

March 12, 2021

IPO NOTE

ISSUE DETAILS

Price Band: ₹ 1,488 to ₹ 1,490
Issue Opens on: March 15, 2021
Issue Closes on: March 17, 2021
Lot Size: 10 Shares & in Multiples thereafter

ISSUE HIGHLIGHTS

Issue Size : ₹ 824 Cr.
No of Shares : 46,153,846
Face Value : ₹ 5

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	150
Offer for Sale	674
Total	824

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	412
HNI	15	124
Retail	35	288
Total	100	824

* 60% Shares of the QIB Portion to Anchor Investors

Listing

BSE & NSE

Lead Managers

- Axis Capital Limited
 - IIFL Securities Limited

Registrar

Link Intime India Private Limited

ANALYST

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COMPANY OVERVIEW

Craftsman automation limited is a diversified engineering company with vertically integrated manufacturing capabilities, engaged in three business segments, namely powertrain and other products for the automotive segment, aluminium products for the automotive segment and industrial and engineering products segment. It is the largest player involved in the machining of cylinder blocks and cylinder heads in the intermediate, medium and heavy commercial vehicles segment as well as in the construction equipment industry in India. They are among the top three-four component players with respect to machining of cylinder block for the tractor segment in India.

It owns and operates 12 strategically located manufacturing facilities across seven cities in India. Its customer base includes Tata Motors, Daimler India, Tata Cummins, Mahindra & Mahindra, Royal Enfield, Siemens, Escorts, Ashok Leyland, VE Commercial Vehicles, TAFE Motors & Tractors, etc. They have a wholly-owned overseas subsidiary, Craftsman Europe B.V. (formerly known as Craftsman Marine B.V.), set up in 2008 in Netherlands, through which they are engaged in marketing, sales and servicing of marine engines and other associated equipment used in yachts.

HIGHLIGHTS

1. Diversified engineering company
2. Strong in-house process and product design capabilities
3. Long term and well established relationships with marquee domestic and global OEMs
4. Extensive manufacturing footprint, with strategically located manufacturing facilities.
5. Experienced management team

Objects of the issue

1. To make repayment/pre-payment of company's borrowing fully or partially (₹ 120 Cr.)
2. General corporate purposes.

Company shall not receive any proceeds from the offer for sale.

OUR VIEW

Incorporated in the year 1986, Craftsman is a diversified engineering company with vertically integrated manufacturing capabilities. The end users for their products include OEMs producing commercial vehicles, special utility vehicle, tractors and off-highway vehicles. Over the years, they have been instrumental in import substitution for critical powertrain parts.

The company has an inconsistent financial performance over the last few years. However, its FY20 revenues and margins have declined marginally compared to FY19.

For the first nine months of the current fiscal ended on December 31, 2020, it has earned a net profit of Rs. 50.66 cr. on a turnover of Rs. 1029.91 Cr. For the last three fiscals, it has posted an average EPS of Rs. 28.95 and an average RoNW of 9.24%. The issue is priced at a P/BV of 4.19 based on its NAV of Rs. 355.93 per share as of December 31, 2020. At upper price band of ₹ 1,490, the issue is fully priced based on its P/E of around 73x at FY20 while on the basis of 9 months ended December, 2020 P/E comes around 45x.

It has large long term debt and tax liabilities. In comparison to its peers, Craftsman automation's financials are lagging behind in some parameters. Given the highly competitive and tough business environment for Auto Ancillaries we feel that it will take some time for the company to go back to its pre-covid profitability levels. Hence, considering all the factors, we feel that the issue is quite expensive and should be looked at with caution.

Brief Financials

PARTICULARS	₹ in Million			
	As at Dec. 31, 2020	FY '20	FY '19	FY'18
Total Income	10,299.08	15,010.57	18,316.43	15,228.62
Total Expenditure	9,540.64	14,378.78	16,920.63	14,795.64
Profit before Tax	759.26	573.90	1,399.83	435.45
Profit after Tax	506.60	410.73	973.67	315.34
E.P.S. [diluted (Rs.)]	25.18	20.41	48.39	15.67
P/E (x)	45	73		
RONW (%)	7.07*	6.19	15.51	5.83

*Not Annualised

PRICE CHART (@ ₹ 1,490)

LOT SIZE	Amount
10	14,900
20	29,800
30	44,700
40	59,600
50	74,500
60	89,400
70	104,300
80	119,200
90	134,100
100	149,000
110	163,900
120	178,800
130	193,700

Please go through the RHP for salient features.

(https://www.sebi.gov.in/filings/public-issues/mar-2021/craftsman-automation-limited_49427.html)

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	22/03/2021
Initiation of refunds/unblocking ASBA Fund	23/03/2021
Credit of Equity Shares to demat accounts of Allottees	24/03/2021
Commencement of trading of the Equity Shares on the Stock Exchanges	25/03/2021

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