



Pitti Engineering Ltd Q2FY26



Pitti Engineering Ltd. **Strong Q2 with healthy revenue growth, improving mix, steady margins, and resilient demand outlook**

CMP* INR 899	Target INR 1,080	Potential Upside 20.2%	Market Cap (INR Mn) INR 34,200	Recommendation BUY	Sector Engineering
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Result Highlights

Revenue: Q2FY26 revenue grew by 11.3% YoY (+4.6% QoQ) to INR 4,777 Mn, coming in ~11% above our estimate of INR 4,294 Mn, driven by stronger operational traction across machining hours, improved utilisation in castings, and higher contribution from value-added integrated assemblies. The upside was supported by healthy offtake in stator frames, rotor-shaft integrated laminations, and resilient export demand across rail traction, power equipment, and data center segments.

Margins and Profitability: EBITDA increased 17.5% YoY (+3.1% QoQ) to INR 777 Mn, with EBITDA margin expanding 87 bps YoY (-25 bps QoQ) to 16.3%, aided by operating efficiencies and a rising share of value-added assemblies and machined components. EBITDA outperformed our expectations, as steadier realizations and disciplined cost management helped offset inflationary pressure in other expenses.

EBIT grew 12.9% YoY (+4.5% QoQ) to INR 519 Mn, with EBIT margin stable at 10.9%, aligning closely with our estimates owing to a balanced mix between laminations, integrated assemblies, and machined components.

Net profit rose 5.4% YoY (+75.2% QoQ) to INR 401 Mn, coming ~5% ahead of our estimate, supported by stronger operating performance and higher other income, while finance costs moderated sequentially as working capital intensity began to normalise.

Volumes: Overall lamination volumes improved to 17,722 MT in Q2FY26, supported by continued momentum in higher value-added product categories. High value-added assembly laminations increased by 16.5% YoY to 3,168 MT, reflecting stronger traction from rail, data center, and export-led orders. Stator frame and rotor-shaft integrated assemblies delivered robust growth of 33.4% YoY to 1,146 MT, aided by deeper integration and expanding wallet share within key customer programs. Castings stood at 2,434 MT, with machined castings increasing 2.0% YoY even as raw castings declined due to selective volume prioritization toward higher machining content. The volume mix continues to shift in favour of integrated and value-added components, reinforcing margin stability and long-term revenue visibility.

Capex Plans: The Company continues to execute its INR 1,500 Mn expansion program, with Bengaluru's lamination facility now customer-approved and scheduled to ramp from January. Incremental capacities in sheet metal, machining, and castings will be added through FY26–FY27 to support growing traction from rail, data centers, and export customers. Management expects consolidated utilization to gradually move toward 80% by end-FY27, with capex funded through a mix of internal accruals and debt.

Outlook and Valuation: Management remains positive on demand visibility across rail traction, data centers, power equipment, and export programs, supported by rising high value-added mix and upcoming capacity additions. While electrical steel availability and elevated working capital remain near-term constraints, the Bengaluru ramp and expanding customer base position the Company for steady volume growth and margin stability through FY27.

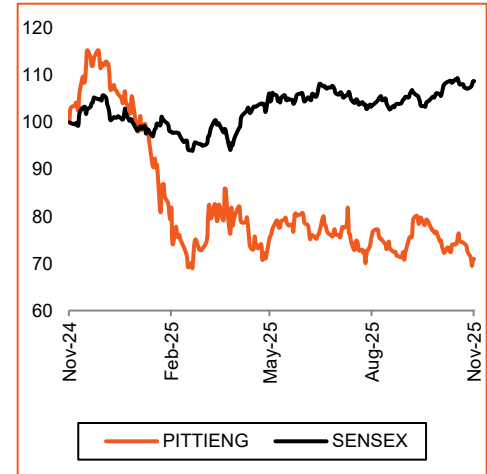
We have rolled forward our valuation basis to Sept'27 estimates. We value Pitti Engineering at 19.0x Sept'27 EPS, implying a target price of INR 1,080.

We reiterate our "BUY" rating on the stock.

KEY FINANCIALS

INR Millions	FY24	FY25	FY26E	FY27E	FY28E
Revenue	12,442	17,046	19,851	22,199	25,660
EBITDA	1,810	2,711	3,374	3,803	4,445
EBITDA Margin	14.6%	15.9%	17.0%	17.1%	17.3%
PAT	897	1,223	1,443	1,877	2,419
EPS	26.2	33.3	38.3	49.8	64.2

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE

MARKET DATA

Shares outs (Mn.)	38
Mkt Cap (INR Mn.)	34,200
52-Week H/L (INR)	1,511/835

*Based on previous closing
 Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-25	Jun-25	Mar-25
Promoters	54.2	54.2	54.2
FIIIs	0.9	0.8	0.9
DIIIs	20.5	19.1	18.8
Others	24.3	25.9	26.1
Total	100	100	100

14.1%

 Revenue CAGR
 between FY25-27E

23.9%

 PAT CAGR
 between FY25-27E

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Key Concall Highlights:

Strong volume traction; value-added mix continues to improve

- Lamination and assembly volumes rose to 17,700 tons (vs. 16,700 tons YoY), with high-value assemblies growing 16.5% YoY and stator frame + rotor shaft integrated assemblies up 33% YoY.
- Management reiterated that the company continues to deepen customer wallet share by moving up the value chain—from loose laminations to high-value integrated assemblies—reflecting strong acceptance of its precision-engineered products.
- Machine casting volumes remained steady, with machined castings up 2% YoY, while raw castings declined due to supply-side constraints.

Capacity expansion progressing as planned; visibility strong through FY27

- New capacity at the Bangalore facility is already under ramp-up, with customer approvals in progress and contribution expected from Q4 FY26 onward.
- The company expects consolidated capacity utilisation to reach ~80% by end-FY27, supported by strong order visibility across traction motor, industrial, and data-center segments.
- Capex of INR 1,500 Mn will add 8,000–9,000 tons of capacity by FY26-end; the remainder will come online in FY27.

Railways and traction motor demand remains resilient; export locomotive outlook stable

- Railways and traction-motor-related components contributed ~32% of Q2 revenue, of which ~25% came from domestic Indian Railways/metro, and the balance from international customers.
- Management clarified that commentary from global OEMs on slowdown relates only to new locomotive builds, whereas modification/upgradation programs remain strong and continue to drive demand.
- Export locomotive demand is expected to pick up again from January 2026, following a seasonally slower Q4 (holiday period).

Supply chain disruptions persist; elevated inventory and net debt to continue near term

- Inventory levels increased meaningfully due to BIS-related supply constraints and non-renewal of Chinese mill approvals, widening the domestic demand–supply gap for electrical steel.
- To secure availability, the company has begun importing materials from Korea and Japan, requiring higher working-capital investment.
- Management expects the situation to normalise only when new domestic steel capacities come online in FY27; until then, net debt will remain elevated.

Export momentum sustained; Mexico and Europe emerging as growth engines

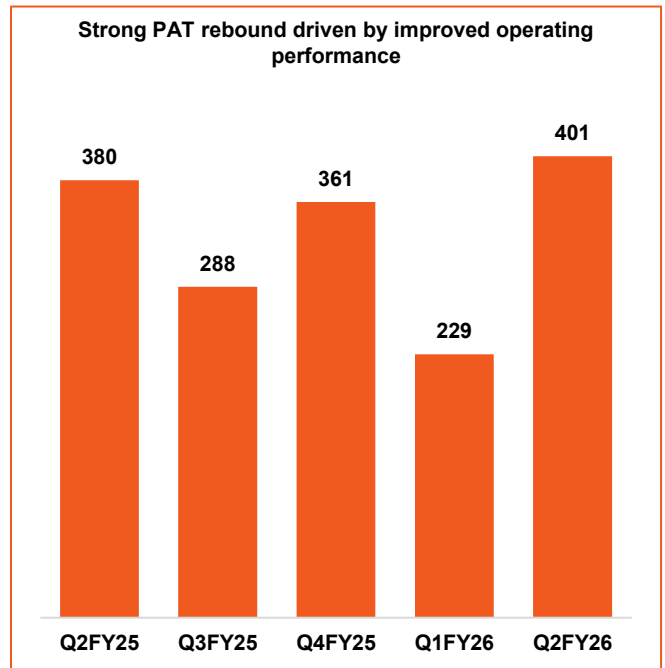
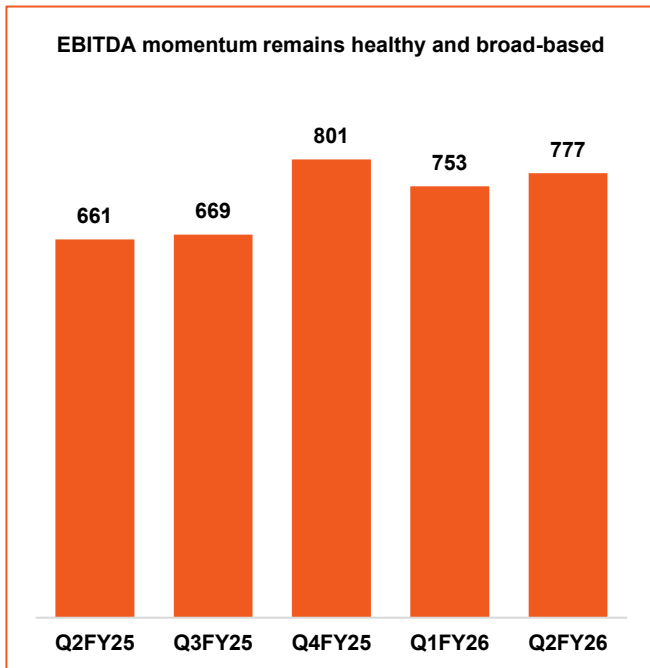
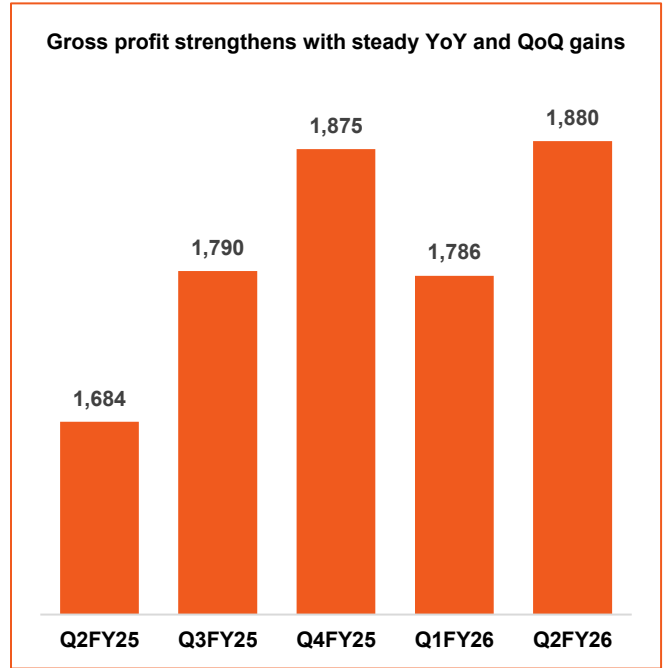
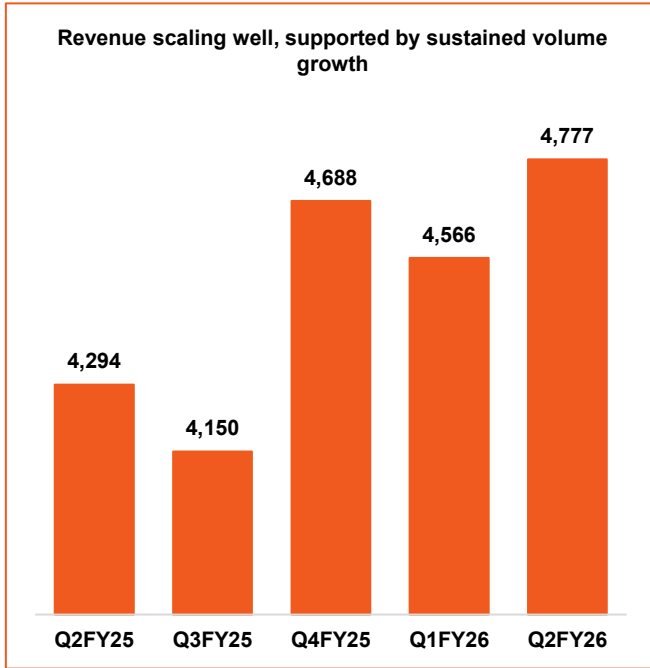
- Exports contributed ~28–31% of revenue, with Mexico forming ~55–60%, the U.S. ~25–30%, and the rest from Europe, Brazil, and Kazakhstan.
- U.S. tariff (Section 232) impact is limited, as the 50% material-content tariff applies uniformly across exporting countries—reducing the risk of sourcing shifts away from India.
- Mexico continues to see strong traction as global customers shift capacity to leverage US–Mexico trade advantages.

Guidance

- Management expects to comfortably achieve ~70,000 tons of volumes in FY26, aided by a Q4 ramp-up at the Bangalore facility.
- Volume trajectory remains strong, with visibility of ~82,000–83,000 tons in FY27 and ~93,000–94,000 tons in FY28, supported by new customer additions, expanding export programs, and a rising share of high-value assemblies.
- Capacity utilisation is projected to approach the ~80% optimum level by end-FY27, reinforcing the ongoing capex rollout and multi-year growth outlook.

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Story in Charts



Source: Company, DevenChoksey Research

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Result Snapshot

Particulars (Mn)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Revenue	4,777	4,566	4,294	4.6%	11.3%
Total Expenditure	4,001	3,812	3,633	4.9%	10.1%
COGS	2,897	2,779	2,609	4.2%	11.0%
Employee benefit expenses	398	423	475	(6.1%)	(16.4%)
Other Expenses	706	610	548	15.8%	28.8%
EBITDA	777	753	661	3.1%	17.5%
EBITDA Margin (%)	16.3%	16.5%	15.4%	-25bps	87bps
Depreciation	257	256	201	0.4%	28.1%
EBIT	519	497	460	4.5%	12.9%
Finance Costs	194	206	187	(5.8%)	3.6%
Other Income	213	74	259	188.0%	(17.6%)
PBT	539	365	532	47.4%	1.3%
Tax Expenses	138	137	152	0.8%	(9.1%)
PAT	401	229	380	75.2%	5.4%
PAT Margin (%)	8.4%	5.0%	8.9%	338bps	-46bps
EPS	10.5	6.0	10.0	75.2%	5.4%

Source: Company, DevenChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Particulars (INR Mn)	FY25	FY26E	FY27E	FY28E
Revenues	17,046	19,851	22,199	25,660
COGS	10,165	12,034	13,542	15,653
Gross profit	6,880	7,817	8,658	10,008
Employee cost	1,967	1,815	2,133	2,466
Other expenses	2,202	2,628	2,722	3,096
EBITDA	2,711	3,374	3,803	4,445
Depreciation & amortization	805	994	1,040	1,100
EBIT	1,906	2,380	2,763	3,345
Interest expense	678	779	660	520
Other Income	388	387	400	400
PBT	1,616	1,988	2,503	3,225
Tax	393	545	626	806
PAT	1,223	1,443	1,877	2,419
EPS (INR)	33.3	38.3	49.8	64.2

Exhibit 3: Cash Flow Statement

Particulars (INR Mn)	FY25	FY26E	FY27E	FY28E
CFFO	2,885	2,667	3,211	3,500
CFFI	-5,362	-900	-1,100	-500
CFFF	2,693	-1,090	-1,785	-2,633
Net Inc/Dec	216	678	326	367
Opening Balance	770	987	1,664	1,990
Closing Balance	987	1,664	1,990	2,357

Exhibit 4: Key Ratios

Key Ratios	FY25	FY26E	FY27E	FY28E
EBITDA Margin (%)	15.9%	17.0%	17.1%	17.3%
NPM (%)	7.2%	7.3%	8.5%	9.4%
RoE (%)	13.6%	13.9%	15.4%	16.7%
RoCE (%)	16.2%	18.2%	18.9%	21.0%
Debt to Equity (x)	0.3x	0.3x	0.2x	0.1x
P/E (x)	31.4x	23.5x	18.0x	14.0x

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

Particulars (INR Mn)	FY25	FY26E	FY27E	FY28E
Equity				
Equity Capital	188	188	188	188
Other Equity	8,798	10,166	11,967	14,273
Total Equity	8,987	10,354	12,156	14,461
Non-Current Liabilities				
Borrowings	2,813	2,750	2,500	1,500
Lease Liabilities	847	847	847	847
Provisions	413	413	413	413
Total Non-Current Liabilities	4,072	4,009	3,759	2,759
Current Liabilities				
Borrowings	2,972	2,800	2,000	1,000
Trade Paybles	3,310	3,815	4,266	4,931
Lease Liabilities	700	700	700	700
Total Current Liabilities	6,982	7,315	6,966	6,631
Total Liabilities	20,040	21,678	22,881	23,852
Non-Current Assets				
Property Plants and Equipments	7,662	7,705	7,902	7,439
CWIP	630	630	630	630
Right of use of Assets	1,168	1,031	894	757
Other Non-current assets	2,031	2,031	2,031	2,031
Total Non-current assets	11,492	11,398	11,458	10,858
Current Assets				
Inventories	3,291	4,079	4,561	5,273
Trade Receivables	2,562	2,828	3,163	3,656
Cash and Cash Equivalants	987	1,664	1,990	2,357
Bank Balance	418	418	418	418
Other Current Assets	1,291	1,291	1,291	1,291
Total Current Assets	8,549	10,280	11,423	12,994
Total Assets	20,040	21,678	22,881	23,852

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Date	CMP (INR)	TP (INR)	Recommendation
17-Nov-25	899	1,080	BUY
11-Aug-25	931	1,126	BUY
28-Apr-25	933	1,185	BUY
17-Feb-25	988	1,343	BUY
14-Nov-24	1,304	1,552	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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