



### Company Overview

Ajax Engineering Ltd. is a leading concrete equipment manufacturer offering a comprehensive range of concrete equipment services and solutions across the value chain. Its product portfolio includes over 141 concrete equipment variants catering to various needs within the concrete application value chain. Over the last ten years, the company has sold over 29,800 concrete equipment units in India. The company's concrete equipment is used in diverse applications and is deployed across transportation, irrigation, and infrastructure projects. In addition to its SLCM portfolio, the company offers a large and diverse range of non-SLCM equipment, including batching plants for concrete production, transit mixers for concrete transportation, boom pumps, concrete pumps, self-propelled boom pumps for concrete placement, and slip-form pavers that cater to various aspects of the concrete production, transportation, placement, and paving processes. One of the company's significant innovations is the SLCM equipped with load cell technology, ensuring quality assurance in concrete production. This innovation has been recognized by the Legal Metrology Department of the Government of India and is now widely used by government departments such as the Public Works Department, Irrigation Department, and Border Roads Organization. In 2019, the company introduced its patented self-propelled boom pump mounted on a 4x4 chassis, designed to combine mobility and flexibility for efficient concrete placement at varying heights and distances. Ajax Engineering operates four assembly and manufacturing facilities located at Obadenahalli, Gowribidanur, Basethahalli, and Adinarayanahosahalli in Karnataka, with each facility specializing in distinct product lines. The company sells its equipment through a network of dealers in India and internationally to a diverse range of customers, including individual contractors, small and mid-sized contracting companies, rental companies, large construction firms, and government construction agencies.

### Objects of the issue

The company will not receive any proceeds from the offer.

### Investment Rationale

#### Dominant market leader with a diversified portfolio, indicating a strong growth potential

Ajax Engineering is a leading manufacturer of SLCMs in India, holding an approximate market share of 75%. The company also offers a comprehensive range of 141 concrete equipment variants, services, and solutions across the concrete application value chain. Its product portfolio includes SLCMs, batching plants for concrete production, transit mixers for concrete transportation, boom pumps, concrete pumps, self-propelled boom pumps for concrete placement, slip-form pavers for concrete paving, and 3D concrete printers for depositing concrete. Over the last ten years, Ajax Engineering has sold more than 29,800 concrete equipment units, the largest sales volume among leading concrete equipment companies in India during this period. Its SLCMs are known for commanding the highest resale value in India, attributed to factors such as first-mover advantage, high product quality and reliability, and strong after-sales service. The SLCMs sold under its 'Agro' brand are designed with varying drum outputs ranging from 1.0 to 4.8 cubic meters per batch, catering to a wide range of industrial uses, including mid-scale and smaller infrastructure projects. The growing focus on infrastructure development in India is expected to drive significant demand for mechanized concrete equipment, positioning Ajax Engineering well to supply a diverse range of products capable of efficiently handling small to large-scale construction projects. Additionally, the company has been leveraging its leadership position in the SLCM market to expand its non-SLCM equipment sales. This is being achieved through targeted initiatives such as deploying a dedicated team for the non-SLCM business, utilizing its extensive dealer network for non-SLCM sales, and launching educational and sales campaigns to highlight the benefits of these products to its customers.

### Extensive dealer network driving customer satisfaction and sales growth

Over the past three financial years, the company has adopted a dealer-led distribution and service model. Its extensive dealer network consists of 51 dealerships across 23 states in India, providing customer access through 114 touchpoints, including 51 dealer headquarters and 63 branches, of which 34 also serve as service centers. As of September 30, 2024, this is the largest dealer network among leading concrete equipment companies in India in terms of the number of dealers and service

### Issue Details

Offer Period	10 <sup>th</sup> Feb 2025 - 12 <sup>th</sup> Feb 2025
Price Band	Rs. 599 to Rs. 629
Bid Lot	23
Listing	BSE & NSE
Issue Size (no. of shares in mn)	20.18
Issue Size (Rs. in bn)	12.7
Face Value (Rs.)	1

### Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	ICICI Securities Ltd., Citigroup Global Markets India Pvt. Ltd., JM Financial Ltd., Nuvama Wealth Management Ltd., SBI Capital Markets Ltd.
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Registrar	MUFG Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	93.5	82.4
Public	6.5	17.6
<b>Total</b>	<b>100</b>	<b>100</b>

(Assuming issue subscribed at higher band)

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touchpoints. The company has established longstanding relationships with its dealers, all of whom are exclusive to the concrete equipment market. Its equipment is sold to a diverse range of end customers, including individual contractors, small and mid-sized contracting companies, rental companies, large construction firms, and government construction agencies. All branches and service centers are managed and operated by its dealers, ensuring the availability of spare parts and enhancing customer satisfaction. To support its dealers, the company provides a range of operational assistance, including training programs, financing support, and sales incentives. Through its 'Ajax Dealer Excellence Model,' the company conducts initiatives to ensure dealer staff are well-equipped to assist customers and rewards dealers based on performance benchmarks and incentive parameters. The company has also maintained strong relationships with its customers, reflecting its ability to meet the diverse needs of various sectors within the construction industry. Its broad yet targeted customer base enables it to develop an efficient and stable business model, presenting significant potential for further sales growth.

## Valuation

Ajax Engineering Ltd. is a leading concrete equipment manufacturer with a diverse product portfolio that includes SLCMs, batching plants for concrete production, transit mixers for concrete transportation, boom pumps, concrete pumps, self-propelled boom pumps for concrete placement, slip-form pavers for concrete paving, and 3D concrete printers for depositing concrete. The company holds an approximate 75% market share in SLCMs in India and has sold the largest number of manufacturing equipment, which also commands the highest resale value among its peers. The concrete equipment market in India, particularly for SLCMs, is experiencing significant growth driven by several factors, including increasing cement consumption and rising public and private capital expenditure in infrastructure, irrigation, housing, and renewable power projects, leading to higher demand for construction materials and equipment. Ajax Engineering has established a robust dealer-led distribution and service model, comprising 51 dealers across 23 states, and serves a diverse base of end customers across specialized sectors such as transportation infrastructure, irrigation, and large-scale infrastructure projects. On the financial front, the company has delivered strong performance, with revenue growing at a CAGR of 51% from FY22 to FY24. During the same period, its EBITDA and PAT grew at an impressive CAGR of 74.5% and 84.4%, respectively. **The issue is priced at a P/E ratio of 32.1x at the upper price band based on FY24 earnings, which is comparatively lower than its industry peers. Given the company's strong financial performance, favorable industry growth drivers, and attractive valuation, we recommend a "SUBSCRIBE" rating for this issue.**

## Key Risks

- ⇒ The concrete equipment industry is cyclical in nature, and any decrease in sales during certain quarters, fluctuations in material prices, or disruptions in the timely availability of materials could adversely affect the company's business, results of operations, financial condition, and cash flows.
- ⇒ The company's business has grown rapidly, but it may not be able to sustain its historical growth rates in the future. Any inability to effectively manage growth or execute its growth strategy in a timely manner or within budget estimates could adversely affect its business, results of operations, financial condition, and cash flows.
- ⇒ The company currently assembles all of its SCLMs substantially at the Obadenahalli facility, accounting for approximately 96%-99% of its total SCLM production. Any disruptions or stoppages at this facility or other facilities could adversely impact its operations, financial condition, and results of operations.

# Ajax Engineering Limited

## Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
<b>Revenue</b>				
Revenue from operations	7,633	11,511	17,414	7,700
<b>Total revenue</b>	<b>7,633</b>	<b>11,511</b>	<b>17,414</b>	<b>7,700</b>
<b>Expenses</b>				
Cost of raw materials consumed	4,091	7,721	12,199	8,269
Purchase of traded goods	353	471	534	319
Changes in inventories of finished goods, traded goods and work-in-progress	1,039	85	29	-3,229
Employee benefits expense	669	723	871	516
Other expenses	577	804	1,026	631
<b>Total operating expenses</b>	<b>6,728</b>	<b>9,804</b>	<b>14,659</b>	<b>6,507</b>
<b>EBITDA</b>	<b>905</b>	<b>1,707</b>	<b>2,755</b>	<b>1,192</b>
Depreciation & amortization expense	82	86	103	53
<b>EBIT</b>	<b>823</b>	<b>1,622</b>	<b>2,653</b>	<b>1,140</b>
Finance costs	4	7	20	10
Other Income	86	214	387	242
<b>PBT</b>	<b>904</b>	<b>1,829</b>	<b>3,019</b>	<b>1,371</b>
<b>Tax expense</b>				
Current tax	232	460	722	412
Deferred tax	10	10	45	-51
<b>Total tax</b>	<b>242</b>	<b>470</b>	<b>768</b>	<b>361</b>
<b>Net Profit</b>	<b>662</b>	<b>1,359</b>	<b>2,251</b>	<b>1,010</b>
<b>Diluted EPS</b>	<b>5.8</b>	<b>11.9</b>	<b>19.6</b>	<b>8.8</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
Cash Flow from operating activities	847	1,847	2,075	-2,413
Cash flow from investing activities	-1,285	-1,932	-1,156	2,537
Cash flow from financing activities	-4	-3	-255	-252
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-442</b>	<b>-88</b>	<b>664</b>	<b>-128</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>500</b>	<b>58</b>	<b>-30</b>	<b>634</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>58</b>	<b>-30</b>	<b>634</b>	<b>506</b>

Source: RHP, BP Equities Research

# Ajax Engineering Limited

## Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	1,050	1,142	1,157	1,150
Capital work-in-progress	73	56	173	299
Intangible assets	35	28	19	14
Right-of-use assets	487	496	496	492
Intangible assets under development	0	5	0	0
Financial Assets				
(i) Investments	50	226	637	198
(ii) Other financial assets	18	39	41	42
Non-current tax assets (net)	2	2	1	1
Other non-current assets	80	120	145	171
<b>Total Non Current assets</b>	<b>1,795</b>	<b>2,114</b>	<b>2,671</b>	<b>2,367</b>
<b>Current Assets</b>				
Inventories	1,724	1,730	2,267	5,606
Financial Assets				
(i) Investments	2,913	4,723	5,614	3,553
(ii) Trade receivables	547	750	882	547
(iii) Cash and cash equivalents*	129	71	696	506
(iv) Bank balances other than cash and cash equivalents	97	20	16	24
(v) Other financial assets	10	29	43	239
Other assets	138	231	171	646
<b>Total Current Assets</b>	<b>5,559</b>	<b>7,554</b>	<b>9,690</b>	<b>11,120</b>
<b>Total Assets</b>	<b>7,353</b>	<b>9,667</b>	<b>12,361</b>	<b>13,488</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity Share Capital	9	114	114	114
Other Equity	5,754	7,024	9,065	9,844
<b>Total equity</b>	<b>5,783</b>	<b>7,138</b>	<b>9,180</b>	<b>9,958</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Financial Liabilities				
(i) Lease liability	0	13	18	16
Provisions	26	32	7	7
Current tax liability (net)	35	44	90	40
<b>Total Non-Current Liabilities</b>	<b>61</b>	<b>90</b>	<b>114</b>	<b>63</b>
<b>Current Liabilities</b>				
Financial Liabilities				
(i) Borrowings	72	101	62	0
(ii) Lease liability	0	1	2	2
(iii) Trade payables	585	1601	2,087	2513
(iv) Other financial liabilities	116	106	149	126
Other current liabilities	563	412	510	575
Provisions	136	180	241	225
Current tax liability (net)	38	38	16	25
<b>Total Current Liabilities</b>	<b>1,509</b>	<b>2,440</b>	<b>3,068</b>	<b>3,466</b>
<b>Total Liabilities</b>	<b>1,570</b>	<b>2,529</b>	<b>3,182</b>	<b>3,529</b>
<b>Total Equity and Liabilities</b>	<b>7,353</b>	<b>9,667</b>	<b>12,361</b>	<b>13,488</b>

\* Note—Cash and cash equivalents include cash credit from banks.

Source: RHP, BP Equities Research

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

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