

# IPO NOTE



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## AJAX ENGINEERING LIMITED

### 10.02.2025



Canara Bank Securities Ltd  
A Wholly Owned Subsidiary Of Canara Bank



- Incorporated in July 1992, Ajax Engineering Limited is a prominent manufacturer of a diverse range of concrete equipment and services throughout the value chain.
- As of September 30, 2024, the company has developed 141 variants of concrete equipment, successfully selling over 29,800 units in India over the past decade.
- The portfolio includes self-loading concrete mixers (SLCMs) and batching plants for concrete production, transit mixers for concrete transportation, boom pumps, concrete pumps, and self-propelled boom pumps for concrete placement. Additionally, it features slip-form pavers for concrete paving and 3D concrete printers for concrete deposition.
- Ajax is the only Indian company to have developed a slip-form paver entirely in-house in 2019 and the first to commercialize 3D concrete printing machine developed in-house in 2023.
- As of September 30, 2024, the design, engineering, and development team consists of 79 full-time employees, comprising approximately 15.96% of the total workforce.
- Ajax Engineering Limited operates four facilities in Karnataka, located in Obadenahalli, Gowribidanur, and Bashettihalli, each specializing in various products, with a particular emphasis on the Obadenahalli facility.
- The company boasts 51 dealerships across 23 states in India, providing 114 touchpoints, which include 51 headquarters and 63 branches, 34 of which also function as service centers.
- Ajax Engineering Limited has established a network of 25 dealers and distributors across South and Southeast Asia, the Middle East, and Africa.
- As of September 30, 2024, the company has served over 15,700 customers with concrete equipment and spare parts.

## Issue Details

Price Band (in ₹ per share)	599-629
Issue size (in ₹ Crore)	1208.81-1269.35
Fresh Issue (in ₹ Crore)	NA
OFS (in ₹ Crore)	1208.81-1269.35
Issue open date	10-02-25
Issue close date	12-02-25
Tentative date of Allotment	13-02-25
Tentative date of Listing	17-02-25
Total number of shares (lakhs)	201.80
No. of shares for QIBs (50%) (lakhs)	100.51
No. of shares for NII (15%) (lakhs)	30.15
No. of shares for S-HNI (33%) (lakhs)	10.05
No. of shares for B-HNI (66%) (lakhs)	20.10
No. of shares for retail investors (35%) (lakhs)	70.36
No of shares for Employee Reservation (lakhs)	0.79
Minimum order quantity	23
Face value (in ₹)	1.00
Amount for retail investors (1 lot) (in ₹)	13777-14467
Maximum no. of shares for Retail investors at Lower Band	322 (14 lots)
Maximum no. of shares for Retail investors at Upper Band	299 (13 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	192878-188071
Minimum no. of shares for sHNI (2 Lakhs) at upper band	322 (14 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	1587 (69 lots)
Minimum number of shares for bHNI at upper band	1610 (70 lots)
Exchanges to be listed on	BSE & NSE

## Promoters

- KRISHNASWAMY VIJAY
- KALYANI VIJAY
- JACOB JITEN JOHN
- JACOB HANSEN FAMILY TRUST
- SUSIE JOHN
- KEDAARA CAPITAL FUND II LLP

## Objects of the Offer

- ◆ Achieve the benefits of listing the Equity Shares on the Stock Exchanges.
- ◆ Carry out the Offer for Sale of up to 20,180,446 equity shares.



## BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	H1FY25	FY24	FY23	FY22
Share Capital***	11.44	11.44	11.44	2.86
Net Worth	995.84	917.95	713.80	578.27
Total Income	794.15	1780.07	1172.56	771.85
EBITDA	119.23	275.54	170.74	90.47
EBITDA Margin (%)	15.49	15.82	14.83	11.85
Profit/(Loss) After Tax	101.02	225.14	135.90	66.20
EPS (in Rs.)	17.66^	19.68	11.88	5.79
Net Asset Value (in Rs.)	87.04	80.24	62.39	50.55
Total borrowings	0.00	6.22	10.13	7.16
P/E#	35.62	31.96	NA	NA
P/B#	7.23	7.84	NA	NA

\*Restated consolidated financials; # Calculated at upper price band ^Annualised\*\*\*Bonus issue in the ratio of 3:1 (3 equity shares for every 1 equity share held by existing shareholders) on November 2022.

### Profit & Loss Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
<b>INCOME</b>			
Revenue from operations	763.29	1151.13	1741.40
Other Operating Revenue	8.56	21.44	38.67
<b>Total Income</b>	<b>771.85</b>	<b>1,172.57</b>	<b>1,780.07</b>
YoY Growth (%)	-	50.81%	51.28%
Raw Material Consumed	409.09	772.05	1219.85
Raw Material Consumed-% of Revenue	53.00%	65.84%	68.53%
Changes in inventories of stock in trade	103.86	8.54	2.90
Changes in inventories of stock in trade-% of Revenue	13.46%	0.73%	0.16%
Employee benefit expenses	66.88	72.31	87.11
Employee Expenses-% of Revenue	8.67%	6.17%	4.89%
Purchase of traded goods	35.26	47.11	53.44
Purchase of traded goods-% of Revenue	4.62%	4.09%	3.07%
Other expenses	57.72	80.38	102.56
<b>EBIDTA</b>	<b>90.48</b>	<b>170.74</b>	<b>275.55</b>
EBIDTA Margin (%)	11.85%	14.83%	15.82%
Depreciation and amortisation expense	8.20	8.56	10.27
<b>EBIT</b>	<b>82.28</b>	<b>162.18</b>	<b>265.27</b>
EBIT Margin (%)	10.66%	13.83%	14.90%
Finance cost	0.42	0.68	2.03
<b>Profit before tax</b>	<b>90.43</b>	<b>182.95</b>	<b>301.92</b>
<b>Tax expenses</b>			
Current tax	23.18	46.01	72.24
Deferred Tax	1.04	1.04	4.53
<b>Total tax expenses</b>	<b>24.22</b>	<b>47.05</b>	<b>76.77</b>
<b>Profit for the year</b>	<b>66.21</b>	<b>135.90</b>	<b>225.15</b>
PAT Margin (%)	8.67%	11.81%	12.93%
<b>Earnings per share</b>			
Basic earnings per share (₹)	5.79	11.88	19.68

### Cashflow Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
Cash generated from operating activities	109.67	231.67	281.99
Income tax paid (net of refunds)	-24.95	-46.97	-74.51
Net cash generated from operating activities	84.72	184.70	207.47
Net cash used in investing activities	-128.54	-193.19	-115.58
Net cash used in financing activities	-0.40	-0.34	-25.46
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-44.22</b>	<b>-8.82</b>	<b>66.44</b>
Balance as at beginning	50.00	5.78	-3.04
<b>Cash and cash equivalent as at year end</b>	<b>5.78</b>	<b>-3.04</b>	<b>63.39</b>

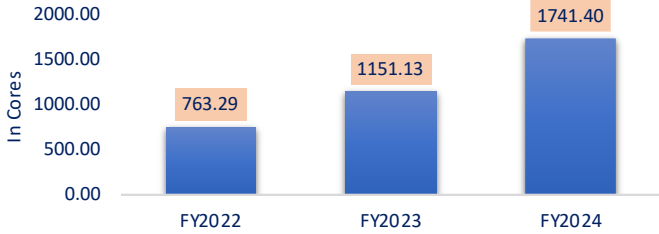
### Balance Sheet

Particulars (In Crores)	FY2022	FY2023	FY2024
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and machinery	104.98	114.23	115.72
Capital work-in-progress	7.29	5.63	17.35
Intangible assets	3.54	2.77	1.85
Right-of-use assets	48.72	49.62	49.62
Intangible assets under development	-	0.48	-
<b>Financial assets</b>			
Investments	5.00	22.61	63.74
Other financial assets	1.78	3.88	4.14
Non-current tax assets (net)	0.15	0.15	0.15
Other non-current assets	8.01	12.01	14.53
<b>Total non-current assets</b>	<b>179.45</b>	<b>211.37</b>	<b>267.09</b>
<b>Current assets</b>			
Inventories	172.37	173.00	226.74
<b>Financial assets</b>			
Investments	291.31	472.32	561.38
Trade receivables	54.74	75.03	88.22
Cash and cash equivalents	12.94	7.10	69.62
Bank balances other than cash and cash equivalents	9.71	1.95	1.63
Other financial assets	0.95	2.85	4.31
Current tax assets (net)	-	-	-
Other current assets	13.83	23.11	17.14
<b>Total current assets</b>	<b>555.86</b>	<b>755.36</b>	<b>969.05</b>
<b>Total assets</b>	<b>735.31</b>	<b>966.73</b>	<b>1236.14</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	2.86	11.44	11.44
Other equity	575.41	702.36	906.52
<b>Total equity</b>	<b>578.27</b>	<b>713.80</b>	<b>917.96</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Lease liabilities	-	1.33	1.77
Provisions	2.64	3.24	0.67
Deferred tax liabilities (net)	3.50	4.41	8.98
<b>Total non-current liabilities</b>	<b>6.13</b>	<b>8.97</b>	<b>11.42</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	7.16	10.14	6.23
Lease liabilities	-	0.10	0.24
Trade payables			
Due to MSME	14.35	32.74	50.08
Due to other than MSME	44.12	127.38	158.59
Other financial liabilities	11.56	10.63	14.90
Other current liabilities	56.29	41.17	51.03
Provisions	13.57	18.03	24.14
Current tax liabilities (net)	3.84	3.77	1.58
<b>Total Current liabilities</b>	<b>150.91</b>	<b>243.96</b>	<b>306.76</b>
<b>Total liabilities</b>	<b>157.04</b>	<b>252.93</b>	<b>318.18</b>
<b>Total Equity and liabilities</b>	<b>735.31</b>	<b>966.73</b>	<b>1236.14</b>

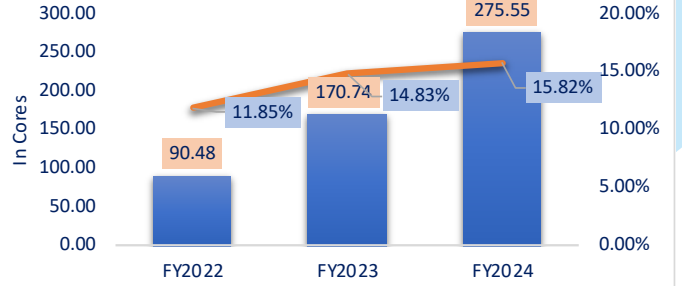


# PERFORMANCE THROUGH CHARTS

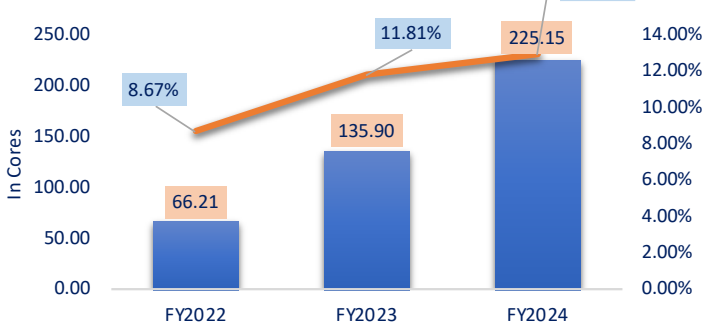
## REVENUE HAS GROWN BY 51% CAGR 2 YR



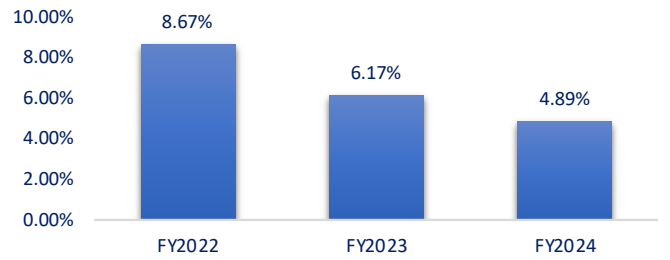
## EBIDTA GREW BY 75% CAGR 2 YR



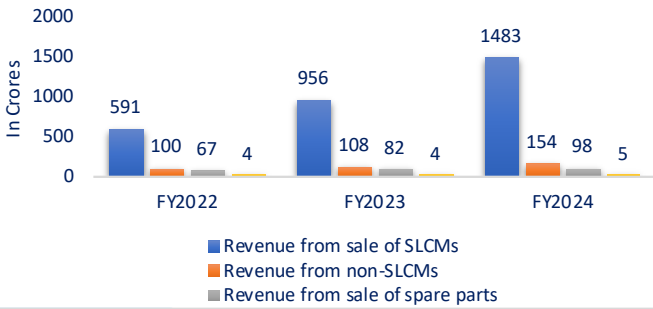
## PAT GREW BY 84% CAGR 2 YR



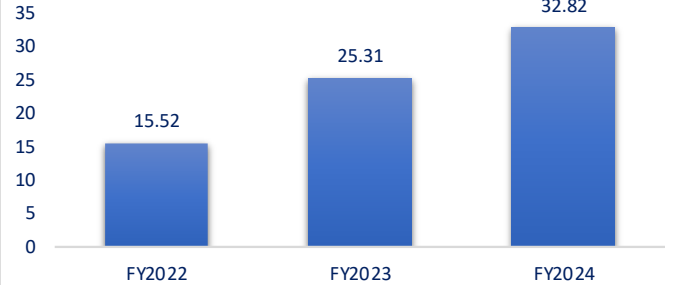
## EMPLOYEE EXPENSE AS % TO REVENUE IS DECREASING



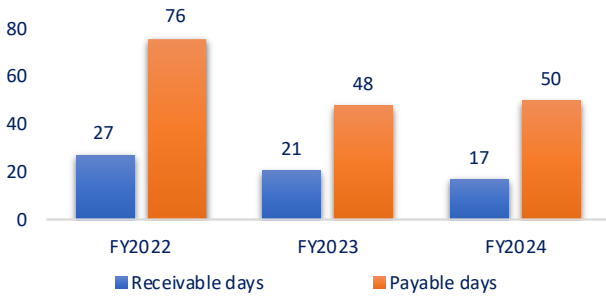
## Revenue Segments



## Return on capital employed(%)



## Receivable and Payable days



## Inventories



# INDUSTRY REVIEW

## Cement and Concrete Consumption in India

- India's per capita cement consumption is ~50% lower than the global average. Concreting in the country is largely manual and is fraught with multiple challenges and inefficiencies, increasing the importance of mechanization in the segment.
- The consumption of ready-mix concrete (RMC) is at a nascent stage and contributes to ~11% of total concrete consumption as of FY 2024, in sharp contrast to 50-70% of total concrete consumption in more developed countries like the US, China, and Japan.

**Cement consumption in India is projected to grow at a CAGR of ~8% till FY 2029, driven by increasing investments in construction activities, particularly in rural housing and infrastructure development. The per capita cement consumption in India is ~50% lower than the global average, which also represents a headroom for growth**

- Cement consumption in India's infrastructure projects is extensive, providing the necessary strength and durability for a wide range of applications. From roadways and waterways to renewable energy projects and high-rise buildings, cement is critical as India continues to develop horizontally and vertically.
- In terms of sectoral consumption, rural housing and infrastructure projects have the highest contribution at ~33% and ~30% respectively, followed by urban housing and industrial & commercial buildings at ~23% and ~14% respectively in FY 2024.

**Concrete consumption in India is poised to grow in-line with the cement consumption driven by the inherent benefits it offers over other materials across various construction activities.**

- Concrete production involves the mixing of cement, water, sand, and aggregates in specific proportions, using either manual methods or automated batching plants.
- The country has a robust infrastructure for concrete manufacturing, supported by a large network of cement plants and suppliers of raw materials. Concrete offers several advantages over other materials in use cases like bituminous roads and bricks in housing structures.
- It provides greater durability and longevity, requiring less maintenance over time. Concrete roads can withstand heavy traffic and extreme weather conditions better than bituminous roads, reducing repair costs and disruptions.

## Manual Mixing – drives ~75% of total concrete consumption

- The first value chain of concrete manufacturing involves a highly unmechanized production process, typically found in regions with utilization of less than 30 cubic meters.
- This method is prevalent in individual housing projects and smaller construction projects such as hostels, restaurants, and small hotels, primarily in rural India.
- In this setup, contractors purchase cement in bags from local dealers, often on a regular basis depending on the availability of finance, and manufacture concrete on-site, either manually or using small drums.

## Use of Ready-Mix Concrete (RMC) – drives ~11% of total concrete consumption.

- The highly mechanized process of concrete manufacturing is utilized for large-scale infrastructure projects, including bridges, dams, airports, highways, and multi-story buildings consuming more than 200 cubic meters.
- This method involves the use of batching plants, transit mixers, and boom pumps to produce and deliver concrete efficiently and precisely. Concrete is typically produced on-site at batching plants where raw materials such as cement, aggregates, and water are precisely measured and mixed.
- The mixed concrete is then loaded into transit mixers, which keep it agitated to prevent setting during transport to the construction site. Upon arrival, concrete pumps, boom pumps, and self-propelled boom pumps are used to place the concrete directly in the desired location, ensuring uniformity and reducing labour-intensive manual handling.



## COMPETITIVE STRENGTHS OF THE COMPANY

### Market leader in a large and fast-growing SLCM market.

- They are a leading manufacturer of SLCMs in India, with an approximately 77%, 75%, 77% and 86% market share in the SLCM market in India in terms of number of SLCMs sold during the six months period ended September 30, 2024 and Financial Years 2024, 2023 and 2022, respectively.
- Their SLCMs have a diverse range of applications and end-uses and are used pan-India, based on after-sales data available to them.
- During the last 10 years, they have sold over 25,000 SLCMs in India, which is the largest among leading concrete equipment companies in India during this period.
- Their SLCMs are sold under their 'Argo' brand, and utilize a variety of drum outputs ranging from 1.0 to 4.8 cubic meters per batch to cater to a wide range of industrial uses, including across mid-scale and smaller infrastructure projects.

### Leading concrete equipment company with over 141 concrete equipment variations, and offering services and solutions across the concrete application value chain.

- They are a leading concrete equipment manufacturer with a comprehensive range of concrete equipment, services and solutions across the concrete application value chain.
- Their portfolio includes equipment such as SLCMs and batching plants for the production of concrete, transit mixers for the transportation of concrete, boom pumps, concrete pumps and self-propelled boom pumps for the placement of concrete, slip-form pavers for the paving of concrete and 3D concrete printers for depositing concrete.

### Engineering-focused concrete equipment company with strong in-house design and development capabilities

- They were co-founded by Krishnaswamy Vijay, their Executive Chairman and Whole-Time Director, the late Jacob John and the late Anil Kumar Singh, and their core ethos has been to design, develop and engineer innovative and high-quality concrete equipment for their customers.
- Their team's expertise is distributed across core technologies, including hydraulics, welding technology, and product specialization, and consists of 52 engineers, including 10 with M.Tech / M.Sc. degrees and 42 with BE/B.Tech degrees.
- By utilizing core technologies, their team has been able to efficiently design concrete equipment that are good quality and reliable.

### Technology-led assembly and manufacturing processes and robust supplier network

- Their technology-led assembly and manufacturing processes, supported by their robust supplier network, position them as the second largest company in terms of annual sales volume among leading concrete equipment manufacturers in India
- They currently assemble equipment and manufacture boom arms using horizontal boring machines at their manufacturing facilities, all of which operate under a lean assembling and manufacturing model.
- Their key lean features include the implementation of the Andon system, just-in-time production, Kaizen, Poka-Yoke and online traceability. This lean manufacturing model distinguishes them from other leading concrete equipment manufacturers and has enabled them to achieve the lowest breakeven point among leading concrete equipment manufacturers in India, as of March 31, 2024



## RISK FACTORS

**They derive a significant majority of their revenue from the sale of self-loading concrete mixers (85.13% of their revenue from operations for the Financial Year 2024). Any decrease in sales of SLCMs or demand for concrete equipment in India could adversely affect their business, results of operations, financial condition and cash flows.**

- Their product portfolio includes equipment such as self-loading concrete mixers (“SLCMs”) and batching plants for the production of concrete, transit mixers for the transportation of concrete, boom pumps, concrete pumps and self-propelled boom pumps for the placement of concrete, slip-form pavers for the paving of concrete and 3D concrete printers for depositing concrete.
- Their business is highly dependent on the demand for concrete and concrete equipment in India, which is closely tied to the performance of key sectors such as construction, infrastructure, and real estate.

**Their business is seasonal in nature and any decrease in sales during certain quarters could have an adverse impact on their financial performance.**

- According to the Redseer Report, the concrete equipment industry in India is cyclical in nature and influenced by government spending on public infrastructure and overall economic conditions affecting private infrastructure since the demand for concrete equipment is primarily driven by government infrastructure initiatives and investments from the public sector.
- Government infrastructure projects and public sector investments are major drivers of demand for concrete equipment.
- Variations in government budgets, changes in political priorities, and shifts in economic policies can lead to fluctuations in government spending on infrastructure, directly impacting the demand for their construction equipment.
- During periods of increased government spending, they may experience higher sales and stronger financial performance.

**Fluctuations in prices of materials, and disruptions in the timely availability of materials could have an adverse effect on their business, results of operations, financial condition and cash flows.**

- Their assembling and manufacturing operations rely on third-party domestic and foreign suppliers for materials, including power train components (i.e., engines and axles), advanced hydraulic systems that enable precise control and movement of the mixer drum, and fabrication materials used in the construction of the SLCM body and frame.
- They purchase a significant portion of their materials required for their assembling and manufacturing from the Indian domestic market.

**The leases for two of their assembling and manufacturing facilities have expired. While they have made applications to obtain ownership of these land parcels, there can be no assurance that they will be successful. This may adversely affect their business, results of operations, financial condition and cash flows.**

- They do not own the land for their assembling and manufacturing facilities, which are occupied by them on a leasehold basis.
- The lease periods and rental amounts for such land varies, and they cannot assure you that they will be able to renew their leases on commercially acceptable terms or at all.
- The lease for their assembling and manufacturing facilities located in Gowribidanur, Karnataka (“Gowribidanur Facility”) and Bashettihalli plot no. 3, Karnataka (“Bashettihalli Facility (Plot no. 3)”), which have been leased from Karnataka Industrial Areas Development Board (“KIADB”), have expired on May 28, 2023, and December 17, 2017, respectively. Further, in relation to Gowribidanur Facility, the land was allotted by KIADB on lease-cum-sale basis for a period of 10 years.
- The lease period for the said land has expired and their management has submitted its plans for the facility to KIADB to be eligible for ownership of the land parcel. In terms of the respective lease deeds, their Company is entitled to the ownership of such land parcels, subject to fulfilment of certain conditions prescribed therein.
- Their Company has fulfilled all the conditions in terms of the respective lease deed in relation to the Bashettihalli Facility (Plot no. 3), to be eligible for ownership, and has made several attempts to enter into a sale deed to obtain ownership of the land parcel

## PEER COMPARISON

Name of the company	Revenue from Operations (in Cr.)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoNW (%)	P/E*	P/B*
Ajax Engineering Limited	1780.07	1.00	19.68	80.24	19.39	31.96	7.84
Action Construction Equipment Limited	2990.89	2.00	27.56	103.42	26.65	45.23	12.05
BEML Limited	4096.56	10.00	67.66	640.55	10.56	48.46	5.12
Escorts Kubota Limited	9248.21	10.00	96.80	780.83	11.44	33.84	4.19

*\*P/E & P/B ratio based on closing market price as of February 6th 2025, at the upper price and of IPO, financial details consolidated audited results as of FY24.*



## KEY BUSINESS INSIGHTS

- ◆ **Specialization:** Company is the leading manufacturer in concrete equipment, specializing in self-loading concrete mixers (SLCMs). It has comprehensive product portfolio with 141+ offerings, reinforcing market leadership.
- ◆ **Market Leadership:** The company dominates the growing SLCM market; mechanization trend drives demand. SLCM penetration forecasted to reach 41% of domestic concrete consumption and 28% of annual equipment sales by FY29.
- ◆ **Dealership Network:** It operates 51 exclusive dealers with 114 touchpoints across India, ensuring brand control and loyalty. Robust ecosystem with 546 suppliers, ensuring reliable sourcing.
- ◆ **Manufacturing & Development:** It has integrated manufacturing supported by 79 in-house engineers, enhancing efficiency and product development.
- ◆ **Sales & Marketing:** Company has 80 dedicated employees driving strong market penetration.
- ◆ **R&D and Innovation:** It has focus on technological advancements and product innovation. It has lowest breakeven points among peers, enhancing profitability and competitiveness.
- ◆ **Revenue Growth:** Revenue increased from ₹763 crore in FY2022 to ₹1,714 crore in FY2024, indicating strong market demand and expansion.
- ◆ **Revenue Mix:** In FY2024, 86.1% from SLCMs; remainder from non-SLCM and spare parts, highlighting core segment strength.
- ◆ **Expansion Plans:** Company has strategic dealer network expansion and capacity enhancements to meet rising mechanized concrete solutions demand.
- ◆ **Strategic Advantage:** Integrated manufacturing, exclusive dealer network, cost leadership, and strong market presence position Ajax as a key player in India's concrete equipment industry.

## OUR VIEW

Ajax Engineering Limited has established itself as a market leader in the rapidly expanding self-loading concrete mixer (SLCM) segment, which accounted for 86.1% of its revenue in FY24. The company is strategically positioned to leverage the ongoing transition towards mechanized concrete equipment, with SLCM penetration anticipated to rise to 41% of domestic concrete consumption by FY29.

The company has exhibited robust revenue growth, with figures escalating from ₹763 crore in FY22 to ₹1,714 crore in FY24, driven by the escalating demand for construction equipment amidst India's infrastructure development surge. Ajax's cost leadership bestows a competitive advantage, underpinned by a solid supplier network and enduring client relationships.

Ajax is valued at a P/E ratio of 31.96x, in contrast to the industry average of 42.51x, signifying a relatively attractive valuation. The P/B ratio stands at 7.84x, marginally above the industry average of 7.12x, reflecting the company's growth potential and market leadership.

Given its strong growth prospects, moderate valuation, and alignment with India's infrastructure growth trajectory, we recommend **SUBSCRIBING** to this IPO for both listing gains and long-term investment opportunities, considering its robust fundamentals and market positioning.

**Sources:** Company website and red herring prospectus

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# Canara Bank Securities Ltd.

(A Wholly Owned Subsidiary of Canara Bank)



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## Analyst Certification

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