



M A K E S C O N C R E T E S E N S E



Ajax Engineering Limited

Ajax Engineering Ltd.

Rating Subscribe	Issue Opens On Feb 10, 2025	Issue Closes On Feb 12, 2025	Listing Date Feb 17, 2025	Price Band (INR) 599 - 629	Issue Size (INR Mn) 12,088 – 12,694
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Company Overview:

- Ajax Engineering 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**.
- By **September 30, 2024**, the company had developed **141 equipment variants** and sold over **29,800 units in India** in the last ten years.
- It operates **four manufacturing facilities** in Karnataka, including the Obadenahalli plant, which spans **39,660 sq. meters** and is among the **largest SLCM facilities globally**.
- Ajax is the **first Indian company** to develop an **in-house slip-form paver (2019)** and commercialize a **3D concrete printing machine (2023)**.
- The company played a significant role in India's concrete industry, with **12% of the nation's concrete production in FY24** conducted using its **SLCMs**.
- Ajax Engineering holds an **approximate market share of 77% in the SCLM segment** for the **six months ending September 30, 2024**

Outlook and Valuation:

Ajax Engineering Limited (AEL), with a significant presence in the Self-Loading Concrete Mixer (SLCM) segment, with over 75% of the market share, positioned as a dominant player in the industry. The company follows a **seasonal revenue pattern**, the company generates around 35% of its revenue in the first half of the year and nearly 60% in the second half, indicating a strong back-ended business cycle.

AEL is reasonably priced compared to its industry peers, backed by solid financial performance with Revenue/PAT CAGR of 51%/84% from FY22 to FY24.

With its dominant market share, growth trajectory, and favorable industry outlook, the company presents a compelling investment opportunity. Hence, We assign **"SUBSCRIBE"** rating.

Particulars (In INR Mn)	FY22	FY23	FY24	H1FY25
Revenue	7,633	11,511	17,414	7,700
EBITDA	905	1,707	2,755	1,192
EBITDA Margin (%)	12%	15%	16%	15%
Adj. Profit After Tax	662	1359	2251	1010
PAT Margin (%)	9%	12%	13%	13%
Net Worth	5,783	7,138	9,180	9,958
RONW (%)	11%	19%	25%	10%

Source: IPO Prospectus

OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn)	20.2
Fresh issue (# shares) (Mn)	NA
Offer for sale (# shares) (Mn)	20.2
Price band (INR)	599 - 629
Post issue MCAP (INR Mn)	68,530 – 71,962

Source: IPO Prospectus

Issue	# Shares	INR Mn	%
QIB	1,00,90,223	Max 6,347	Not more than 50%
NIB	30,27,067	Min 1,904	Not less than 15%
Retail	70,63,156	Min 4,443	Not less than 35%
Net Offer	2,01,80,446	12,694	100%

Source: IPO Prospectus

Shareholding Pattern	Pre-Issue (%)	Post-Issue (%)
Promoters & Promoters Group	94%	82%
Others	6%	18%
Total	100%	100%

Source: IPO Prospectus

Objects of the Offer	NA
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Source: IPO Prospectus

BRLM
1. ICI Securities Limited
2. Citigroup Global Markets India Private Limited
3. JM Financial Limited
4. Nuvama Wealth Management Limited
5. SBI Capital Markets Limited

Source: IPO Prospectus

Indicative Timetable	
Offer Closing Date	Wednesday, 12 th Feb'25
Basis of Allotment	Thursday, 13 th Feb'25
Initiation of Refunds	Friday, 14 th Feb'25
Credit of Shares to Demat	Friday, 14 th Feb'25
Listing Date	Monday, 17 th Feb'25

Source: IPO Prospectus

Ajax Engineering Ltd.

Company Overview

Business Model

Ajax Engineering employs a business model centered on a **dealer-led distribution and service network, across 23 states in India and 25 international dealers**. This model emphasizes **strong dealer support** through training and after-sales service, contributing to revenue, with the top ten dealers accounting for 51.77% of the company's revenue for the six months ending September 30, 2024. Supporting this distribution model is an **asset-light approach**, and **integrated supply chain**, which allows for flexibility and responsiveness to the cyclical nature of infrastructure projects, and the offering of **comprehensive concrete solutions**.

Product Portfolio



1. Self-loading concrete mixers

Self-loading concrete mixers are versatile machines that mix and transport concrete on-site, featuring self-loading arms, batch controllers, tight turning radius, ergonomic cabins, joystick controls, and onboard water tanks for efficient operation and cleaning.



5. Boom pumps

Boom pumps are truck-mounted pumps that pour large amounts of concrete quickly and at height.



2. Batching plants

Batching plants are facilities that facilitate mixing of a variety of ingredients, including aggregates, water, cement and additives, in precise proportions to enable production of large batches of concrete.



6. Concrete pumps

Concrete pumps are stationary pumps designed to efficiently pump concrete from a transit mixer at height.



3. Transit mixers

Transit mixers are vehicles equipped with rotating drums used to transport freshly mixed concrete from batching plants to construction sites.



7. 3D concrete printers

3D concrete printers are robotic printers which deposit concrete layer-by-layer in accordance with specified designs



4. Self-propelled boom pumps

Self-propelled boom pumps are off-road mobile concrete pumping machines equipped with a hydraulic arm, and which can navigate and deliver concrete to crowded and narrow roads, as well as off-highway terrains.



8. Slipform pavers

Slipform pavers are machines used in road construction that continuously pave concrete to form a uniform and seamless surface.

Source: IPO Prospectus, Deven Choksey Research

Revenue Breakup

Ajax Engineering heavily relies on **SLCM sales** for revenue, with consistent SLCM contribution of over 80% to the company's revenue from operations.

Products & Services Mix (% of Revenue)	FY 22	FY 23	FY 24	H1 FY25
Sale of SLCMs	77%	83%	85%	81%
Sale of non-SLCM	13%	9%	9%	10%
Sale of products – sale of spare parts	9%	7%	6%	7%
Revenue from contracts with customers - sale of services	0.6%	0.4%	0.3%	0.7%

Volume Sales	FY 22	FY 23	FY 24	H1 FY25
SLCM unit sales (number)	1,930	2,962	4,625	1,933
Non SCLM unit sales (number)	429	406	560	229

Source: IPO Prospectus, Deven Choksey Research

Ajax Engineering Ltd.

Company Overview

Exports

Ajax Engineering is focused on growing its export business. The company had **25 dealers and distributors** across South and Southeast Asia, the Middle East, and Africa, as of September 30, 2024. Ajax Engineering has exported equipment to **46 countries since April 1, 2019, and to 19 countries** during the six months period ended September 30, 2024. The company plans to increase exports to countries it does not currently serve over the next five years. As the first Indian company to manufacture and export slip form concrete pavers, Ajax Engineering is targeting South and Southeast Asia, the Middle East, and Africa for further expansion. The company's export sales have increased to 6.4% in H1 FY25, up from 3.3% in FY24, indicating a growing focus on international markets.

FY	Domestic Sales	Exports Sales
FY 22	95%	5%
FY 23	97%	3%
FY 24	97%	3%
H1 FY25	93%	7%

Source: IPO Prospectus, Deven Choksey Research

Capacity Utilization

Ajax Engineering operates four assembling and manufacturing facilities in Karnataka, specifically in Obadenahalli, Gowribidanur, and Bashettihalli. The **Obadenahalli facility** achieved a **capacity utilization of 93.86%** in SLCM production for the six months ended September 30, 2024, and is recognized as one of the largest SLCM facilities globally. An additional facility is under construction in Adinarayanahosahalli (Karnataka), slated to open in August 2025, which will have flexible capabilities for assembling various concrete equipment. The **proximity of suppliers to assembling and manufacturing units facilitates co-development and efficient procurement processes**

Particulars	FY 22	FY 23	FY 24	H1 FY25
Obadenahalli facility P003 – Self Loading Concrete Mixer (SLCM)				
Installed capacity (units) – Self Loading Concrete Mixer (SLCM)	7,200	7,200	7,200	3,600
Capacity utilization (%) - Self Loading Concrete Mixer (SLCM)	17%	39%	63%	94%
Gowribidanur facility P002				
Installed capacity (units)				
-Batching plant	183	219	216	108
-Transit mixer	264	264	480	240
Capacity utilization (%)				
-Batching plant	74%	58%	74%	48%
-Transit mixer	63%	38%	38%	30%
Bashettihalli facility P001				
Installed capacity (units)				
-Self Loading Concrete Mixer (SLCM) (Argo 1000)	96	96	96	48
-Concrete pump	168	168	180	90
-Boom pump	24	48	48	24
-Paver	0	3	3	2
Capacity utilization (%)				
-Self Loading Concrete Mixer (SLCM) (Argo 1000)	41%	47%	56%	67%
-Concrete pump	74%	83%	105%*	108%*
-Boom pump	79%	94%	88%	83%
-Paver	-	33%	0%	0%

*Marginal excess capacity utilization is on account of higher efficiency by men and machines.

Source: IPO Prospectus, Deven Choksey Research

Ajax Engineering Ltd.

Company Overview

Dealer Network

- As of September 30, 2024, Ajax Engineering's dealer network in India includes **51 dealerships across 23 states with 114 touchpoints**, many doubling as service centers.
- Internationally**, the company operates through **25 dealers** in South and Southeast Asia, the Middle East, and Africa. **Over 41% of Indian dealers** have been associated with Ajax for more than five years.
- Dealers are supported with training, marketing assistance, and infrastructure development.
- In H1 FY25, dealers contributed ₹7,165.69 million (**93.06% of operational revenue**), with the **top 10 dealers accounting for 51.77% of revenue**.

Customers

- Ajax Engineering serves over **19,000 customers**, including contractors, rental firms, large construction companies, and government agencies.
- The company emphasizes long-term relationships, catering to diverse needs and ensuring accessibility through **114 touchpoints**.
- Its customer base is well-distributed, with **no single customer contributing more than 5% of annual revenue**, reducing dependency on individual clients.

Peer Comparison

Particulars	Ajax Engineering Ltd	Action Construction Equipment Ltd	Escorts Kubota Ltd	BEML Ltd
Market cap	71,962	1,47,437	3,69,980	1,40,346
EV	65,718	1,48,561	3,78,030	1,43,076
Revenue from operations	17,414	29,138	88,496	40,543
EBITDA	2,755	4,037	11,667	4,449
EBITDA Margin (%)	16%	14%	13%	11%
Adj. PAT	2,251	3,282	10,491	2,818
PAT Margin (%)	13%	11%	12%	7%
Net Worth	9,180	12,298	91,763	26,680
ROE (%)	25%	27%	11%	11%
ROCE (%)	32%	42%	16%	15%
EPS	20*	28	95	68
P/E ratio	32 x	45 x	35 x	50 x
P/S	4 x	5 x	4 x	3 x
EV/EBITDA	24 x	37 x	32 x	32 x

*Adj. EPS

Source: IPO Prospectus, Deven Choksey Research

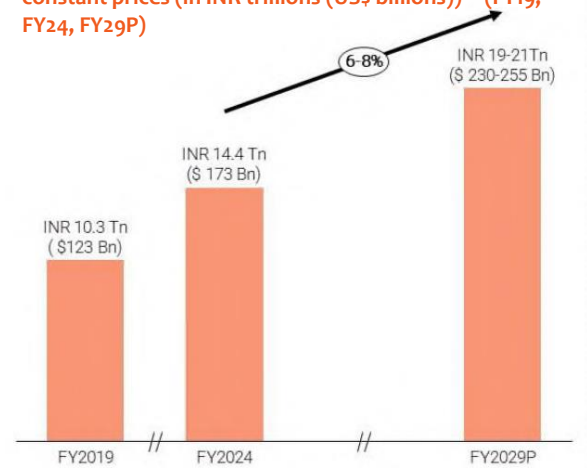
Ajax Engineering Ltd.

Industry Overview:

Construction activity in India

- As of FY 2024, infrastructure accounts for ~40% of total construction (~INR 5.7Tn) while real estate contributes ~60% (~INR 8.7Tn).
- Between FY24-29, infrastructure is projected to grow at an ~8% CAGR, and real estate at ~6%.
- In Metro and Tier 1 cities, real estate is expected to grow at 4-5% CAGR, driven by urbanization and rising incomes, while Tier 2+ cities and rural areas may see 7-8% CAGR, supported by government initiatives in affordable housing and commercial development.

Construction, real estate and infrastructure activity at constant prices (in INR trillions (US\$ billions)) – (FY19, FY24, FY29P)

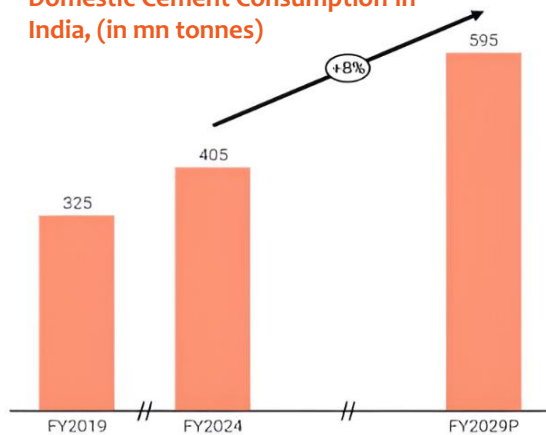


Note: 1. Construction activity at constant prices. 2. Conversion Rate: US\$ 1 = INR 83
Source: IPO Prospectus, Deven Choksey Research

Cement Consumption in India

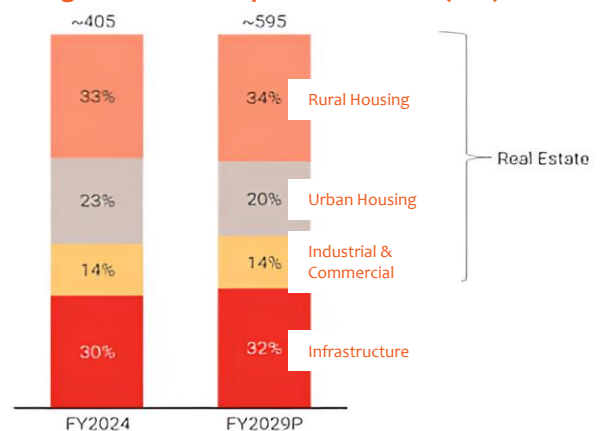
- Increased construction activity leads to higher cement consumption, which in turn drives demand for concrete equipment. Cement consumption is projected to grow at a CAGR of approximately 8% until FY2029.
- Domestic cement consumption in India increased from approximately 325 million tonnes in FY19 to **405 million tonnes** in FY24. This consumption is projected to reach **595 million tonnes by FY29**, growing at a CAGR of approximately 8%.

Domestic Cement Consumption in India, (in mn tonnes)



Source: IPO Prospectus, Deven Choksey Research

Segmental consumption of Cement (in %)



Source: IPO Prospectus, Deven Choksey Research

Cement Production capacity and Utilization

- Installed Capacity:** India has an installed cement capacity of approximately 635 million tonnes per year with an annual production of ~435 million tonnes as of FY 2024, which implies a utilization of ~69%.
- Projected Increase:** The industry is projected to increase the installed capacity to 840-850 million tonnes per year by FY 2029, with annual production increasing to 615-620 million tonnes.

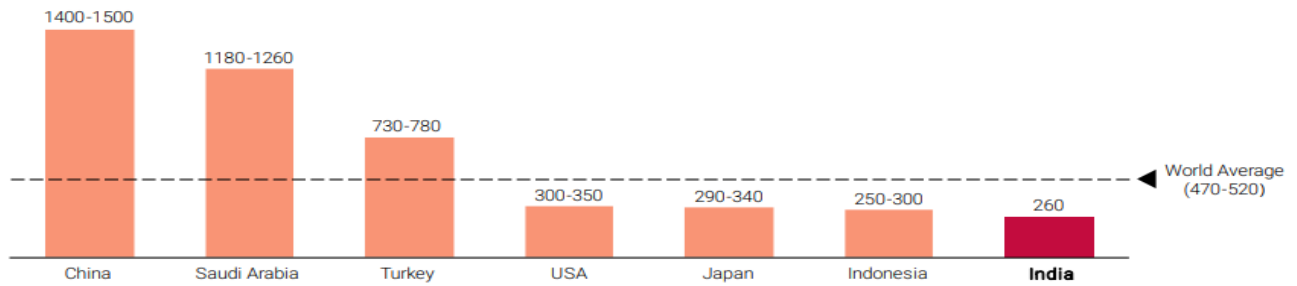
Fiscal Year	Cement Production Capacity (MTPA)	Production Capacity Utilization (%)
FY19	~495	~66%
FY20	~523	~63%
FY21	~545	~52%
FY22	~576	~61%
FY23	~595	~66%
FY24	~635	~69%
FY29P	840-850	~73%

Source: IPO Prospectus, Deven Choksey Research

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Industry Overview:

Cement consumption per capita across countries (kg) (CY 2023)

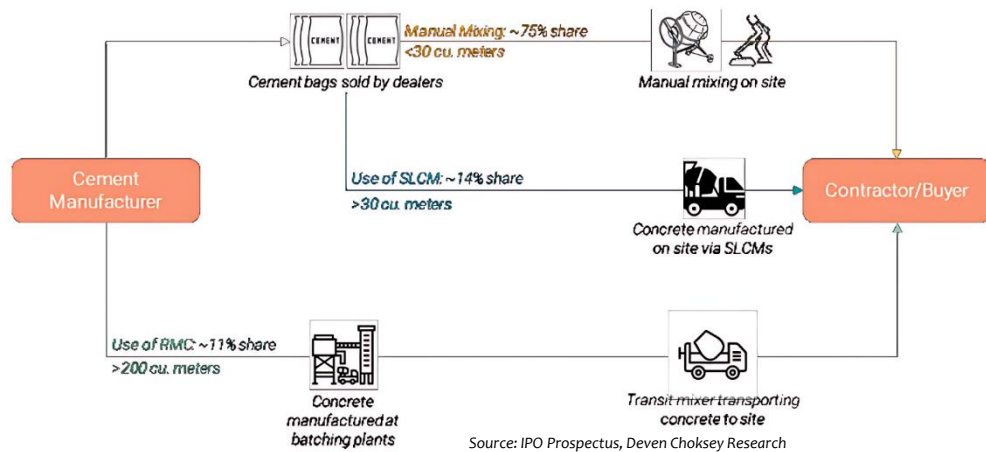


Source: IPO Prospectus, Deven Choksey Research

- India's per capita cement consumption is approximately 50% lower than the global average, indicating a substantial headroom for growth.
- The growth in cement consumption is expected to drive sustained growth in demand for concrete equipment and in particular, for self-loading concrete mixers (SLCMs).

The concrete equipment industry in India

- The Indian concrete equipment market is projected to grow from INR 61 billion in the FY24 to INR 178 billion by the FY29.
- This represents a substantial increase, with a projected CAGR of ~22% by volume and ~24% by value till FY2029.



Source: IPO Prospectus, Deven Choksey Research

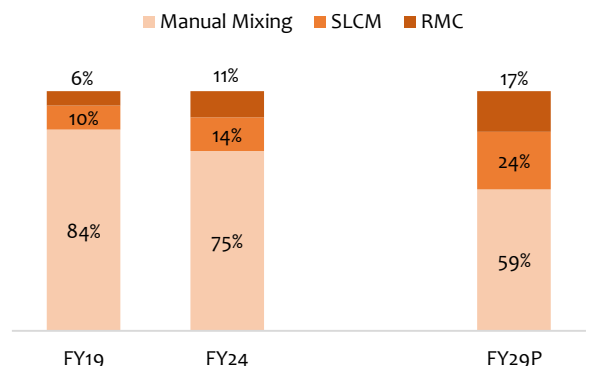
Transition from manual mixing to mobile and automated technology, with SLCMs at the forefront of this evolution.

- The market for mechanized concrete equipment is expected to increase from approximately 25% of concrete production in FY24 to approximately 41% in FY29.
- SLCMs process approximately 14% of total concrete consumption in India as of FY24, up from approximately 10% for FY19 and expected to grow at a CAGR of ~20% till FY29.
- Ready-mix concrete (RMC) market is still in its early stages in India. The demand for RMC is concentrated in the western and southern regions of India.

Construction Equipment Vehicle V (CEV V) Norms

- The CEV V norms, effective in India from January 1, 2025, introduce stricter emission standards for non-road construction equipment vehicles.
- As a result, older vehicle models will be discontinued, making way for new ones. Manufacturers will have a six-month window to sell the remaining stock.
- Prices are expected to rise 5-15% from July 1, 2025, spread over 2-3 years. The CEV III to IV transition in April 2021 saw a similar 10-15% increase.

Domestic Concrete Consumption by different methods (%)



Source: IPO Prospectus, Deven Choksey Research

Ajax Engineering Ltd.

Strategies:

Maintain its leadership position and grow market share of its SLCM portfolio by developing innovative products to cater to new untapped markets:

- The company aims to expand its market share in Self-Loading Concrete Mixers (SLCMs) by tapping into the growing demand in India's housing and infrastructure sectors, which together consume up to 90% of the nation's cement.
- With a significant retail market share in the SLCM market, it plans to enhance product offerings based on customer feedback, introduce mobile-friendly equipment to cater to underdeveloped areas, and potentially offer financing solutions to make SLCM acquisition more accessible and cost-effective.

Strengthen capabilities and increase market share of its non-SLCM portfolio:

- The company is strategically expanding its non-SLCM portfolio's market share through targeted initiatives in key Indian cities, focusing on direct business-to-business engagement and government contracts.
- Innovations like in-house developed slip-form pavers and 3D concrete printers underline its commitment to technology-driven growth.
- By cross-selling to existing customers and transitioning to a comprehensive sales model that includes customization and ongoing support, the company aims to enhance customer retention and differentiate from competitors, establishing itself as a one-stop solution in the concrete equipment market.

Improving operational efficiencies:

- The company is boosting operational efficiency and profit margins by optimizing its concrete equipment operations and leveraging economies of scale.
- Key strategies include enhancing material and cost efficiencies through better supplier negotiations, localizing the supply chain, and minimizing wastage with advanced process engineering.
- Additionally, the company improves its dealer network with advanced logistics and technology-enhanced delivery systems.
- Quality control processes are automated and continuously refined to meet stringent standards, aiming to significantly reduce warranty costs by ensuring product reliability early in the equipment's lifecycle.

Increase its presence in overseas markets through exports:

- Since April 1, 2019, the company has expanded its international footprint by exporting equipment to 46 countries, including 19 countries in the last six months as of September 30, 2024.
- It has established a network of 25 dealers across South and Southeast Asia, the Middle East, and Africa, generating export revenues of INR 496 Mn to INR 573 Mn over the past few years.
- Planning further expansion, the company aims to enter new markets over the next five years and continues to target growth in key overseas regions with its innovative products like slip form concrete pavers and 3D printers, having been the first in India to manufacture and export these items.

Explore opportunities for inorganic growth:

- Alongside organic growth, the company plans strategic acquisitions to expand its concrete equipment offerings and other high-growth product lines, enhancing technological integration, customer base, and global reach.
- Supported by robust cash reserves, this inorganic strategy aims to accelerate international expansion, drive product innovation, and increase market presence.

Ajax Engineering Ltd.

Risks:

- The majority of revenue (85% in FY24) comes from self-loading concrete mixers. Declines in sales or demand for concrete equipment in India could adversely affect the company's financial and operational performance.
- The business is subject to seasonal fluctuations, and a decline in sales during specific quarters could adversely affect its financial performance.
- All assembling and manufacturing facilities are situated in Karnataka, exposing the company to regional risks that could negatively impact its business, operational results, financial health, and cash flows.
- Nearly all SLCMs are assembled at the Obadenahalli Facility, making up over 96% of production from 2022 to 2024. Any disruptions at this facility could significantly impact operations and financial results.
- Leases for two key facilities have expired, with pending ownership applications. Uncertainty in acquiring these parcels could adversely affect business operations and financial stability.
- The company has received modifications in its audit report for FY21 & FY22, while the company has taken measures in FY24 for resolving the modifications related to internal controls among other things, future modified opinions by auditor can have an impact on share prices.

Ajax Engineering Ltd.

SWOT Analysis



Strengths:

- **Established Brand:** AJAX Engineering is a well-known name in the engineering sector, indicating strong brand recognition and customer trust.
- **Diverse Product Portfolio:** The company offers a wide range of engineering products and services, which diversifies its revenue streams and reduces dependence on any single market segment.
- **Robust Distribution Network:** Extensive distribution and service network enhances market reach and customer service capabilities.
- **Strong Infrastructure:** Located in Peenya Industrial Area, Bengaluru, with a robust infrastructure for manufacturing and R&D.
- **Innovative Capabilities:** Demonstrated innovation in product development, enhancing competitive advantage.



Weaknesses:

- **High Dependence on Specific Markets:** Significant reliance on particular markets for the majority of revenue, which could be risky if those markets face economic downturns.
- **Limited International Presence:** Compared to some of its competitors, AJAX may have a limited footprint in international markets, potentially limiting growth opportunities.
- **Operational Challenges:** Complexities in managing operations across different regions, which can lead to increased costs and inefficiencies.
- **High Competition:** The engineering and manufacturing sectors are highly competitive, with numerous players vying for market share, which could pressure pricing and profitability.



Opportunities:

- **Expansion into New Markets:** Opportunities for geographical expansion, both domestically and internationally, could help AJAX tap into new revenue streams.
- **Growth in Infrastructure:** Increasing investments in infrastructure development by governments and private entities present a significant opportunity for AJAX to expand its project portfolio.
- **Technological Advancements:** Leveraging new technologies to improve operational efficiencies and product offerings, which can attract a broader customer base.
- **Growing Market Demand:** Capitalizing on increasing market demand in key sectors, driven by trends and changes in consumer preferences.



Threats:

- **Market Competition:** Intense competition from both domestic and international players could pressure prices and market shares.
- **Technological Disruptions:** Risk of becoming obsolete due to rapid technological changes and innovations by competitors.
- **Global Supply Chain Issues:** As seen in recent global events, disruptions in the supply chain can significantly impact production timelines and costs.

Ajax Engineering Ltd.

Financials:

Income Statement (INR Mn)	FY22	FY23	FY24	H1FY25	Cash Flow (INR Mn)	FY22	FY23	FY24	H1FY25
Revenue	7,633	11,511	17,414	7,700	Net Cash Flow from Operating Activities	847	1,847	2,075	-2,413
Operating Expenditure	6,728	9,804	14,659	6,507	Net Cash Flow from Investing Activities	-1,285	-1,932	-1,156	2,537
EBITDA	905	1,707	2,755	1,192	Net Cash Flow from Financing Activities	-4	-3	-255	-252
EBITDA Margin %	12%	15%	16%	15%	Net Increase/(Decrease) in Cash	-442	-88	664	-128
Other Income	86	214	387	242	Cash & Cash Equivalents at the Beginning	500	58	-30	634
Depreciation	82	86	103	53	Cash & Cash Equivalents at the End	58	-30	634	506
Interest	4	7	20	10					
Tax	242	470	768	361					
PAT	662	1,359	2,251	1,010					
PAT Margin (%)	9%	12%	13%	13%					
Adjusted EPS	5.79	11.88	19.68	8.83					

Balance sheet (INR Mn)	FY22	FY23	FY24	H1FY25
Assets				
Non-Current Assets				
Property, plant and equipment	1,050	1,142	1,157	1,150
Right-of-use assets	487	496	496	492
Other non-current assets	258	475	1,018	725
Current Assets				
Inventories	1,724	1,730	2,267	5,606
Investments	2,913	4,723	5,614	3,553
Trade receivables	547	750	882	547
Cash and Cash Equivalents	129	71	696	506
Bank Balances	97	20	16	24
Other current assets	148	260	215	884
Total Assets	7,353	9,667	12,361	13,488
Equity & Liabilities				
Equity share capital	29	114	114	114
Other equity	5,754	7,024	9,065	9,844
Non Controlling Interest	0	0	0	0
Total Equity	5,783	7,138	9,180	9,958
Non -Current liabilities				
Lease liabilities	0	13	18	16
Other non-current liabilities	61	76	97	46
Current liabilities				
Borrowings	72	101	62	0
Lease liabilities	0	1	2	2
Trade payables	585	1,601	2,087	2,513
Other current liabilities	853	736	916	951
Total Equity and Liabilities	7,353	9,667	12,361	13,488

Source: IPO Prospectus, Deven Choksey Research

Ajax Engineering Ltd.

ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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