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IPO Report

08th Feb '25

Snapshot

Ajax Engineering Ltd is a leading concrete equipment manufacturer with a comprehensive range of concrete equipment, services and solutions across the concrete application value chain. As of September 30, 2024, company have developed over 141 concrete equipment variants catering to the concrete application value chain, and over the last ten years, company have sold over 29,800 concrete equipment in India. Since inception 32 years ago, company have developed a comprehensive product portfolio that includes equipment such as self-loading concrete mixers (“SLCMs”) and batching plants for the production of concrete, transit mixers for the transportation of concrete, boom pumps, concrete pumps and self-propelled boom pumps for the placement of concrete, slip-form pavers for the paving of concrete and 3D concrete printers for depositing concrete.

VALUATION

Company is bringing the issue at price band of Rs 599-629 per share at p/e multiple of 32x on FY25 PAT basis.

Company is market leader in a large and fast-growing SLCM market with an approximately 77%, 75% market share in the SLCM market in India in terms of number of SLCMs sold during the six months period ended September 30, 2024 and Financial Years 2024, respectively. Also, company is leading concrete equipment company with a comprehensive range of concrete equipment, services and solutions across the concrete application value chain and over 141 concrete equipment variants as of September 30, 2024

Hence looking after all above , we recommend “Subscribe” on issue.

Price Band (Rs./Share)	599-629
Opening date of the issue	10 th Feb '2025
Closing Date of the issue	12 th Feb '2025
No of shares pre issue	11,44,06,800 Eq Shares
Issue Size	Rs 1226-1269 Cr
Offer For Sale	2,01,80,446 Equity Shares
Face Value (Rs/ share)	Rs 1/share
Bid Lot	23
Employee Discount	Rs 59/Share

BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 1,00,50,749 Eq Shares)
Non-Institutional	15% of the offer (Approx 30,15,225 Eq Shares)
Retail	35% of the offer (Approx 70,35,525 Eq Shares)
Employee Reservation	Up to 78947 Equity Shares
Lead managers	ICICI Securities, Citigroup Global, JM Financial, Nuvama Wealth, SBI Capital Markets
Registrar to the issue	MUFG Intime India Pvt Ltd

WHAT WE LIKE

Market leader in a large and fast-growing SLCM market

Company is a leading manufacturer of SLCMs in India, with an approximately 77%, 75%, 77% and 86% market share in the SLCM market in India in terms of number of SLCMs sold during the six months period ended September 30, 2024 and Financial Years 2024, 2023 and 2022, respectively . Company’s SLCMs have a diverse range of applications and end-uses and are used pan-India, based on after-sales data available to company.

Large dealer network with widespread distribution model and 51 dealerships across 23 states in India, as of September 30, 2024

Company have utilized a dealer-led distribution and service model over the past three Financial Years and as of September 30, 2024, company’s dealer network comprised of 51 dealerships across 23 states in India, and is accessible to its customers through 114 touchpoints, which comprise 51 dealer headquarters and 63 branches (of which, 34 also act as service centers) managed and operated by its dealers.

Diversified customer base with longstanding relationships in the concrete equipment market

As of September 30, 2024, company have sold concrete equipment and spare parts to, and maintain relationships with, over 19,000 customers, from over 15,700 customers as of March 31, 2024, over 12,100 customers as of March 31, 2023 and over 11,100 customers as of March 31, 2022. During the Financial Years 2024, 2023 and 2022, no single end-customer contributed to more than 5.00% of company’s total revenue from operations.



COMPANY BACKGROUND

SLCMs are versatile self-loading machines capable of mixing and transporting concrete ingredients, enabling on-site production of concrete. These machines are equipped with, among others, (i) self-loading arms with a hatch bucket to ensure smooth flow of concrete ingredients into the drum in order to minimise spillage, and (ii) concrete batch controllers to accurately measure all the ingredients in order to produce high quality concrete. During Financial Year 2024, approximately 14% of all concrete produced in India was processed through SLCMs, reflecting their growing importance in meeting the demand for faster and more reliable construction methods. Moreover, between Financial Year 2022 and the six months period ended September 30, 2024, company's SLCM sales have experienced a CAGR of 45.70%, underscoring the rapid adoption and success of SLCMs in the construction sector.

Company is a leading manufacturer of SLCMs in India, with an approximately 77%, 75%, 77% and 86% market share in the SLCM market in India in terms of number of SLCMs sold during the six months period ended September 30, 2024 and Financial Years 2024, 2023 and 2022, respectively. Moreover, during Financial Year 2024, 12% of the concrete production in India was through its SLCMs. Company also continue to assist customers throughout the life of the equipment, and with that aim, company provide spare parts for the equipment sold by company and facilitate the provision of aftersales service by its dealers.

Company's concrete equipment has diverse use cases and is deployed across:

- transportation projects such as roads, railway lines, underground tunnels, elevated tracks, flyovers and bridges,
- irrigation projects such as reservoirs, canals, check dams and aqueducts, and
- infrastructure projects involving landscaping, drainage and/or construction of airports, power plants, factories, oil and gas terminals, 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 the Financial Year 2024 to ₹178 billion (US\$2,148 million) for the 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. This expected growth in the concrete equipment market in India is expected to drive sustained growth in demand for its equipment, and in particular, its SLCMs.

In addition to its SLCM portfolio, company have a large and diverse range of non-SLCM equipment that cater to various aspects of the concrete production, transportation, placement and paving processes. Company's non-SLCM product portfolio includes batching plants for concrete production, transit mixers for concrete transportation, boom pumps, concrete pumps, self-propelled boom pumps for concrete placement, and slip-form pavers. Company have been steadily gaining market share in non-SLCMs, driven by its commitment to innovation and quality. Between Financial Year 2022 and the six months period ended September 30, 2024, company's non-SLCM sales experienced a CAGR of 25.90%, reflecting its increasing presence in this market.

Company was co-founded by Krishnaswamy Vijay, company's Executive Chairman and Whole-Time Director, the late Jacob John and the late Anil Kumar Singh, and its core ethos has been to design, develop and engineer innovative and high-quality concrete equipment for company's customers. As of September 30, 2024, company's in-house design, engineering, and development team includes 79 full-time employees, constituting approximately 15.96% of company's total permanent workforce. This is the largest research and development team among leading concrete equipment manufacturing peers in India, as of September 30, 2024. Company's team's expertise is distributed across core technologies, including hydraulics, welding technology, and product specialization. As an engineering-focused concrete equipment company, company have built a comprehensive portfolio of designed and developed concrete equipment. One of company's significant innovations is the SLCM with a load cell. This machine is equipped with load cell technology ensuring quality assurance in concrete production. Company's SLCM with load cell has also been recognized by the Legal Metrology Department of the Government of India and is now used across Government departments such as the Public Works Department, Irrigation Department and Border Roads Organization. Additionally, in 2019, company introduced its patented self-propelled boom pump, designed to combine mobility and flexibility for efficient placement of concrete at varying heights and distances. Company's self-propelled boom pump is mounted on a 4x4 chassis, featuring a compact design, especially designed for navigating narrow urban job sites. This enhances accessibility and accelerates construction timelines. Notably, company is the only Indian company to have developed a slip-form paver entirely inhouse in 2019 and the first to commercialize 3D concrete printing machine developed in-house in 2023.



INVESTMENT RATIONALE

<p><i>Leading concrete equipment company with over 141 concrete equipment variations, and offering services and solutions across the concrete application value chain</i></p>	<p>Company is a leading concrete equipment manufacturer with a comprehensive range of concrete equipment, services and solutions across the concrete application value chain . Company’s portfolio includes equipment such as SLCMs and batching plants for the production of concrete, transit mixers for the transportation of concrete, boom pumps, concrete pumps and self-propelled boom pumps for the placement of concrete, slip-form pavers for the paving of concrete and 3D concrete printers for depositing concrete. As of September 30, 2024, company have over 141 concrete equipment variants catering to the concrete application value chain. During the last 10 years, company have sold over 29,800 concrete equipment to over 18,900 customers in India. SLCMs have diverse use cases and are deployed across a range of projects. Other concrete equipment products such as batching plants, concrete pumps, boom pumps, transit mixers and self-propelled boom pumps find application in large scale infrastructure projects (such as dams, highways and bridge construction) and are being deployed in upcoming infrastructure projects including the construction of prefabricated structures for metro projects and bridges, ports and airports.</p>
<p><i>Engineering-focused concrete equipment company with strong in-house design and development capabilities</i></p>	<p>Company was co-founded by Krishnaswamy Vijay, its Executive Chairman and Whole-Time Director, the late Jacob John and the late Anil Kumar Singh, and company’s core ethos has been to design, develop and engineer innovative and high-quality concrete equipment for its customers. As of September 30, 2024, company’s in-house design, engineering, and development team includes 79 full-time employees, constituting approximately 15.96% of company’s total permanent workforce. Company’s team’s expertise is distributed across core technologies, including hydraulics, welding technology, and product specialization, and consists of 52 engineers, including 10 with M.Tech / M.Sc. degrees and 42 with BE/B.Tech degrees. By utilizing core technologies, company’s team has been able to efficiently design concrete equipment that are good quality and reliable.</p>
<p><i>Technology-led assembly and manufacturing processes and robust supplier network</i></p>	<p>Company’s technology-led assembly and manufacturing processes, supported by its robust supplier network, position company as the second largest company in terms of annual sales volume among leading concrete equipment manufacturers in India . Company currently assemble equipment and manufacture boom arms using horizontal boring machines at its manufacturing facilities, all of which operate under a lean assembling and manufacturing model. Company’s key lean features include the implementation of the Andon system, just-in-time production, Kaizen, Poka-Yoke and online traceability. This lean manufacturing model distinguishes company from other leading concrete equipment manufacturers and has enabled it to achieve the lowest breakeven point among leading concrete equipment manufacturers in India, as of March 31, 2024 .</p>
<p><i>Experienced management team supported by qualified and experienced personnel</i></p>	<p>Company have a professional and experienced management team, which comprises five Key Managerial Personnel and three Senior Management Personnel. Company have a distinguished Board of Directors, including experienced independent directors. Company’s Executive Chairman and Whole-Time Director, Krishnaswamy Vijay, has over 41 years of experience in the manufacturing sector, its Managing Director and CEO, Shubhabrata Saha, has over 23 years of experience in the manufacturing sector. Further, company’s CFO, Tuhin Basu, has several years of experience in the finance sector. Company’s Senior Management Personnel include its chief marketing officer, Gautam Eunny, company’s chief planning and strategy officer, Anshul Joshi and company’s chief people officer and corporate affairs officer, Joseph Peeris who have several years of experience in the marketing sector, manufacturing sector and human resources sector respectively.</p>



OBJECTS OF OFFER

The objects of the Offer are to (i) achieve the benefits of listing the Equity Shares on the Stock Exchanges; and (ii) carry out the Offer for Sale of up to 20,180,446 equity shares of face value of ₹1 each by the Selling Shareholders.

RISKS

Company derive a significant majority of its revenue from the sale of self-loading concrete mixers (85.13% of company's revenue from operations for the Financial Year 2024). Any decrease in sales of SLCMs or demand for concrete equipment in India could adversely affect company's business, results of operations, financial condition and cash flows.

Source:RHP

INDUSTRY OVERVIEW

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 FY 2029 given the increasing penetration of mechanized concreting equipment such as SLCMs, Transit Mixers, and Batching Plants Driven by the benefits mechanized concrete equipment offers over manual mixers, the segment is projected to outperform, growing at a CAGR of ~22% in volume terms between FY 2024 and FY 2029, with its penetration increasing to ~28% of total concreting equipment sales per annum by FY 2029.

Growth drivers for mechanized concreting equipment in India

SLCMs act as a gateway for contractors seeking mechanized solutions in the concrete industry. They help contractors address challenges related to labour as they can replace between seven to eight workers depending on the capacity and the utilization. Furthermore, India is moving towards producing high-quality concrete, which can be consistently achieved using SLCMs. Hence, as the number of smaller and mid-scaled infrastructure projects in both urban and hinterland India continue to increase, this will require the need for efficient, quality and cost-effective method of concrete production, thereby enabling the growth of SLCMs. The growing demand for RMC is projected to drive the expansion of the concrete batching plants. As more batching plants with higher capacities are installed to meet this demand, replacing older models, the demand for transit mixers is also projected to increase. As of FY 2024, the ratio of transit mixers to batching plants is approximately 3-4 per batching plant. However, this ratio is projected to increase to 5-6 by FY 2029 with the increase in the capacity and number of batching plants. Furthermore, with the implementation of more stringent vehicle emission norms on January 1, 2025, older transit mixers will be replaced with newer, more environmental-friendly models. This increase in the batching plants and transit mixers, is also projected to drive the demand of stationary concrete pumps. Stationary concrete pumps, once installed on a large construction site, are typically utilized for the entire duration of the project. As the number of projects increases, the demand for newer pumps is also projected to rise. Similarly, the increasing scale and complexity of construction projects, particularly high-rise buildings or bridges, are projected to drive growth in the boom pump segment, which is crucial for efficient concrete placement at greater heights.

The growth of concrete equipment is closely tied to construction activity. India is experiencing rapid infrastructure development across all regions, driving a high demand for mechanized concrete. Mid-sized infrastructure projects, such as regional highways, commercial complexes, and urban development initiatives, are expanding across Tier 2 and Tier 3 cities. These projects necessitate the use of SLCMs. As infrastructure activity increases in these cities, the penetration of SLCMs will also rise as their mobility allows them to be deployed across various regions. On the other hand, large-scale infrastructure projects, such as national highways, metro rail networks, airports, ports, and canals, require ready-mix concrete (RMC) to meet the demand for quick and consistent high-grade quality concrete which can only be achieved through batching plants. Hence, it will also lead to an increased demand for transit mixers and stationary concrete pumps, as described earlier. Additionally, multiple projects can emerge simultaneously at different geographies, which will require the deployment of numerous batching plants to ensure a reliable supply of concrete to all construction sites. The growth of specialised concreting equipment like concrete boom pumps and pavers in India is closely tied to the rapid expansion of urban infrastructure projects and highway construction. Moreover, increasing projects in hilly terrain, airport and bridge construction are requiring the usage of boom pumps. Meanwhile, development of both national and state highways is requiring the usage of pavers. As sales volumes increase, manufacturers can consider adopting rental and leasing models as an alternative to direct sales. This approach also benefits contractors who may not have the financial capacity to invest large sums in purchasing equipment, allowing them to access the necessary machinery without a significant upfront expenditure. In value terms, the mechanized concrete equipment industry is projected to increase at a CAGR of ~24% from FY 2024 to FY 2029. Two key factors contributing to this price increase are the transition from Construction Equipment Vehicle (CEV) IV to Construction Equipment Vehicle (CEV) V emission norms and the commodity inflation. This is in addition to the increase in the sales due to volume growth.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	7632.89	11511.28	17414.03	7699.85
Total Expenditure (B)	6728.1	9803.87	14658.57	6507.49
EBIDTA	904.79	1707.41	2755.46	1192.36
EBIDTA Margin	11.85	14.83	15.82	15.49
Other Income	85.64	214.41	386.71	241.71
Depreciation	81.95	85.58	102.73	52.79
EBIT	908.48	1836.24	3039.44	1381.28
Interest	4.21	6.75	20.27	9.99
PBT	904.27	1829.49	3019.17	1371.29
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	904.27	1829.49	3019.17	1371.29
Exceptional	0.00	0.00	0.00	0.00
PBT	904.27	1829.49	3019.17	1371.29
Tax	242.19	470.45	767.68	361.07
PAT	662.08	1359.04	2251.49	1010.22
NPM	8.67	11.81	12.93	13.12
ROE%	8.06	14.20	19.39	8.15
EPS	5.79	11.88	19.68	8.83
Eq Cap	28.60	114.41	114.41	114.41
Net Worth	5,782.74	7,138.00	9,179.59	9,958.43

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Ajax Engineering Limited</i>	<i>1.00</i>	<i>19.58</i>	<i>--</i>	<i>19.39</i>	<i>80.24</i>
Peers					
Action Construction Equipment Limited	2.00	27.56	46.13	26.65	103.42
BEML Limited	10.00	67.66	54.24	10.56	640.55
Escorts Kubota Limited	10.00	96.80	35.73	11.44	780.83

(Source: RHP)



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