allows Pitti to take on larger orders and cater to a larger customer base. As a result, the company can capitalize on new business opportunities, secure larger contracts, and potentially enter new markets. It helps reduce lead times, increase product availability, and enhance customer satisfaction. the company has planned its capital expenditure expansion in phases to meet the anticipated demand.

Investment Rationale

Strong Business Positioning with Healthy Order Books:

PEL specialization in manufacturing electrical steel laminations, motor cores, sub-assemblies, die-cast rotors, machined components, and press tools has earned them a prominent and respected position in the industry. Notably, being the largest exporter of laminations in India showcases their expertise and competitiveness on the international stage. The company in focus specializes in engineering and manufacturing products catering to various user industries, including diesel and electric locomotives, data centers, consumer durables, and renewable energy.

Moreover, the company is experiencing promising growth in emerging segments. These segments encompass power systems tailored for data farms, propulsion systems for electric vehicles, sub-assemblies for intercity passenger and freight movement, components for mass urban transit systems, and assemblies for renewable energy segments. As a result, these newer areas are making substantial contributions to the company's order book, indicating their increasing significance in the company's operations.

In recent times, PEL has experienced a remarkable upsurge in both demand and inquiries, resulting in a substantial increase in its order-book value for the fiscal year 2023, which now stands at INR 823 crore. This impressive growth in orders can be attributed to the company's strategic emphasis on the domestic market, where it has been able to capitalize on the positive economic growth prevailing in the country. PEL remains highly optimistic about the outlook for the domestic market and expects the demand to continue its robust trajectory. With this vision, PEL anticipates that the revenue share from the domestic market will witness a rise to 70-75% from the current 66%.

Recent significant orders that hold potential for long-term growth opportunities:

Freight Locomotives Shaft Orders: The company has secured orders for manufacturing shafts for freight locomotives. The revenue potential from these orders is expected to be 1 million USD per year for the next 10 years.

Laminations for Hydro Customers: The company has developed laminations for machines with capacities of 1200 MW and 1440 MW. These machines serve pump storage and other applications for large hydro customers. These machines serve a dual purpose of power generation and water pumping.

Electric Vehicles (EVs) Parts Manufacturing: The company has received a Letter of Intent (LOI) for manufacturing parts used in electric vehicles. This indicates a growing opportunity in the automotive segment, and significant supply is expected over the next couple of years. The current clients in the EV segment include TVS Lucas, Varroc, Dana, etc.

Rail Projects: The company has received orders from various rail projects, including RRTS Agra-Kanpur project, RRTS Bhopal-Indore project, and Siemens 9000 hp locomotive order.

Investment Rationale

Applications	FY 2022-23		FY 2021-22	
	Revenue	% of Revenue	Revenue	% of Revenue
Traction Motor & Railway Component	379.5	33.95%	251.9	25.96%
Power Generation	160.1	14.32%	147.2	15.18%
Industrial & Commercial	151.6	13.56%	153.0	15.77%
Special Purpose Motors	111.6	9.98%	112.2	11.57%
Mining, Oil & Gas	78.3	7.05%	47.6	4.89%
Renewable Energy	47.5	4.25%	38.0	3.91%
Data Centre	24.9	2.22%	21.0	2.16%
Automotive	6.8	0.61%	-	-
Appliances & Consumer	3.4	0.30%	15.9	1.64%
Others	153.9	13.76%	183.6	18.93%

Source: Company

Diversified customer mix, leveraging core competencies in providing one stop solution:

PEL boasts a robust and diversified customer mix that safeguards against risks and ensures a steady revenue flow. However, the primary revenue drivers for PEL are the Railways and Power generation sectors, jointly accounting for approximately 48% of the company's total revenues. In the Railways sector, PEL is a key supplier, producing essential components such as Traction Motors, Drive Components, Stator Assemblies, Laminations, and Alternator Sub-assemblies for the Indian Railways. For the Power generation sector, the company manufactures Stator Assemblies and Rotor Assemblies used in DG sets and Generators. Furthermore, the company's export segment makes up 33% of its total revenues.

The impressive list of clients that PEL serves speaks volumes about the exceptional quality and reliability of its products. With renowned names like Siemens, ABB, GE, Wabtec, Caterpillar, and BHEL relying on PEL's offerings, the company has earned a reputation for providing top-notch solutions in the industry.

PEL's standout feature lies in its ability to offer a rare and unique combination of three critical capabilities within a single entity: sheet metal fabrication, machining, and components manufacturing. With its well-balanced customer portfolio and strong foothold in critical sectors, PEL is strategically positioned for a growth trajectory.

At first glance, the electrical lamination business may seem like a standard and commoditised business. However, PEL has distinguished itself within this sector by developing a vast array of more than 6200 products over the course of 40 years. By providing a one-stop solution, PEL eliminates the need for customers to engage with multiple suppliers for different applications, simplifying their supply chain management. The advantages of consolidating manufacturing processes with PEL have resulted in stronger customer loyalty and a competitive edge in the market.

Recognizing the challenges faced by customers in the past, PEL took proactive measures to address quality and timely delivery concerns. The company made strategic decisions to establish in-house manufacturing processes for high-pressure die casting, shaft manufacturing, assembly, and air gap turning. By bringing these critical steps in the production chain under its direct control, PEL ensured superior quality products and reduced dependency on external suppliers. The introduction of ready-to-use rotors with shaft assemblies has been a game-changer for customers, as it enables them to access high-quality products more efficiently and cost-effectively from a single trusted supplier.

Another significant advantage that PEL enjoys is the high entry barrier for new players in the market. The intricate combination of capabilities and expertise possessed by the company cannot be easily replicated. New entrants would require a considerable amount of time, around 4-5 years, to establish themselves and deliver end products of comparable quality and efficiency.

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Investment Rationale

Multiple Tailwinds Propelling Growth Opportunities

- The company is poised for significant growth in various markets. In the railways sector, the replacement market is five times larger than the orders for new diesel and electric locomotives in India and North America. Additionally, projects like Train18, Metros, and RRTS initiated by the Government of India, along with the replacement market for cargo railway business in North America, will be crucial drivers for this growth.
- The renewable energy segment will also see a boost, primarily driven by Pump Hydro, as well as substantial orders from wind mills and thermal projects.
- The EV market is a promising area, with the company currently collaborating with three leading players and working on prototypes for EV motors to supply directly to six major automotive companies. As EV adoption increases in the country, the EV and normal motors market is expected to reach INR 35 crore and experience exponential growth in the coming years. The Government of India's focus on manufacturing all EV motors soon will further boost this market.
- The components business is set to play a significant role, constituting 40% of the overall business within the next four to five years, thereby increasing the company's EBIDTA per ton beyond INR 50,000.
- Consolidation in the laminations sector is a global trend, with the organized sector holding a larger share worldwide compared to the unorganized sector. In the United States, the laminations market is dominated by a single major player, Temple Steel, which has a significant presence in the auto and consumer durables businesses. Similarly, in European markets, there are only three major players, with the largest one consuming a substantial 4 lakh tons of electric steel. This trend of consolidation is also expected to occur in the Indian laminations market. Pitti Engineering, a proactive player in the industry, is preparing for inorganic growth by pursuing the acquisition of two companies.
- European companies have been reluctant to outsource their motor and generator manufacturing due to fears of losing their designs. However, increasing costs and labor availability issues in Europe are compelling them to consider India as a partner for manufacturing traction and special purpose motors in the next one to one and a half years. The company is also set to expand its exports revenue.
- The company has obtained approval from a US-based company for supplying shafts as a separate product, in addition to integrating them into its motors and generators. These are machined by the recently acquired sate of the art CNC machines.

Investment Rationale

Unlocking Business Synergy: The Merger of Pitti Casting

Pitti Engineering Limited (PEL) has made a significant announcement regarding its merger with its group company, Pitti Castings Pvt. Ltd (PCPL). The merger is valued at INR 100 crore, and as part of the deal, the promoters of PEL will receive one share for every 55 shares they hold in Pitti Castings Ltd. This will result in a 2.50% increase in the promoters' stake in PEL.

The merger process is expected to take around a year to complete, as it requires various approvals and compliance procedures. PCPL, the company being merged, serves major clients such as Caterpillar, Wilo Mather, Schwing Stetter, Armstrong, BEML, SIEMENS Gamesha Atlas Copco, Alstom, Saini, and GE Renewable Energy. During FY23, approximately INR 80 crore of PCPL's total turnover of INR 150 crore came from Pitti Engineering. After the merger, the combined capacity will increase from 8,000 MT to 14,400 MT, and PCPL's capacity utilization will rise from the current 56% to 80%.

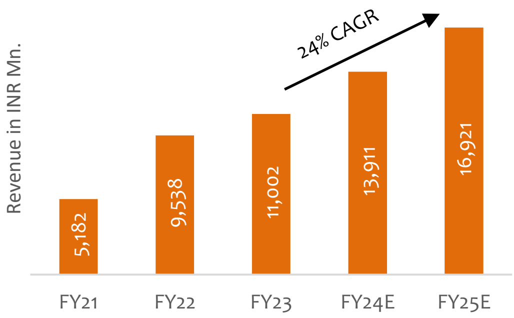
PEL projects a significant increase in revenues for PCPL after the merger, with revenues expected to reach INR 180 crore in FY24 and INR 225 crore by FY25. Pitti Engineering's requirements from PCPL are estimated to be INR 125 crore by FY25, with an additional INR 100 crore coming from outside sources. PCPL is engaged in steel and iron casting, with grey iron casting being a low-margin aspect of their operations. The projected PAT for the current year is estimated to be INR 8 crore.

The merger is seen as a strategic move that will positively impact PEL's overall business. The components business is expected to grow significantly, leading to an increase in EBIDTA margins for the company, as this segment generally enjoys higher margins.

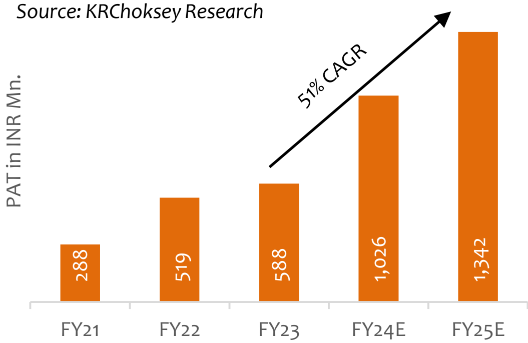
Pitti Engineering has made strides in expanding its components business, supplying products directly to Indian Railways and securing contracts with other clients like Caterpillar and GE Gamesha. The company aims to grow its components business to INR 300 crore in the next three years. PCPL's approval as one of the two Class A precision castings companies by Indian Railways is a significant accomplishment, as this sector involves a long and challenging approval process and has high entry barriers.

The merger will allow PEL to secure a consistent and high-quality supply of casting products, which is critical for achieving the company's target of generating 40% of its revenues from the components business in the next four to five years. Overall, the merger is expected to be beneficial for PEL, enhancing its market position, and driving growth in its components business, leading to increased profitability in the coming years.

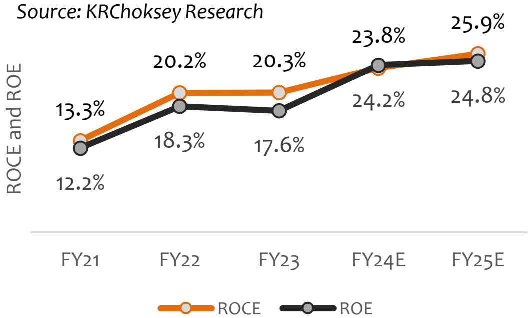
Financial Summary



Source: KRChoksey Research



Source: KRChoksey Research



Source: KRChoksey Research

Volume Growth:

The company is expected to achieve a volume growth of around 17% CAGR over FY23-25E. This growth is attributed to a strong industry-wide demand and the combination of quick capacity ramp-up and high-capacity utilization, leading to improved volumes.

Revenue Growth:

The company is expected to experience strong revenue growth, with a CAGR of approximately 24% over the FY23-25E. The revenue is projected to increase from INR 11,002 Mn in FY23 to INR 13,911 Mn in FY24E and further to INR 16,921 Mn by FY25E. The main drivers of revenue growth are expected to be a quick capacity ramp-up and high-capacity utilization, which will lead to better volumes. Additionally, the increasing portion of revenue from value-added segments is anticipated to result in better realisation levels, further contributing to higher revenue growth.

EBITDA growth:

The company is projected to experience higher EBITDA growth, with a CAGR of 27% from FY23-25E. This growth is expected to be supported by an increase in realization levels by 6% during the same period. The EBITDA margins are also expected to expand by 113 basis points, rising from 13.8% in FY23 to 14.9% in FY25E. The increasing share of revenue from value-added products is believed to contribute to this margin expansion.

PAT Growth:

The company anticipates exponential PAT growth, with a CAGR of 51% over FY23-25E. This growth is attributed to the higher topline growth driven by a greater share of value-added products, resulting in expanded EBITDA margins, and a slower acceleration in depreciation.

Strong ROE and ROCE:

The company has demonstrated commendable financial performance, as reflected in its efficient capital deployment, measured by both ROE and ROCE, which are projected to improve from 20.3% and 17.6% in FY23 respectively to around 25% level. The company's enhanced financial performance and growth prospects position it favorably for future success and investor interest.

Improvement in working capital cycle

The company has been actively focused on enhancing its financial efficiency by working towards reducing its operating cycle and optimizing its working capital. Notably, the working capital cycle is projected to reduce from 56 days in FY23 to 46 days in FY25E. To achieve this, the company has taken measures to offer shorter credit periods to its customers, accelerating the cash inflow from sales.

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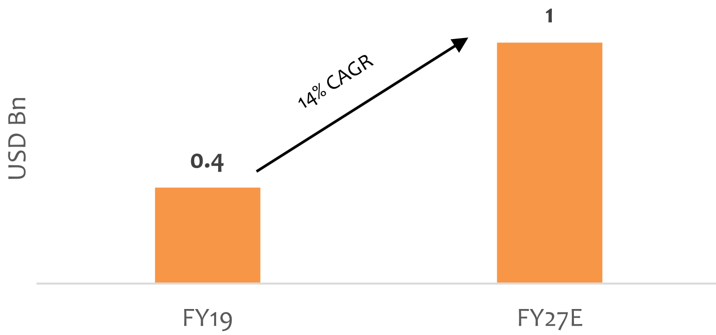
Industry Overview

Indian CRNO Steel Lamination Market



Source: Industry Reports, KRChoksey Research

Thermal Capacity Addition to National Capacity (MW)

FY	FY24	FY25	FY26	FY27	FY28	Total
Central	6,880	4,380	0	660	660	12,580
State	7,820	5,040	0	0	0	12,860
Private	0	0	0	0	0	0
Total	**14,700**	**9,420**	**0**	**660**	**660**	**25,440**

Source: Industry Reports, KRChoksey Research

Capital Goods sector well placed in India growth story

India's ambitious economic goals and its efforts to become a major player in the global economy. The country's aspiration to move from the fifth-largest economy to the third-largest economy by 2027, along with the targets of reaching a GDP of USD 5 trillion by 2027 and USD 10 trillion by 2035, indicates a strong commitment to economic growth and development. With the highest GDP CAGR among emerging economies, India is expected to experience rapid expansion. To support this growth, the Indian government is projected to heavily invest in various sectors, including infrastructure development, technology advancement, and capabilities enhancement. Both the private and public sectors are expected to play crucial roles in driving these investments.

The Capital Goods Industry is likely to emerge as a significant beneficiary of India's economic growth. As the country invests in infrastructure projects, technology upgrades, and capacity building, the demand for capital goods is expected to rise. The Capital Goods Industry provides machinery, equipment, and other tools necessary for production and development across various sectors. As such, it plays a pivotal role in driving economic activities and fostering industrial growth. According to CRISIL, capital goods is estimated to grow by 16-18% in FY24

Indian CRNO steel laminations market was valued at USD 0.4 billion in FY19 and is anticipated to grow at a CAGR of 14% to reach USD 1 billion by FY27E. This growth is primarily driven by the increasing adoption of electric vehicles (EVs) and the demand for laminations and assembled components in various engineering applications. The government's ambitious targets for EV mobility and the shift towards clean energy further contribute to the market expansion. Additionally, the revival of the economy and a focus on cost efficiency are leading to higher demand for laminations and assembled components across various sectors, including EVs.

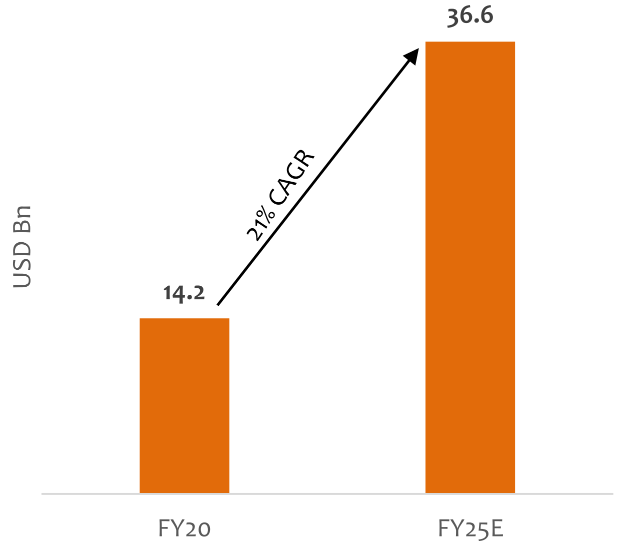
Transformation in India power sector

The Indian power generation landscape encompasses both conventional and renewable options. The conventional sources such as Thermal, Nuclear, and Hydro play a significant role in meeting the nation's energy demands. Among these sources, Thermal power holds a prominent position as the primary contributor, accounting for an impressive 75% of the total power generation.

In the fiscal year 2022-23, the cumulative power generation, which includes electricity generated from grid-connected renewable sources, attained a substantial figure of 1624.465 Billion Units (BU). During this period, Thermal power generation experienced a noteworthy upsurge of 8.21%, further solidifying its pivotal role in India's overall energy landscape. This anticipated expansion comes in response to the country's rising energy consumption, which is expected to parallel its economic growth.

Industry Overview

Global Traction Motors Industry



Source: Industry Reports, KRChoksey Research

In parallel, the Indian diesel genset industry is experiencing significant growth, primarily driven by increasing demand from commercial sectors. Diesel Gensets offer a competitive advantage over utilities due to their ability to provide uninterrupted power supply and portability, making them an attractive choice for various applications. Investments in infrastructure projects, construction activities, hospitals, data centers, 5G networks, and rural infrastructure are expected to be significant drivers of demand in this segment.

While the nation is making strides in adopting renewable energy sources for a sustainable and secure energy future. To drive a green revolution, India has set a bold objective of reaching 500 GW of installed renewable energy capacity by the year 2030 including 280 GW of solar power and 140 GW of wind power. India aims to shift away from traditional fossil fuel-based energy generation and pave the way for a cleaner, greener energy

Strong demand in global traction motors industry:

The global traction motor industry was valued at USD 14.2 billion in FY20, and it is projected to grow at a CAGR of 20.8% to reach USD 36.6 billion by FY25E. This significant growth trajectory can be attributed to key factors driving the industry forward. The notable surge in demand for high-performance motors across various sectors. Industries such as automotive, transportation, and industrial equipment are increasingly seeking efficient and powerful traction motors to enhance their products' performance and energy efficiency. Favorable government policies and subsidies have played a crucial role in bolstering the traction motor industry. Governments worldwide are actively promoting the adoption of electric vehicles and electrification of transportation systems to reduce carbon emissions and combat climate change. Such incentives are encouraging manufacturers and consumers alike to embrace electric propulsion technologies, thus fueling the demand for traction motors.

There has been a substantial increase in investments in the railway sector. As countries strive to modernize and expand their railway networks, the demand for traction motors for locomotives, high-speed trains, and other rail transport vehicles is witnessing a notable upswing. These combined factors are expected to drive significant growth in the global traction motor industry, leading to a substantial increase in market size over the forecast period (FY20 to FY25E). Manufacturers and stakeholders in the industry are well-positioned to capitalize on these opportunities and contribute to the overall development of sustainable and efficient transportation solutions.

Global Locomotive Market

The global locomotive market was valued at USD 14.2 billion in FY21 and is projected to grow at a CAGR of 8.8% to reach USD 25.5 billion by FY28E. This growth is primarily attributed to the increasing demand for fuel-efficient locomotives, driven by growing environmental concerns and the need to address rising traffic congestion on roads. Moreover, the rapid growth in the global population is further bolstering the demand for efficient and sustainable transportation solutions, contributing to the locomotive market's expansion.

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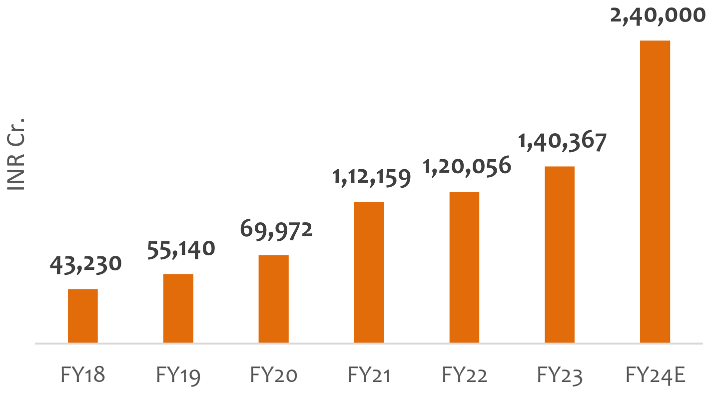
Industry Overview

Indian Railway Outlay



Source: Industry Reports, KRChoksey Research

Indian Railway investing heavily in expansion and modernisation:

The National Rail Plan outlines a comprehensive strategy for the expansion of India's railway network to accommodate growth until 2050. The primary goal is to create a modern and efficient railway system that can not only meet the increasing passenger demand but also substantially increase the share of railways in freight transportation from the current level of 26-27% to 40-45%.

To achieve these objectives, the railway sector will experience a significant surge in capital expenditure over the next decade. The plan aims to accelerate capacity growth, ensuring that by 2030, the railway infrastructure will be prepared to handle demand well ahead of time. This proactive approach seeks to avoid the inefficiencies and congestion that plagued the railway system in the past due to inadequate investments.

The CAPEX outlay for the year 2023-24 stands at a substantial INR 2.40 trillion, which is more than five times the level in 2014. This substantial increase in investment has enabled the initiation of numerous projects and the development of various sources for capital funding. As more projects are undertaken and additional sources of funding are identified, the CAPEX in the railway sector is expected to rise further in the coming years. This heightened investment will pave the way for a modern and robust railway system, ready to meet the country's transportation needs effectively. The transformation of the railway sector is expected to have a significant impact on the nation's growth. By improving transportation efficiency and capacity, the railway system will become an engine of national growth, facilitating economic development and enhancing connectivity across different regions of India.

Exponential Growth in EV space in India:

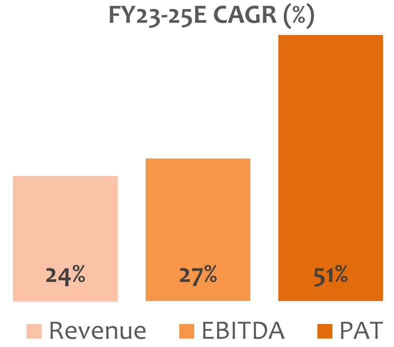
According to the Economic survey, the EV market in India is projected to experience a substantial increase of 49 percent between the years 2022 and 2030. This growth rate indicates a rapid expansion of the electric vehicle industry in the country over the next decade. It is the prediction that annual electric vehicle sales in India will reach an impressive 10 million units by the year 2030. The projected growth of the EV market in India is likely driven by several factors, including increasing awareness of environmental issues, government incentives and policies to promote electric mobility, advancements in EV technology, and improvements in charging infrastructure.

Outlook and Valuation:

PEL is a leading supplier to major motor manufacturers in India and hold a dominant position in providing assemblies for alternators and motors in the Indian market. Itsbusiness extends beyond the national borders as exports contribute to approximately 33% of their total revenues. One of the key distinguishing features of PEL is its unique capability to integrate sheet metal, precision machining, and assembly processes under a single roof. This integrated approach likely enhances their efficiency, quality control, and overall competitiveness. The company's customer portfolio boasts several marquee clients, which includes renowned names in the industry such as ABB, Siemens, BHEL, Wabtec, Cummins, CG Power, and others. These esteemed clients signify the company's strong reputation and credibility in the electrical laminations and motor assemblies sector.

We have a positive view on the companies owing the factors such as

- The company is increasing its capacity in preparation for the expected rise in demand.
- Consistently prioritizing the development of value-added products to expand EBITDA per ton.
- The company is projected to achieve a remarkable earnings growth of 33% CAGR over the upcoming two years.
- The return ratios are expected to be attractive, reaching in excess of 25%.
- The company's products account for 80% of the motor components.
- Government thrust on Infrastructure development such as Railways and Metro rails and green energy like EV, hydrogen pump, wind energy.
- The capital goods industry is experiencing strong tailwinds, driven by the ongoing capital expenditure cycle and various government initiatives such as the Production-Linked Incentive (PLI) schemes and Make in India program
- Strong outlook for genset business on back of rising demand for undisrupted power in the areas such as Data centre, 5G connectivity, High rises building, Hospitals and offices.



Source: KRChoksey Research

PEL is currently being traded at an attractive valuation of 14.4x and 11.0x projected earnings for FY24 and FY25, respectively. Despite factoring in the debt in the book and the partially commodity-driven nature of the lamination business, the stock's valuation remains significantly lower when compared to its peers. Our outlook on PEL remains optimistic, and we arrived at a price target of INR 754 on assigned P/E multiple of 18x. Nonetheless, we hold the belief that the company is diligently undertaking all the required measures to decrease its debt and achieve a debt-free status by FY26. Moreover, PEL is strategically transitioning away from its commoditized lamination business towards more value-added products. As a result, there is potential for PEL to be rerated with a higher P/E multiple in the future.

Peer valuation

Company	Price	Mkt Cap	Enterprise Value	Sales	EBIT (M)	EBITDA (M)	P/E (x)		
							FY23	FY24E	FY25E
Pitti Engineering	**460**	**14,743**	**17,656**	**10,948**	**1,057**	**1,503**	**25.1x**	**14.4x**	**11.0x**
Cummins India	1,922	532,903	512,280	77,390	11,374	12,359	43.4x	40.8x	35.3x
CG Power	397	606,388	599,421	72,485	9,777	10,762	58.5x	70.3x	58.2x
Craftsman Automation	4,750	100,362	112,900	35,433	4,965	7,332	37.7x	26.1x	20.9x
KEC	647	166,426	196,818	172,817	7,726	9,341	94.5x	28.3x	17.2x
KEI Industries	2,496	225,111	225,065	67,495	6,177	6,744	49.4x	37.8x	31.0x

Source: FactSet, KRChoksey Research

Peer Comparison

Company	Location	Products	Clients
Pitti Engineering (Founded:1983) 50,200 (will be 72,000 by FY24)	Aurangabad, Maharashtra Hyderabad, Telengana	Electrical Steel Laminations, Stator & Rotors, Motor Cores, Sub-Assemblies, Die Cast, Rotors Press Tools & Machining of Metal Components, Shafts, Super Critical Thermal Generators	ABB, Caterpillar, Medha, Cummins, Siemens, L&T Wabtec, BHEL, Indian Railways
TEMPEL (Founded: 1945)	Burlington, Canada Changzhou, China Chennai, India Chicago, USA Monterrey, Mexico East Coast Distribution Center West Coast Distribution Center	Automotive & xEV, Motor & Generator, Transformer, The Tempel Difference, Material Selection & Process, Prototype Services, Tooling & Quality production, Value-Added Benefits, Core Assembly	
Magcore (Founded: 1987)	Bangalore, Karnataka	Electrical Stampings, Electrical Home Appliance Stampings, Die Cast Rotors, Transformer Laminations	ABB Ltd, Crompton greaves, BHEL, Weg India, KILOSKAR Ltd.
Kapsons Industries (Founded: 19781)	Jalandhar, Punjab	Electrical Stampings & laminations, Die Cast Rotors, Pressure Die Cast Components	ABB Designs, Swaraj Mazda, Crompton Greaves, Kirloskar Electric, Alstom, Bharat Bijlee
Pearl Engineering (Founded: 19782) 24,000 MT (2000MT/month)	New Delhi	Electrical Motor Stampings, Alternator Stampings, Fan Stator Stack, Windmill Generator Stampings, Washing Machine Motor Stampings, Traction Motor Stampings, Die Cast Rotors, Starter Motor Stampings, Elevator Motor Stampings, Water Pump Stampings	100+ Clientele
Kitra Industries (Founded: 1963)	Surat, Gujarat	Die Cast Copper Rotors, Lamination/Stamping for Rototor, Wounded Stator Assemblies, Electric Vehicles	

Source: KRChoksey Research

Key Risks and concerns:

Slowdown in Domestic Market Demand: If there is a slowdown in the domestic market demand for PEL's products, it could affect their overall sales and revenue. Factors such as changes in economic conditions, consumer behavior, and industry-specific challenges could contribute to a decline in demand for their engineered products in the local market.

Impact of International Macro Conditions: PEL's performance might be influenced by macroeconomic conditions in the international countries they cater to or intend to cater to. Events like global economic downturns, geopolitical tensions, currency fluctuations, or changes in trade policies can affect demand for their products in international markets.

Insufficient Repeat Orders: Repeat orders from existing clients are crucial for sustaining and growing revenue. If there is a decline in repeat orders due to factors like customer dissatisfaction, increased competition, or changes in clients' requirements, it could lead to revenue loss and lower utilization of manufacturing capacity.

Delaying Capacity Expansion: The company is consistently expanding its capacity to keep up with the growing demand. However, any delays in the capacity expansion plan could lead to missed opportunities to seize a larger market share and capitalise on favorable market conditions. These delays may also impact customer relationships and result in cost overruns.

Fluctuation in Raw Material Prices: PEL primarily relies on electrical steel to manufacture its products, and the prices of this steel fluctuates based on the demand and supply dynamics in the international market. As a result, the company's production costs, and product pricing may be influenced by the changing prices of electrical steel. These fluctuations in steel prices can impact the company's profitability and overall financial performance, and PEL would need to manage these variations effectively to remain competitive in the market. Effectively, the company faces minimal impact as it largely passes on the raw materials fluctuations to clients.

Management

Mr. Sharad B Pitti, Chairman and Managing Director

Sharad B Pitti, the Founder, is a visionary leader who spearheaded lamination manufacturing in India. He has played a vital role in the Company's growth and success

Mr. Akshay S Pitt, Vice Chairman and Managing Director

He embarked on his entrepreneurial journey at a young age. With extensive experience in various roles within the organization, he possesses the expertise to effectively lead the Company. He has 19 years of experience in the company.

Ms. Gayathri Ramachandran, Non-Executive Independent Director

She held prominent positions in the Ministries of Power, Petroleum, Chemical & Fertilisers, and Civil Aviation. She also served as a Special Chief Secretary to the Government of Andhra Pradesh and currently chairs the Company's Stakeholders Relationship Committee.

Mr. G Vijaya Kumar, Non-Executive Independent Director

He is a practicing Advocate at the High Court of Telangana and previously served as a Government Pleader for revenue for the United State of Andhra Pradesh. He now chairs the Company's Risk Management Committee.

Mr. M Gopalakrishna, Non-Executive Independent Director

He is a retired IAS officer with a wealth of experience in senior government posts in Assam, Andhra Pradesh, and the Government of India. He also served in Central & State level public sector undertakings and retired as Chairman and Managing Director of Rural Electrification Corporation. He currently chairs the Company's Nomination and Remuneration Committee.

Mr. N R Ganti, Non-Executive Independent Director

He holds a postgraduate degree in Business Administration and has extensive experience in finance and management. He began his career in banking with the State Bank of India and later ventured into management consultancy services.

Mr. S Thiagarajan, Non-Executive Independent Director

He is a Chartered Accountant with vast experience in financial management and accounting roles. He previously served as the Director (Finance) of NMDC and was a Board Member of various NMDC associates. He now chairs the Company's Audit Committee.

Financial Summary

Income Statement (INR Mn)	FY 21	FY 22	FY23	FY 24E	FY 25E
Revenues	**5,182**	**9,538**	**11,002**	**13,911**	**16,921**
COGS	3,353	6,781	7,823	9,863	11,980
Gross profit	**1,829**	**2,757**	**3,179**	**4,048**	**4,941**
Employee cost	561	785	866	1,071	1,269
Other expenses	488	646	799	1,002	1,218
EBITDA	**780**	**1,326**	**1,514**	**1,975**	**2,454**
Depreciation & amortization	304	389	447	503	546
EBIT	477	937	1,067	1,472	1,908
Interest expense	296	396	447	519	428
Other Income	205	164	178	425	324
PBT	**385**	**706**	**799**	**1,379**	**1,804**
Tax	98	187	211	353	462
PAT	**288**	**519**	**588**	**1,026**	**1,342**
EPS (INR)	**9.0**	**16.2**	**18.4**	**32.0**	**41.9**

Cash Flow Statement (INR Mn)	FY 21	FY 22	FY23	FY 24E	FY 25E
Operating Cash Flow	317	879	2,222	1,265	1,692
Investing Cash Flow	-664	-928	-1,035	-1,784	274
Financing Cash Flow	284	122	-866	300	-1,999
Net Inc/Dec in cash equivalents	-63	73	321	-219	-33
Opening Balance	67	4	77	397	178
Closing Balance Cash & Cash Equiv.	4	77	398	178	145

Ratio Analysis	FY 21	FY 22	FY23	FY 24E	FY 25E
Revenue Growth (%)	-1.3%	84.1%	15.3%	26.4%	21.6%
EBITDA Growth (%)	0.4%	69.9%	14.1%	30.5%	24.2%
PAT Growth (%)	68.2%	80.4%	13.4%	74.4%	30.9%
EBIDTA/ton	35951	41516	41707	45810	49023
Gross Margin	35.3%	28.9%	28.9%	29.1%	29.2%
EBITDA Margin	15.1%	13.9%	13.8%	14.2%	14.5%
Net Profit Margin	5.5%	5.4%	5.3%	7.4%	7.9%
Return on Capital Employed	13.3%	20.2%	20.3%	23.8%	25.9%
Return on Equity	12.2%	18.3%	17.6%	24.2%	24.8%
Current Ratio	1.1	1.2	1.2	1.0	1.3
Debtor Days	121	78	60	57	54
Inventory Days	111	104	79	76	75
Creditors Days	74	84	83	83	83
Working Capital Days	158	98	56	50	46
Total Debt / Equity	1.0	1.1	0.9	0.9	0.5
Interest Coverage	1.6	2.4	2.4	2.8	4.5
EV/EBITDA	21.8	12.8	11.2	8.6	6.9
P/E	51.3	28.4	25.1	14.4	11.0
P/B	6.3	5.2	4.4	3.5	2.7

Source: KRChoksey Research, Company Research

Balance Sheet (INR Mn)	FY 21	FY 22	FY23	FY 24E	FY 25E
Equity	160	160	160	160	160
Equity Capital	2,198	2,679	3,181	4,075	5,246
Other Equity	**2,358**	**2,840**	**3,341**	**4,236**	**5,407**
Total Equity					
Non-Current Liabilities	506	1,102	1,219	1,219	1,219
Borrowings	517	527	540	540	540
Lease Liabilities	0	0	0	0	0
Other Financial Liabilities	69	78	82	103	126
Provisions	101	91	85	85	85
Deferred Tax Liabilities	39	0	0	0	0
Other non-current liabilities	**1,230**	**1,799**	**1,926**	**1,948**	**1,970**
Total Non-Current Liabilities					
Current Liabilities	1,848	2,142	1,680	2,630	1,230
Borrowings	1,053	2,202	2,513	3,177	3,865
Trade Paybles	123	154	125	125	125
Lease Liabilities	236	85	83	105	128
Other Financial Liabilities	33	148	45	57	70
Other Current Liabilities	32	38	43	54	65
Provisions	100	156	24	30	37
Current Tax Liability	**3,424**	**4,926**	**4,513**	**6,179**	**5,520**
Total Current Liabilities	**7,012**	**9,564**	**9,780**	**12,363**	**12,897**
Total Liabilities					
	1,928	2,279	2,789	4,622	4,264
Property Plants and Equipments	11	6	241	200	150
CWIP	741	828	743	656	569
Right of use of Assets	181	138	92	92	92
Intangible Asset	0	20	19	19	19
Investment in JV	164	165	152	152	152
Investments	49	19	85	108	131
Other Financial Assets	2	0	0	0	0
Loans	77	232	237	300	365
Other non-current assets	**3,153**	**3,687**	**4,358**	**6,149**	**5,742**
Total Non-Current Assets					
Current Assets	1,572	2,723	2,393	2,896	3,477
Inventories	1,718	2,043	1,814	2,172	2,503
Trade Receivables	89	76	397	178	145
Cash and Cash Equivalants	0	274	255	255	255
Bank Balances other than Cash	4	9	9	11	13
Other Financial Assets	450	753	554	701	761
Other Current Assets	**3,833**	**5,877**	**5,422**	**6,213**	**7,155**
Total Current Assets	26	0	0	0	0
Assets held for Sale	**7,012**	**9,564**	**9,780**	**12,362**	**12,897**
Total Assets	160	160	160	160	160

Source: KRChoksey Research, Company Research

Rating Legend (Expected over a 12-month period)	
Our Rating	**Upside**
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:
I, Abhishek Agarwal (CA, CFA L3 cleared, B.com), Research Analyst author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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