



Divgi-TTS designs, develops, manufactures and supplies engineered, turnkey solutions and components for automotive OEMs across India, USA, China, Korea and Russia amongst others. It's the largest supplier of Transfer Case systems to passenger vehicle manufacturers in India. It is the only manufacturer of torque coupler in India. The company is in the process of launching domestically manufactured Dual Clutch Transmission (DCT) Systems, therefore Divgi-TTS will be the only manufacturer of DCT systems in India. The company has long lasting relationship with domestic as well as global clients like M&M, Tata Motors and BorgWarner over the last two decades. The company's EV Transmission product gives the opportunity to grab market share in growing EV space. The company has focus on R&D to manufacture diverse products and expand into new and emerging trends.

The company has established track record of growth and financial performance. Divgi-TTS witnessed ROE and ROCE of 13.57% and 29.47% in FY2022, respectively. The company is virtually debt free as on September 2022. On valuation front, the company is available at 35.20x PE for FY22 which is quite attractive to the industry peers. We recommend to Subscribe IPO for listing as well as long term.



About the Company

Divgi Torqtransfer (Divgi-TTS) was incorporated on December 16, 1964. Divgi-TTS is amongst the very few automotive component entities in India who have the capability to develop and provide system level transfer case, torque coupler and dual clutch automatic transmissions (DCT) solution. They are one of the leading players supplying transfer case systems to automotive OEMs in India and the largest supplier of transfer case systems to passenger vehicle manufacturers in India. The company also has the capability to develop and provide transmission systems for electric vehicles. They are in the process of designing and developing prototypes of transmission systems for EVs pursuant to receipt of a business award for this purpose. Divgi-TTS has 3 manufacturing and assembling facilities across India located at Sirsi in Karnataka, and Shivare and Bhosari near Pune in Maharashtra

It manufactures and supplies a variety of products under the broad categories of (i) torque transfer systems (which includes four wheel- drive (4WD) and all-wheel-drive (AWD) products); (ii) synchronizer systems for manual transmissions and DCT; and (iii) components for the above-mentioned product categories for torque transfer systems and synchronizer systems in manual transmission, DCT, and EVs. They have also developed (i) transmission systems for EVs; (ii) DCT systems; and (iii) rear wheel drive manual transmissions.

They have a client base of global OEMs and global transmission systems suppliers, with their Top-5 customers accounting for 92.66%, 91.28%, 92.86%, and 86.94% of their revenue from operations for 6 months ended September 30, 2022, Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.

Issue Details

Price Band (in ₹ per share)	560-590
Issue size (in ₹ Crore)	400-412
Fresh Issue (in ₹ Crore)	180
Offer for Sale (in ₹ Crore)	220-232
Total number of shares (lakhs)	71.49-69.85
Issue open date	01-03-2023
Issue close date	03-03-2023
Tentative date of Allotment	09-03-2023
Tentative date of Listing	14-03-2023
Offer Allocation	QIB - 75 %, Retail- 10%, NII - 15%
No. of shares for QIBs (lakhs)	53.61-52.39
No. of shares for non-institutional investors (lakhs)	10.72-10.48
No. of shares for retail investors (lakhs)	7.15-6.99
Minimum order quantity	25
Face value (in ₹)	5
Amount for retail investors (1 lot)	14000-14750
Maximum number of shares for Retail investors at lower Band	350 (14 lots)
Maximum number of shares for Retail investors at upper band	325 (13 lots)
Maximum amount for retail investors at lower Band-upper band (in ₹)	196000-191750
Exchanges to be listed on	BSE, NSE

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A route to making money online

Promoters

- Jitendra Bhaskar Divgi
- Hirendra Bhaskar Divgi
- Divgi Holdings Private Limited



Objective of the Offer

- Funding capital expenditure requirements of INR 150 crore for the purchase of equipment/machineries of the manufacturing facilities
- Offer for Sale of 39,34,243 Equity Shares (36,91,441 Equity Shares by investors and 2,42,802 by Promoters & other shareholders)
- General Corporate Purpose

Brief Financials

Particulars (Rs. Cr) *	H1FY23	FY22	FY21	FY20
Share Capital	13.77	13.77	6.88	6.02
Net Worth	356.20	340.02	295.88	209.53
Revenue from Operations	133.72	233.78	186.58	159.07
EBITDA	37.09	65.61	51.90	36.94
EBITDA Margin (%)	27.74%	28.06%	27.82%	23.22%
PAT	25.66	46.15	38.04	28.04
PAT Margin (%)	19.19%	19.74%	20.39%	17.63%
Basic EPS(Rs)	9.32	16.76	13.82	11.64
Net Asset Value (Rs)	129.38	123.5	107.47	86.98
P/E #	31.65^	35.20	-	-
P/B #	4.56	4.78	-	-

Source: RHP, *Restated Consolidated, FV Rs.5/-, # Calculated at the upper price, ^Annualised

Industry Review

Market Sizing and Outlook of Relevant Auto Component Segments

Transfer case

Transfer case system is used in four-wheel drive (4WD) or commonly known as 4X4 vehicle that has four driven wheels. In a 4X4 configuration the first 4 indicates that the vehicle has four wheels and the second 4 indicates that all four wheels are driven. A vehicle will have more pulling power and traction if all of its wheels are driven. This requires a transfer case system.

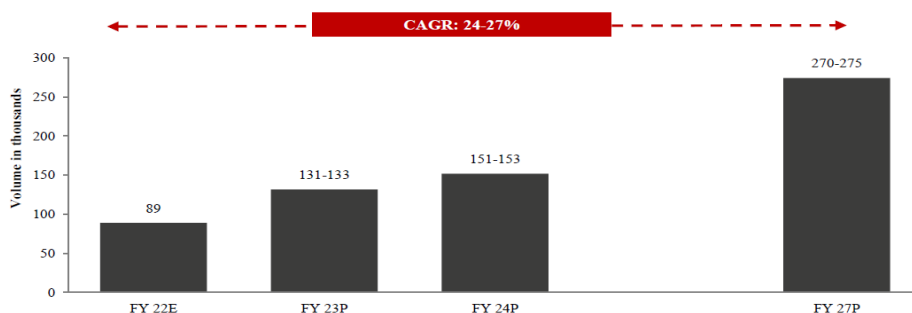
Transfer case market

CRISIL estimates the size of the transfer case market (catering to OEM demand) at 89 thousand units by volumes and Rs 3.6 billion in terms of value in fiscal 2022. Passenger vehicle (PV) segment occupies the primary share of 71%, followed by small commercial vehicle (SCV) segment contributing the rest.

Market for transfer case is expected to increase by 24-27% CAGR from fiscal 2022 and 2027 that is from 89 thousand units to 270-275 thousand units in volume terms and by 25-28% CAGR in value terms i.e. from Rs 3.6 billion to Rs 11-13 billion.

CRISIL estimates overall PV production to grow at 8-10% CAGR from fiscal 2022 to 2027 and reach 5.5-6 million units by fiscal 2027. Over short to mid-term, easing of supply issues, intermittent launches to support PV sales, over mid to long-term, moderate macro-economic growth, increasing disposable income, relatively stable cost of vehicle ownership, and lower fuel prices are likely to drive demand for passenger vehicles.

Indian Transfer cases market outlook (fiscal 2022-2027P) - Volumes

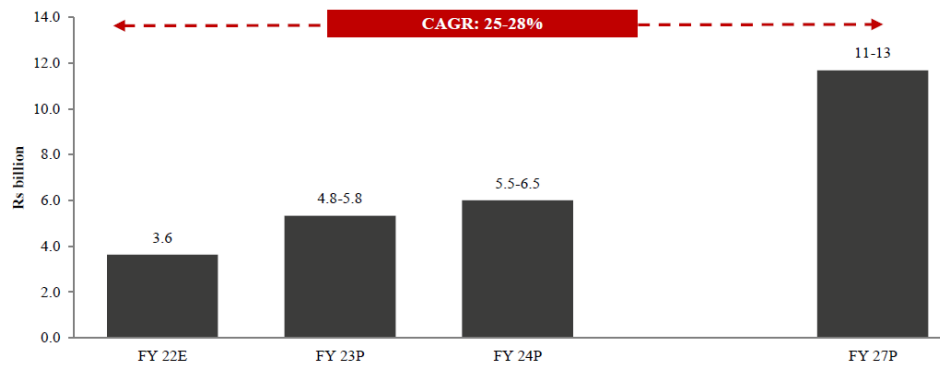


Source: Industry, SIAM, CRISIL MI&A



Industry Review

India Transfer Case by Value



Source: Industry, SIAM, CRISIL MI&A

Source: RHP, CBSL

Torque coupler

Torque coupler is used in front wheel drive (FWD) based all-wheel drive (AWD) vehicles. Torque coupler senses the torque requirement & transfers the necessary torque to the rear wheels when wheels start slipping on the surface. Here the response time of actuating the clutch is very critical to proper functioning of a vehicle, else the vehicle begins to skid. Clutching and declutching is performed by an ECU. The calibration of ECU with the performance of a vehicle is critical. This testing is done jointly by the OEM and the component supplier. This type of technology where ECU integration is required is known as multidisc wet clutch technology. Another technology called as viscous coupling is also present. Here the actuation of clutch is not electronically controlled. A series of plates and silicon is used. When driving wheels slip (here front wheels), viscous coupling locks and torque is transferred to the other axle i.e. the rear wheels. Here, the engagement of rear axles is slightly delayed.

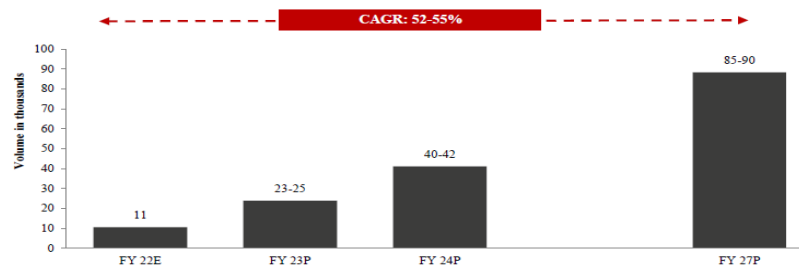
Outlook, fiscals 2022- 2027

Market for torque coupler is expected to increase by 52-55% CAGR from fiscal 2022 and 2027 in volume terms and by 54-57% CAGR in value terms. Demand for torque couplers is expected to grow from 11 thousand units in fiscal 2022 to 85-90 thousand units by fiscal 2027.

CRISIL estimates overall PV production to grow at 8-10% CAGR from fiscal 2022 to 2027 and reach 5.5-6 million units by fiscal 2027. The growth is projected to be led by UV segment which is expected to grow at 12-14% CAGR. Because of the higher cost associated with AWD drive train, AWD segment is expected to remain niche and the penetration of FWD based AWD is expected to be in the range of 1-2% by fiscal 2027. Again, the offering is expected to be in UV category.

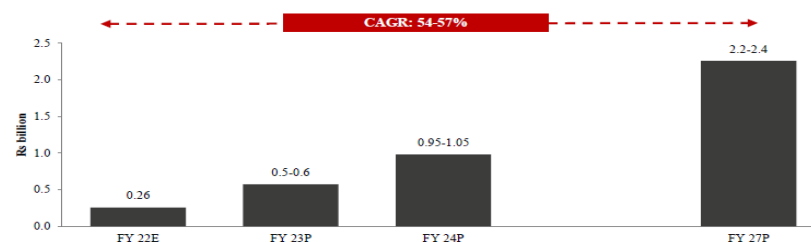
Drive type is not impacted by the type of fuel required to drive a vehicle. Hence, EV penetration will not have any impact on transfer case industry.

Indian torque coupler market outlook (fiscal 2022-2027P)-Volumes



Source: Industry, SIAM, CRISIL MI&A

Indian torque coupler market outlook (fiscal 2022-2027P)-Value



Source: Industry, SIAM, CRISIL MI&A

Source: RHP, CBSL



Industry Review

Auto locking hub

Auto locking hub is used in conjunction with ESOF based transfer case. When a vehicle is running in 2WD high, the auto locking hub locks the front wheels i.e. no torque is transferred to the front wheels, they are freely rotating. This helps in avoiding the frictional losses which otherwise will arise when front wheel is driving the axle. This helps in providing better fuel mileage. In India, in most cases it used to be manual locking hub. Here, the driver had to get down and manually lock the hub when moving from 4WD to 2WD. However, global OEMs are preferring central axle disconnect (CAD) system over a locking hub. Moving forward, AWD based new models are not expected to be using auto locking hub, CAD is expected to be used for such application.

In India, very few models are currently on this system (auto lock hub in conjunction with ESOF transfer case). Hence, auto lock along with the ESOF based transfer case is imported as a whole transmission system

Synchroniser

Vehicles fitted with Manual Transmission (MT), Automatic Manual Transmission (AMT)/ intelligent Manual Transmission (iMT) and Dual Clutch Transmission (DCT) require synchroniser set. The purpose of a gear synchroniser is to synchronize the speeds of the input and output shafts of a gearbox. during a gearshift, before the engagement of the upcoming gear. The synchroniser acts like a friction clutch and decelerates (upshift) or accelerates (downshift) the input shaft, in order to match the speed for the upcoming gear.

Within a gearbox, the synchronizers are located between two adjacent gears. For example, gears 1-2 share the same synchronisation mechanism, 3-4 another one and the same for 5-6. In India, synchroniser for reserve gear is offered for passenger vehicle starting from premium hatchback category.

Synchroniser can be classified as single-cone, double-cone and triple-cone depending on the number of friction elements. Multicone provides higher friction as compared to a single-cone. Hence, generally between 1st and 2nd gear multi-cone synchroniser is used.

In India, synchronisers are available using different raw material such as brass, brass with carbon lining and steel with carbon lining. For higher durability and performance, synchroniser used are of brass or steel with carbon lining. Synchroniser pack includes sliding sleeve, synchroniser hub, synchroniser ring, ring spring and locking element.

Outlook, fiscals 2022- 2027

Market for synchroniser is expected to increase by 8-10% CAGR from fiscal 2022 and 2027 in volume terms and by 10-13% CAGR in value terms. Market for synchronizers is expected to touch Rs 39-41 billion by fiscal 2027

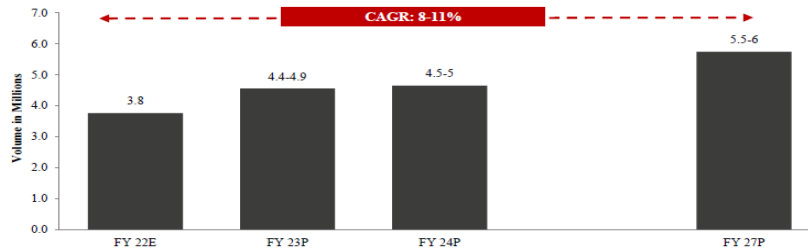
CRISIL estimates overall PV production to grow at 8-10% CAGR from fiscal 2022 to 2027 and reach 5.5-6 million units by fiscal 2027. Over short to mid-term, easing of supply issues, intermittent launches to support PV sales, over mid to long-term, moderate macro-economic growth, increasing disposable income, relatively stable cost of vehicle ownership, and lower fuel prices are likely to drive demand for passenger vehicles. Production of SCVs in India is expected to increase at 10-12% CAGR over fiscals 2022 to 2027. SCV growth will be driven by higher private consumption, low penetration levels providing headroom for growth, greater availability of redistribution freight, and improved finance availability.

SCV PV production is expected to grow at a faster pace and clock 19-21% CAGR between fiscal 2022 and fiscal 2027. While SCV GV production is projected to rise at slower pace of 10-12% CAGR till fiscal 2027 over a high base of fiscal 2022.

Synchronisers which are majorly required in MT, AMT, iMT and DCT transmission, share of these transmission systems is estimated to have a penetration of 90% in PV segment, and 100% in SCV category. This penetration is expected to be at 80-82% by fiscal 2027 in PV. Electric vehicle penetration in PVs is expected to increase from 0.7% in fiscal 2022 to 6-8% by fiscal 2027, this is expected to shave off some demand for synchronizers. Despite the drop in the share of MT, AMT, iMT and DCT transmissions in overall PV production, demand for synchroniser packs is expected rise from 3.8 million (including SCV) units in fiscal 2022 to 5.5-6 million (including SCV) units by fiscal 2027 backed by estimated rise in actual volumes. Indian SCV market is expected to remain on manual transmission thereby aiding the demand for synchronisers

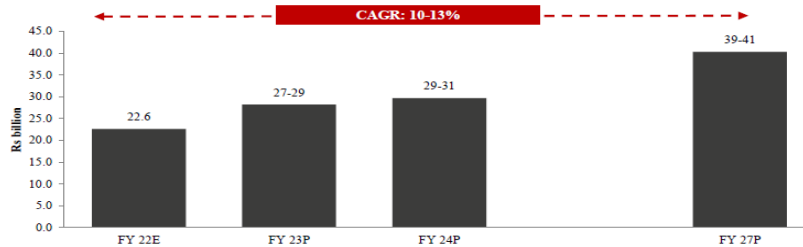


Indian Synchroniser pack market outlook (fiscal 2022-2027P)- Volumes



Source: Industry, SIAM, CRISIL MI&A

Indian Synchroniser pack market outlook (fiscal 2022-2027P)- Value



Source: Industry, SIAM, CRISIL MI&A

Manual Transmission

Manual transmission is used to transmit power from the engine to the wheels and contains a gear box that would require the driver to manually choose between different gear ratios using a gear stick and clutch during acceleration and deceleration. This is the most predominant transmission system in the Indian market for PVs and SCVs

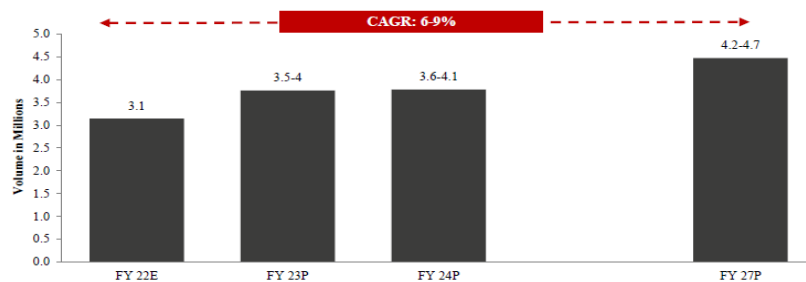
Outlook, fiscals 2022- 2027

CRISIL estimates overall PV production to grow at 8-10% CAGR from fiscal 2022 to 2027 and reach 5.5-6 million units by fiscal 2027. SCV production is projected to clock 10-12% CAGR during the same period.

From a high base, shift to automatic transmission coupled with reduction in the cost of technology is likely to impact the demand for manual transmission going ahead. Although it is expected to be the dominant transmission system even in fiscal 2027, the penetration levels are expected to come down compared to the current levels. Penetration of manual transmission in PV is expected to reduce from 72-74% in fiscal 2022 to 64-66% by fiscal 2027. However, in SCV segment, the company expect the penetration of manual transmission to remain at current levels of 100% even in fiscal 2027

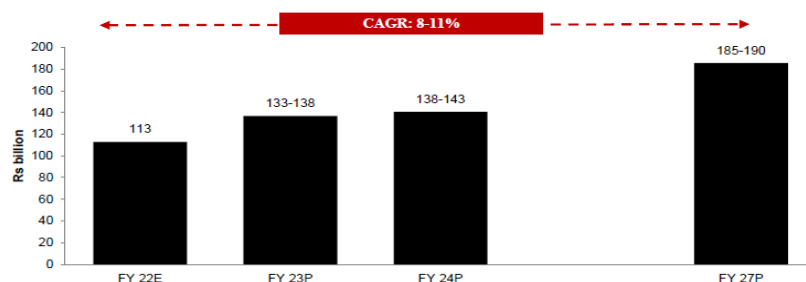
Despite the contraction in share, volume of MT (PV and SCV combined) is still expected to grow at a CAGR of 6-9% from 3.1 million units to 4.2-4.7 million units and in terms of value, industry is expected to grow by 8-11% CAGR from fiscal 2022 to 2027 i.e., from Rs 113 billion to Rs 185-190 billion.

Indian manual transmission market outlook (fiscal 2022-2027P)



Source: Industry, SIAM, CRISIL MI&A

Indian manual transmission market outlook (fiscal 2022-2027P)



Source: Industry, SIAM, CRISIL MI&A



Dual Clutch Transmission

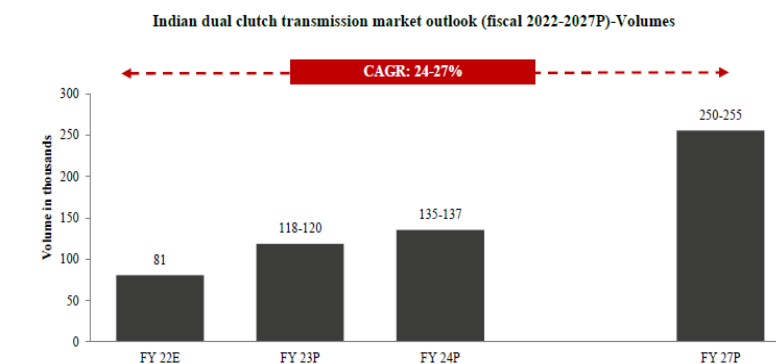
Dual clutch transmission (DCT), also known as twin-clutch transmission transmits the power from the engine to the wheels of the passenger vehicle using two separate clutches for odd and even gears, within one housing. The architecture of a DCT is similar to a manual transmission and can be considered as a hybrid of manual and automatic transmission. Among all the transmissions, DCT is most suited for diesel engines.

The two clutches function as a single unit, controlled by an electro- hydraulic control unit to shift the gears thereby eliminating the need for driver input in changing gears. The gear shift happens with minimal interruption to torque supply to the wheels because of which the fuel efficiency of a DCT is better than that of a manual transmission. DCT is also more responsive enabling smoother and faster acceleration to a higher speed.

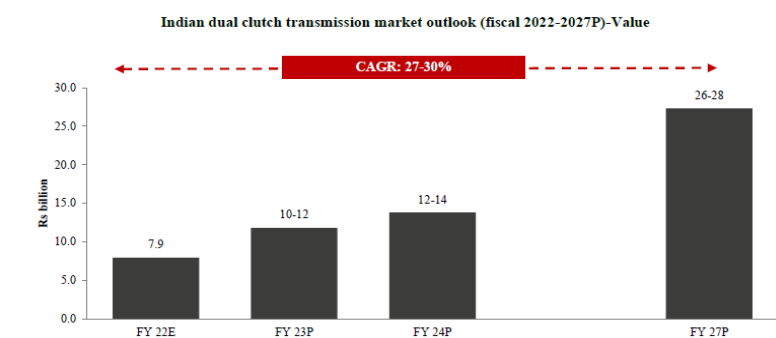
In the Indian market, the manufacturing ecosystem for DCT is most suitable for meeting the expectations of a fully-fledged automatic transmission and to support features like ADAS, automatic parking, etc. Manufacturing capacity of manual transmission is also fungible for migration to DCT. However, tropical weather conditions remain a key monitorable about how the adoption of DCT takes place.

Outlook, fiscals 2022- 2027

Rising preference for automatic vehicles coupled with reduction in the cost of DCT technology is likely to back the demand for DCTs going ahead. Increasing customer preference towards premium specifications and driving performance will also support demand. Rise in local JV operations will provide an added advantage. CRISIL projects production of DCT to clock 24-27% CAGR during the fiscal 2022 to 2027. Penetration of DCT is expected to improve from 1-2% in fiscal 2022 to 2-4% by fiscal 2027. Penetration of DCT is expected to remain at higher levels in the compact UV and UV segments. The size of DCT market is expected to grow at a CAGR of 27-30% to Rs. 26-28 billion by fiscal 2027.



Source: Industry, SIAM, CRISIL MI&A



Source: Industry, SIAM, CRISIL MI&A



EV transmission

To curb pollution, electric vehicles are gaining global interest. In India, too, electric vehicles are gaining popularity, as the government is extending support via FAME (Faster Adoption and Manufacturing of Hybrid and Electric vehicles) and tax-rate cuts to boost EV adoption. Transmission assembly in electric vehicle is different from the one which is used in conventional Internal combustion engine (ICE) vehicles. Say ICE vehicle can at max run at 7,000 revolutions per minute (rpm). As compared to this in EV the motor run at revolutions as high as 20,000 rpm. Rotational speed is 3-5 times higher. Electric vehicles typically operate on singlespeed transmission whereas conventional ICE based vehicles operate on multi-speed transmissions Very high revolutions per minute (RPM) in electric drives cause noise, vibration and harshness (NVH) issues in EVs. This results in higher technological complexity in differential gears and assembly design. An EV transmission requires specialized bearings and the accuracy with which the gear teeth are manufactured are also significantly of a much higher precision as compared to ICE vehicle.

Single speed Transmission and Multi-speed Transmission are two types of transmission mostly used in electric vehicles. In India, electric PV vehicle is run on single speed transmission assembly. Components considered for sizing as an EV transmission assembly (single speed) are mechanical gear box, motor and its integration. Pricing of an EV transmission is directly proportional to the motor capacity.

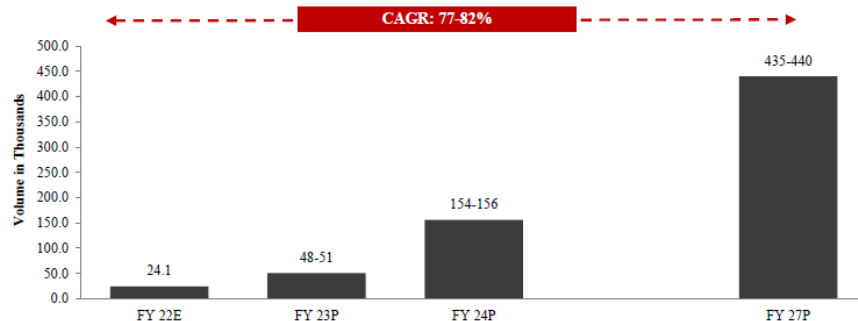
Outlook, fiscals 2022- 2027

Market for EV transmission is expected to increase by 77-82% CAGR from fiscal 2022 and 2027 in volume terms as well as value terms. EV transmission market is expected to be around Rs 42-44 billion with a volume of 435-440 thousand by fiscal 2027.

CRISIL expects the share of EVs in total passenger car sales to accelerate to 6-8% by fiscal 2027 from ~0.7% in fiscal 2022. Government support, entry of global players, competitive launches, technological developments in battery technology, expanding EV infrastructure and rising awareness to support EV segment growth.

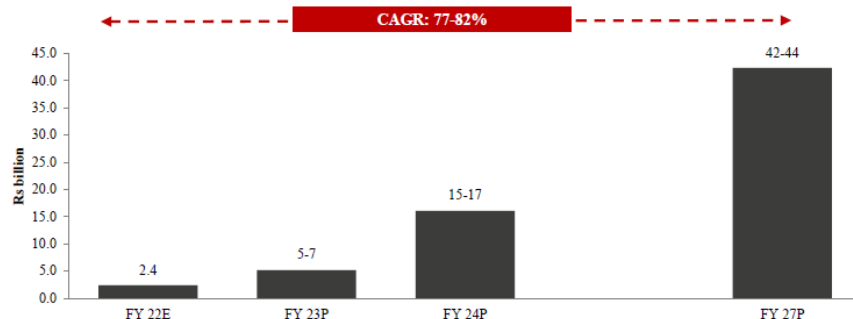
Moreover, OEMs have strong EV plans for the next 5 years. During fiscal 2023, Tata Motors, the leading provider of electric vehicles in India (~81% share in EV retail sales in fiscal 2023 April-Dec), has achieved its target of 50k EV sales since entry (fiscal 2020) and is planning number of launches in the coming years. All major OEMs including Mahindra, Hyundai, Maruti also have a strong EV line up planned for the next 5 years. Global OEMs including BYD, Renault, MG, Tesla have EV vehicles planned to be launched in India.

Indian EV transmissions market outlook (fiscal 2022-2027P)



Source: Industry, SLAM, CRISIL MI&A

Indian EV transmissions market outlook (fiscal 2022-2027P)



Source: Industry, SLAM, CRISIL MI&A



Competitive Strengths

Capability to develop and provide system level transfer case, torque coupler, DCT solutions and transmission systems for EVs across a wide array of automotive vehicles and geographies

Given the complexity of the mechanical and electronic part integration, software development remains one of the defining fields in the automotive component development. Very few component suppliers as well as OEMs globally have the capability to develop these system integration software solutions in-house. The system level solution providers such as Divgi-TTS is likely to be highly valued by vehicle manufacturers globally. Divgi-TTS is amongst the very few automotive components entities in India who have the capability to develop and provide system level transfer case, torque coupler, DCT solutions as they have in-house software development capability.

They are amongst few companies who serve both as systems level solution provider as well as component kit supplier to global OEMs and Tier I transmission systems suppliers. This has helped them in offering customized solutions to their OEM customers in a cost-effective manner and become the leading supplier of transfer cases, torque couplers and steel synchronizers in India. The company actively collaborates with Europe's transmission engineering consulting firms like FEV and Hofer.

The company designs, develop, manufacture and supply engineered, turnkey solutions and components to automotive OEMs across India, USA, China, Korea and Russia, amongst others. They have developed transmission systems for EVs; DCT systems; and rear wheel drive manual transmissions. They are in the process of launching domestically manufactured DCT systems for the Indian market. Therefore, they will be the only manufacturer of DCT systems in India. They have been awarded a contract for the supply of EV transmission systems for one of the leading providers of EVs in India, and for supply of components for Hybrid Vehicles for a global OEM.

Strategically located manufacturing facilities capable of producing high precision components meeting system-level design intent

Company's 3 facilities in India are located at Sirsi in Karnataka, and Shivare and Bhosari near Pune in Maharashtra equipped with advanced machinery and certain of their facilities are located in close proximity to their key customers. They manufacture transmission, transfer case and synchroniser components at their facility in Sirsi. Their facility at Shivare houses grinding and superfinishing equipment to achieve standards in precision and accuracy including those demanded by EV and DCT applications globally and transmission components. Their facility at Bhosari, which is the assembling, lab testing and packing unit for their manufactured components and systems, and their facility at Shivare are both strategically located in proximity to their key customers as well as the port for export located at New Mumbai.

They have implemented comprehensive production systems across their facilities which helps them improve workmen safety, quality control, inventory management, lean manufacturing process, flexibility to handle varying product mix and timely delivery on an on-going basis.

Long-term relationships with marquee domestic and global customers

Divgi-TTS has strong and well-established relationships with several marquee domestic and global OEMs in the automobile sector such as Tata Motors, Mahindra & Mahindra and with global suppliers such as BorgWarner. They have been in continued business with BorgWarner, Tata Motors and Mahindra & Mahindra for over 2 decades. Their positioning as a system and solution provider entrenches them into the OEM eco-system, reduces the risk of purely price-based competition, and aids them develop a deeper interface with their customers' product development and senior management teams. With their track record and wide product portfolio, they have been able to retain their existing customers and have also been able to attract new customers.



Risk Factors

Divgi-TTS' business largely depends upon top five customers

Divgi-TTS is a business to business (B2B) manufacturing company with an asymmetric dependence on a few customers. It derive a significant portion of revenue from top five customers, namely, Mahindra & Mahindra, Tata Motors, Toyota Kirloskar Auto Parts, BorgWarner and a Russian automobile manufacturer. Further, the company is highly dependent on the revenue generated from Customer 1 and derived a significant portion of revenue from operations, i.e., ₹ 988.45 million or 73.92% for H1FY23. The table below sets forth the breakdown of income from sale of goods across top five customers, as a percentage of revenue from operations.

Customer	Six months ended September 30, 2022		Fiscal 2022		Fiscal 2021		Fiscal 2020	
	Revenue generated (in ₹ million)	As a percentage of revenue from operations	Revenue generated (in ₹ million)	As a percentage of revenue from operations	Revenue generated (in ₹ million)	As a percentage of revenue from operations	Revenue generated (in ₹ million)	As a percentage of revenue from operations
Customer 1	988.45	73.92	1,255.55	53.71	665.44	35.67	417.09	26.22
Customer 2	66.07	4.94	165.39	7.08	85.73	4.59	66.31	4.17
Customer 3	74.46	5.57	121.19	5.18	82.00	4.40	109.25	6.87
Customer 4	110.07	8.23	328.24	14.04	616.16	33.02	575.04	36.15
Customer 5*	Nil	Nil	263.49	11.27	283.27	15.18	215.16	13.53
Total	1,239.05	92.66	2,133.86	91.28	1,732.60	92.86	1,382.85	86.94

* The agreement entered into by the Company with Customer 5 (Russian automobile manufacturer) has expired on June 30, 2022

The company's geographical concentration of exports to certain countries

Divgi-TTS overseas sales are primarily dependent on two countries, China and Russia, which exposes to risks of concentration. The revenue from exports to China and Russia, as a percentage of the overall revenue from exports and revenue from operations

Six months ended September 30, 2022			Fiscal 2022			Fiscal 2021			Fiscal 2020		
Revenue from export to China and Russia (in ₹ million)	As a percentage of the overall revenue from export	As a percentage of the overall revenue from operations	Revenue from export to China and Russia (in ₹ million)	As a percentage of the overall revenue from export	As a percentage of the overall revenue from operations	Revenue from export to China and Russia (in ₹ million)	As a percentage of the overall revenue from export	As a percentage of the overall revenue from operations	Revenue from export to China and Russia (in ₹ million)	As a percentage of the overall revenue from export	As a percentage of the overall revenue from operations
59.58	54.13%	4.46%	457.94	77.36%	19.59%	578.63	64.33%	31.01%	412.56	52.05%	25.94%

Loss of all or a substantial portion of sales to any of customers from these two countries, for any reason (including, due to any materially adverse social, political or economic development, civil disruptions, or changes in the policies of the state government or state or local governments in these countries, occurrence of COVID-19 infection and strict curbs), could have an adverse effect on business.

Further, the company serves a broad range of customers both in the Indian and overseas markets. The table below sets forth the breakdown of income from sale of goods across geographic markets, as a percentage of total sale of goods for the periods indicated

Geographical Location	Six months ended September 30, 2022	Fiscal 2022	Fiscal 2021	Fiscal 2020
India	91.61%	73.70%	49.87%	48.12%
USA	3.82%	2.71%	10.66%	14.30%
China	4.54%	8.64%	16.46%	12.96%
Korea	-	3.24%	7.22%	10.49%
Russia	-	11.71%	15.79%	14.13%
Sweden	0.03%	-	-	-
Total	100.00%	100.00%	100.00%	100.00%



Risk Factors

Dependency on key raw materials & components as well as volatility in the price

Divgi-TTS uses a variety of raw materials and commodities (including aluminium, copper, nickel, plastic resins, steel, other raw materials and energy) and materials purchased in various forms such as peeled alloy steel bars, aluminium castings, steel forgings, magnets, steel and brass stampings, and plastic components in the production of components. Semiconductor chips and allied components are not a major raw material used in its business operations. The details of cost of raw material and components consumed as a percentage of the revenue from operations for H1FY23, FY2022, FY2021, FY2020 is as follows

Six months ended September 30, 2022		Fiscal 2022		Fiscal 2021		Fiscal 2020	
Cost of raw material and components consumed (in ₹ million)	As a percentage of revenue from operations	Cost of raw material and components consumed (in ₹ million)	As a percentage of revenue from operations	Cost of raw material and components consumed (in ₹ million)	As a percentage of revenue from operations	Cost of raw material and components consumed (in ₹ million)	As a percentage of revenue from operations
546.71	40.89%	935.61	40.02%	689.04	36.93%	560.49	35.24%

Peer Comparison

Name of the company	Face Value	Total Income (INR crore)	Basic EPS	NAV	P/E*	P/B*	ROE (%)	ROCE (%)
Divgi Torqtransfer Systems Ltd*	5	2,418.74	16.76	123.50	35.20	4.78	13.57%	29.47%
Listed Peers								
Sona BLW Precision forgings Ltd	10	2,150.67	6.22	34.23	73.04	13.27	18.07%	23.64%
Bosch Ltd	10	12,188.50	413.10	3,621.05	43.28	4.94	11.41%	14.92%
ZF Commercial Vehicle Control Systems India Ltd	5	2,580.88	74.90	1,114.57	138.54	9.31	6.72%	9.35%
Sundaram Fasteners Ltd	1	4,941.40	21.74	125.46	45.19	7.83	17.52%	20.29%
Endurance Technologies Ltd	10	7,590.18	32.75	278.68	38.80	4.56	11.75%	13.98%

*Calculated on Higher Price band; Financials as on FY2022

Our Views

Divgi-TTS designs, develops, manufactures and supplies engineered, turnkey solutions and components for automotive OEMs across India, USA, China, Korea and Russia amongst others. It's the largest supplier of Transfer Case systems to passenger vehicle manufacturers in India. It is the only manufacturer of torque coupler in India. The company is in the process of launching domestically manufactured Dual Clutch Transmission (DCT) Systems, therefore Divgi-TTS will be the only manufacturer of DCT systems in India. The company has long lasting relationship with domestic as well as global clients like M&M, Tata Motors and BorgWarner over the last two decades. The company's EV Transmission product gives the opportunity to grab market share in growing EV space. The company has focus on R&D to manufacture diverse products and expand into new and emerging trends.

The company has established track record of growth and financial performance. Divgi-TTS witnessed ROE and ROCE of 13.57% and 29.47% in FY2022, respectively. The company is virtually debt free as on September 2022. On valuation front, the company is available at 35.20x PE for FY22 which is quite attractive to the industry peers. We recommend to Subscribe IPO for listing as well as long term.

Sources: Company Website and red herring prospectus



Analyst Certification

We/I Lohit Bharambe, PGPM, MBA, Research Analyst authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

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