



Duration: 6-9 Months

CMP (Rs)	Target (Rs)	Potential Upside (%)
1,295	1,425	10%

MARKET DATA

No. of Shares	3.55 Cr
Market Cap (Rs Cr)	Rs 4,590 Cr
52-week High / Low	1,458/622
BSE Code	513519
NSE Code	PITTIENG

Why Pitti Engineering Ltd?

- ✓ **Capacity Expansion**
- ✓ **Significant Increase in the Order Book**
- ✓ **Growing share of value-added products**
- ✓ **Improving Profitability**

About the Company

Pitti Engineering Ltd. (PITTIENG), established in 1983, is engaged in manufacturing a wide range of engineering products made of iron and steel. These include electrical steel laminations, sub-assemblies for motor and generator cores, die-cast rotors, as well as machined cast and fabricated parts and shafts. Its rotating electrical equipment portfolio consists of products like loose laminations, pole laminations, assembled stator cores, and RTU Stators, among others. The company supplies its products to various diversified sectors, including hydro and thermal power generation, wind energy, mining, cement, steel, sugar, construction, lift irrigation, freight and passenger rail, mass urban transport, e-mobility, appliances, medical equipment, oil and gas, and other industrial applications.

Investment Rationale

- A. Strong volume growth in Q1:** Volumes of rotating electrical equipment (Laminations and Assemblies) in Pitti Engineering's existing business (excluding BCIPL) increased by over 24% YoY in Q1. While volumes of machining components declined, the blended EBITDA/Tonne on a standalone basis rose by 2.77% YoY to Rs 43,785. BCIPL volumes grew by 13.2% YoY, although EBITDA for BCIPL was impacted by certain one-time factors. However, management remains optimistic about achieving the targeted EBITDA levels. The company's capacity utilization also improved during the quarter, reaching close to 90%.
- B. Acquisitions to complement organic growth:** Pitti Engineering Ltd. (PEL) had earlier completed the acquisition of Bagadia Chaitra Inds Pvt. Ltd. (BCIPL), enhancing its presence in South India. In Q2, it finalized the acquisition of Dakshin Foundry Private Ltd. (DFPL) and is on track to complete the previously announced merger with Pitti Castings Pvt. Ltd. (PCL). The businesses and target customers of these acquired entities complement PEL's existing offerings. The company anticipates strong revenue growth and cost savings as the consolidation process moves forward.
- C. Operating leverage to kick in:** Despite one-off expenses related to acquisitions, Pitti Engineering's EBITDA margins improved on a YoY basis, driven by operating leverage as volumes grew significantly. Management anticipates a reduction in other expenses going forward and is optimistic about surpassing the annual target of 63,000 tonnes at the consolidated level. The company is also focusing on enhancing its product mix and aims to increase EBITDA/tonne to Rs 18,000/tonne in the BCIPL business. Additionally, the recently acquired DFPL already boasts superior margins compared to PEL's existing businesses.
- D. DFPL to bring margin accretive growth:** DFPL has an established business with strong technical capabilities. In FY24, it generated an EBITDA/Tonne of approximately Rs 63,000/Tonne, reflecting higher profitability compared to Pitti Engineering's existing operations. DFPL has an annual capacity of 4,200 tonnes with a utilization rate exceeding 70%. The business is projected to generate revenue of Rs 70-75 Cr and EBITDA between Rs 18-20 Cr in FY25. With this acquisition, PEL is expected to further expand its geographic reach and diversify its customer base.
- E. Recommendation:** We recommend a BUY on the stock with a near-term TP of Rs 1,425/Share, implying an upside of 10% from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/BV (X)	EV/EBITDA (X)
FY24	1,202	178	90	27.9	47.0	24	10.1	26.1
FY25E	2,040	301	162	46.1	28.4	33	8.1	16.9
FY26E	2,244	356	197	56.1	23.3	30	6.1	13.7

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