

## Stock Idea Note - Carraro India Ltd

## Company Overview

Carraro India Limited (CIL) is a leading independent Tier-I supplier of drivetrain solutions, providing axles, transmission systems, and gears for agricultural tractors and construction equipment. With over 27 years of operations in India, the company has developed strong in-house capabilities in design, engineering, and manufacturing, enabling it to deliver integrated solutions across the product lifecycle. CIL operates under the Carraro brand, which is owned by Carraro S.p.A. and licensed to the company under a formal agreement. It serves both domestic and global original equipment manufacturers (OEMs), supplying key drivetrain components for off-highway vehicles including tractors, backhoe loaders, soil compactors, cranes, self-loading concrete mixers, and small motor graders. The company's product range covers multiple horsepower categories and includes axles, transmission systems, gears, shafts, and ring gears, along with spare parts and non-core components used in agricultural and construction machinery. CIL operates two advanced manufacturing facilities in Pune, Maharashtra, equipped with modern machining, testing, and assembly infrastructure. As of FY25, the company derived 47.4% of its revenue from agricultural tractors, 41.4% from construction vehicles, and 11.2% from other product lines. The domestic market contributed 67.2% of total revenue, while exports accounted for 32.8%. Its strong OEM relationships, increasing localization, and growing focus on higher-value products position CIL well within India's expanding off-highway equipment sector.

## Investment Rationale

## Margin expansion through localization, operational efficiency, and premiumization

Carraro India is expected to sustain its margin improvement trajectory over the next few quarters, led by a combination of cost optimization, higher localization, and an improving product mix. Localization, which stood at 77% in FY25, is targeted to reach 80% in FY26 and further to 86–88% within the next three years. The company has adopted a focused approach by prioritizing localization for high-volume and high-value components, ensuring that benefits translate effectively into the P&L. This effort, combined with tight cost control and improved supplier collaboration, is likely to reduce input cost volatility and enhance gross margins. At the same time, the contribution from higher-margin product lines, such as four-wheel-drive axles (4WD), high-horsepower transmissions (above 100 HP), and engineering services, is set to increase meaningfully. The ramp-up of teleboom handler axles and the ongoing operational efficiency program under the new wage agreement (targeting a 20% rise in labour productivity without adding headcount) will further strengthen operating leverage. With disciplined capex deployment (Rs. 515 million in FY25 and Rs. 101 million in Q1FY26) and a clear goal of improving EBITDA margin by 100 basis points annually over the next three years, Carraro India is positioned to deliver sustained margin expansion and stronger return ratios through FY26–FY27.

## Multi-year growth visibility backed by domestic traction, export recovery, and new product launches

Carraro India entered FY26 with a well-diversified growth engine across domestic and export markets, supported by its technology-led product portfolio and deep OEM relationships. In the domestic market, rising adoption of four-wheel drive technology in tractors continues to provide a strong tailwind. The share of 4WD tractors in India has risen to 23–25% in FY26 from around 14–15% two years ago, and Carraro maintains a commanding 60–65% market share in the non-captive segment. This trend is expected to continue as 4WD penetration moves toward 40–45% over the next few years. On the export front, after two soft quarters, early signs of recovery are visible. The company's export growth will be led by the ramp-up of teleboom handler axle volumes for a global OEM, where

## Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

## Sector Outlook

Positive

## Stock

CMP (INR)	522
Target Price (INR)	604
NSE Symbol	CARRARO
BSE Code	544320
Bloomberg	CARRARO IN
Reuters	CARD.BO

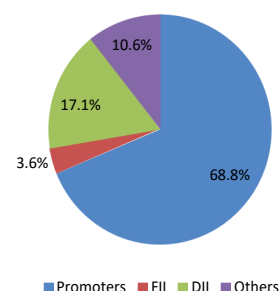
## Key Data

Nifty	25,722
52WeekH/L(Rs.)	692 / 253
O/s Shares (Cr.)	5.69
Market Cap (Rs, Cr.)	2985.6
Face Value (Rs.)	10

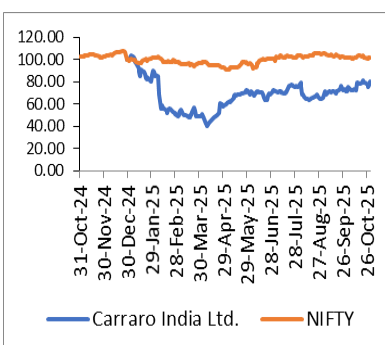
## Average volume

3 months	176,070
6 months	168,950
1 year	230,670

## Share Holding Pattern (%)



## Relative Price Chart



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revenues are expected to scale up to nearly Rs. 300 crores over the next three years. Series production of high-horsepower transmissions, slated to begin in Q2FY26, will further support export momentum. Additionally, the new engineering services agreement for electric tractor transmission design marks Carraro's entry into an emerging technology segment, creating a foundation for future revenue diversification.

## Valuation and Outlook

Carraro India remains structurally well-placed within India's off-highway drivetrain and transmission component space, offering a balanced mix of growth and profitability levers. The company has consistently delivered margin expansion and steady top-line growth despite a challenging macro backdrop, supported by its localization drive, premium product mix, and long-standing OEM partnerships. With visibility into double-digit revenue growth (8–12%) and incremental 100 bps annual EBITDA improvement over the next three years, earnings are expected to compound at a healthy pace through FY27–FY28. At the current price, Carraro trades at a reasonable valuation relative to its improving financial profile and visibility on export-led recovery. We believe the stock warrants a valuation re-rating as execution on the teleboom handler and high-horsepower transmission platforms materializes and localization benefits flow through. Sustained operating leverage, high return ratios, and a clean balance sheet underpin our positive long-term view. **Valuing the company at 29x FY26e earnings, we arrive at a target price of Rs. 604, implying a 16% potential upside over a 12-month horizon.**

Key Financials						
YE March (INR. Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	15,000	16,950	17,700	17,920	20,070	22,680
Revenue Growth (Y-o-Y)	-	13.0%	4.4%	1.2%	12.0%	13.0%
EBITDA	700	1,010	1,280	1,660	2,067	2,563
EBIT Growth (Y-o-Y)	-	44.3%	26.7%	29.7%	24.5%	24.0%
Net Profit	170	470	610	860	1,184	1,406
Net Profit Growth (Y-o-Y)	-	176.5%	29.8%	41.0%	37.7%	18.7%
Diluted EPS	3.0	8.3	10.7	15.1	20.8	24.7
Diluted EPS Growth (Y-o-Y)	-	176.5%	29.8%	41.0%	37.7%	18.7%
Key Ratios						
EBITDA margin (%)	4.7%	6.0%	7.2%	9.3%	10.3%	11.3%
NPM (%)	1.1%	2.8%	3.4%	4.8%	5.9%	6.2%
RoE (%)	5.7%	13.6%	15.8%	18.2%	22.9%	24.8%
RoCE (%)	6.4%	7.6%	7.5%	7.0%	11.4%	15.8%
Valuation Ratios						
P/E (x)	174.7x	63.2x	48.7x	34.5x	25.1x	21.1x
EV/EBITDA (x)	43.6x	30.3x	24.1x	18.7x	14.8x	11.8x
P/BV (x)	9.9x	8.6x	7.7x	6.3x	5.8x	5.2x
Market Cap. / Sales (x)	2.0x	1.8x	1.7x	1.7x	1.5x	1.3x

Source: Bloomberg, BP Equities Research



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**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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