30 July 2025

1QFY26 Results Update | Sector: Automobiles

Craftsman Automation

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	CRAFTSMA IN
Equity Shares (m)	24
M.Cap.(INRb)/(USDb)	163.7 / 1.9
52-Week Range (INR)	7121 / 3700
1, 6, 12 Rel. Per (%)	26/62/25
12M Avg Val (INR M)	357

Consol. Financials & Valuations (INR b)

INR b	FY25E	FY26E	FY27E
Sales	56.9	74.4	84.5
EBITDA	8.3	11.4	13.9
Adj. PAT	2.2	3.7	5.7
EPS (INR)	92.1	156.2	237.6
EPS Gr. (%)	-36.1	69.6	52.1
BV/Sh. (INR)	1,197	1,344	1,566
Ratios			
RoE (%)	9.7	12.3	16.3
RoCE (%)	8.6	10.1	12.5
Payout (%)	5.4	6.4	6.3
Valuations			
P/E (x)	74.4	43.9	28.8
P/BV (x)	5.7	5.1	4.4
Div. Yield (%)	0.1	0.1	0.2
FCF Yield (%)	-4.3	-0.2	3.6

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	48.7	48.7	48.7
DII	22.7	22.7	21.5
FII	15.8	15.6	15.8
Others	12.8	13.0	14.1

FII Includes depository receipts

CMP: INR6,864 TP: INR6,212 (-9%) Neutral

Earnings beat driven by healthy improvement in key segments

Maintains growth guidance for FY26

- Craftsman Automation's 1QFY26 performance was ahead of our estimates, led by improved performance across all its segments, particularly in the aluminum and powertrain segments.
- Management has maintained its FY26 revenue/EBITDA guidance of INR70b/INR11b. Given the better-than-expected performance in 1Q and an improved outlook, we have raised our earnings estimates by ~4%/8% for FY26/FY27. However, after the recent run-up, the stock at 43.9x FY26E and at 28.8x FY27E appears fairly valued. We maintain Neutral with a TP of INR6,212 (based on 24x Jun'27E EPS).

Earnings beat driven by better-than-expected revenue growth

Consolidated financials:

- Craftsman's 1QFY26 results included the full impact of the recently acquired subsidiaries. Hence, YoY growth rates are not comparable. **Consolidated revenue grew 55% YoY** to INR17.8b (above our est. of INR17b). **Revenue grew 2% QoQ** and was supported by the aluminum segment ramp-up.
- Segment-wise consolidated revenue mix stood at 28%/60%/12% for powertrain/aluminum products/industrial & engineering.
- **Gross margin** inched **up 30bp QoQ to 46.1%**.
- **EBITDA rose 34.3% YoY** (8.8% QoQ) to INR2.6b (vs. est. INR 2.5b). EBITDA margin improved 100bp QoQ to 14.9% (ahead of our estimate of 14.5%).
- Craftsman reported **an exceptional loss of INR82m** due to **relocation-related costs** for the Gurugram facility of **Sunbeam**.
- Overall, PAT was stable QoQ at INR757m and was ahead of our estimate of INR659m.

Segmental performance:

- Standalone revenue stood at INR10.44b, up 21% YoY (in line).
- Reported gross profit margin stood at a five-quarter high of 48.7%. However, given higher employee costs and other expenses, EBITDA margin remained largely stable YoY at 17% (+300bp QoQ) and was ahead of our estimate of 15%. On a segmental basis, sequential margin improvement was driven by: 1) 130bp gain to 17.3% in the powertrain segment, and 2) 340bp gain in the aluminum segment to 12.9%.
- At a consolidated level, the revenue beat was primarily driven by a **7% QoQ increase in revenue in the aluminum segment** due to a ramp-up in both its standalone business and subsidiaries. Consolidated margin improvement QoQ was driven by a 200bp improvement in the powertrain segment and a 130bp improvement in the aluminum segment.

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Highlights from the management interaction

- Management has reiterated its earlier guidance for FY26 — revenue target of INR70b, EBITDA of INR11b, and EBIT of INR6.5-7b — despite industry headwinds and geopolitical uncertainties.
- Powertrain segment is expected to showcase high single-digit growth in FY26; 4Q may see double-digit growth.
- Sunbeam reported revenue of INR2.91b in 1QFY26. It is expected to turn EBIT positive by the end of FY26, with improved profitability from 4QFY26 onward.
- Standalone aluminium revenue grew 56% YoY. Even after adjusting for alloy wheel contribution, core business grew 34% YoY. The company continues to expect a 20-25% CAGR over the next 3-4 years, with increased global customer engagement.
- Storage automation segment is expected to grow 15% YoY, albeit at modest ~4% EBITDA margins.
- German operations posted INR670m in revenue. While growth is expected to be modest, cross-collaboration with Craftsman is yielding long-term strategic benefits.

Valuation and view

- Given the better-than-expected performance in 1Q and an improved outlook, we have raised our earnings estimates by ~4%/8% for FY26/FY27.
- After the recent run-up, the stock at 43.9x FY26E and at 28.8x FY27E appears fairly valued. We maintain Neutral with a TP of INR6,212 (based on 24x Jun'27E EPS).

Quarterly (Consol) **(INR m)**

	FY25				FY26E				FY25	FY26E	1QE	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				(%)
Net operating income	**11,512**	**12,140**	**15,761**	**17,493**	**17,840**	**18,319**	**18,824**	**19,395**	**56,905**	**74,379**	**17,026**	**4.8**
Change (%)	10.9	3.0	39.5	58.3	55.0	50.9	19.4	10.9	27.8	30.7	47.9	
RM/Sales (%)	56.3	55.6	52.7	54.2	53.9	53.9	54.0	54.2	54.5	54.0	54.5	-60bp
Staff Cost (% of Sales)	6.4	6.9	8.5	8.3	8.1	8.0	8.0	8.1	7.7	8.1	8.2	-10bp
Other Exp. (% of Sales)	20.1	21.6	26.2	23.6	23.2	23.0	22.6	21.9	23.2	22.6	22.8	40bp
EBITDA	**1,973**	**1,928**	**1,990**	**2,436**	**2,649**	**2,766**	**2,899**	**3,058**	**8,327**	**11,373**	**2,469**	**7.3**
EBITDA Margins (%)	17.1	15.9	12.6	13.9	14.9	15.1	15.4	15.8	14.6	15.3	14.5	40bp
Non-Operating Income	48	64	86	52	50	55	58	50	251	213	40	
Interest	492	413	583	679	663	600	550	440	2166	2253	650	
Depreciation	725	762	1035	949	1019	1100	1150	1223	3470	4492	980	
Minority Int/Share of Profit	61	-4	-2	-2	-2	0	0	0	-10	0	0	
PBT after EO items	**744**	**821**	**313**	**755**	**937**	**1,121**	**1,257**	**1,446**	**2,951**	**4,841**	**879**	**6.6**
Eff. Tax Rate (%)	28.5	24.9	58.6	11.6	25.7	23.0	23.0	22.5	23.3	23.0	25.0	
Rep. PAT	**532**	**617**	**129**	**668**	**696**	**863**	**968**	**1,120**	**2,263**	**3,728**	**659**	**5.6**
Change (%)	-28.6	-34.7	-82.3	7.1	30.9	39.9	648.5	67.8	-25.7	64.7	23.9	
Adj. PAT	**532**	**617**	**242**	**750**	**757**	**863**	**968**	**1,120**	**2,263**	**3,728**	**659**	**14.9**
Change (%)	-28.6	-34.7	-66.9	20.3	42.3	39.9	299.3	49.5	-25.7	64.7	23.9	

E: MOFSL Estimates

CONFERENCE CALL

Highlights from the management interaction

Overall guidance

- Management has reiterated its earlier guidance for FY26 — revenue target of INR70b, EBITDA of INR11b, and EBIT of INR6.5-7b — despite industry headwinds and geopolitical uncertainties.
- Capex guidance for FY26 stands at INR8b, in line with the growth trajectory across segments. No incremental major capex is planned unless visibility improves; potential deferment if land sale is delayed or customer orders do not materialize.
- Consolidated net debt stood at INR24b, with net debt/EBITDA at 2.27x. This is expected to improve after the Gurgaon land sale, potentially valued at INR3.5b. Standalone net debt to EBITDA is higher at 2.87x due to borrowings for acquisitions and capex.
- Management expects India to become a central manufacturing hub for CV powertrains and stationary engines in the near future.

Update on powertrain business

- Margin reached 15.2%, driven by cost optimization and stable production post-maintenance investments.
- High single-digit growth expected in FY26; 4Q may see double-digit growth.
- India continues to emerge as a global powertrain hub.
- Within powertrain, utilization for CV business was at ~50-60% and farm and SUV at ~70-80%, while construction equipment capacity utilization was weak due to pressure from emission norms.

Update on aluminum business

- 1Q revenue mix for Craftsman/DR-Axion/Sunbeam stood at 35%/38%/27%, with 4W aluminium solutions accounting for 59% of revenue, 2Ws 35% and other vehicles 5%.
- Standalone aluminium revenue grew 56% YoY. Even after adjusting for alloy wheel contribution, core business grew 34% YoY.
- Margins improved due to operating leverage and optimization at Coimbatore and Bangalore plants.
- Capacity utilization was at ~75% and is expected to touch 80% during the festive season.
- The company continues to expect 20-25% CAGR over the next 3-4 years, with increased global customer engagement.

Update on Sunbeam

- Sunbeam reported revenue of INR2.91b in 1QFY26. About 50% of manpower cost has already been reduced, with future cost optimization expected through automation and layout improvements.
- Operations at the Gurgaon plant were ceased in May'25, and machinery has been relocated. The relocation cost was INR82m. Gurugram land sale is targeted for FY26, pending completion of formalities and value maximization efforts.
- No major incremental capex is planned; focus is on improving productivity and margins.

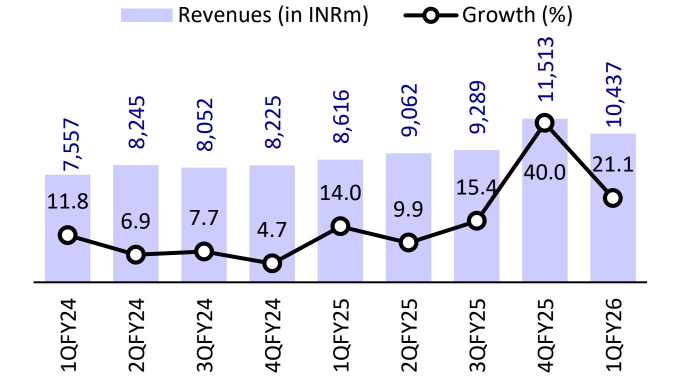
Updates on alloy wheel business

- Bhiwadi plant reported INR500m in revenue in 1QFY26, up 20% QoQ. It is now EBITDA-positive but yet to turn EBIT-positive. The plant is expected to achieve the full ramp-up in 3-4 quarters, with improving margins and overheads shared with Sunbeam.
- Greenfield project at Hosur is targeted to be operational by 3QFY26, with smoother commissioning expected in comparison to Bhiwadi.
- Combined revenue potential of INR8b p.a. from both alloy wheel plants expected by FY27.

Update on storage business

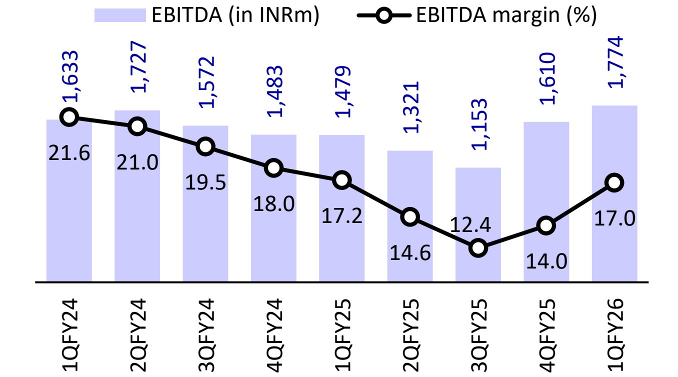
- Storage automation expected to grow 15% YoY, albeit at modest ~4% EBITDA margins.
- It remains a capital-light, scalable business, with potential margin upside in the medium term.

Exhibit 1: SA revenue and revenue growth (%)



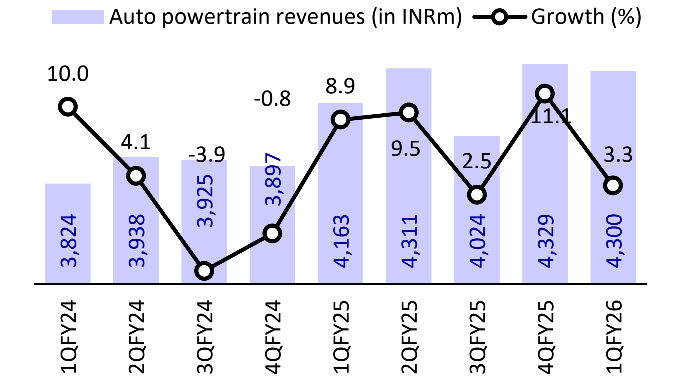
Source: Company, MOFSL

Exhibit 2: SA EBITDA and EBITDA margin (%)



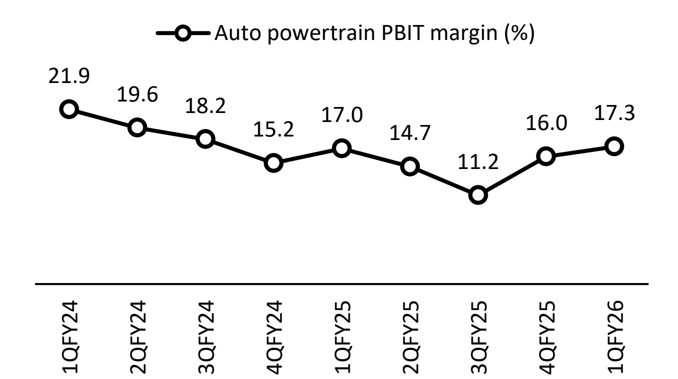
Source: Company, MOFSL

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



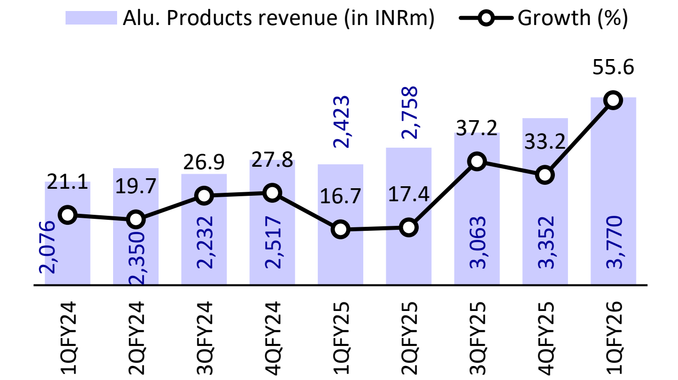
Source: Company, MOFSL

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



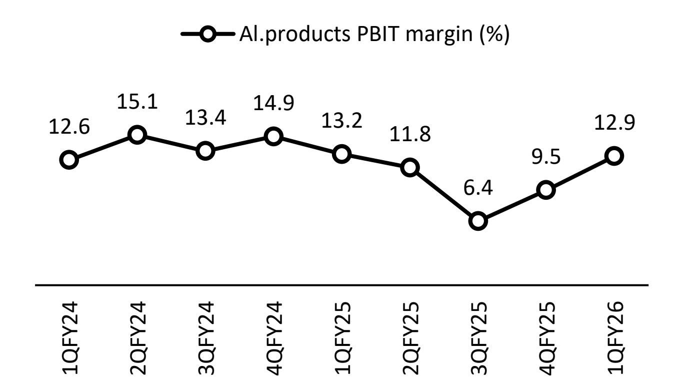
Source: Company, MOFSL

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



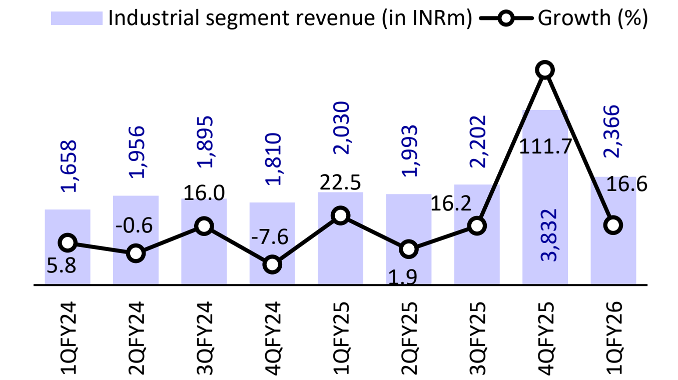
Source: Company, MOFSL

Exhibit 6: Aluminum products' PBIT margin (%)



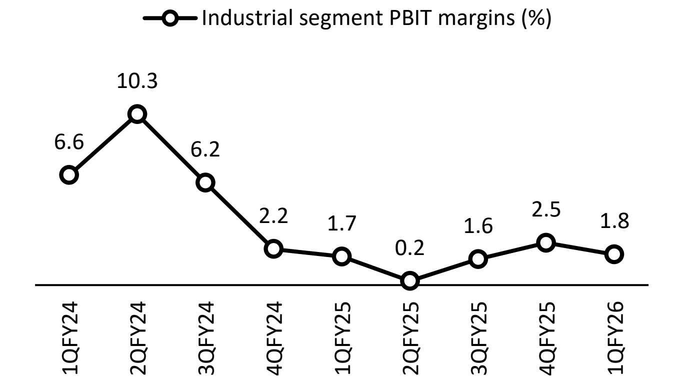
Source: Company, MOFSL

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



Source: Company, MOFSL

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



Source: Company, MOFSL

Valuation and view

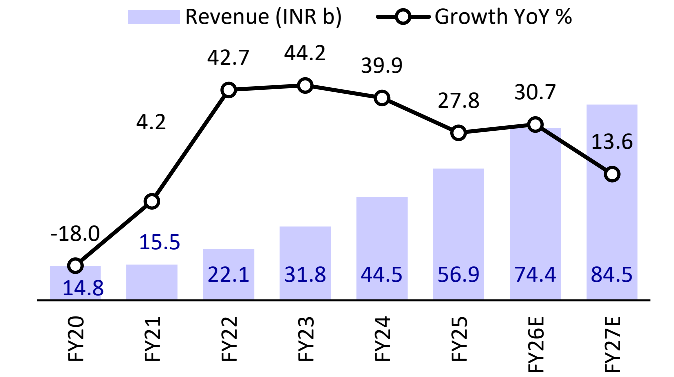
- **Engineering DNA drives new opportunities:** Craftsman has leveraged its engineering DNA to evolve into the largest independent machining player among the top three players in Storage Solutions, and a credible competitor in the Aluminum Die-casting business (within six years of starting the business). With the government's increasing focus on import substitution and emerging opportunities from global supply chain realignments, the company will be one of the key beneficiaries of these opportunities due to its strong capabilities in product design, process, and captive sourcing of fixtures and machines.
- **Guidance**: Management has maintained its FY26 guidance: Rev of INR70b, EBITDA of INR11b and EBIT of INR6.5-7b. The traditional powertrain business is likely to post double-digit growth in FY26, with better margins than 4Q levels. Sunbeam is likely to clock revenue of INR12b in FY26, with margins of 8-10%. Standalone Al business is likely to clock 20% revenue CAGR, driven by the ramp-up of plants at Bhiwadi and Hosur. Management has indicated that DRA can post double-digit growth going forward: 8-10% for FY26 and higher in FY27. The storage solutions business is expected to grow in high-teens going forward.
- **Maintain Neutral**: Given the better-than-expected performance in 1Q and an improved outlook, we have raised our earnings estimates by 4%/8% for FY26/FY27. Management is currently in the midst of integrating multiple projects simultaneously: 1) integration and restructuring of Sunbeam, 2) ramp-up of new plants of Bhiwadi, Kothavadi and Hosur, 3) integration of Fornburg. This is happening at a time when its core segments, CVs and PVs, are seeing a weak demand trend. While these strategic initiatives appear to be in the right direction for the long run, they are likely to hurt returns for at least the next 12-15 months, by which time we hope to expect: 1) a turnaround in Sunbeam, and 2) stabilization in greenfields. If any of these timelines are not met, it will lead to further downside risk to our earnings. **The stock at 43.9x FY26E and at 28.8x FY27E appears fairly-valued. We maintain Neutral with a TP of INR6,212 (valued at 24x Jun'27E EPS).**

Exhibit 9: Our revised estimates

(INR b)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	74.4	72.7	2.4	84.5	81.4	3.8
EBITDA Margin (%)	**15.3**	**15.3**	**0bp**	**16.5**	**16.4**	**10bp**
PAT	3.7	3.6	3.7	5.7	5.3	7.5
EPS (Rs)	**156.2**	**150.7**	**3.7**	**237.6**	**221.0**	**7.5**

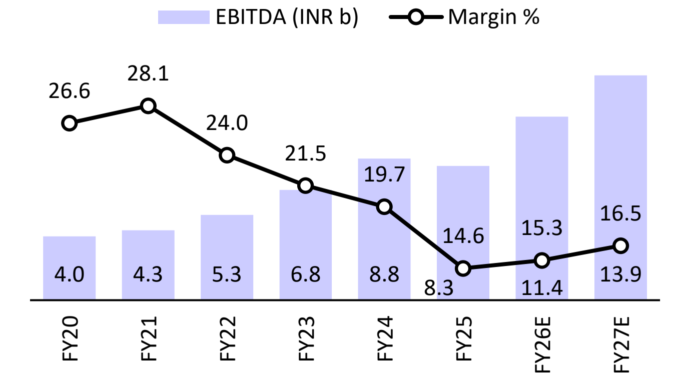
Key operating indicators

Exhibit 10: Con. revenue trend



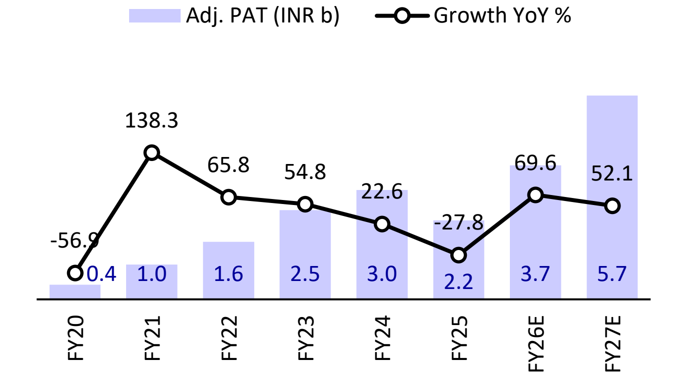
Source: Company, MOFSL

Exhibit 11: Cons EBITDA trend



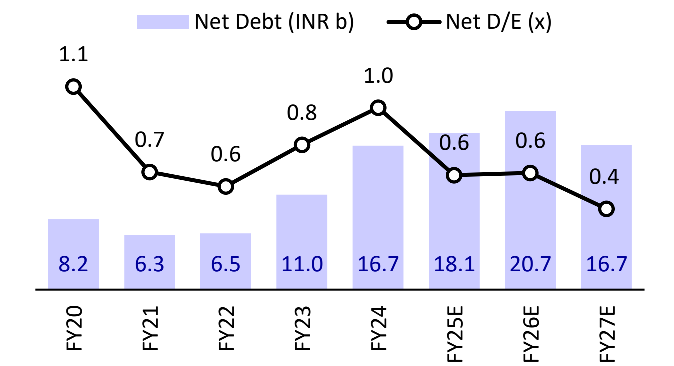
Source: Company, MOFSL

Exhibit 12: Consol PAT trend



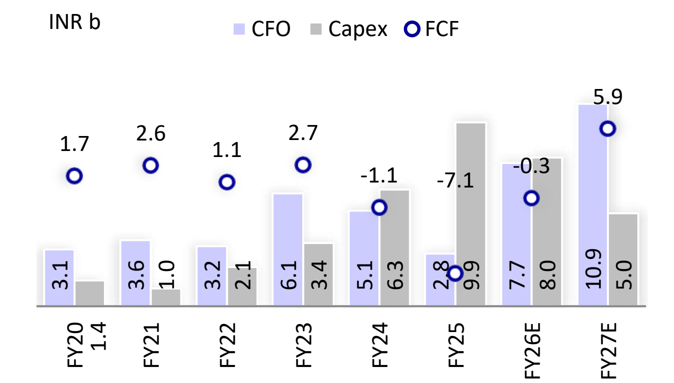
Source: Company, MOFSL

Exhibit 13: Debt likely to decline



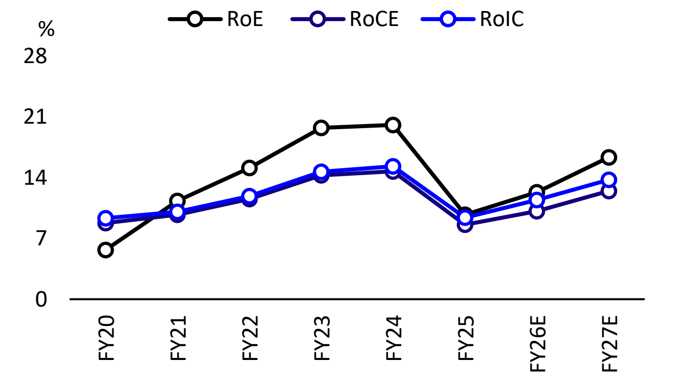
Source: Company, MOFSL

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



Source: Company, MOFSL

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



Source: Company, MOFSL

Financials and valuations

Income Statement (Consol)								(INR Million)
Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**
Net Revenues	**14,834**	**15,463**	**22,064**	**31,826**	**44,517**	**56,905**	**74,379**	**84,512**
Change (%)	-18.0	4.2	42.7	44.2	39.9	27.8	30.7	13.6
EBITDA	**3,951**	**4,340**	**5,293**	**6,836**	**8,788**	**8,327**	**11,373**	**13,943**
EBITDA Margin (%)	26.6	28.1	24.0	21.5	19.7	14.6	15.3	16.5
Change (%)	-4.7	9.9	22.0	29.2	28.6	-5.2	36.6	22.6
Depreciation	1,963	1,924	2,060	2,216	2,777	3,470	4,492	5,012
EBIT	**1,988**	**2,416**	**3,233**	**4,620**	**6,011**	**4,857**	**6,881**	**8,932**
EBIT Margins (%)	13.4	15.6	14.7	14.5	13.5	8.5	9.3	10.6
Interest cost	1,486	1,073	842	1,202	1,745	2,166	2,253	1,802
Other Income	92	132	93	125	172	251	213	234
Non-recurring Expense	58	0	0	0	0	255	0	0
PBT	**536**	**1,476**	**2,484**	**3,543**	**4,438**	**2,686**	**4,841**	**7,364**
Eff.Tax Rate (%)	31.6	34.4	35.4	29.3	24.2	25.6	23.0	23.0
PAT	**367**	**968**	**1,605**	**2,505**	**3,365**	**1,999**	**3,728**	**5,670**
Minority Interest	-	-	-	20.9	320.1	-10.0	0.0	0.0
Adj. PAT	**406**	**968**	**1,605**	**2,484**	**3,045**	**2,198**	**3,728**	**5,670**
Change (%)	-56.9	138.3	65.8	54.8	22.6	-27.8	69.6	52.1

Balance Sheet (Consol)								(INR Million)
Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**
Sources of Funds								
Share Capital	101	106	106	106	106	119	119	119
Reserves	7,216	9,679	11,316	13,663	16,474	28,448	31,937	37,250
Net Worth	**7,317**	**9,785**	**11,422**	**13,769**	**16,580**	**28,567**	**32,057**	**37,369**
Minority interest	0	0	0	610	937	0	0	0
Deferred Tax	398	691	1,168	1,411	1,315	61	61	61
Loans	9,126	7,035	7,156	11,527	17,548	23,582	23,582	20,082
Capital Employed	**16,840**	**17,511**	**19,746**	**27,317**	**36,380**	**52,210**	**55,699**	**57,511**
Application of Funds								
Gross Fixed Assets	22,072	23,360	25,464	31,256	37,990	52,144	60,144	65,144
Less: Depreciation	6,615	8,255	10,026	11,917	14,223	17,341	21,833	26,844
Net Fixed Assets	**15,457**	**15,105**	**15,438**	**19,339**	**23,767**	**34,803**	**38,311**	**38,300**
Capital WIP	888	320	420	966	1,786	3,453	3,453	3,453
Investments	381	436	422	235	240	4,470	2,470	2,870
Goodwill				1,900	1,900	1,901	1,901	1,901
Curr.Assets, L & Adv.	**6,473**	**7,755**	**10,559**	**15,628**	**19,364**	**26,539**	**33,178**	**37,595**
Inventory	3,142	3,976	6,206	8,360	10,408	13,321	17,411	19,783
Sundry Debtors	1,937	2,355	2,942	5,353	5,766	9,206	12,033	13,672
Cash & Bank Balances	585	263	227	273	635	974	393	464
Loans & Advances	809	1,161	1,185	1,641	2,555	3,038	3,342	3,676
Current Liab. & Prov.	**6,360**	**6,105**	**7,094**	**10,750**	**10,678**	**18,955**	**23,613**	**26,606**
Sundry Creditors	2,833	3,523	4,654	7,116	8,006	13,343	17,441	19,817
Other Liabilities	3,501	2,544	2,393	3,566	2,559	5,362	5,898	6,488
Provisions	26	38	47	68	112	250	275	302
Net Current Assets	**113**	**1,650**	**3,466**	**4,878**	**8,686**	**7,584**	**9,565**	**10,989**
Application of Funds	**16,840**	**17,511**	**19,746**	**27,317**	**36,380**	**52,210**	**55,699**	**57,511**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
EPS	**20.2**	**45.8**	**76.0**	**117.6**	**144.2**	**92.1**	**156.2**	**237.6**
EPS Growth (%)	-56.9	127.0	65.8	54.8	22.6	-36.1	69.6	52.1
Cash EPS	115.8	136.9	173.5	223.5	290.8	229.2	344.5	447.7
Book Value per Share	363.7	463.3	540.8	651.9	785.0	1,197.3	1,343.5	1,566.2
DPS	0.0	0.0	3.8	11.3	11.3	5.0	10.0	15.0
Payout (Incl. Div. Tax) %	0.0	0.0	4.9	9.6	7.8	5.4	6.4	6.3
FCF per share	83.0	123.1	53.1	126.9	-54.3	-296.1	-12.7	247.2
Valuation (x)								
P/E	339.7	149.6	90.2	58.3	47.6	74.4	43.9	28.8
Cash P/E	59.2	50.1	39.5	30.7	23.6	29.9	19.9	15.3
EV/EBITDA	37.0	34.8	28.6	22.8	18.4	21.8	16.2	12.9
EV/Sales	9.8	9.8	6.9	4.9	3.6	3.2	2.5	2.1
Price to Book Value	18.8	14.8	12.7	10.5	8.7	5.7	5.1	4.4
Dividend Yield (%)	0.0	0.0	0.1	0.2	0.2	0.1	0.1	0.2
Profitability Ratios (%)								
RoE	5.7	11.3	15.1	19.7	20.1	9.7	12.3	16.3
RoCE (post tax)	8.8	9.7	11.5	14.3	14.7	8.6	10.1	12.5
RoIC	9.3	10.1	11.9	14.7	15.3	9.4	11.4	13.7
Turnover Ratios								
Debtors (Days)	48	56	49	61	47	59	59	59
Inventory (Days)	77	94	103	96	85	85	85	85
Creditors (Days)	70	83	77	82	66	86	86	86
Working Capital (Days)	3	39	57	56	71	49	47	47
Asset Turnover (x)	0.9	0.9	1.1	1.2	1.2	1.1	1.3	1.5
Leverage Ratio								
Net Debt/Equity (x)	1.1	0.6	0.6	0.8	1.0	0.6	0.6	0.4

E: MOFSL Estimates

Cash Flow Statement **(INR Million)**

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Profit before Tax	536	1,476	2,484	3,548	4,447	2,697	4,841	7,364
Depreciation & Amort.	1,962	1,924	2,060	2,216	2,777	3,470	4,492	5,012
Direct Taxes Paid	-215	-226	-368	-726	-1,475	-736	-1,114	-1,694
(Inc)/Dec in Working Capital	-433	-352	-1,519	105	-1,924	-4,277	-2,563	-1,352
Interest/Div. Received	-27	-52	-39	-73	0	-100	2040	1568
Other Items	1,238	792	606	1,007	1,308	1,776	0	0
CF after EO Items	**3,061**	**3,561**	**3,224**	**6,077**	**5,133**	**2,829**	**7,697**	**10,897**
(Inc)/Dec in FA+CWIP	-1,390	-961	-2,103	-3,396	-6,281	-9,893	-8,000	-5,000
Free Cash Flow	**1,671**	**2,600**	**1,121**	**2,681**	**-1,148**	**-7,064**	**-303**	**5,897**
Interest/dividend received	13	12	14	65	23	127	213	234
(Pur)/Sale of Invest.	1	27	28	2	-2	-6,917	2,000	-400
CF from Inv. Activity	**-1,376**	**-922**	**-2,061**	**-7,075**	**-6,254**	**-16,424**	**-5,787**	**-5,166**
Issue of Shares	0	1,456	-19	0	0	11,802	0	0
Inc/(Dec) in Debt	-771	-2,387	10	2,042	3,938	5,070	0	-3,500
Interest Paid	-1,377	-1,093	-769	-1,027	-1,718	-2,139	-2,253	-1,802
Dividends Paid	-61	0	0	-79	-238	-238	-239	-358
CF from Fin. Activity	**-1,280**	**-2,960**	**-1,200**	**730**	**1,482**	**13,934**	**-2,492**	**-5,660**
Inc/(Dec) in Cash	**405**	**-322**	**-37**	**-268**	**362**	**340**	**-582**	**71**
Add: Beginning Balance	181	585	263	541	273	635	975	393
Closing Balance	**585**	**263**	**227**	**273**	**635**	**975**	**393**	**464**

E: MOFSL Estimates

NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
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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