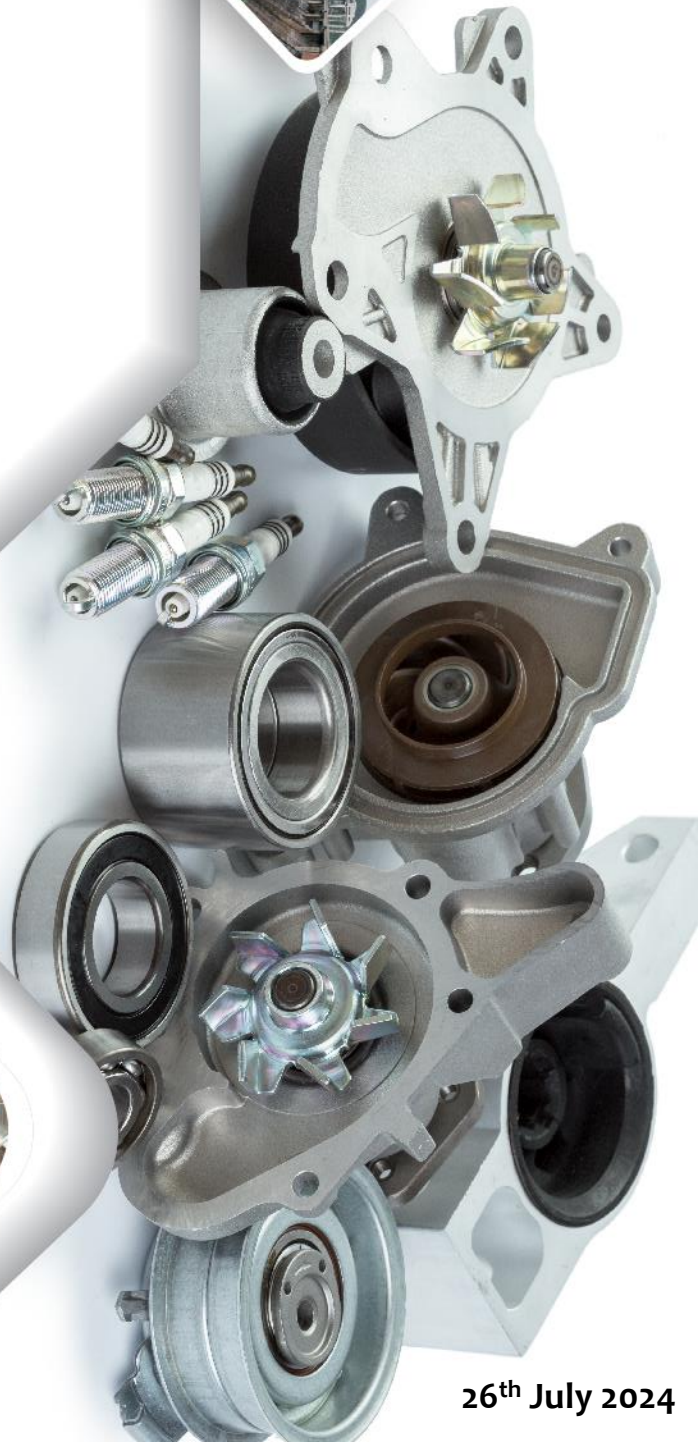


# Pitti Engineering Ltd



## Pitti Engineering Ltd

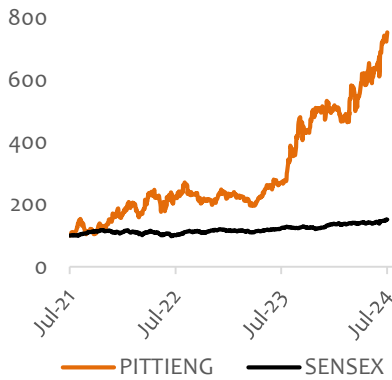
## Acquisition Fuels Growth through Expanded Capacity

CMP INR 1,200*	Target INR 1,379	Potential Upside 14.9%	Market Cap (INR Mn) 42,090	Recommendation BUY	Sector Engineering
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### MARKET DATA

Shares outs (Mn)	32
Mkt Cap (INR Mn)	42,090
52 Wk H/L (INR)	1207/438
Volume Avg (3m K)	127.4
Face Value (INR)	5.0
Bloomberg Code	PITTIENG IN

### SHARE PRICE PERFORMANCE



### MARKET INFO

SENSEX	81,333
NIFTY	24,834

### SHAREHOLDING PATTERN (%)

Particulars	Jun-24	Mar-24	Dec-23
Promoters	59.3	59.3	59.3
FIIIs	0.8	0.5	0.2
DIIIs	5.9	5.9	6.6
Others	34.0	34.3	33.9
Total	100.0	100	100

\*Based on Today's Closing

- Pitti Engineering Limited has reached an agreement to acquire 100.0% of the equity share capital of Dakshin Foundry Private Limited ("DFPL") from its shareholders for an equity value of INR 1,531.2 Mn.
- The cost of acquisition includes both business value and working capital of DFPL.
- Dakshin Foundry Private Limited specializes in producing high-quality castings in various materials including ductile iron, grey iron, low carbon steel, alloy steel, and simo iron. Additionally, the Company offers value-added services such as pattern making, painting, heat and surface treatments, and machining.
- The acquisition of DFPL is complementary to the operations of the listed entity and its subsidiaries. It will enhance their production capacity and operational capabilities, aligning with the Company's strategy for inorganic growth.
- On July 08, 2024, Pitti Engineering announced a QIP to raise up to INR 3,600.0 Mn at a floor price of INR 1,045.25.
- Post the fundraise, the Company announced its first acquisition of DFPL.
- Earlier in Mar 2024, PITTIENG acquired Bagadia Chaitra Industries Private Ltd (BCIPL) at an enterprise value of INR 1,249.2 Mn.
- Both the acquisitions made by PITTIENG are likely to expand their current capacity, adding to the overall asset base, increasing geographical reach, providing entry into new end-use sectors, and potential addition of new customers.
- We expect Revenue/ EBITDA/ PAT to grow at a CAGR of 26.8%/ 29.7%/ 42.9% over FY24-FY26E.**
- We increase our FY26E EPS to INR 57.5 (previously: INR 49.2 due to strong demand across various sectors, increased capacity from two recent acquisitions, higher utilization expected by FY26E, and the potential for an additional acquisition. We raise our P/E multiple to 24.0x (previously: 23.0x) as we remain confident in the Company's ability to maintain its growth trajectory and its ability to quickly realize the synergy benefits from the two recently acquired entities.**
- Accordingly, we raise our target price to INR 1,379 (previously: INR 1,132). Despite recent increase in the stock price since the last result update, we still see an upside potential of 14.9% from current levels.**
- We retain our "BUY" rating on Pitti Engineering Ltd.**

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	9,538	11,002	12,016	19,148	19,334
EBITDA	1,326	1,514	1,777	2,808	2,987
Adj. PAT	519	588	902	1,584	1,843
Adj. EPS (INR)	16.2	18.4	28.1	49.4	57.5
EBITDA Margin	13.9%	13.8%	14.8%	14.7%	15.5%
Adj. NPM	5.4%	5.3%	7.5%	8.3%	9.5%

Source: Company, KRChoksey Research

Pitti Engineering Ltd

About Dakshin Foundry Private Limited (“DFPL”)

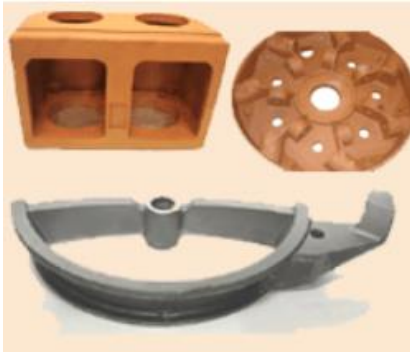
- DFPL specializes in producing high-quality castings in materials such as ductile iron, grey iron, low carbon steel, alloy steel, and simo iron. Additionally, DFPL offers value-added services including pattern making.
- The Company operates two manufacturing facilities in Hosakote, Bangalore, with an installed capacity of 4,200 MTPA.
- As of June 30, 2024, DFPL maintains a positive cash and bank balance of INR 427.1 Mn and has no outstanding debt.
- The Company caters to Indian customers and exports to the European region.
- The acquisition will enhance PITTIENG’s asset base and boost production capabilities, contributing to economies of scale.
- The proposed acquisition is expected to be finalized within 15 days following the signing of the definitive agreement

Product Range

Ductile Iron Casting



Compressor Parts



Construction Machinery Parts



Heat Exchanger Parts

Grey Cast Iron Parts



Transmission Parts



Compressor Parts



General Engineering



## Pitti Engineering Ltd

### KEY FINANCIALS

#### Exhibit 1: Profit & Loss Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenues	9,538	11,002	12,016	19,148	19,334
COGS	6,781	7,823	8,059	13,059	13,147
Gross profit	2,757	3,179	3,957	6,089	6,187
Employee cost	785	866	1,082	1,800	1,779
Other expenses	646	799	1,098	1,481	1,421
EBITDA	1,326	1,514	1,777	2,808	2,987
Depreciation & amortization	389	447	540	562	583
EBIT	937	1,067	1,237	2,246	2,404
Interest expense	396	447	500	680	528
Other Income	164	178	482	574	580
PBT	706	799	1,219	2,140	2,457
Tax	187	211	317	556	614
PAT	519	588	902	1,584	1,843
EPS (INR)	16.2	18.4	28.1	49.4	57.5

Source: Company, KRChoksey Research

#### Exhibit 2: Cash Flow Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Cash Flow From Operations	879	2,222	736	1,916	2,537
Cash Flow from Investing	-928	-1,035	-2,357	-276	180
Cash Flow from Financing	122	-866	1,984	2,307	-2,163
Net Inc/Dec in cash equivalents	73	321	362	3,947	554
Opening Cash Balance	4	77	397	759	4,706
Closing Cash Balance	77	398	759	4,706	5,260

Source: Company, KRChoksey Research

#### Exhibit 3: Key Ratios

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margin (%)	13.9%	13.8%	14.8%	14.7%	15.5%
Net Profit Margin (%)	5.4%	5.3%	7.5%	8.3%	9.5%
RoE (%)	18.3%	17.6%	21.7%	17.5%	17.3%
RoCE (%)	23.8%	23.4%	18.2%	18.3%	18.7%
Debt to Equity (x)	0.4x	0.4x	0.6x	0.4x	0.2x

Source: Company, KRChoksey Research

## Pitti Engineering Ltd

### Exhibit 4: Balance Sheet

INR Millions	FY22	FY23	FY24	FY25E	FY26E
<b>Equity</b>					
Equity Capital	160	160	160	160	160
Other Equity	2,679	3,181	4,002	8,883	10,491
<b>Total Equity</b>	<b>2,840</b>	<b>3,341</b>	<b>4,162</b>	<b>9,044</b>	<b>10,651</b>
<b>Non-Current Liabilities</b>					
Borrowings	1,102	1,219	2,629	3,229	2,229
Lease Liabilities	527	540	626	626	626
Provisions	78	82	173	276	278
Deferred Tax Liabilities	91	85	37	37	37
<b>Total Non-Current Liabilities</b>	<b>1,799</b>	<b>1,926</b>	<b>3,465</b>	<b>4,167</b>	<b>3,170</b>
<b>Current Liabilities</b>					
Borrowings	2,142	1,680	2,737	1,737	1,337
Trade Paybles	2,202	2,513	2,276	3,626	3,661
Lease Liabilities	154	125	169	169	169
Other Financial Liabilities	85	83	127	202	204
Other Current Liabilities	148	45	32	51	51
Provisions	38	43	62	98	99
Current Tax Liability	156	24	271	432	436
<b>Total Current Liabilities</b>	<b>4,926</b>	<b>4,513</b>	<b>5,673</b>	<b>6,315</b>	<b>5,958</b>
<b>Total Liabilities</b>	<b>9,564</b>	<b>9,780</b>	<b>13,300</b>	<b>19,526</b>	<b>19,779</b>
<b>Non-Current Assets</b>					
Property Plants and Equipments	2,279	2,789	3,336	3,801	3,706
CWIP	6	241	1,181	1,181	1,181
Right of use of Assets	828	743	833	567	479
Intangible Asset	138	92	52	52	52
Investment in JV	20	19	0	0	0
Investments	165	152	152	152	152
Other Financial Assets	19	85	38	60	61
Other non-current assets	232	237	640	1,020	1,030
<b>Total Non-Current Assets</b>	<b>3,687</b>	<b>4,358</b>	<b>6,233</b>	<b>6,833</b>	<b>6,661</b>
<b>Current Assets</b>					
Inventories	2,723	2,393	2,702	3,935	3,973
Trade Receivables	2,043	1,814	2,104	2,833	2,754
Cash and Cash Equivalants	76	397	759	4,706	5,260
Bank Balances other than Cash	274	255	335	335	335
Other Financial Assets	9	9	14	22	22
Other Current Assets	753	554	1,153	862	773
<b>Total Current Assets</b>	<b>5,877</b>	<b>5,422</b>	<b>7,067</b>	<b>12,693</b>	<b>13,118</b>
<b>Total Assets</b>	<b>9,564</b>	<b>9,780</b>	<b>13,300</b>	<b>19,526</b>	<b>19,779</b>

Source: Company, KRChoksey Research

## Pitti Engineering Ltd

Pitti Engineering Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
26-Jul-24	1,200	1,379	BUY
23-May-24	878	1,132	BUY
18-Mar-24	723	1,083	BUY
27-Feb-24	798	1,027	BUY
15-Nov-23	679	985	BUY
6-Nov-23	696	838	BUY

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%

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