

# Ajax Engineering Ltd.

Nifty: 23,560

Sensex: 77,860

IPO Note

08<sup>th</sup> February 2025

Sector: Capital Goods

Price Range: ₹599 - ₹629

## A leading concrete equipment manufacturer...

Ajax Engineering Ltd. (AJAX), established in 1992, is a leading manufacturer of concrete equipment with a wide range of products and solutions, including Self-Loading Concrete Mixers (SLCMs), batching plants, transit mixers, boom pumps, slip-form pavers, and 3D concrete printers. AJAX has developed ~141 concrete equipment variants for the value chain and sold over 29,800 units in India in the last ten years to over 18,900 customers. Ajax Engineering operates four assembling and manufacturing facilities in Karnataka.

- ◆ The market for concreting equipment in India is projected to grow at a CAGR of ~11% (in volume terms) and ~24% (in value terms) till FY2029, representing an opportunity of ~INR 191 billion (US\$ 2.3 billion). (Source: Redseer Report).
- ◆ Currently ~25% of the concrete produced is via mechanized concreting equipment and is expected to reach ~41% by FY29E, which will be beneficial for players like AJAX. (Source: Redseer Report).
- ◆ AJAX enjoys a dominant position in SLCMs market with a market share of ~77% in H1FY25. AJAX's revenue from SLCMS grew at ~58% CAGR over FY22-FY24 and is well placed to benefit from growth in concrete equipment market.
- ◆ AJAX's Revenue/ EBITDA/ PAT grew at a CAGR of ~51%, 75% and ~84%, respectively over FY22-24, indicating strong financial growth.
- ◆ The EBITDA and PAT margins are healthy at ~16% and 13%, respectively in FY24 compared to its peers. The Return ratios are robust with RoE at 25% and ROCE at 27% in FY24.
- ◆ At the upper price band of Rs.629, AJAX is available at a P/E of 32x (FY24), which appears to be reasonably priced compared to its peers.
- ◆ Given its dominant market share, bright growth prospects, strong dealer network, asset-light business model, nil debt and favourable industry outlook, we recommend to subscribe on a long-term basis.

### Issue Details

Date of opening	January 10 , 2025
Date of closing	January 12, 2025
Total No. of shares offered (cr.)	2.02
Post Issue No. of shares (cr)	11.4
Face Value	₹1
Bid Lot	23 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,467
Maximum application for retail (upper price band for 13 lot)	₹ 1,88,071
Employee discount	Rs.59
Listing	BSE,NSE
Lead Managers	ICICI Securities Limited, Citigroup Global Markets India Private Limited, Jm Financial Limited, Nuvama Wealth Management Limited, SBI Capital Markets Limited
Registrar	MUFG Intime India Private Limited (formerly Link Intime India Pvt Ltd).

### Issue size (upper price)

	Rs. cr
Fresh Issue	-
OFS	1,269.35
Total Issue	1,269.35

### Shareholding (%)

	Pre-Issue	Post Issue
Promoter & Promo. Group.	93.5	82.4
Public & others	6.5	17.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Issue structure

Issue structure	Allocation (%)	Size Rs. cr
Retail	35	444.3
Non-Institutional	15	190.4
QIB	50	634.7
<b>Total</b>	<b>100</b>	<b>1,269.4</b>

### Y. E March (Rs cr) Con-

	FY23	FY24	H1FY25
Sales	1,151.1	1,741.4	770.0
Growth YoY(%)	0.5	0.5	0.1
EBITDA	170.7	275.5	119.2
Margin(%)	14.8	15.8	15.5
PAT Adj.	135.9	225.1	101.0
Growth (%)	1.1	0.7	0.2
EPS	11.9	19.7	8.8
P/E (x)	53.0	32.0	71.2
EV/EBITDA (x)	42.2	26.1	60.4
P/Bv(x)	10.1	7.8	7.2

## Purpose of IPO

The issue is primarily Offer for Sale of up to 20,180,446 equity shares of face value of ₹ 1 each by the Promoter Selling Shareholder, Promoter group selling shareholder and Investor selling shareholder( Kedaara Capital Fund II LLP ). The objective of the issue is to achieve the benefits of listing the equity shares on the stock exchanges.

## Key Risks

- A significant portion of revenue is derived from SLCM ( ~85% in FY24).
- AJAX's Assembling and Manufacturing facilities are located in Karnataka, exposes a regional risk.
- Cyclical nature and influenced by Govt spending and Infrastructure projects.

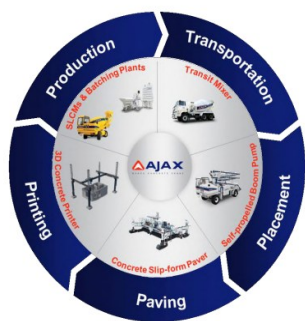
## Peer Valuation

Company	Mcap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	P/E(x)	EV/EBITDA	P/BV	Mcap/sales	CMP(₹)
<b>AJAX Engineering Ltd</b>	<b>7,196</b>	<b>1,741</b>	<b>15.82</b>	<b>12.9</b>	<b>19.7</b>	<b>24.5</b>	<b>32.0</b>	<b>26.1</b>	<b>7.8</b>	<b>4.1</b>	<b>629</b>
Action Construction Equipment Ltd	14,845	2,913.8	13.8	11.3	25.9	30.5	48.2	39.4	12.1	5.1	1,247
BEML Ltd	13,654	4,054.3	10.9	7.0	67.6	11.1	48.5	30.1	5.1	3.4	3,279
Escorts Kubota Ltd	36,644	8,677	13.4	12.1	85.4	12.1	38.3	23.7	3.9	4.2	3,275

Source: Geojit Research, Bloomberg; Valuations of AJAX are based on upper end of the price band (post issue), Financials as per FY24 consolidated.

## About the company

AJAX is a leading concrete equipment manufacturer with a comprehensive range of concrete equipment, services and solutions across the concrete application value chain (Source: Redseer Report). As of September 30, 2024, AJAX developed over 141 concrete equipment variants catering to the concrete application value chain, and over the last ten years, company has sold over 29,800 concrete equipment in India.



Source: RHP, Geojit Research

## Strengths

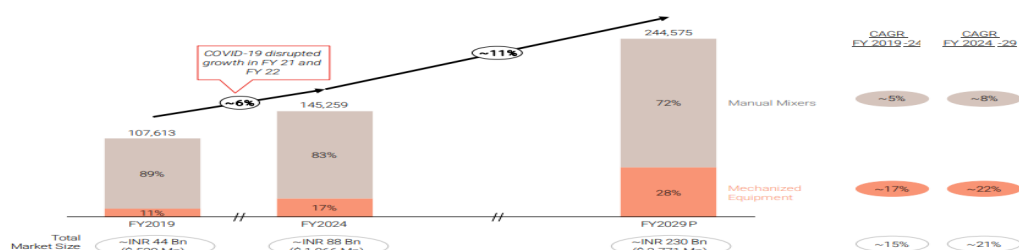
- Market leader in a large and fast-growing SLCM market. Market share of ~77% in H1FY25.
- Leading concrete equipment company with over 141 concrete equipment variations, and offering services and solutions across the concrete application value chain.
- Large dealer network with widespread distribution model and 51 dealerships across 23 states in India, as of September 30, 2024.
- Diversified customer base with longstanding relationships in the concrete equipment market.

## Strategies

- Maintain the leadership position and grow market share of the SLCM portfolio by developing innovative products to cater to new untapped markets.
- Strengthen capabilities and increase market share of the non-SLCM portfolio.
- Improving operational efficiencies.
- Increase AJAX's presence in overseas markets through exports.
- Explore opportunities for inorganic growth.

## Industry Outlook

In India, concrete equipment, particularly self-loading concrete mixers ("SLCMs"), plays an essential role in supporting the growing demand for infrastructure and construction projects. Infrastructure development is projected to propel the demand for mechanized concrete equipment in India and grow the industry from ₹61 billion (US\$731 million) for Financial Year 2024 to ₹178 billion (US\$2,148 million) for Financial Year 2029 (Source: Redseer Report). The concrete equipment market in India, and in particular, the market for SLCMs, is experiencing significant growth on account of several factors, including an increase in cement consumption and an increase in public and private capital expenditure towards infrastructure, irrigation, housing and renewable power projects, leading to increased demand for construction materials and equipment (Source: Redseer Report).



Note(s): 1. Mechanized equipment includes Self-Loading Concrete Mixers (SLCM), Transit Mixers, Stationary Concrete Pumps, Boom Pumps, Batching Plants, Fixed Form Pavers, Mobile Line Pumps, Shotcrete, etc. 2. Conversion Rate: US\$ 1 = INR 83

Source(s): Redseer Research and Analysis

Source: RHP, Geojit Research

## Promoter & Promoter group

The Promoters of the Company are Krishnaswamy Vijay, Jacob Jiten John, Kalyani Vijay, Madhuri Vijay, Prashanth Vijay, Rachel Rekha Hansen, Savitha Christeena Alexander, Sean Alexander, Green Haven Trust, Ohana Trust, Jacob Hansen Family Trust and The Johns Loaves Trust.

## Brief Biographies of directors

As on the date of this Red Herring Prospectus, the Board has eight Directors, comprising Managing Director, two Executive Directors, five Non-Executive Directors, including four Independent Directors (including one woman independent director).

- **Krishnaswamy Vijay** is the Whole-time Director and Executive Chairman of the Company
- **Shubhabrata Saha** is the Managing Director and Chief Executive Officer of the Company.
- **Jacob Jiten John** is Whole-time Director of the Company.
- **Parin Nalin Mehta** is a Non-Executive Director of the Company
- **Rajan Wadhwa** is an Independent Director of the Company.
- **Doddaballapur Prasanna Achutarao** is an Independent Director of the Company.
- **Jayashree Satagopan** is an Independent Director of the Company
- **Raghavan Sadagopan** is an Independent Director of the Company.

## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	H1FY25
<b>Sales</b>	<b>1151.1</b>	<b>1741.4</b>	<b>770.0</b>
% change	51.3%	51.3%	12.4%
<b>EBITDA</b>	<b>170.7</b>	<b>275.5</b>	<b>119.2</b>
% change	<b>89%</b>	<b>61%</b>	<b>20%</b>
Depreciation	8.56	10.27	5.28
<b>EBIT</b>	<b>162.2</b>	<b>265.3</b>	<b>114.0</b>
Interest	0.68	2.03	1.00
Other Income	21.44	38.67	24.17
Exceptional items	0.00	0.00	0.00
<b>PBT</b>	<b>182.9</b>	<b>301.9</b>	<b>137.1</b>
% change	102%	65%	24%
Tax	47.05	76.77	36.11
Tax Rate (%)	25.7%	25.4%	26.3%
Reported PAT	135.90	225.15	101.02
Adj	0.00	0.00	0.00
<b>Adj. PAT</b>	<b>135.90</b>	<b>225.15</b>	<b>101.02</b>
% change	105.3%	65.7%	21.8%
<b>Post issue No. of shares (cr)</b>	<b>11.44</b>	<b>11.44</b>	<b>11.44</b>
Adj EPS (Rs)	11.88	19.68	8.83
% change	105.3%	65.7%	21.8%

### CASH FLOW

Y.E March (Rs cr)	FY23	FY24	H1FY25
PBT Adj.	182.9	301.9	137.1
<i>Non-operating &amp; non cash adj.</i>	<i>3.0</i>	<i>-8.5</i>	<i>-7.8</i>
Changes in W.C	-1.2	-86.0	-370.6
<b>C.F. Operating</b>	<b>184.7</b>	<b>207.5</b>	<b>-241.3</b>
Capital expenditure	-17.2	-23.3	-20.0
Change in investment	-652.8	-640.4	-97.0
Sale of investment	468.1	542.0	366.8
Other invest.CF	8.7	6.1	3.8
<b>C.F - investing</b>	<b>-193.2</b>	<b>-115.6</b>	<b>253.7</b>
Issue of equity	0	0	0
Issue/repay debt	-0.04	-0.19	-0.12
Dividends paid	0	-24.84	-24.84
Other finance.CF	-0.29	-0.43	-0.23
<b>C.F - Financing</b>	<b>-0.34</b>	<b>-25.46</b>	<b>-25.19</b>
Change. in cash	-8.82	66.44	-12.78
Opening Cash	5.78	-3.04	63.39
Closing cash	-3.04	63.39	50.61

### BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	H1FY25
<b>Cash</b>	<b>9.0</b>	<b>71.3</b>	<b>53.0</b>
Accounts Receivable	75.0	88.2	54.7
Inventories	173.0	226.7	560.6
Other Cur. Assets	26.0	21.5	88.4
Investments	494.9	625.1	375.1
Deff. Tax Assets	0.0	0.0	0.0
Net Fixed Assets	114.2	115.7	115.0
CWIP	5.6	17.3	29.9
Intangible Assets	52.9	51.5	50.6
Other Assets	16.0	18.8	21.4
<b>Total Assets</b>	<b>966.7</b>	<b>1236.1</b>	<b>1348.8</b>
Current Liabilities	201.3	259.7	308.8
Provisions	25.7	33.8	27.2
Debt Funds	11.6	8.2	1.9
Other Fin. Liabilities	10.6	14.9	12.6
Deferred Tax liability	3.8	1.6	2.5
Equity Capital	11.4	11.4	11.4
Reserves & Surplus	702.4	906.5	984.4
Shareholder's Fund	713.8	918.0	995.8
<b>Total Liabilities</b>	<b>966.7</b>	<b>1236.1</b>	<b>1348.8</b>
BVPS (Rs)	62.4	80.2	87.0

### RATIOS

Y.E March	FY23	FY24	H1FY25
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	14.8	15.8	15.5
EBIT margin (%)	14.1	15.2	14.8
Net profit mgn.(%)	11.8	12.9	13.1
ROE (%)	19.0	24.5	10.1
ROCE (%)	20.8	27.4	11.3
<b>W.C &amp; Liquidity</b>			
Receivables (days)	20.6	17.1	6.0
Inventory (days)	76.2	57.2	73.4
Payables (days)	50.8	43.7	29.7
Current ratio (x)	3.4	3.5	3.4
Quick ratio (x)	0.4	0.6	0.3
<b>Turnover &amp; Levg.</b>			
Net asset T.O (x)	10.5	15.1	6.7
Total asset T.O (x)	1.4	1.6	0.6
Int. covge. ratio (x)	240.3	130.9	114.1
Adj. debt/equity (x)	0.0	0.0	0.0
<b>Valuation ratios</b>			
EV/Sales (x)	6.3	4.1	9.3
EV/EBITDA (x)	42.2	26.1	60.4
P/E (x)	53.0	32.0	71.2
P/BV (x)	10.1	7.8	7.2

## DISCLAIMER & DISCLOSURES

### **Certification**

I, Sheen G, author of this Report, hereby certify that all the views expressed in this research report reflect the personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

**For General disclosures and disclaimer:** Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

### **Regulatory Disclosures:**

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company ( yet to start operations)), Geojit Techloan Private Ltd( P2P lending (yet to start operations)), Geojit IFSC Ltd ( a company incorporated under IFSC Regulations( yet to start operations)), Qurum Business Group Geojit Securities LLC ( a joint venture in Oman engaged in Financial Services ), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services ). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of the business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by the Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or the Analysts in connection with the business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

#### 1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

#### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

#### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

#### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Sheen G, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company.

#### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: [www.geojit.com](http://www.geojit.com). For investor queries: [customercare@geojit.com](mailto:customercare@geojit.com). **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901367; Email: [compliance@geojit.com](mailto:compliance@geojit.com). For grievances: **Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901363; Email: [grievances@geojit.com](mailto:grievances@geojit.com). Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

