

Craftsman Automation

Estimate changes	
TP change	
Rating change	

Bloomberg	CRAFTSMA IN
Equity Shares (m)	24
M.Cap.(INRb)/(USDb)	175.9 / 1.9
52-Week Range (INR)	8069 / 3700
1, 6, 12 Rel. Per (%)	7/12/62
12M Avg Val (INR M)	372

Consol. Financials & Valuations (INR b)

INR b	FY26E	FY27E	FY28E
Sales	80.9	91.6	103.7
EBITDA	12.2	14.8	17.3
Adj. PAT	3.9	5.5	7.2
EPS (INR)	163.2	231.5	301.3
EPS Gr. (%)	77.1	41.8	30.2
BV/Sh. (INR)	1,347	1,565	1,849
Ratios			
RoE (%)	12.8	15.9	17.6
RoCE (%)	10.8	11.3	12.3
Payout (%)	6.1	5.6	5.6
Valuations			
P/E (x)	44.8	31.6	24.3
P/BV (x)	5.4	4.7	4.0
Div. Yield (%)	0.1	0.2	0.2
FCF Yield (%)	-3.6	0.8	2.5

Shareholding pattern (%)

As of	Dec-25	Sep-25	Dec-24
Promoter	48.7	48.7	48.7
DII	25.2	24.4	21.0
FII	16.0	15.4	17.0
Others	10.0	11.5	13.3

FII includes depository receipts

CMP: INR7,375

TP: INR7,096 (-4%)

Neutral

Earnings beat largely driven by higher other income

Sharp input cost inflation weighs on the aluminum business

- Craftsman Automation (Craftsman)'s 3QFY26 consol. adj. PAT of INR1.1b was ahead of our estimate of INR965m, largely led by a higher-than-expected other income, even as EBITDA margin was in line.
- The aluminum business is likely to be a key growth driver going forward on the back of a ramp-up of its alloy wheel facilities at Bhiwadi and Hosur, steady order visibility from both domestic and export customers, and the benefits of the restructuring of Sunbeam to be visible from FY27E. However, post the recent run-up in the stock, most of the positives seem factored in at **31.6x FY27E and at 24.3x FY28E**. We reiterate our **Neutral rating with a TP of INR7,096 (valued at 25x Dec'27E EPS)**.

Earnings beat led by higher other income

- Consolidated revenues grew 30.5% YoY/3% QoQ to INR 20.5b (in line with our estimates). Even on a standalone basis, revenue was largely in line with our estimates.
- Despite operating losses at the new alloy wheel plant and higher aluminum prices, consolidated margins were flat QoQ at 15.2% (in-line) due to improved margins in the powertrain and Industrial engineering segments.
- Given the strong revenue growth, EBITDA grew 57% YoY/3.5% QoQ to INR 3.1b, in line with our estimates.
- Segmental performance:
 - Powertrain:** Revenue at INR5.4b, rose 17.3% YoY (a miss of 6.5% on our est). EBIT margin at 16.8% was up 680bp YoY (220bp **beat** on our est.).
 - Aluminum:** Revenue at INR12b was up 31% YoY (3.5% **miss** on est.), EBIT margin at 9.2% was up 140bp YoY (250bp **miss** on our est.). Margin miss in this segment was largely due to a spurt in Al prices in 3Q and the losses at the new alloy wheel plant.
 - Industrial:** Revenue at INR3.2b, up 57% YoY and 15% **beat** on est, EBIT margins at 6.7%, up 660bp YoY and 530bp **beat** on est. Management has indicated that these margins are sustainable as the industry pricing discipline has improved.
 - DR Axion's revenue grew 17% YoY to INR3.8b, while Sunbeam recorded a strong 32.5% revenue growth. Despite the ramp-up of subsidiaries, the aluminum margin in the subsidiaries was flat YoY, down 70bp QoQ.
- The company has posted an exceptional expense for 3Q worth INR 36.8m on account of the labor code impact.
- Adjusted for this, PAT surged 353% YoY on a low base to INR1.1b (vs. our est. of INR965m), led by higher-than-expected other income at INR277m (vs. our est. of INR45m).

Highlights from the management commentary

- **Growth guidance:** Management expects revenue growth for the industrial and powertrain segment to be in the high-single to low double-digit range, while the aluminum segment is expected to record a high-teens revenue growth
- Annualized RoE and RoCE stood at 12% and 16%, respectively.
- Standalone capex guidance for FY26 was maintained at INR10b
- For stationary engines, Craftsman has secured an order book worth USD60m with a balance of USD30-40m to be signed in the upcoming fiscal, and first invoicing for the same is expected to take place in the next 1.0-1.5 years, with peak revenue expected to be hit by FY30.
- At Sunbeam, utilization has now reached over 50%, and margins are expected to improve starting from 2QFY27. The company aims to move to 10% EBITDA margins next year, from the current 7% levels.
- Management expects margins to be sustained in the Industrial Engineering business, given the pricing discipline that has set in the industry.

Valuation and view

- The aluminum business is likely to be a key growth driver going forward on the back of a ramp-up of its alloy wheel facilities at Bhiwadi and Hosur, steady order visibility from both domestic and export customers, and the benefits of the restructuring of Sunbeam to be visible from FY27E. Management has indicated that while the Aluminum segment can grow at high-teens going forward, the powertrain and Industrial engineering segments can grow at a high single-digit rate. However, post the recent run-up in the stock, most of the positives seem factored in at **31.6x FY27E and at 24.3x FY28E**. We reiterate our **Neutral** rating with a **TP of INR7,096 (valued at 25x Dec'27E EPS)**.

	Quarterly (Consol) (INR m)											
	FY25			FY26E				FY25	FY26E	3QE	Var (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net operating income	11,512	12,140	15,761	17,493	17,840	20,016	20,573	22,454	56,905	80,883	20,968	-1.9
Change (%)	10.9	3.0	39.5	58.3	55.0	64.9	30.5	28.4	27.8	42.1	33.0	
RM/Sales (%)	56.3	55.6	52.7	54.2	53.9	54.7	55.0	55.2	54.5	54.7	54.5	50bp
Staff Cost (% of Sales)	6.4	6.9	8.5	8.3	8.1	7.2	7.3	7.1	7.7	7.4	7.5	-20bp
Other Exp. (% of Sales)	20.1	21.6	26.2	23.6	23.2	23.0	22.6	22.3	23.2	22.8	22.6	0bp
EBITDA	1,973	1,928	1,990	2,436	2,649	3,019	3,122	3,447	8,327	12,238	3,229	-3.3
EBITDA Margins (%)	17.1	15.9	12.6	13.9	14.9	15.1	15.2	15.4	14.6	15.1	15.4	-20bp
Change (%)	-7.9	-18.8	-9.6	17.7	34.3	56.6	56.9	41.5	1,110.9	182.0	62.3	
Non-Operating Income	48	64	86	52	50	96	277	59	251	481	45	
Interest	492	413	583	679	663	770	794	806	2166	3033	820	
Depreciation	725	762	1035	949	1019	1090	1149	1199	3470	4457	1138	
Minority Int/Share of Profit	61	-4	-2	-2	-2	-4	-3	-6	-10	-14	-4	
PBT after EO items	744	821	313	755	937	1,253	1,422	1,506	2,951	5,119	1,320	7.7
Eff. Tax Rate (%)	28.5	24.9	58.6	11.6	25.7	27.5	24.7	25.2	23.3	25.7	26.9	
Rep. PAT	532	617	129	668	696	909	1,071	1,126	2,263	3,802	965	11.0
Change (%)	-28.6	-34.7	-82.3	7.1	30.9	47.3	728.4	68.7	-25.7	68.0	646.3	
Adj. PAT	532	617	242	750	757	912	1,098	1,126	2,263	3,894	965	13.8
Change (%)	-28.6	-34.7	-66.9	20.3	42.3	47.9	353.2	50.2	-25.7	72.0	298.1	

Segment Revenues	(INR m)										
	FY25				FY26E				FY25	FY26E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
Auto Powertrain	4,163	4,311	4,575	5,065	4,964	5,380	5,366	5,811	18,115	21,520	5,741 -6.5
Growth (%)	8.9	9.5	16.6	30.0	19.2	24.8	17.3	14.7	16.2	18.8	25.5
PBET Margin (%)	17.0	14.7	11.0	13.2	15.2	14.6	16.8	16.8	13.9	15.9	14.6 220bp
Aluminium Products	5,282	5,827	9,164	10,055	10,713	12,041	12,034	13,211	30,328	47,997	12,464 -3.5
Growth (%)	8.3	-1.0	68.4	88.7	102.8	106.6	31.3	31.4	230.6	58.3	36.0
PBET Margin (%)	13.2	14.0	7.8	8.8	10.1	11.7	9.2	9.4	10.3	10.1	11.7 -250bp
Industrial	2,067	2,002	2,022	2,372	2,163	2,596	3,174	3,432	8,463	11,365	2,764 14.8
Growth (%)	23.5	1.8	4.8	29.8	4.7	29.7	56.9	44.7	15.6	34.3	36.7
PBET Margin (%)	2.1	0.3	0.1	5.6	2.2	1.4	6.7	6.9	2.2	4.7	1.4 530bp
Total Product sales	11,512	12,140	15,761	17,493	17,840	20,016	20,573	22,454	56,905	80,883	20,968



Highlights from the management commentary

Update on the overall business and outlook

- **Growth Guidance:** Management expects revenue growth for the industrial and powertrain segment to be in the high single to low double digit range, while the aluminum segment is expected to record a high teens revenue growth.
- As of the latest 9-month annualized data, the company's net debt-to-EBITDA ratio stands at 2.55x and is expected to improve from these levels. Debt level can materially come down once they can sell the Sunbeam land at the "right" valuation. Book value for the same is INR 3.5b
- Annualized RoE and RoCE stood at 12% and 16%, respectively.
- Standalone capex guidance for FY26 was maintained at INR10b
- The consolidated revenue mix is: CV: 12%, PV: 34%, Two-Wheelers: 24%, Storage: 9%, Tractors: 4%, Off-Highway (OHT): 5%, Other Powertrain: 4%.

Update on powertrain business

- Over the past couple of years, both the Tractor and CV segments have been muted. However, the Tractor segment is now performing better, and the Commercial Vehicle segment is showing signs of recovery.
- For stationary engines, Craftsman has secured an order book worth \$60m with a balance of USD30-40m to be signed in the upcoming fiscal, and first invoicing for the same is expected to take place in the next 1.0-1.5 years with peak revenues expected to be hit by FY30.
- Craftsman plans to continue investing in the powertrain segment over the next 5-10 years to cater to the ICE demand. The recent capacity expansion will add 5-10% to the current powertrain capacity, which will come through within the next 12months.

Update on the aluminum business

- The aluminum margins experienced a dip in QoQ performance due to operational losses at the new alloy wheel plant at Hosur. Production is expected to ramp up from 4Q onwards, which will help normalize margins. While their value addition remained similar, higher aluminum prices led to optically lower margins.
- Aluminum content in Indian vehicles is still much lower than that in the West, and hence, the long-term growth opportunity for Craftsman in this segment is high.

- The CAFÉ norms will push OEMs to reduce emissions, and lightweighting will be key. This is particularly important for EVs, where more lightweighting leads to greater range and lower battery costs. This will drive up Al content in vehicles where Craftsman can play a key role. For ICE and hybrid vehicles, new designs will create an opportunity for Craftsman to increase aluminum content as OEMs build new platforms.
- Craftsman remains a relatively small supplier with a size of under USD0.5b in revenue, when compared to global majors who generate between USD 3b and USD8b from this business. Given its subpar scale, Craftsman is still not able to bid for large global orders. However, with the recent acquisitions, they are moving in the right direction.

Update on Sunbeam

- Utilization has now reached over 50%, and margins are expected to improve starting from 2QFY27. The company aims to move to 10% EBITDA margins next year, from the current 7% levels.
- No new business has been taken on so far, but the company plans to acquire new business in the premium 2W segment for the machining business starting in the upcoming quarters.
- The segment sold to Shriram in the NCR region generated INR300m in revenue from the 2W segment, but this is not expected to have a major impact as Craftsman plans to focus on its key business and customers and not diversify into smaller customers.
- Currently, about 95% of Sunbeam's revenues come from 4-5 large customer groups, and it wants to focus on them going forward

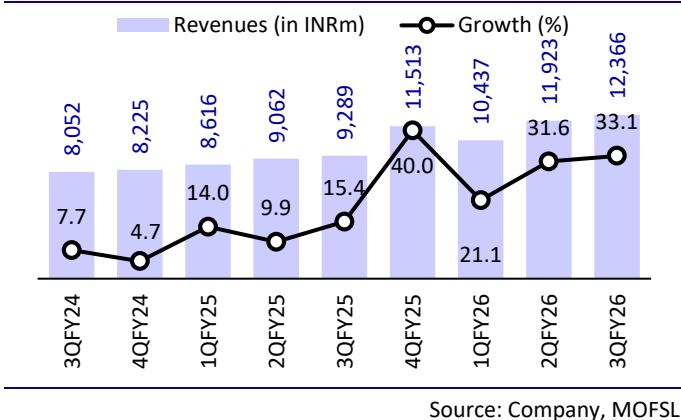
Update on DR Axion

- The company is putting up another large plant in DR Axion to cater to the new orders, and this capacity is expected to reach full utilization over the next 3-4 years.

Update on industrial and engineering business

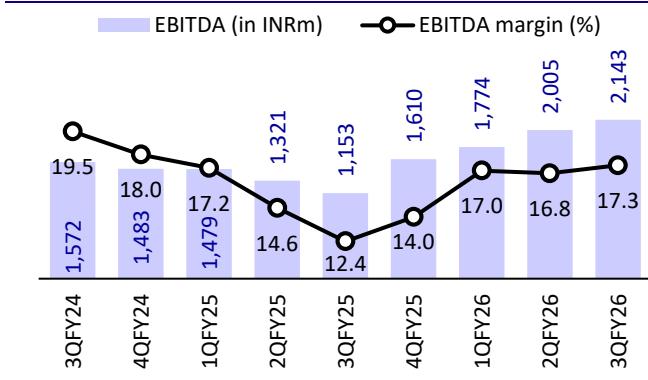
- Craftsman is the second largest player for static racking and amongst the top two players in Automotive storage.
- There is now a clear gap between the top 2 players and the rest of the industry in this business, with large project execution coming to these large players. Hence, there is no need for price undercutting to secure new business. Hence, management expects margins in this business to sustain at current levels and then improve further from 2Q onwards as operating leverage benefits kick in.

Exhibit 1: SA revenue and revenue growth (%)



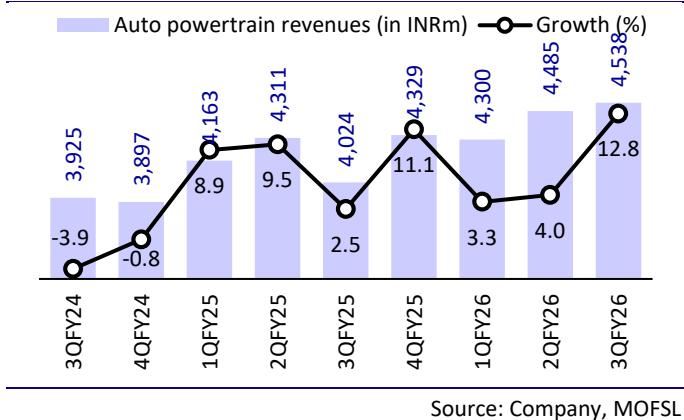
Source: Company, MOFSL

Exhibit 2: SA EBITDA and EBITDA margin (%)



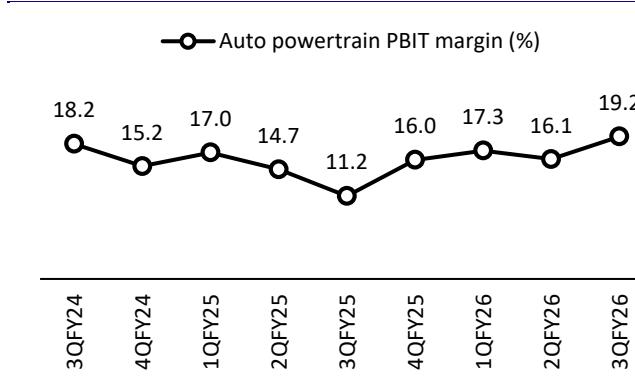
Source: Company, MOFSL

Exhibit 3: Auto powertrain's revenue and growth (%)



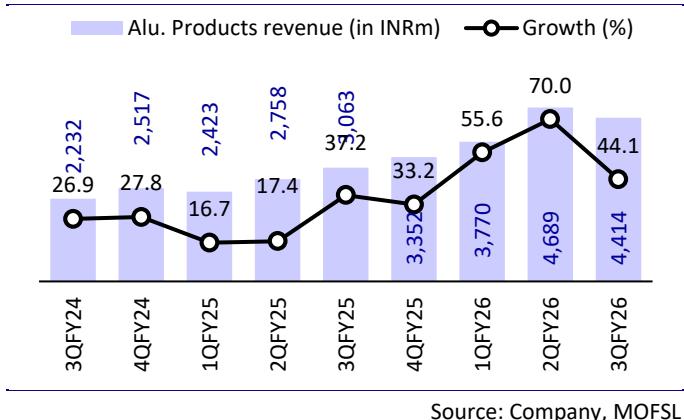
Source: Company, MOFSL

Exhibit 4: Auto powertrain's PBIT margin (%)



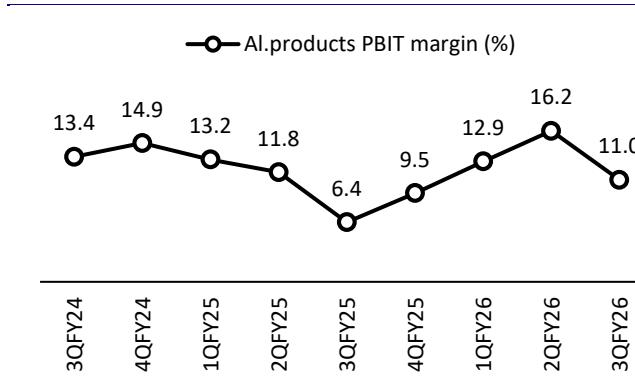
Source: Company, MOFSL

Exhibit 5: Aluminum products' revenue and growth (%)



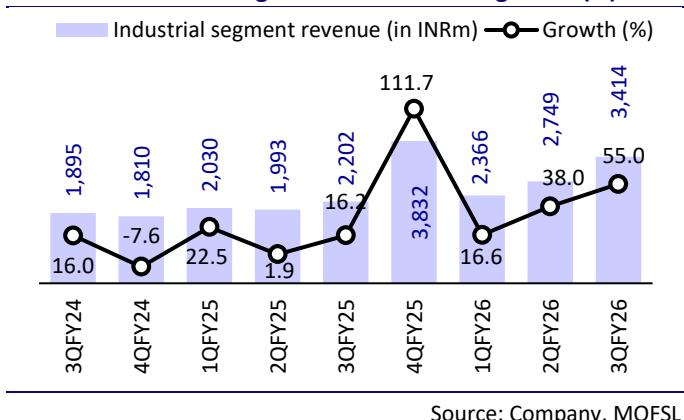
Source: Company, MOFSL

Exhibit 6: Aluminum products' PBIT margin (%)



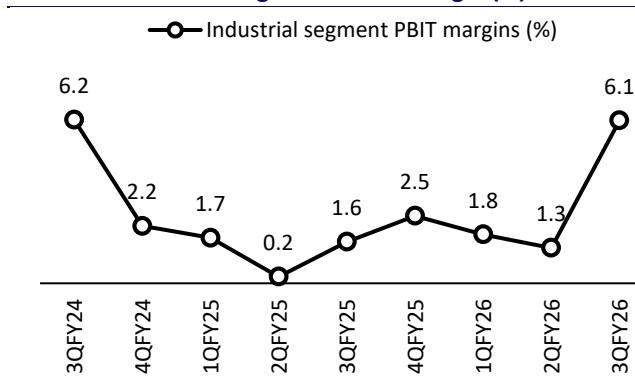
Source: Company, MOFSL

Exhibit 7: Industrial segment's revenue and growth (%)



Source: Company, MOFSL

Exhibit 8: Industrial segment's PBIT margin (%)



Source: Company, MOFSL

Valuation and view

- Craftsman is a leader in machining critical engine and transmission components for MHCVs and tractors. Its in-house engineering and tool-making capabilities provide a competitive moat. It is also amongst the top 3 players in the storage solutions business in India. Further, it has significantly solidified its position in the domestic Al castings segment post the acquisitions of DR Axion and Sunbeam over the last few years. Particularly commendable has been the way management is on track to turn around operations at Sunbeam.
- The Auto demand revival across segments post-GST 2.0 augurs very well for players like Craftsman, who have a diversified mix with presence across all auto segments.
- Further, the company is setting up a new plant in Kothavadi to cater to components for the fast-growing data center segment in India. It is in advanced discussions with many large global OEMs who have set up plants in India to supply to their requirements. Based on their current assessment, they expect this business to scale up to USD 100m by FY30.
- The aluminum business is likely to be a key growth driver going forward on the back of a ramp-up of its alloy wheel facilities at Bhiwadi and Hosur, steady order visibility from both domestic and export customers, and the benefits of the restructuring of Sunbeam to be visible from FY27E. Management has indicated that while the Aluminum segment can grow at high-teens going forward, the powertrain and Industrial engineering segments can grow at a high single-digit rate. However, post the recent run-up in the stock, most of the positives seem factored in at **31.6x FY27E and at 24.3x FY28E**. **We maintain Neutral with a TP of INR7,096 (valued at 25x Dec'27E EPS).**

Exhibit 9: Our revised estimates

(INR b)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	80.9	80.6	0.3	91.6	91.5	0.2
EBITDA Margin (%)	15.1	15.3	-20bp	16.2	16.5	-30bp
PAT	3.9	3.6	7.2	5.5	5.6	-1.6
EPS (Rs)	163.2	152.3	7.2	231.5	235.1	-1.6

Key operating indicators

Exhibit 10: Consol. revenue trend

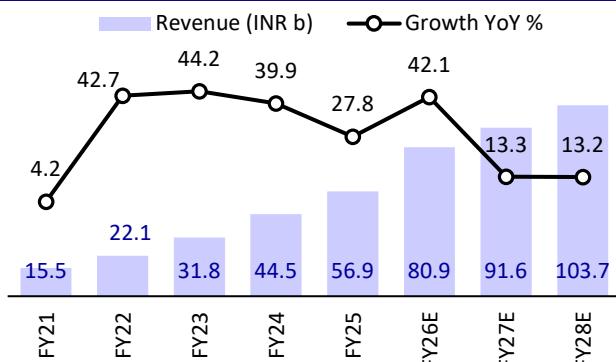
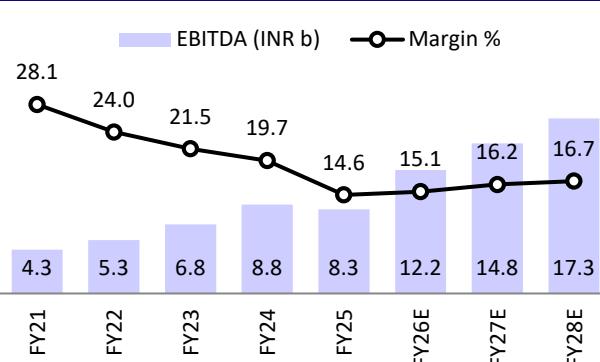
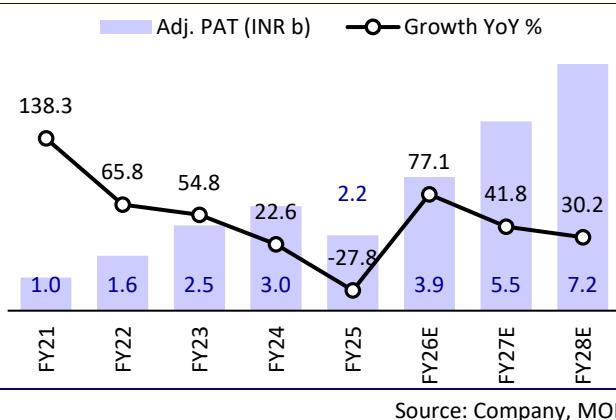


Exhibit 11: Consol. EBITDA trend



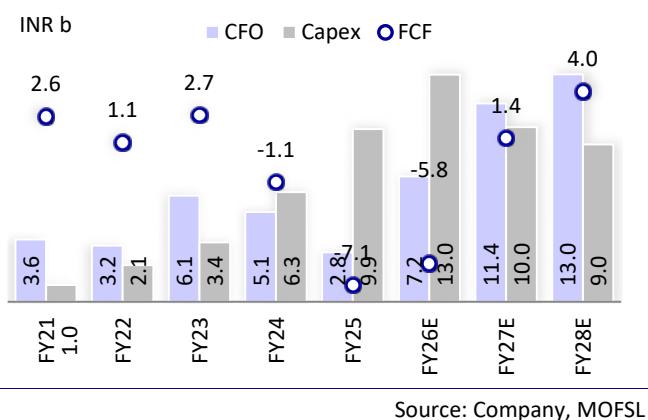
Source: Company, MOFSL

Exhibit 12: Consol. PAT trend



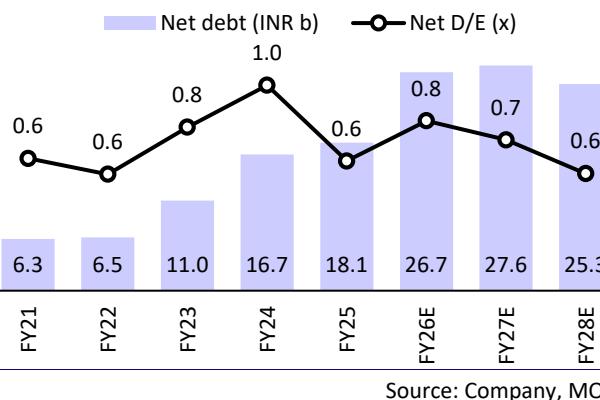
Source: Company, MOFSL

Exhibit 14: CFO to grow over FY24-27E...



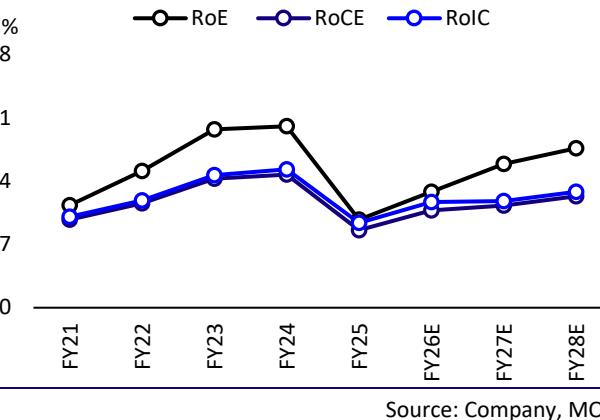
Source: Company, MOFSL

Exhibit 13: Debt likely to decline



Source: Company, MOFSL

Exhibit 15: ...leading to a gradual improvement in returns



Source: Company, MOFSL

Financials and valuations

Income Statement (Consol) (INR m)								
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Revenues	15,463	22,064	31,826	44,517	56,905	80,883	91,631	1,03,700
Change (%)	4.2	42.7	44.2	39.9	27.8	42.1	13.3	13.2
EBITDA	4,340	5,293	6,836	8,788	8,327	12,238	14,843	17,317
EBITDA Margin (%)	28.1	24.0	21.5	19.7	14.6	15.1	16.2	16.7
Change (%)	9.9	22.0	29.2	28.6	-5.2	47.0	21.3	16.7
Depreciation	1,924	2,060	2,216	2,777	3,470	4,457	5,401	6,133
EBIT	2,416	3,233	4,620	6,011	4,857	7,781	9,442	11,184
EBIT Margins (%)	15.6	14.7	14.5	13.5	8.5	9.6	10.3	10.8
Interest cost	1,073	842	1,202	1,745	2,166	3,033	2,426	1,941
Other Income	132	93	125	172	251	481	529	582
Non-recurring Expense	0	0	0	0	255	124	0	0
PBT	1,476	2,484	3,543	4,438	2,686	5,105	7,545	9,825
Eff.Tax Rate (%)	34.4	35.4	29.3	24.2	25.6	25.8	27.0	27.0
PAT	968	1,605	2,505	3,365	1,999	3,788	5,508	7,172
Minority Interest	-	-	20.9	320.1	-10.0	-14.0	-15.4	-16.9
Adj. PAT	968	1,605	2,484	3,045	2,198	3,894	5,523	7,189
Change (%)	138.3	65.8	54.8	22.6	-27.8	77.1	41.8	30.2
Balance Sheet (Consol) (INR m)								
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sources of Funds								
Share Capital	106	106	106	106	119	119	119	119
Reserves	9,679	11,316	13,663	16,474	28,448	32,011	37,224	44,008
Net Worth	9,785	11,422	13,769	16,580	28,567	32,131	37,344	44,127
Minority interest	0	0	610	937	0	0	0	0
Deferred Tax	691	1,168	1,411	1,315	61	61	61	61
Loans	7,035	7,156	11,527	17,548	23,582	29,582	29,582	28,082
Capital Employed	17,511	19,746	27,317	36,380	52,210	61,773	66,986	72,270
Application of Funds								
Gross Fixed Assets	23,360	25,464	31,256	37,990	52,144	65,144	75,144	84,144
Less: Depreciation	8,255	10,026	11,917	14,223	17,341	21,798	27,199	33,332
Net Fixed Assets	15,105	15,438	19,339	23,767	34,803	43,346	47,945	50,812
Capital WIP	320	420	966	1,786	3,453	3,453	3,453	3,453
Investments	436	422	235	240	4,470	2,470	1,570	2,070
Goodwill			1,900	1,900	1,901	1,901	1,901	1,901
Curr.Assets, L & Adv.	7,755	10,559	15,628	19,364	26,539	35,742	40,394	45,820
Inventory	3,976	6,206	8,360	10,408	13,321	18,933	21,449	24,275
Sundry Debtors	2,355	2,942	5,353	5,766	9,206	13,085	14,824	16,776
Cash & Bank Balances	263	227	273	635	974	382	445	725
Loans & Advances	1,161	1,185	1,641	2,555	3,038	3,342	3,676	4,044
Current Liab. & Prov.	6,105	7,094	10,750	10,678	18,955	25,138	28,276	31,785
Sundry Creditors	3,523	4,654	7,116	8,006	13,343	18,966	21,486	24,316
Other Liabilities	2,544	2,393	3,566	2,559	5,362	5,898	6,488	7,136
Provisions	38	47	68	112	250	275	302	332
Net Current Assets	1,650	3,466	4,878	8,686	7,584	10,604	12,119	14,035
Application of Funds	17,511	19,746	27,317	36,380	52,210	61,773	66,986	72,270

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
EPS	45.8	76.0	117.6	144.2	92.1	163.2	231.5	301.3
EPS Growth (%)	127.0	65.8	54.8	22.6	-36.1	77.1	41.8	30.2
Cash EPS	136.9	173.5	223.5	290.8	229.2	345.5	457.2	557.6
Book Value per Share	463.3	540.8	651.9	785.0	1,197.3	1,346.6	1,565.1	1,849.4
DPS	0.0	3.8	11.3	11.3	5.0	10.0	13.0	17.0
Payout (Incl. Div. Tax) %	0.0	4.9	9.6	7.8	5.4	6.1	5.6	5.6
FCF per share	123.1	53.1	126.9	-54.3	-296.1	-243.7	56.8	168.8
Valuation (x)								
P/E	148.3	89.4	57.8	47.1	73.7	44.8	31.6	24.3
Cash P/E	49.6	39.1	30.4	23.4	29.6	21.1	16.0	13.1
EV/EBITDA	34.5	28.3	22.6	18.2	21.6	16.4	13.6	11.5
EV/Sales	9.7	6.8	4.9	3.6	3.2	2.5	2.2	1.9
Price to Book Value	14.7	12.6	10.4	8.7	5.7	5.4	4.7	4.0
Dividend Yield (%)	0.0	0.1	0.2	0.2	0.1	0.1	0.2	0.2
Profitability Ratios (%)								
RoE	11.3	15.1	19.7	20.1	9.7	12.8	15.9	17.6
RoCE (post-tax)	9.7	11.5	14.3	14.7	8.6	10.8	11.3	12.3
RoIC	10.1	11.9	14.7	15.3	9.4	11.7	11.8	12.8
Turnover Ratios								
Debtors (Days)	56	49	61	47	59	59	59	59
Inventory (Days)	94	103	96	85	85	85	85	85
Creditors (Days)	83	77	82	66	86	86	86	86
Working Capital (Days)	39	57	56	71	49	48	48	49
Asset Turnover (x)	0.9	1.1	1.2	1.2	1.1	1.3	1.4	1.4
Leverage Ratio								
Net Debt/Equity (x)	0.6	0.6	0.8	1.0	0.6	0.8	0.7	0.6
E: MOFSL Estimates								

Cash Flow Statement

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before Tax	1,476	2,484	3,548	4,447	2,697	5,105	7,545	9,825
Depreciation & Amort.	1,924	2,060	2,216	2,777	3,470	4,457	5,401	6,133
Direct Taxes Paid	-226	-368	-726	-1,475	-736	-1,317	-2,037	-2,653
(Inc)/Dec in Working Capital	-352	-1,519	105	-1,924	-4,277	-3,612	-1,452	-1,636
Interest/Div. Received	-52	-39	-73	0	-100	2552	1897	1359
Other Items	792	606	1,007	1,308	1,776	0	0	0
CF after EO Items	3,561	3,224	6,077	5,133	2,829	7,184	11,354	13,027
(Inc)/Dec in FA+CWIP	-961	-2,103	-3,396	-6,281	-9,893	-13,000	-10,000	-9,000
Free Cash Flow	2,600	1,121	2,681	-1,148	-7,064	-5,816	1,354	4,027
Interest/dividend received	12	14	65	23	127	481	529	582
(Pur)/Sale of Invest.	27	28	2	-2	-6,917	2,000	900	-500
CF from Inv. Activity	-922	-2,061	-7,075	-6,254	-16,424	-10,519	-8,571	-8,918
Issue of Shares	1,456	-19	0	0	11,802	0	0	0
Inc/(Dec) in Debt	-2,387	10	2,042	3,938	5,070	6,000	0	-1,500
Interest Paid	-1,093	-769	-1,027	-1,718	-2,139	-3,033	-2,426	-1,941
Dividends Paid	0	0	-79	-238	-238	-239	-310	-406
CF from Fin. Activity	-2,960	-1,200	730	1,482	13,934	2,742	-2,721	-3,830
Inc/(Dec) in Cash	-322	-37	-268	362	340	-592	63	280
Add: Beginning Balance	585	263	541	273	635	975	383	445
Closing Balance	263	227	273	635	975	383	445	725
E: MOFSL Estimates								

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BUY	>=15%
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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