

IPO Report

Choice

**“SUBSCRIBE” to
Delta Autocorp Ltd.**
Attractive price offering.



Delta Autocorp Ltd.

Attractive price offering.

Salient features of the IPO:

- **Delta Autocorp Ltd. (DAL)**, a manufacturer and seller of 2W & 3W EVs, is coming up with an IPO to raise around Rs. 51.66 – 54.60cr. The price band is Rs. 123 - 130 per share.
- The IPO is a fresh issue of Rs. 50.544cr. From the fresh issue net proceeds, the company will be utilizing Rs. 4.42cr for Funding of Expenditure towards Setting up an Electric Three-Wheeler Fabrication Plant & Painting Plant, Rs. 21.32cr for Investment in New Product Development, and Rs. 11.46cr for Funding of working capital requirement. Residual proceeds will be used for general corporate purposes.
- One of the promoter shareholders is participating in the OFS and is offloading 0.031cr equity shares. Post-IPO, the P&PG and public shareholders will have 70.73% and 29.27% stake in the company, respectively.

Key competitive strengths:

- Diversified product range
- Customer Centric Approach
- In house Research and Development of Products
- Cracking the distribution model
- Tapping into the mass premium segment
- Quality Standard Certifications & Quality Tests
- Experienced promoters and senior management team

Risk:

- Risk of Defective Electric Vehicles Impacting Brand, Reputation, and Legal Liabilities
- Dependence on distribution network for sales
- Dependent on third parties for our transportation needs
- General slowdown in the economy
- Competition

Below are the key highlights of the company:

- India is experiencing a remarkable surge in the sales of electric two-wheelers (E2Ws), signaling a transformative shift towards sustainable mobility. One of the key driving forces behind this growth is the range of incentives and government support provided to promote the adoption of electric vehicles (EVs).
- The two-wheeler market is projected to have a compound annual growth rate of 8.7% through 2029 when it will reach a value of about \$218 billion. Although relatively few two-wheelers are now electric, this could soon change. In India, for instance, only about 4% of two-wheeler sales in 2021 were electric. Worldwide, however, is projected that 30% of two-wheelers will be electric by 2030.
- Incorporated on 20th May, 2016, Delta Autocorp Ltd. was originally formed and registered as a LLP and was converted to a Pvt. Ltd. company on 21st July, 2023. Later, the company was converted into Public Limited Company.
- DAL manufactures and sells 2W & 3W EVs using cutting edge components procured from reputed Original Equipment Manufacturers (OEMs) who use design & engineering specifications given by the company. It supplies specific components designed and compatible for company's vehicles.
- The company operates under the brand name "Deltic".
- Initially concentrating on the development of electric 3W prototypes, DAL marked a significant milestone in 2017 with the launch of first E-Rickshaw, boasting an impressive mileage of over 150 Kms.
- After observing market dynamics and adapting to changing customer preferences, DAL strategically broadened its product range to include electric 2W vehicles.

Issue details

Price band Rs. 123 - 130 per share

Face value Rs. 10

Shares for fresh issue 0.389 Cr shares

Fresh issue size Rs. 47.822 - 50.544 Cr

Shares for OFS 0.031 Cr shares

OFS issue size Rs. 3.838 - 4.056 Cr

Total Issue Size 0.420 Cr shares
(Rs. 51.66 – 54.60 Cr)Bidding Date 07th Jan. – 09th Jan. 2025

Implied MCAP at higher price band Rs. 199 Cr

Implied enterprise value at higher price band Rs. 153 Cr

Listing At NSE SME

Book running lead manager GYR Capital Advisors Pvt. Ltd.

Registrar Link Intime India Pvt. Ltd.

Sector Automobile

Promoters Ankit Agarwal, Priyanka Agarwal, and Sanwarmall Agarwalla

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.210 Cr shares
Non institutional portion (Big)	10%	0.042 Cr shares
Non institutional portion (Small)	5%	0.021 Cr shares
Retail portion	35%	0.147 Cr shares

Indicative IPO process time lineFinalization of basis of allotment 10th Jan. 2025Unblocking of ASBA account 13th Jan. 2025Credit to demat accounts 13th Jan. 2025Commencement of trading 14th Jan. 2025**Pre and post - issue shareholding pattern**

	Pre-issue	Post-issue
Promoter & promoter group	97.59%	70.73%
Public	2.41%	29.27%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot 1,000

Application money Rs. 1,30,000 per lot

Key highlights of the company (Contd...):

Company name	FV (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs.)	6M Return (%)	12M Return (%)	FY24 Revenue (Rs. cr)	FY24 EBITDA (Rs. cr)	FY24 PAT (Rs. cr)	FY24 Gross Margin (%)	FY24 EBITDA margin (%)	FY24 PAT margin (%)
Delta Autocorp Ltd.	10	130	199	153	-	-	81	11	8	26.0%	13.7%	10.2%
Wardwizard Innovations & Mobility Ltd.	1	39	1,016	1,163	-35.4%	-32.6%	317	32	14	27.6%	10.1%	4.4%
Average										27.6%	10.1%	4.4%

Company name	3Y top-line growth (CAGR)	3Y EBITDA growth (CAGR)	3Y PAT growth (CAGR)	Average 3Y EBITDA margin	Average 3Y PAT margin	3Y average RoE	3Y average RoCE	Avg 3Y Receivable days	Avg 3Y Inventory Days	Avg 3Y Payable Days	Net Worth
Delta Autocorp Ltd.	18.9%	37.2%	39.8%	11.1%	8.0%	50.6%	58.6%	3	73	-15	68
Wardwizard Innovations & Mobility Ltd.	30.9%	46.1%	32.3%	8.7%	4.2%	6.0%	20.7%	38	141	115	99
Average	30.9%	46.1%	32.3%	8.7%	4.2%	6.0%	20.7%	38	141	115	

Company name	Total Debt	Cash	FY24 RoE (%)	FY24 RoCE (%)	P / E	P / B	EV / Sales	EV / EBITDA	MCAP / Sales	EPS (Rs.)	BVPS (Rs.)	D/E
Delta Autocorp Ltd.	5	51	12.0%	54.5%	24.2	2.9	1.9	13.8	2.5	5.4	45	0.1
Wardwizard Innovations & Mobility Ltd.	177	30	14.2%	18.0%	73.0	10.3	3.7	36.3	3.2	0.5	4	1.8
Average	177.0	30.0	14.2%	18.0%	73.0	10.3	3.7	36.3	3.2			1.8

Note: Considered financials for the period during FY22-24 (with IPO adjustments); Source: Choice Broking Research

Below are the key highlights of the company:

- The company identified a whitespace in Bharat i.e. tier-2, tier 3 towns of India and beyond and hence, launched well designed full scooters suitable to run on Indian roads with high ground clearance, good footboard space, and a large seat at very reasonable price coming at a very pocket friendly price. Moreover, in the interest of longevity, cost efficiency, and customer safety the company is transitioning to Lithium Ferro Phosphate (LFP) batteries from Nickel-Manganese-Cobalt (NMC) batteries.
- Presently, the company's product range encompasses electric scooters in the 2W category, along with electric rickshaws, electric loaders, and electric garbage carts in the 3W category along with spare parts and accessories of 2W and 3W like motors, DC-DC Converter, Speedometer etc.
- Currently, DAL's business operates through its wide network of dealers. It is working with a more than 300 strong distribution network spread across 25 states & UTs of India with a vision to become a global brand rooted in India with products that are trend setting, cost effective, inspire post sales trust through excellent service, and adhere to practicality over gimmicks with customer obsession.
- DAL has secured a Letter of Intent (LOI) in December, 2024 from D. Kumar & Sales for the supply of 2,000 electric carts (Deltic Garbo) designated for waste collection. The total value of this order is ₹31 crore (exclusive of applicable GST), reflecting a significant milestone in the growing order book.
- For the period ending 31st Oct, 2024, FY24, FY23 and FY22, the Electric 2W product segment contributes 43%, 38.5%, 49.9% and 65.1% respectively; Electric 3W segment accounts for 41%, 51.8%, 47.2% and 32% respectively; and spares and accessories segment accounts for 16%, 9.8%, 2.9% and 2.9% respectively.
- The company has two manufacturing facilities, Unit-I in Bardhaman, West Bengal of 1,15,000 sq. ft.; and R&D Division and Unit-II with 29,700 sq. ft. in Dundahera Industrial Area, Bagpat, UP.

Peer comparison and valuation: Delta Autocorp Ltd. specializes in manufacturing 2W & 3W EVs, operating under the brand name "Deltic". The company offers a wide range of e-scooters, e-rickshaws, and e-garbage disposal vans and e-loaders catering to diverse needs of the Indian consumer. The electrification trend is transforming all automotive vehicle segments, including shared mobility sectors like 3Ws, commercial vehicles, and taxis, which are adopting electric technologies for improved operating efficiency. India stands as one of the fastest-growing markets for Electric Two-Wheelers (E2Ws). A recent study suggests that electric two-wheeler sales in India could exceed 80% by 2030.

At the upper end of its price range, DAL is demanding a P/E multiple of 24.2x, based on its FY24 EPS of Rs. 5.4, and an EV/Sales multiple of 1.9x, this valuation seems to be at a discount compared to its peers. With this expanding industry shift, we foresee a positive growth outlook for the company. Thus, we recommend a **"SUBSCRIBE"** rating for this issue.

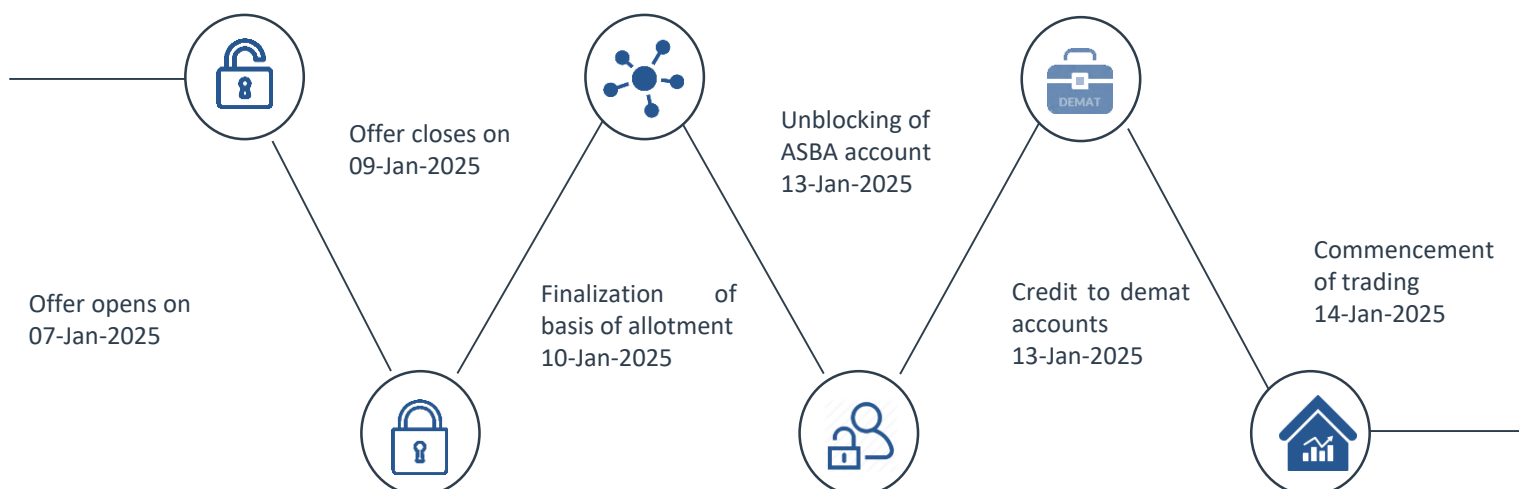
About the issue:

- DAL is coming up with an IPO with 0.420cr shares (fresh issue: 0.389cr shares; OFS shares: 0.031cr shares) in offering. This offer represents 27.47% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 51.66 – 54.60 Cr.
- The issue is through book building process with a price band of Rs. 123 - 130 per share.
- Lot size comprises of 1,000 equity shares and in-multiple of 1,000 shares thereafter.
- The issue will open on 07th Jan. 2025 and close on 09th Jan. 2025.
- The IPO is a fresh issue of Rs. 50.544cr. From the fresh issue net proceeds, the company will be utilizing Rs. 4.42cr for Funding of Expenditure towards Setting up an Electric Three-Wheeler Fabrication Plant & Painting Plant, Rs. 21.32cr for Investment in New Product Development, and Rs. 11.46cr for Funding of working capital requirement. Residual proceeds will be used for general corporate purposes.
- One of the promoter shareholders is participating in the OFS and is offloading 0.031cr equity shares. Post-IPO, the P&PG and public shareholders will have 70.73% and 29.27% stake in the company, respectively.
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	97.59%	70.73%
Public	2.41%	29.27%
Non-promoter & Non-public	0.00%	0.00%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY22-24: During this period, DAL has grown its business. The increase was contributed by the launch of two new high speed scooter models, the Deltic ZGS” and the “Deltic Trento”. The boost to revenue was given by the flagship scooter Deltic Legion launch. The company’s 3-wheeler segment also saw growth in FY 2022-23.

The company’s growth has increased, with total operating revenue reaching to Rs. 80.8cr, reflecting a CAGR of 18.9%. This increase was due to expansion in product line and increase in sales volume.

The company has an decrease in material costs as a percentage of revenue. The gross profit margin, therefore increased by 184bps, bringing it to 26.0% in FY24. With increasing employee expense but increased other expenses, EBITDA margin increased by 339bps to 13.7%. Consequently, consolidated EBITDA increased by 37.2% CAGR to Rs. 11.1cr in FY24. This in turn leads to a 281bps increase in the PAT margin, rising it to 10.2% in FY24 and a rise in the reported PAT by a CAGR of 39.8%, reaching Rs. 8.2cr in FY24.

DAL has its borrowing decreased over the years, which led the debt-to-equity ratio to decline to 0.3x in FY24 from 1.1x in FY22. Pre-issue RoCE and RoE stood at 54.5% and 45.9%, respectively, in FY24.

Pre-issue financial snapshot (Rs. cr)	FY22	FY23	FY24	As of 31st Oct, 2024	CAGR over FY22-24	Y-o-Y (FY24 annual)
Revenue bifurcation of segments						
Electric 2W	37.2	39.9	31.1	19.5	-8.6%	-22.2%
Electric 3W	18.3	37.7	41.8	18.5	51.3%	10.9%
Spares and accessories	1.7	2.3	7.9	7.2	116.8%	236.9%
Revenue from operations	57.1	80.0	80.8	45.2	18.9%	1.0%
Gross profit	13.8	17.5	21.0	12.2	23.4%	20.0%
EBITDA	5.9	7.4	11.1	6.7	37.2%	49.6%
Reported PAT	4.2	5.1	8.2	4.8	39.8%	60.1%
Restated adjusted EPS	2.7	3.4	5.4	3.1	39.8%	60.1%
Cash flow from operating activities	(3.7)	5.0	2.6	(5.4)	-	-47.9%
NOPLAT	4.3	5.4	8.1	4.9	37.6%	50.7%
FCF	3.8	1.7	1.6	4.2	-	-2.9%
RoIC (%)	50.0%	43.8%	43.2%	20.0%	(686)bps	(63)bps
Revenue growth rate	-	40.1%	1.0%	-	-	(3,907)bps
Gross profit growth rate	-	26.8%	20.0%	-	-	(681)bps
Gross profit margin	24.2%	21.9%	26.0%	26.9%	184bps	413bps
EBITDA growth rate	-	25.7%	49.6%	-	-	2389bps
EBITDA margin	10.3%	9.2%	13.7%	14.7%	339bps	445bps
Restated PAT growth rate	-	22.1%	60.1%	-	-	3,796bps
Restated PAT margin	7.4%	6.4%	10.2%	10.6%	281bps	376bps
Inventories days	87.4	62.1	69.9	85.2	-10.6%	12.6%
Trade receivables days	0.3	1.2	7.4	34.3	413.6%	525.0%
Trade payables days	(15.1)	(9.2)	(20.0)	(23.0)	15.0%	117.9%
Cash conversion cycle	72.6	54.1	57.4	96.5	-11.1%	6.0%
Total asset turnover ratio	2.8	3.9	2.9	1.0	1.6%	-24.9%
Current ratio	1.7	2.6	2.2	2.0	15.1%	-14.5%
Total debt	7.3	4.1	5.4	11.2	-14.5%	29.6%
Net debt	7.2	3.7	4.5	10.8	-21.1%	23.0%
Debt to equity	1.1	0.4	0.3	0.5	-47.0%	-17.3%
Net debt to EBITDA	1.2	0.5	0.4	1.6	-42.5%	-17.8%
RoE	61.0%	45.0%	45.9%	21.2%	(1,508)bps	96bps
RoA	20.7%	24.8%	29.5%	10.1%	882bps	472bps
RoCE	67.5%	53.8%	54.5%	25.8%	(1,301)bps	68bps

Note: Pre-IPO financials; Source: Choice Equity Broking



Competitive strengths:

- Diversified product range
- Customer Centric Approach
- In house Research and Development of Products
- Cracking the distribution model
- Tapping into the mass premium segment
- Quality Standard Certifications & Quality Tests
- Experienced promoters and senior management team

Business strategy:

- New Product Development Philosophy
- Network Expansion
- Branding and Marketing
- Strategic Tie Ups with Government
- Deltic Service Center



Risk and concerns:

- Risk of Defective Electric Vehicles Impacting Brand, Reputation, and Legal Liabilities
- Dependence on distribution network for sales
- Dependent on third parties for our transportation needs
- General slowdown in the economy
- Competition

Financial statements:

Restated consolidated profit and loss statement (Rs. cr)						
	FY22	FY23	FY24	As of 31st Oct, 2024	CAGR over FY22-24	Annual growth over FY23
Revenue from operations	57.1	80.0	80.8	45.2	18.9%	1.0%
Cost of material consumed	(43.6)	(62.6)	(61.0)	(33.6)	18.3%	-2.7%
Changes in inventories of finished goods, work-in-progress & stock-in-trade	0.3	0.1	1.2	0.6	109.3%	783.0%
Gross profit	13.8	17.5	21.0	12.2	23.4%	20.0%
Employee benefits expenses	(2.6)	(4.6)	(4.2)	(2.4)	27.0%	-9.0%
Other expenses	(5.3)	(5.5)	(5.8)	(3.1)	4.0%	4.6%
EBITDA	5.9	7.4	11.1	6.7	37.2%	49.6%
Depreciation & amortization expenses	(0.2)	(0.2)	(0.3)	(0.2)	35.4%	18.8%
EBIT	5.7	7.2	10.8	6.5	37.2%	50.6%
Finance costs	(0.5)	(0.8)	(0.1)	(0.2)	-44.4%	-82.1%
Other income	0.4	0.5	0.4	0.1	-5.9%	-33.9%
PBT	5.6	6.9	11.0	6.4	39.5%	60.1%
Tax expenses	(1.4)	(1.7)	(2.8)	(1.6)	38.4%	59.9%
Reported PAT	4.2	5.1	8.2	4.8	39.8%	60.1%

Restated consolidated balance sheet statement (Rs. cr)						
	FY22	FY23	FY24	As of 31st Oct, 2024	CAGR over FY22-24	Annual growth over FY23
Equity share capital	-	-	0.3	11.4	-	-
Reserves and surplus	-	-	17.6	11.3	-	-
Partner's Capital Account	0.2	0.2	-	-	-	-
Partner's Current Capital Account	6.7	11.3	-	-	-	-
Non-current borrowings	0.1	0.0	-	-	-	-
Non-current provisions	0.1	0.2	0.2	0.3	37.2%	15.6%
Other non-current liabilities	1.5	2.1	2.5	2.5	29.3%	17.7%
Trade payables	2.4	1.7	7.2	5.0	74.3%	334.7%
Current borrowings	7.3	4.1	5.4	11.2	-14.1%	30.4%
Other current liabilities	2.1	1.5	1.4	5.7	-17.9%	-9.3%
Current provisions	0.0	0.0	0.0	0.0	-21.7%	-10.9%
Total liabilities	20.3	21.1	34.6	47.4	30.5%	64.0%
PP&E	0.6	0.6	0.7	0.7	7.0%	24.2%
Intangible assets	0.1	0.1	0.2	0.2	9.3%	49.3%
Intangible assets under development	-	-	1.0	1.8	-	-
Deferred tax assets (net)	0.0	0.1	0.1	0.1	51.1%	21.0%
Long term loans and advances	-	1.4	1.7	0.9	-	28.3%
Other non-current assets	0.0	0.1	0.1	0.1	106.0%	3.2%
Inventories	13.7	13.6	17.4	18.3	12.8%	28.5%
Trade receivables	0.0	0.5	2.8	7.4	698.8%	489.5%
Cash & cash equivalents	0.1	0.5	0.9	0.4	191.9%	81.0%
Short term loans & advances	5.6	4.3	9.6	17.5	30.6%	122.1%
Other current assets	0.0	0.0	0.0	0.0	134.0%	42.0%
Total assets	20.3	21.1	34.6	47.4	30.5%	64.0%

Source: Choice Equity Broking

Financial statements (Contd...):

Restated consolidated cash flow statement (Rs. cr)						
	FY22	FY23	FY24	As of 31st Oct, 2024	CAGR over FY22-24	Annual growth over FY23
Cash flow before working capital changes	6.0	7.7	11.4	6.8	37.7%	48.2%
Working capital changes	8.3	(0.5)	5.6	11.3	-17.9%	-1290.2%
Cash flow from operating activities	(3.7)	5.0	2.6	(5.4)	-	-47.9%
Purchase of fixed assets & CWIP	(0.6)	(0.2)	(1.5)	(0.9)	59.4%	882.9%
Cash flow from investing activities	(0.6)	(0.1)	(1.5)	(0.9)	60.8%	921.4%
Dividend paid						
Cash flow from financing activities	4.3	(4.6)	(0.7)	5.7	-	-85.7%
Net cash flow	0.0	0.2	0.5	(0.6)	1940.1%	85.3%
Opening balance of cash	0.0	0.0	0.3	0.7	234.8%	972.4%
Closing balance of cash	0.0	0.3	0.7	0.2	436.2%	168.1%

Financial ratios				
Particulars	FY22	FY23	FY24	As of 31st Oct, 2024
Profitability ratios				
Revenue growth rate	-	40.1%	1.0%	-
Gross profit growth rate	-	26.8%	20.0%	-
Gross profit margin	24.2%	21.9%	26.0%	26.9%
EBITDA growth rate	-	25.7%	49.6%	-
EBITDA margin	10.3%	9.2%	13.7%	14.7%
EBIT growth rate	-	25.0%	50.6%	-
EBIT margin	10.0%	8.9%	13.3%	14.4%
Restated PAT growth rate	-	22.1%	60.1%	-
Restated PAT margin	7.4%	6.4%	10.2%	10.6%
Turnover ratios				
Inventory turnover ratio	4.2	5.9	5.2	2.5
Trade receivable turnover ratio	-	306.2	49.0	6.1
Accounts payable turnover ratio	24.1	39.7	18.2	9.1
Fixed asset turnover ratio	72.7	107.2	61.1	17.2
Total asset turnover ratio	2.8	3.9	2.9	1.0
Liquidity ratios				
Current ratio	1.7	2.6	2.2	2.0
Quick ratio	0.5	0.7	1.0	1.2
Total debt	7.3	4.1	5.4	11.2
Net debt	7.2	3.7	4.5	10.8
Debt to equity	1.1	0.4	0.3	0.5
Net debt to EBITDA	1.2	0.5	0.4	1.6
Cash flow ratios				
CFO to PAT	(0.9)	1.0	0.3	(1.1)
CFO to Capex	(6.2)	32.8	1.7	(6.3)
CFO to total debt	(0.5)	1.2	0.5	(0.5)
CFO to current liabilities	(0.3)	0.7	0.2	(0.2)
Return ratios				
RoIC (%)	50.0%	43.8%	43.2%	20.0%
RoE (%)	61.0%	45.0%	45.9%	21.2%
RoA (%)	20.7%	24.8%	29.5%	10.1%
ROCE (%)	67.5%	53.8%	54.5%	25.8%
Per share data				
Restated EPS (Rs.)	2.7	3.4	5.4	3.1
DPS (Rs.)				
BVPS (Rs.)	4.5	7.5	11.7	14.8
Operating cash flow per share (Rs.)	(2.4)	3.3	1.7	(3.5)
Free cash flow per share (Rs.)	2.5	1.1	1.0	2.7

Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe for Long Term: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

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