

# Delta Autocorp Limited

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Delta Autocorp Limited, established in 2016, specializes in manufacturing electric two-wheelers (E2W) and three-wheelers (E3W) under the brand "Deltic." The company offers a diverse range of products, including e-scooters, e-rickshaws, e-loaders, and e-garbage disposal vans, catering to both urban and rural markets. Company has pan-India presence with a distribution network of more than 300+ showrooms in more than 250 pincodes across 25 states. Company has sold over 37,000 EVs as of October 2024. Its vehicles are rigorously tested and approved by national agencies like ICAT and CIRT. Delta Autocorp focuses on affordable and durable EV solutions for tier-2 and tier-3 cities, providing products with high mileage and robust build quality. Company's manufacturing plants are located in Uttar Pradesh and West Bengal, covering over 1,00,000 sqft and having a total capacity across both plants of manufacturing 5000 E-2W per month and 1400 E-3W per month.

## Investment Rationale

**Strategic Focus on Bharat (an untapped market):** The company is aggressively targeting underserved markets in tier-2 and tier-3 towns of India to meet the demand for premium yet affordable electric vehicles (EVs) by offering premium-looking scooters and e-rickshaws with essential features at affordable prices. The company is amongst the recognized brands in East India.

**Newly Established Sister Company for Battery Manufacturing:** Company has recently established a sister company for battery manufacturing, where Adani Gas, Ex-CEO, and Ola Battery Production head are partners. The benefit of this new sister company is that delta autocorp expects to get batteries for its EV production at better pricing than the market maintaining market competitiveness along with the best quality parameters as will be manufactured in-house through the sister company.

**Transitioned to Safer and Cost-Effective Battery Technology:** In response to industry trends and safety concerns, company has completely transitioned from Nickel-Manganese-Cobalt (NMC) batteries to fire-safe Lithium Ferro Phosphate (LFP) cell batteries, ensuring safety, cost efficiency and having almost double lifecycle for 2W compared to NMC batteries.

**Strong Focus on Research & Development:** The Company prioritizes in-house product innovation with a dedicated R&D department of 15 people, leading to innovative electric vehicle models such as E-Rickshaws with impressive mileage, E-loaders, and high-speed electric scooters. This commitment to innovation is critical for staying ahead in the dynamic electric vehicle market.

**Strategic Tie-Ups with the Government:** The company is exploring opportunities to sell its innovative products such as the Electric Garbage Cart (Garbo), E-scooter, and E-rickshaw to the government.

**Future Growth Potential:** In India, approx. 90% of the EV sales are of 2W and 3W where the company has established a pan-India presence in both verticals. E2W penetration is projected to grow to 60-70% of the domestic volumes by FY 2030 from 7-8% currently. To capitalize on this huge opportunity, the company plans to establish a robust network of more than 800 dealers across India in the next 5 years, from 300+ dealers (as of Oct'24) through adding 30 new dealers every quarter for long-term growth.

### Issue Details

Fresh issue of equity shares aggregating up to ₹ 50.54 Cr (upper price band) and up to 38,88,000 Equity Shares.  
Offer for sale of equity shares aggregating up to ₹ 4.06 Cr (upper price band) and up to 3,12,000 Equity Shares

### Issue Summary

Issue Size	₹ 51.66 Cr.- ₹ 54.60 Cr.
Face Value	₹ 10/-
Price band (per equity share)	₹ 123 - ₹ 130
Market Lot	1,000 Equity Shares
Minimum Investment	₹ 1,23,000 - ₹ 1,30,000
Implied Market Cap	₹ 198.8 Cr
Listing	NSE SME

### Indicative Timetable

Anchor bid date	January 06, 2025
Issue Opens on	January 07, 2025
Issue Closes on	January 09, 2025
Finalization of Basis of Allotment	January 10, 2025 (On or about)
Listing Commences on	January 14, 2025 (On or about)

### Issue Breakup

	Up to No. of Equity Shares	Upper Band (₹ in Crore)
Market Makers	2,94,000	3.82
Anchor Investors	11,70,000	15.21
QIB	7,81,000	10.15
NII	5,87,000	7.63
Retail	13,68,000	17.78

### Book Running Lead Managers

GYR Capital Advisors Private Limited

### Registrar

Link Intime India Private Limited

### Objects of the Issue

Funding of Expenditure towards Setting up an Electric Three-Wheeler fabrication plant (Up to ₹4.42 Cr)  
Investment in New Product Development (Up to ₹21.32 Cr)  
Funding of Working Capital Requirements (Up to ₹11.46 Cr)  
General Corporate Purpose  
**Total Net Proceeds ₹50.54 cr(upper band)**

The company intends to set up an Electric Three- Wheeler Fabrication Plant & Painting processes at the existing manufacturing unit with a capex of 4.42 cr from IPO proceeds. This will strengthen the company's position in the growing 3W EV market.

Also Company intends to use up to 21.32 cr from IPO proceeds for new product development, where the company plans to launch 5 new products; Three E2W (Electric Motorcycle, Delivery Bike, and commuter scooter); Two L5 passenger e- rickshaws and L5 electric loader. As part of new product development, the company will in-house manufacture moulds for plastic parts and lights, as well as jigs and fixtures for chassis production, which were earlier used to import from China. The company expects that this in-house manufacturing will reduce the cost of plastic parts by about 15-20% & will also qualify for Government subsidies like PM E-drive or FAME, thus helping maintain market competitiveness.

The company received an LOI on 4<sup>th</sup> Dec 2024 for the supply of 2,000 electric carts (Deltic Garbo) valued at ₹31 crore designated for waste collection reflecting the strong adoption of the company's electric cart in the market.

**Expansion through Deltic Service Center:** The company already has service centers in all of its existing dealers' networks. The Company plans to establish service centers as EV Hubs at all existing dealers and at new dealers where dealers will offer maintenance and repair services not only for Deltic vehicles but also for other brands' vehicles and components, including child parts. This strategic initiative will attract more customers to the company's dealerships and will generate service revenue promptly, ensuring their sustainability.

**Strong Growth Trajectory:** The company reported a Revenue CAGR of 18.78% from FY22-24, while profit has grown at a CAGR of 39.85% during the same period, with higher profit growth led by EBITDA margin increased from 10.82% in FY22 to around 15% in FY24. The major reason for the EBITDA margin increase was due to the huge drop in lithium price over the last 1-1.5 years, resulting in a fall in battery prices by up to 30-35%.

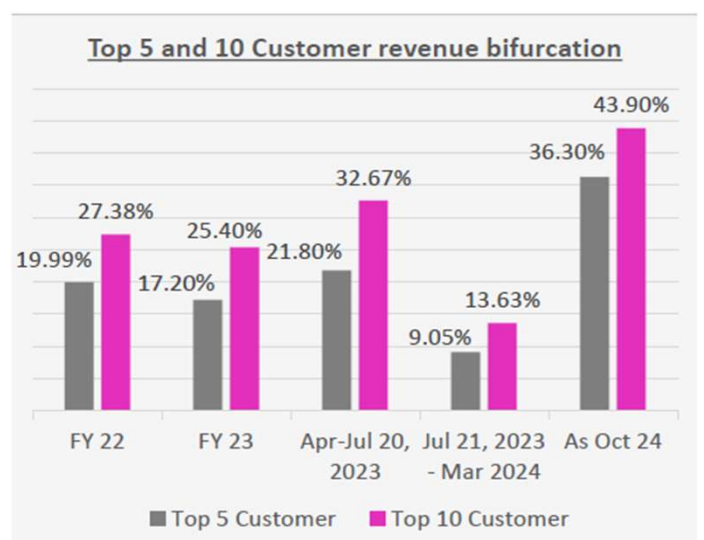
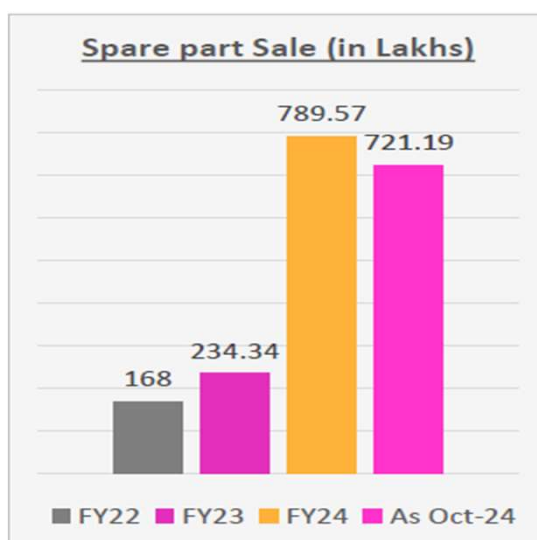
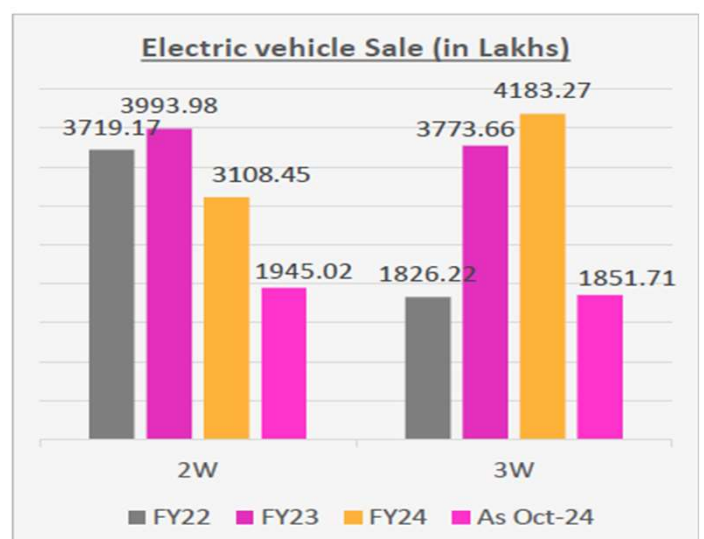
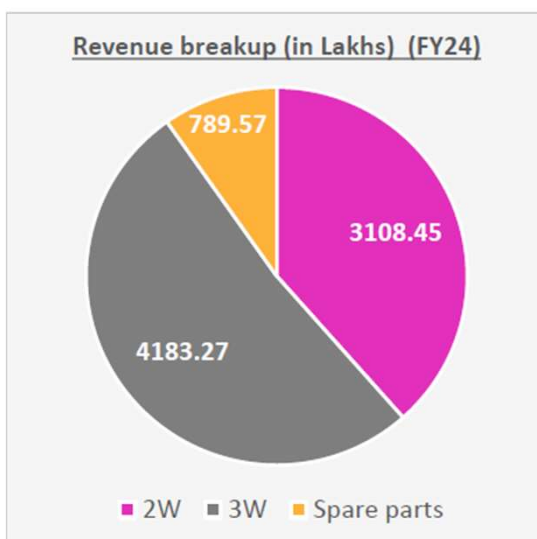
**Experienced Leadership and Proven Execution:** The company is led by promoter Mr Ankit Agarwal who has around 14 years of experience of dealing in the business of EV, along with professionals having strong backgrounds in engineering and business management from prestigious institutions like IIM and IIT. The company has demonstrated successful execution through consistent financial performance and the development of innovative EV models across both two-wheeler and three-wheeler segments.

## Valuation & View:

Delta Autocorp Limited Innovative products, Strategic focus on Bharat (tier-2 and tier-3 markets), a robust distribution network, strong financial performance, future growth initiatives through IPO proceeds, cost competitiveness through in-house manufacturing in future, experienced leadership, and a favourable macroeconomic environment positions them well to capitalize on the huge potential in 2W and 3W EV markets for continued growth in the future. At the upper band of ₹130, the issue is valued at a P/E ratio of 24.21x based on a FY24 Post-issue EPS of INR 5.37. And based on Oct'24 annualized Post-issue EPS of 5.39, the issue is valued at P/E ratio of 24.12x. Thus, we recommend "Subscribe" to this issue.

## Delta Autocorp Other Key Data Points:

Key Performance Indicator					
Particulars	April 01, 2024 - October 31, 2024*	July 21, 2023 - March 31, 2024*	April 01, 2023 - July 20, 2023*	FY23	FY22
Revenue from operations (₹ in Lakhs)	4,517.92	6,307.28	1,774.01	8,001.98	5,713.39
Growth in Revenue from operations (%)	N.A.	N.A.	N.A.	40.06%	242.79%
Other Income (₹ in Lakhs)	9.61	27.25	8.19	53.58	40.02
Total Income (₹ in Lakhs)	4,527.53	6,334.53	1,782.2	8,055.56	5,753.41
EBITDA (₹ in Lakhs)	668.82	951.83	187.75	784.34	622.63
EBITDA Margin (%)	14.77%	15.03%	10.53%	9.74%	10.82%
PAT (₹ in Lakhs)	480.81	695.68	126.32	513.41	420.34
PAT Margin (%)	10.64%	11.03%	7.12%	6.42%	7.36%
ROE (%)	23.69%	45.89%	10.60%	56.10%	51.76%
ROCE (%)	19.32%	40.32%	10.67%	49.30%	43.14%
Debt - Equity Ratio	0.49	0.30	0.38	0.36	1.06
Earnings Per Share (₹)	4.22	9.51	2.28	9.25	7.57



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