BUY (Maintained)

CMP: **INR 4,525** Target Price: **INR 5,300 (INR 5,266)** ▲ 17%

ICICI Securities

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08 May 2025

India | Equity Research | Results update

Craftsman Automation

Auto Ancillaries

Decent quarter; new acquisitions to lift growth

Craftsman Automation (CFTM)'s Q4FY25 EBITDA margin contracted ~480bps YoY to 13.9%, in-line with I-Sec's estimate. Margin contraction YoY was led by expansion-related expenses and consolidation of recent acquisitions. We expect CFTM's EBITDAM to expand to 16%/17% in FY26E/FY27E with a ramp-up in operations at CFTM's new plants and a gradual improvement in profitability at Sunbeam. We expect revenue to increase by ~25%/15% in FY26E/FY27E led by continuing steady growth from its existing businesses, supported by an increase in the share of business with existing and new customers, new component additions, and revenue addition from Sunbeam/Fronberg acquisitions. Maintain **BUY** with a DCF-based TP of INR 5,300 (from INR 5,266), implying 20x FY27E EPS.

Conference call takeaways, and our views

- **Powertrain segment:** Revenue increased 30% YoY in Q4, but EBIT margin declined to 13.2% (down 200bps YoY), as it added more plant and machinery in the large engine segment. Margins improved 220bps QoQ led by operating leverage; CFTM expects margin to improve further from these levels. In terms of the outlook for this segment, management sees muted growth in the near term led by weakness in the CV segment; however, it expects strong growth and improvement in margins FY27 onwards – led by non-auto business ramping up and increased outsourcing opportunities from Europe/US. Management expects the stationary engines segment to scale to ~USD 100mn revenue in the next four years.
- **Aluminium segment:** Revenue grew 89% YoY led by the Sunbeam acquisition. Sunbeam's Q4 revenue was INR 3bn with EBITDA of INR 230mn. CFTM expects Sunbeam to post revenue of INR 12bn and EBITDA margin at 8–10% in FY26. The Sunbeam acquisition has helped CFTM expand its product capabilities, manufacturing footprint and new customers.
- **Industrial engineering segment:** Posted 30% growth YoY at INR 2.4bn. As per management, order book for the automated storage business is near full for FY26, which should support profitability in this segment (EBIT margin up 300bps YoY at 5.6% in Q4).

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	44,517	56,905	71,378	81,928
EBITDA	8,788	8,327	11,357	13,914
EBITDA %	19.7	14.6	15.9	17.0
Net Profit	3,365	2,263	4,678	6,354
EPS (INR)	140.8	94.7	195.7	265.8
EPS % Chg YoY	18.8	(32.7)	106.7	35.8
P/E (x)	33.0	49.0	23.7	17.5
EV/EBITDA (x)	14.3	15.8	11.3	8.9
RoCE (%)	19.2	11.6	14.0	17.4
RoE (%)	22.2	10.0	14.4	16.5

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Market Data

Market Cap (INR)	111bn
Market Cap (USD)	1,307mn
Bloomberg Code	CRAFTSMA IN
Reuters Code	CRAF.BO
52-week Range (INR)	7,121 /3,700
Free Float (%)	51.0
ADTV-3M (mn) (USD)	2.7

Price Performance (%)	3m	6m	12m
Absolute	13.5	(7.5)	7.9
Relative to Sensex	9.8	(9.0)	(1.9)

ESG Score	2023	2024	Change
ESG score	**65.3**	**65.9**	**0.6**
Environment	35.0	38.3	3.3
Social	70.3	73.9	3.6
Governance	85.3	85.0	(0.3)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

31-01-2025: Q3FY25 results review

25-07-2024: Q1FY25 results review

- **Other highlights:** Investments in FY25 were at INR 10bn, including: 1) purchase of balance 24% DR Axion stake for INR 2.5bn; 2) the Sunbeam investment of INR 6.1bn (Gurgaon plant sale in FY26 should reverse ~INR 3bn); and 3) Fronberg acquisition for INR 1.5bn. The company expects capex to reduce to INR 7.5–8bn in FY26 (from INR 11bn in FY25). CFTM guides for revenue/EBITDA of INR 70bn/INR 11bn in FY26. Debt is expected to reduce next year led by proceeds from Gurgaon plant sale and lower capex.

Exhibit 1: Q4FY25 result review

INR mn	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Net sales	**17,493**	**11,053**	58.3%	**15,761**	11%
Materials	9,474	5,984	58%	8,312	14%
As a % sales	54.2%	54.1%	*2 bps*	52.7%	*142 bps*
Gross Profit	**8,019**	**5,069**	**58%**	**7,449**	**8%**
Gross Margin	45.8%	45.9%	*-2 bps*	47.3%	*-142 bps*
Employee cost	1,458	730	100%	1,334	9%
As a % sales	8.3%	6.6%	*174 bps*	8.5%	*-13 bps*
Other op cost	4,125	2,271	82%	4,126	0%
As a % sales	23.6%	20.5%	*303 bps*	26.2%	*-260 bps*
EBITDA	**2,436**	**2,069**	18%	**1,990**	22%
EBITDA Margin	13.9%	18.7%	*-479 bps*	12.6%	*130 bps*
Depreciation	949	723	31%	1,035	-8%
EBIT	**1,487**	**1,346**	10%	**955**	56%
EBIT Margin	8.5%	12.2%	*-368 bps*	6.1%	*244 bps*
Other income	52	53	-2%	86	-39%
Interest exp	679	464	46%	583	17%
Profit before tax	**860**	**935**	-8%	**458**	88%
PBT Margin	4.9%	8.5%	*-354 bps*	2.9%	*201 bps*
Exceptional loss/(inc)	107	0	N.M.	148	N.M.
less: tax	88	233	-62%	183	-52%
Reported PAT	**668**	**705**	**-5%**	**129**	**416%**
Adjusted PAT	**775**	**705**	**10%**	**277**	**180%**
EPS	27.9	29.5	-5%	5.4	416%

Source: I-Sec research, Company data

Exhibit 2: Q4FY25 segmental performance

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Revenues (INR mn)					
Powertrain	5,065	3,897	30%	4,575	11%
Aluminum	10,055	5,328	89%	9,164	10%
Industrial & Engineering	2,372	1,828	30%	2,022	17%
Total	**17,493**	**11,053**	**58%**	**15,761**	**11%**
EBIT margin					
Powertrain	13.2%	15%	*-201 bps*	11%	*221 bps*
Aluminium	8.8%	16%	*-727 bps*	8%	*98 bps*
Industrial & Engineering	5.6%	3%	*299 bps*	0%	*545 bps*

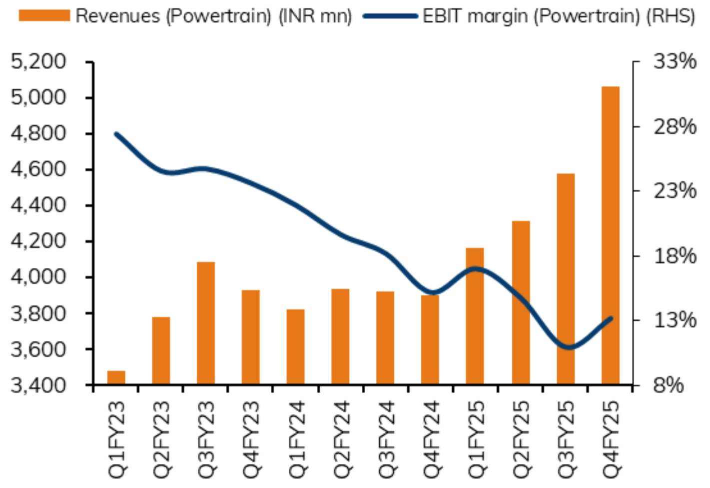
Source: I-Sec research

Exhibit 3: Estimates revision

	FY26E			FY27E		
	Previous	Revised	% Change	Previous	Revised	% Change
Revenue (INR mn)	69,432	71,378	2.8%	80,027	81,928	2.4%
EBITDA (INR mn)	11,099	11,357	2.3%	13,426	13,914	3.6%
EBITDA Margin (%)	16.0%	15.9%	-7 bps	16.8%	17.0%	21 bps
PAT (INR mn)	4,595	4,678	1.8%	6,253	6,354	1.6%
EPS (INR)	192	196	1.8%	262	266	1.6%

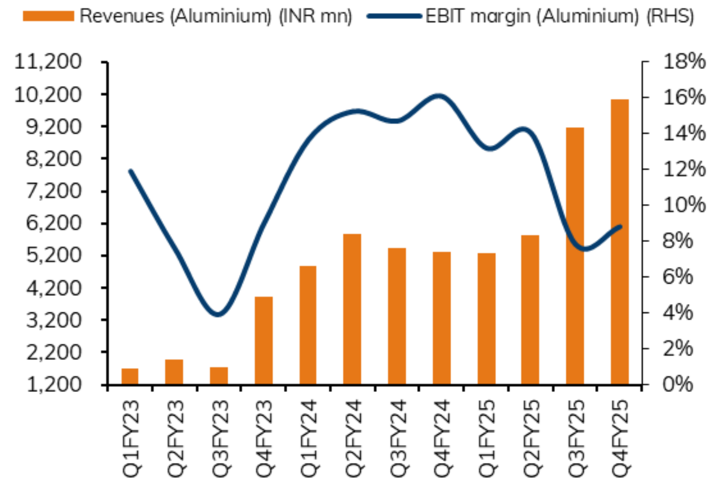
Source: I-Sec research

Exhibit 4: Powertrain segment revenue vs. EBITM trend



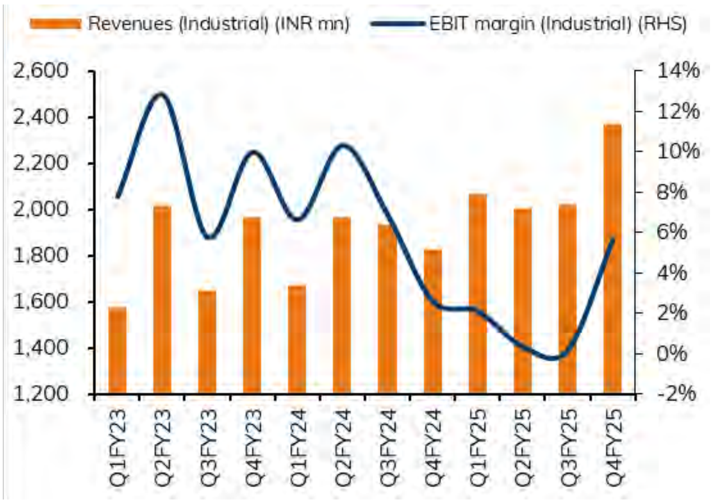
Source: I-Sec research, Company data

Exhibit 5: Aluminium segment revenue vs. EBITM trend



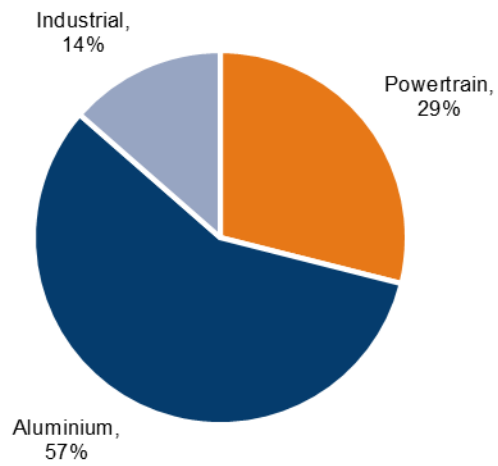
Source: I-Sec research, Company data

Exhibit 6: Industrial segment revenue vs. EBITM trend



Source: I-Sec research, Company data

Exhibit 7: Q4FY25 revenue breakdown by segment



Source: I-Sec research, Company data

Downside risks

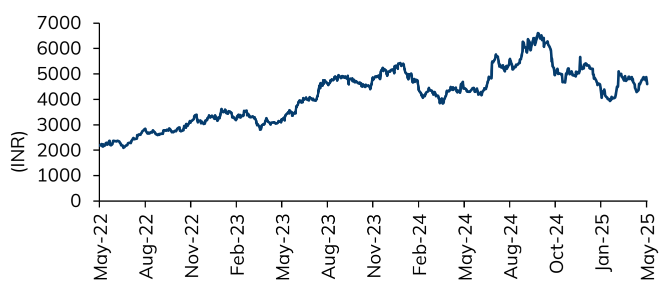
- Major slowdown in domestic M&HCV market may impact the higher-margin PT segment.
- Slowdown in SUVs, post undergoing strong traction in FY22–24, may impact growth prospects of aluminium segment.
- Inability to ramp-up margins from its current sub-10% levels in the industrial segment could pose a risk to earnings estimates.

Exhibit 8: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	48.7	48.7	48.7
Institutional investors	38.1	38.0	38.0
MFs and others	16.6	16.1	17.4
FIs / Banks	0.0	0.0	0.0
Insurance Cos	0.6	0.5	0.9
FIIs	20.9	21.4	20.1
Others	13.2	13.3	13.3

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	44,517	56,905	71,378	81,928
Operating Expenses	**12,016**	**17,557**	**25,760**	**28,688**
EBITDA	8,788	8,327	11,357	13,914
EBITDA Margin (%)	**19.7**	**14.6**	**15.9**	**17.0**
Depreciation & Amortization	**2,777**	**3,470**	**4,124**	**4,444**
EBIT	6,011	4,857	7,233	9,471
Interest expenditure	1,745	2,166	1,200	1,200
Other Non-operating Income	172	251	276	303
Recurring PBT	4,438	2,941	6,309	8,574
Profit / Loss from Associates	-	-	-	-
Less: Taxes	1,074	688	1,640	2,229
PAT	3,365	1,999	4,669	6,345
Less: Minority Interest	9	10	9	9
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	3,365	2,009	4,678	6,354
Net Income (Adjusted)	3,365	2,263	4,678	6,354

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	19,560	30,902	35,178	41,018
of which cash & cash eqv.	830	1,232	2,245	3,926
Total Current Liabilities & Provisions	10,678	18,955	18,891	21,683
Net Current Assets	**8,882**	**11,948**	**16,287**	**19,335**
Investments	1,945	2,007	2,007	2,007
Net Fixed Assets	23,767	34,803	33,106	32,662
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,786	3,453	3,453	3,453
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	**36,380**	**52,210**	**54,852**	**57,457**
Liabilities				
Borrowings	15,464	21,551	19,735	16,235
Deferred Tax Liability	1,315	61	61	61
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	106	119	119	119
Reserves & Surplus	16,474	28,448	32,257	38,362
Total Net Worth	**16,580**	**28,567**	**32,376**	**38,481**
Minority Interest	937	-	-	-
Total Liabilities	**36,380**	**52,210**	**54,852**	**57,457**

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	11,512	12,140	15,761	17,493
% growth (YOY)	10.9		39.5	58.3
EBITDA	2,142	1,928	1,990	2,436
Margin %	17.1	15.9	12.6	13.9
Other Income	48	64	86	52
Extraordinaries	-	-	148	107
Adjusted Net Profit	595	617	277	775

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	**5,315**	**3,606**	**6,666**	**10,621**
Working Capital Changes	(2,572)	829	(3,326)	(1,368)
Capital Commitments	(7,205)	(9,916)	(2,397)	(4,000)
Free Cashflow	**(1,890)**	**(6,310)**	**4,270**	**6,621**
Other investing cashflow	-	(6,800)	-	-
Cashflow from Investing Activities	**(7,205)**	**(16,716)**	**(2,397)**	**(4,000)**
Issue of Share Capital	-	12,000	-	-
Interest Cost	(1,745)	(2,166)	(1,200)	(1,200)
Inc (Dec) in Borrowings	3,438	4,509	(1,817)	(3,500)
Dividend paid	(238)	(269)	(269)	(269)
Others	791	(561)	29	29
Cash flow from Financing Activities	**2,246**	**13,513**	**(3,257)**	**(4,940)**
Chg. in Cash & Bank balance	356	402	1,013	1,681
Closing cash & balance	830	1,232	2,245	3,926

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	140.8	94.7	195.7	265.8
Adjusted EPS (Diluted)	140.8	94.7	195.7	265.8
Cash EPS	257.0	239.9	368.3	451.8
Dividend per share (DPS)	0.5	0.2	0.5	0.5
Book Value per share (BV)	693.7	1,195.3	1,354.7	1,610.1
Dividend Payout (%)	0.3	0.2	0.2	0.2
Growth (%)				
Net Sales	39.9	27.8	25.4	14.8
EBITDA	28.6	(5.2)	36.4	22.5
EPS (INR)	18.8	(32.7)	106.7	35.8
Valuation Ratios (x)				
P/E	33.0	49.0	23.7	17.5
P/CEPS	18.1	19.4	12.6	10.3
P/BV	6.7	3.9	3.4	2.9
EV / EBITDA	14.3	15.8	11.3	8.9
EV / Sales	2.8	2.3	1.8	1.5
Profitability Ratios				
Gross Profit Margins (%)	46.7	45.5	52.0	52.0
EBITDA Margins (%)	19.7	14.6	15.9	17.0
EBIT Margins (%)	13.5	8.5	10.1	11.6
Net Profit Margins (%)	7.6	4.0	6.6	7.8
RoCE (%)	19.2	11.6	14.0	17.4
RoE (%)	22.2	10.0	14.4	16.5
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Fixed Asset Turnover (x)	1.7	1.5	2.0	2.3
Inventory Turnover Days	85	85	85	85
Receivables Days	47	59	45	45
Payables Days	87	120	95	95
Effective Tax Rate (%)	24.2	25.6	26.0	26.0
Net Debt / Equity (x)	0.8	0.7	0.5	0.3
Net Debt / EBITDA (x)	1.7	2.4	1.5	0.9

Source Company data, I-Sec research

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