AXIS DIRECT

Axis PUNCH

25th August, 2026

Pitti Engineering Ltd.

Industrial Product

BUY

Target Price
1,250

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

- **Aggressive capacity expansion strengthens long-term growth visibility:** Pitti Engineering has commissioned its Rs 150 Cr consolidated capex, taking capacities to 108,000 MT in sheet metal, 756,000 machining hours, and 24,600 MT in castings. The Rs 290 Cr Hyderabad greenfield casting facility is progressing as planned, with Rs 60 Cr invested so far, and is expected to double casting capacity to 36,000 MT by Q1FY29. Further, the proposed Rs 400 Cr integrated Bangalore facility could support long-term revenue potential of Rs 3,000–3,300 Cr. Strong demand visibility has led management to raise FY27 volume targets to 82,000 tonnes for laminations and 17,000 tonnes for castings.

- **Rising value-added mix to support margin expansion:** Higher-value integrated products continue to outperform conventional laminations. Stator and rotor assemblies grew 37.1% YoY to 4,143 MT, while integrated lamination assemblies increased 21.7% YoY to 1,212 MT in Q1FY27. Fully machined cast components also grew 26.4% YoY to 1,562 MT, reflecting increasing customer preference for integrated solutions. Despite near-term pressure from setup and manpower costs, adjusted EBITDA margin stood at 16.8%; management expects margins to improve to 18.0–18.5% over the next three years, supported by operating leverage and a richer product mix.

- **Improving utilization and diversified end-market exposure:** Capacity utilization improved across businesses, with sheet metal, machining and casting utilization reaching 73%, 86% and 72%, respectively. While traction motors and railways remain the largest segment at 28% of revenue, mining, oil & gas doubled its contribution to 10%, while data-center generator applications increased to 5%, supported by relationships with global OEMs. The China+1 strategy and increasing European manufacturing localization in India should further support exports and indirect export opportunities through global OEMs.

- **Company Outlook & Guidance:** Driven by robust demand and newly expanded capacity, the management has upgraded its FY27 volume targets to 82,000 tonnes for laminations (up from 78,000) and 17,000 tonnes for castings. Supported by electrification trends and global supply chain realignments, management expects operational efficiencies to improve as utilization nears 80%. Over the next three years, an increasing share of high-margin, value-added assemblies is projected to lift consolidated EBITDA margins to 18-18.5%, with ongoing capital investments structurally positioned to eventually support an annual revenue potential of Rs. 3,000- 3,300 Cr.

Valuation & Recommendation

The company continues to deliver steady growth. Persistent demand from key end-user industries, despite short-term fluctuations, is expected to drive improved utilisation levels. Recently announced capacity additions will further support revenue growth in FY27 and beyond, with a meaningful earnings contribution from FY28. Revenue growth is expected to be supported by the capex, recent trade deals between India and the US, as well as Europe. Increased share of value-added products and operating leverage shall help in improving the margins going ahead. **We value the stock at 20x FY28E EPS and recommend a BUY on the stock with a target price of Rs 1,250/share, implying an upside of 10% from the CMP.**

Financial Summary (Consolidated)

Y/E March	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)	EV/EBITDA (x)
FY25	1,705	271	122	32.5	35	18%	22%	16.4
FY26	1,913	316	118	31.3	36	12%	18%	14.1
FY27E	2,296	367	156	41.3	27	15%	19%	12.1
FY28E	2,667	450	230	61.1	19	18%	23%	9.9

Source: Axis Securities Research; CMP as on 25th August, 2026

Duration: 3-6 Months

CMP (Rs)	1,135
Target Price (Rs)	1,250
Upside (%)	10%

| Why Pitti Engineering Ltd.?

- ✓ **Persistent Demand from Key End-user Industries**
- ✓ **Capacity Expansion**
- ✓ **Improving Utilization**
- ✓ **Rising Value-Added Mix To Support Margin Expansion**

| Key Risks

- ✓ **Delays in Capacity Expansion**
- ✓ **Prolonged/Elevated Supply-side Pressures Leading to Lower Profitability.**

MARKET DATA

No. of Shares	3.77 Cr
Market Cap	4,201 Cr
52-week High / Low	1,120/675
BSE Code	513519
NSE Code	PITTIENG

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About Axis PUNCH

| OBJECTIVE

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| Axis PUNCH is a strong, research-based idea based on

Events-Based: Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyse changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
- **Sector Developments:** Material developments within sectors, including monthly production and sales numbers in industries like Auto, Cement, and Steel, as well as competitive landscape changes due to business actions or new entrants/exits, are considered.
- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

Strategic Insights: Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

Informed Decisions: Make well-informed investment decisions backed by the expertise of our dedicated research team.

Medium-term Horizon: Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

| Why to choose Axis PUNCH

These medium-term recommendations are crafted by the fundamental research team of Axis Securities, ensuring a rigorous analysis of developments around the company. Please note that Axis Punch recommendations may differ from our long-term company recommendations. Key investment rationale and risks are clearly highlighted in stock ideas.

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
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