



IPO DETAILS

Issue Date	15 th Mar-17 th Mar 2021
Price Band	Rs 1488-1490 per Share
Bid Lot	10 & in multiple thereof
Face Value	Rs 5/Share
Listing	BSE, NSE
Issue Size	Rs 823.70 Cr
Offer For sale	Rs 673.70 Cr
Fresh Issue	Rs 150 Cr
Pre Issue Eq Shares	20,121,600 Eq Shares
BRLM	IIFL Securities Limited, Axis Capital Limited
Registrar	Link Intime India Private Limited

Company is a diversified engineering company with vertically integrated manufacturing capabilities, engaged in three business segments, namely powertrain and other products for the automotive segment (“**Automotive - Powertrain and Others**”), aluminium products for the automotive segment (“**Automotive - Aluminium Products**”), and industrial and engineering products segment (“**Industrial and Engineering**”)

What we like:

Robust Financial Performance: Company’s overall EBITDA increased at a CAGR of 15.42% from ₹ 3,051.81 million in Fiscal 2018 to ₹ 4,065.51 million in Fiscal 2020. Company was able to achieve the margin improvement due to its strong process controls resulting in better operational efficiency. Company’s overall EBITDA margin increased at a CAGR of 16.15% on a restated consolidated basis, from 20.19% in Fiscal 2018 to 27.24% in Fiscal 2020.

Capex incurred to drive productivity : Company have already incurred significant capital expenditure in the past few years, including setting up an entire range of facilities such as no-bake sand foundry, high pressure, low pressure and gravity die casting capabilities for production of various types of aluminium castings for different applications for its customers, allowing company to offer a diverse product suite, reduce operating costs and drive its productivity.

Marquee domestic and global OEMs: Company have strong and well established relationships with several marquee domestic and global OEMs as well as component manufacturers, including certain of its key customers, to which company have been supplying its products and solutions for over 10 years, such as Tata Motors and Tata Cummins. Company’s key customers include Daimler India, Tata Motors, Tata Cummins, Mahindra & Mahindra, Royal Enfield, Mitsubishi Heavy Industries, Siemens India, Escorts, Ashok Leyland, Simpson & Company, TAFE Motors and Tractors, Perkins India, John Deere and JCB India. Company have significant presence and customer relationships in each of its business segments and are considered as a strategic and preferred supplier by many of its OEM customers

Valuation

Company is bringing the issue at p/e multiple of approx 59x at higher end of price band of Rs 1488-1490/share on 9MFY21 PAT basis.

We like the fact that company being the one stop solution provider has derisked its business model by diversifying into various segments. Also company’s clientele includes marquee names & company has demonstrated its ability to retain existing customers as well as continuously add new customers. It is worth noted that despite incurring significant capital expenditure, company was among one of the two peer companies to improve ROCE between Fiscal 2018 and Fiscal 2020 We believe that GOI initiatives like implementation of BS-VI norms and usage of non-ferrous materials for light-weighting of vehicles along with upgradation of farm equipment and construction equipment to BS IV from April 2021 will aid growth going forward. Hence , looking after all, we recommend investor to subscribe the issue.



Key players in powertrain and transmission manufacturing and machining across segments

Key Players	Two Wheeler/Three Wheeler	Passenger Vehicles	Commercial Vehicle	Construction Equipment	Tractor
Avtec Ltd	Yes	Yes	Yes	Yes	Yes
Endurance Ltd	Yes				
Jaya Hind Industries	Yes	Yes	Yes	Yes	
Sundaram Clayton	Yes	Yes	Yes		
Alicon Alloy	Yes	Yes			
Ashok works				Yes	Yes
Continental Engines	Yes				Yes
DCM Engineering Products		Yes	Yes	Yes	Yes
Hinduja Foundaries		Yes	Yes	Yes	Yes
Nelcast			Yes		Yes
Kirloskar Ferrous Industries		Yes	Yes	Yes	Yes
Craftsman Automation	Yes	Yes	Yes	Yes	Yes

(Source:RHP)

Peer Comparison

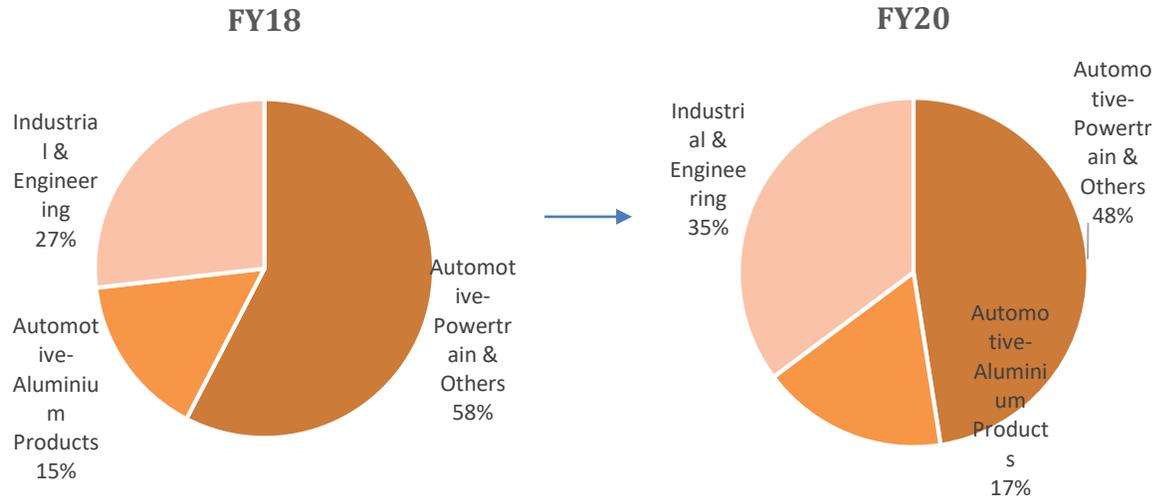
Company (Fig in Mn)	Revenue	EBIDTA	PAT	EBIDTA Margin	ROCE	PAT Margin
Bharat Forge	81092	11903	3412	15%	6%	4%
Endurance Tech	69266	11451	5655	17%	20%	8%
Jamna Auto	11340	1207	479	11%	11%	4%
Mahindra CIE	79169	9769	3538	12%	21%	4%
Minds Ids	54654	6263	1877	11%	10%	3%
MM Forgings	7715	1345	417	17%	7%	5%
Ramkrishana Forgings	11945	2087	97	17%	4%	1%
Sandhar Tech	19434	1956	570	10%	9%	3%
Sundaram Clayton	13243	1417	687	11%	3%	5%
Sundaram Fasteners	37232	6044	3265	16%	14%	9%
Craftsman Automatiion	14925	3979	400	27%	10%	3%

(Source:RHP)



INVESTMENT RATIONALE

De-risked its business model due to diversification in business segments



Long term and well established relationships with marquee domestic and global OEMs.

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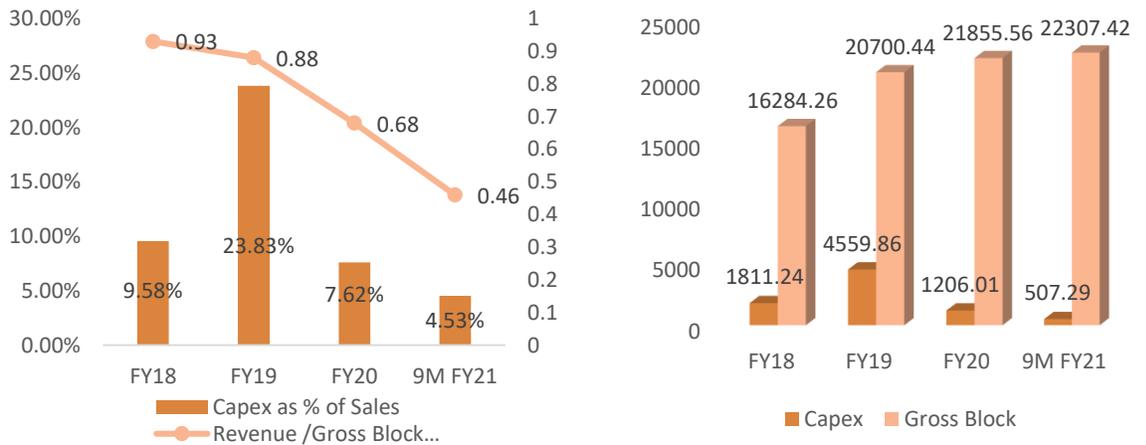
Key customers relationship	9MFY21	FY20	FY19	FY18
Five years & less	1662.60	2410.78	2374.71	1379.84
More than five years but less than 10 years	692.16	1097.97	1117.87	1077.31
10 years & more	5604.95	7909.46	10248.70	8872.41



ABOUT COMPANY

Company commenced operations in 1986 in Coimbatore, in the State of Tamil Nadu, India. It own and operate 12 strategically located manufacturing facilities across seven cities in India, with a total built up area of over 1.5 million sq. ft., close to some of company's key customers to enable meeting its customers' just-in-time delivery schedules, allow economies of scale and logistical advantages for its customers, and to insulate them from local supply or other disruptions.

Capex & Gross Block (Rs Mn)



Company's Promoter, Chairman and Managing Director, Srinivasan Ravi, is a mechanical engineer and a first-generation entrepreneur with over 34 years of relevant industry experience. Company have received funding from reputed global investors, International Finance Corporation ("IFC") in 2010 and 2012, and Standard Chartered Private Equity (Mauritius) II Limited ("SCPE") in 2012 (which transferred its stake to its Affiliate, Marina III Singapore Pte Limited ("Marina") in 2017). IFC and Marina presently have 14.06% and 15.50% shareholding, respectively, in company.

Company have a joint venture in India, Carl Stahl Craftsman Enterprises Private Limited, engaged in marketing, installation, commissioning and rendering after-sales services of material handling equipment, such as chain hoists, rope hoists and cranes kits, manufactured by company under the name "Carl Stahl Craftsman".



Risk Factors:

Company operate in a competitive business environment, particularly in certain business segments such as the manufacture and sale of aluminium castings in the Automotive - Aluminium Products segment, material handling systems in the Material handling sub-segment and storage systems in the Storage solutions subsegment. Growing competition in the domestic and/or international markets may subject company to pricing pressures and require it to reduce the prices of its products in order to retain or attract customers, which may have an adverse effect on company's revenues and margins.

Objects of Issue:

Company proposes to utilize the funds which are being raised through the Fresh Issue, up to ₹ 1,500.00 million, after deducting the Offer related expenses to the extent payable by company with respect to the Fresh Issue, towards funding the following objects:

1. repayment/pre-payment, in full or part, of certain borrowings availed of by company; and
2. general corporate purposes

Financial Statement

(Rs Cr)

Particulars	FY18	FY19	FY20	H1FY21
Total Income	1511.53	1818.01	1492.47	1022.79
Total Exp	1217.93	1375.37	1094.49	735.35
EBIDTA	293.60	442.64	397.98	287.44
Other Income	11.33	13.64	8.59	7.12
Depreciation	149.15	176.15	194.99	141.47
EBIT	155.78	280.13	211.58	153.08
Interest	112.48	140.55	148.40	77.24
PBT	43.30	139.58	63.18	75.84
E/O Items	0.00	0.00	-5.77	0.00
PBT	43.30	139.58	57.41	75.84
Sh Of Profit in				
Asso	0.25	0.40	-0.02	0.08
PBT	43.54	139.98	57.39	75.93
Tax	12.01	42.62	16.32	25.27
PAT	31.53	97.37	41.07	50.66
Eq Cap	10.06	10.06	10.06	10.06
Net Worth	596.66	683.26	718.90	771.61
Eq Shares	2.01	2.01	2.01	2.01
EPS	15.67	48.39	20.41	25.18
Book Value	296.52	339.56	357.27	383.47
ROE	5.12	14.39	5.71	6.57
EBIDTA Margin %	19.42	24.35	26.67	28.10
PAT Margin %	2.02	5.41	2.75	4.95

Source:RHP

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