



SMC Ranking

★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Engineering
Offer for sale (Shares)	20,180,446
Net Offer to the Public	20,180,446
Issue Size (Rs. Cr.)	1208-1269.35
Price Band (Rs.)	599-629
Employee Discount	59
Offer Date	10-Feb-25
Close Date	12-Feb-25
Face Value	Rs.1 per share
Lot Size	23 shares

About the company

Ajax Engineering Limited, incorporated in July 1992, is a leading manufacturer of concrete equipment and services. With a diverse product portfolio, the company offers self-loading concrete mixers, batching plants, transit mixers, boom pumps, and more. As of September 30, 2024, Ajax Engineering has developed 141 concrete equipment variants and sold over 29,800 units in India in the last decade. The company's design, engineering, and development team comprises 79 full-time employees, contributing to its innovative solutions. Ajax Engineering operates four manufacturing facilities in Karnataka and has established a strong distribution network with 51 dealerships across 23 Indian states, providing 114 touchpoints. Additionally, the company has partnered with 25 dealers and distributors across South and Southeast Asia, the Middle East, and Africa, serving over 15,700 customers worldwide.

Issue Composition

	In shares
Total Issue for Sale	20,180,446
QIB	10,090,223
NIB	3,027,067
Retail	7,063,156

Strength

Market leader in a large and fast-growing SLCM market: Ajax Engineering is the leading manufacturer of Self-Loading Concrete Mixers (SLCMs) in India, holding a significant market share of 77% to 86% over the past three years. Its SLCMs, sold under the 'Argo' brand, cater to diverse industrial applications and are used extensively across India. With over 25,000 SLCMs sold in the last decade, the company has established itself as a dominant player in the concrete equipment market. The company's SLCM revenue has grown at a CAGR of 45.70% from FY2022 to September 30, 2024, positioning it for continued growth in the Indian concrete equipment market.

Leading concrete equipment company with over 141 concrete equipment variations:

Ajax Engineering is a leading concrete equipment manufacturer, offering a comprehensive range of products and solutions across the concrete application value chain. Its portfolio includes SLCMs, batching plants, transit mixers, boom pumps, and 3D concrete printers, among others. With over 141 equipment variants, the company is well-positioned to cater to small to large-scale construction projects. Leveraging its leadership in the SLCM market, Ajax Engineering has successfully grown its non-SLCM sales, with a CAGR of 14.25% between FY2022 and FY2024. Revenue from non-SLCM operations also grew substantially, with a CAGR of 24.42% during the same period, demonstrating the company's strong market presence and increasing demand for its equipment.

Engineering-focused concrete equipment company:

Ajax Engineering was co-founded by Krishnaswamy Vijay with a focus on innovative, high-quality concrete equipment design. As of September 30, 2024, its in-house team of 79 experts in hydraulics, welding, and product specialization has efficiently designed reliable equipment and explores 3D printing pre-mixes. Ajax Engineering also offers certified training programs, providing practical skills to concrete industry participants. The company consistently invests in design and development, allocating 0.84% to 1.36% of its revenue over the past three years.

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

Ajax Engineering's technology-driven assembly and manufacturing processes, supported by a robust supplier network, have positioned it as India's second-largest concrete equipment manufacturer by annual sales volume. The company operates four manufacturing facilities in Karnataka, specializing in distinct product lines, with the Obadenahalli Facility being one of the largest SLCM facilities globally. A new facility is under construction and expected to be operational by August 2025, enhancing the

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	93.50%	82.36%
QIB	6.50%	8.82%
NIB	6.50%	2.65%
Retail	0.00%	6.17%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The Company will not receive any proceeds of the Offer. Each of the Selling Shareholders will be entitled to the respective proportion of proceeds of the Offer for Sale after deducting its portion of the Offer-related expenses and the relevant taxes thereon.

Book Running Lead Manager

- ICICI Securities Limited
- Citigroup Global Markets India Private Limited
- JM Financial Limited
- Nuvama Wealth Management Limited
- SBI Capital Markets Limited

Name of the registrar

- MUFG Intime India Private Limite

company's ability to meet customer demands. Ajax Engineering also prioritizes sustainability, with solar panels installed at its Corporate Office and Obadenahalli Facility, and plans to expand solar power to its Bashettihalli Facility by 2025.

Large dealer network with widespread distribution model: As of September 30, 2024, Ajax Engineering's dealer-led distribution network spans 23 states in India, comprising 51 dealerships and 114 touchpoints. This extensive network, with 34 service centers, is the largest among leading concrete equipment companies in India. The company maintains exclusive, long-standing relationships with its dealers, with 41.18% of its dealers having partnered for over five years. Additionally, Ajax Engineering has expanded its global presence with 25 dealers and distributors across South and Southeast Asia, the Middle East, and Africa.

Diversified customer base with longstanding relationships in the concrete equipment market: Ajax Engineering's equipment is sold to a diverse customer base, including contractors, construction companies, and government agencies, across various sectors such as transportation infrastructure and irrigation projects. The company has built long-standing relationships with over 19,000 customers as of September 30, 2024, demonstrating its ability to meet diverse customer needs. Notably, no single customer accounted for more than 5% of its total revenue from operations in the past three financial years.

Strategy

Maintain its leadership position: Ajax Engineering aims to increase its market share in Self-Loading Concrete Mixers (SLCMs) by capitalizing on growth opportunities in the concrete equipment market. With 65% of India's cement consumption attributed to the housing sector, and a growing number of smaller infrastructure projects, the demand for efficient and cost-effective concrete production methods is rising. To maintain and grow its market share, the company will continue to enhance its equipment offerings, incorporate customer feedback, and deliver reliable, high-quality concrete equipment. Additionally, Ajax Engineering may explore financing solutions to enable customers to purchase SLCMs, providing flexibility and cost-effective solutions, particularly in markets where upfront investment is a barrier.

Strengthen capabilities and increase market share of its non-SLCM portfolio: To expand its non-SLCM portfolio, Ajax Engineering will implement the following strategies:

1. Market penetration and direct sales, including cross-selling initiatives, by engaging with potential B2B customers in key growth markets.
2. Pursuing government opportunities by identifying infrastructure projects and initiatives that align with its equipment offerings.
3. Developing new equipment to stay innovative and responsive to market demands, including enhancing its 3D concrete printer capabilities.
4. Cross-selling non-SLCM equipment to its existing SLCM customer base, offering tailored solutions to grow their business and operations.
5. Transitioning to an end-to-end sales approach, providing comprehensive concrete equipment solutions, customization, maintenance, and operational support to deliver greater value to customers and differentiate itself from competitors.

Improving operational efficiencies: To enhance operational efficiency and improve profit margins, Ajax Engineering will:

1. Optimize direct material and fixed costs by working with suppliers to reduce costs, localizing its supplier base, and adopting advanced process engineering.
2. Improve dealer network operations through enhanced logistics, transportation routes, and delivery scheduling technologies.
3. Strengthen quality control processes, including vendor evaluation and continuation, to ensure suppliers meet stringent requirements.

- Maintain high-quality standards, aiming for zero failures within the first 1,000 hours of equipment life, and driving rigorous new product development and supplier quality assurance to reduce warranty costs.

Increase its presence in overseas markets through exports: Ajax Engineering has expanded its global presence, exporting equipment to 46 countries since 2019 and establishing a network of 25 dealers and distributors across South and Southeast Asia, the Middle East, and Africa. The company's export revenue has been steady, with Rs. 49.61 crore in the six months ended September 30, 2024. Ajax Engineering plans to increase exports to new countries over the next five years, targeting key geographies and aiming to consolidate its market share internationally with its range of equipment, including SLCMs, pavers, and 3D printing technology.

Explore opportunities for inorganic growth: Ajax Engineering plans to supplement its organic growth with strategic acquisitions, targeting complementary product lines that leverage its engineering, design, and development capabilities. The company seeks acquisitions that offer technological synergies, expand its customer base, and enhance its geographic reach, particularly in international markets. With a strong cash reserve, Ajax Engineering aims to accelerate business expansion, drive innovation, and create additional value for customers through its inorganic growth strategy.

Risk factor

- The business is seasonal in nature and any decrease in sales during certain quarters could have an adverse impact on its financial performance.
- Ajax Engineering relies heavily on its Obadenahalli Facility, where 99.06% of its Self-Loading Concrete Mixers (SLCMs) were assembled in the six months ended September 30, 2024. Disruptions at this facility could significantly impact operations, financial condition, and results.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Escorts Kubota	9742.03	1161.78	103.84	32.02	3.78	879.25	10	3324.75	37196.56
BEML Ltd	4054.54	285.56	68.57	49.36	5.22	648.16	10	3384.60	14095.00
Action Const.Eq.	3079.90	365.67	30.71	40.05	10.58	116.19	2	1229.85	14645.45
Ajax Engineering Limited	1826.53	243.23	21.26	29.59	7.23	87.04	10	629.00	7196.19

*Peer companies financials are TTM based

*** Ajax Engineering Limited is based on TTM

Valuation

Considering the P/E valuation on the upper price band of Rs.629, TTM EPS and P/E are Rs.21.26 and 29.59 multiple respectively and at a lower price band of Rs. 599, P/E multiple is 28.17. Looking at the P/B ratio on the upper price band of Rs.629, book value and P/B are Rs. 87.04 and 7.23 multiple respectively and at a lower price band of Rs. 599, P/B multiple is 6.88. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

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. Other concrete equipment manufacturers include local companies such as Aquarius Engineers Private Limited and subsidiaries of international companies such as Fiori Concrete Machines India Private Limited, KYB-Conmat Private Limited, Putzmeister India Private Limited, Schwing Stetter (India) Private Limited, among others. 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. 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.

Outlook

Ajax Engineering is a market leader in Self-Loading Concrete Mixers (SLCMs), with a 75%+ market share, giving it a virtual monopoly. Historically, the company generates 35%+ of its turnover in the first half and 60%+ in the second half. However, its reliance on the Obadenahalli Facility, which accounts for 99.06% of SLCM assembly, poses a risk. Despite this, the Ajax Engineering IPO offers a compelling investment opportunity due to its market leadership, robust financials, and growth prospects, making it an attractive long-term investment.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	10-February-25
BID/ISSUE CLOSSES ON	12-February-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	13-February-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	14-February-25
Credit of Equity Shares to Demat Accounts of Allottees	14-February-25
Commencement of trading of the Equity Shares on the Stock Exchanges	17-February-25

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-24 (6 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	769.99	1741.40	1151.13
Total expenditure	650.75	1465.86	980.39
Operating Profit	119.24	275.55	170.74
OPM%	15.49	15.82	14.83
Other Income	24.17	38.67	21.44
Total Net Income	143.41	314.22	192.18
Interest	1.00	2.03	0.68
PBDT	142.41	312.19	191.51
Depreciation	5.28	10.27	8.56
Loss before tax	137.13	301.92	182.95
Tax	36.11	76.77	47.05
Profit & Loss	101.02	225.15	135.90

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-24	As on 31-Mar-24	As on 31-Mar-23
Non-current assets			
Property, plant and equipment	115.01	115.72	114.23
Capital work-in-progress	29.88	17.35	5.63
Intangible assets	1.43	1.85	2.77
Right-of-use assets	49.20	49.62	49.62
Intangible assets under development	0.00	0.00	0.48
Financial Assets			
Investments	19.83	63.74	22.61
Other financial assets	4.16	4.14	3.88
Non-current tax assets (net)	0.15	0.15	0.15
Other non-current assets	17.08	14.53	12.01
Total non-current assets	236.74	267.09	211.37
Current asset			
Inventories	560.64	226.74	173.00
Financial Assets			
Investments	355.25	561.38	472.32
Trade Receivables	54.67	88.22	75.03
Cash and Cash Equivalents	50.61	69.62	7.10
Bank Balances other than Cash & Cash Equivalents	2.42	1.63	1.95
Other Financial Assets	23.87	4.31	2.85
Other current assets	64.56	17.14	23.11
Total current assets	1112.02	969.05	755.36
Total Assets	1348.76	1236.14	966.73
Non-current liabilities			
Financial liabilities			
Lease liabilities	1.64	1.77	1.33
Deferred tax liabilities (net)	0.67	0.67	3.24
Provisions	3.97	8.98	4.41
Total Non- Financial liabilities	6.29	11.42	8.97
Current liabilities			
Financial Liabilities			
Borrowings	0.00	6.23	10.14
Lease Liability	0.25	0.24	0.10
Trade payables- Total outstanding dues of micro and small enterprises	67.85	50.08	32.74
Trade payables-Total outstanding dues of creditors other than micro and small enterprises	183.47	158.59	127.38
Other financial liabilities	12.57	14.90	10.63
Other current liabilities	57.47	51.03	41.17
Provisions	22.53	24.14	18.03
Current tax liabilities (net)	2.49	1.58	3.77
Total Financial liabilities	346.63	306.76	243.96
Total	352.92	318.18	252.93
Net worth represented by:			
Equity share capital	11.44	11.44	11.44
Other equity	984.40	906.52	702.36
Net Worth	995.84	917.96	713.80

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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