Ajax Engineering IPO Analysis by Umesh Paliwal, Co-Founder UnlistedZone

1. When Company was started?

Ajax Engineering Limited was originally incorporated as 'Ajax Fiori Engineering (India) Private Limited' on July 3, 19921. It later changed its name to 'Ajax Engineering Private Limited' on March 15, 2019.

2. What is the business model and revenue model of Ajax Engineering ?

a) Business Model: Ajax Engineering is primarily engaged in the manufacturing of concrete equipment. Specifically, it is a market leader in the self-loading concrete mixer (SLCM) market in India.

b) **Revenue Model**: The company generates a significant majority of its revenue from the **sale of self-loading concrete mixers (SLCMs).**

c) In the financial year 2024, 85.13% of the company's revenue from operations came from the sale of SLCMs**5**.

d) The company operates as a **single business segment.**

3. Where they manufacture this and from where they get raw material to manufacture the machine?

Ajax Engineering operates four state-of-the-art assembling and manufacturing facilities in Karnataka, India, catering to the diverse needs of the concrete equipment industry. The details of the facilities are as follows:

a) Obadenahalli Facility

- **Specialization**: Assembly of Self-Loading Concrete Mixers (SLCMs).
- **Key Highlights**: One of the three largest SLCM facilities globally by area.
- **Established**: 2018.

b) Gowribidanur Facility

- **Specialization**: Manufacturing Batching Plants and Transit Mixers.
- **Established**: 2014.

c) Bashettihalli Facilities (Two Locations)

- **Location 1**: Focuses on Stationary Pumps, Boom Pumps, and Self-Loading Concrete Mixers (Argo 1000 model).
- **Location 2**: Dedicated to Boom Pumps and Concrete Pumps.
- **Established**: 1992.

d) **Upcoming Facility in Adinarayanahosahalli**

- **Status**: Under construction; expected to be operational by August 2025.
- **Specialization**: Fungible capabilities to assemble a wide range of concrete equipment.
- **Equipment Range**: Self-Loading Concrete Mixers, Batching Plants, Transit Mixers, Slip-Form Pavers, Boom Pumps, Self-Propelled Boom Pumps, and Concrete Pumps.

With these strategically located facilities, Ajax Engineering continues to strengthen its position as a leader in the concrete equipment manufacturing sector.

e) Raw Material Sourcing by Ajax Engineering

- Ajax Engineering sources raw materials from a diversified base of **546 suppliers** (as of September 30, 2024).
- The company prioritizes local suppliers, with most materials like steel, drum supports, engines, and hydraulic components procured domestically.
- Imports, mainly from markets like China, account for less than **10% of the total raw material** cost and are based on quality, price, and availability.
- Materials are procured on a purchase-order basis, avoiding long-term supplier contracts.
- Ajax emphasizes quality control, collaborates closely with suppliers for efficient procurement, and ensures smooth adaptation to regulatory or technological changes.

4. Industry Analysis and whether tailwinds are there in the business?

Market Size (FY 2024):
The Indian concrete equipment market is valued at approximately ₹61 billion (US$731 million) as of the financial year 2024.

Projected Growth:
The market is anticipated to expand to around ₹178 billion (US$2,148 million) by FY 2029, reflecting a robust compound annual growth rate (CAGR) of 22% by volume and 24% by value.

Mechanised Concrete Production:
Currently, mechanised equipment accounts for 25% of concrete production in India. This share is expected to grow significantly, reaching 41% by FY 2029, signaling a shift toward more efficient construction practices.

Self-Loading Concrete Mixers (SLCMs):
SLCMs represent a crucial segment within the mechanised concrete market and are driving its rapid adoption:

- SLCMs' contribution to total concrete consumption is projected to rise from 14% in FY 2024 to 24% by FY 2029.
- Ajax Engineering dominates the SLCM segment, holding a 75% market share in FY 2024, which increased to 77% in H1 FY2025.

The Indian concrete equipment market is poised for remarkable growth, driven by increased adoption of mechanised solutions like SLCMs and sustained investment in infrastructure development.

5. Total Machines sold by Ajax Engineering in the last 3 years?

Financial Year	Total Units Sold	SLCM Units Sold	Non-SLCM Units Sold
2022	2,359	1,930	429
2023	3,368	2,962	406
2024	5,185	4,625	560

6. Financial Analysis (Last 3 years)

a) The revenue has increased from 763 Cr in Fy22 to 1741 Cr in Fy24.
b) Gross margins in the business is ~30%.
c) EBITDA margins in the business is ~15%
d) NPM margins in the business is ~13%.
e) The PAT has increased from 66 Cr in Fy22 to 225 Cr in Fy24.
f) Balance sheet looks very strong. Current ratio is 3.21x, Quick ratio is 1.59x and company is debt free.
g) ROCE in the business has increased from 15% in Fy22 to 30% in Fy24. The ROCE of 30% is really good.
f) Company is generating good cash from operations in Fy22, Fy23 and Fy24. 84 Cr in Fy22, 184 Cr in Fy23 and 207 Cr in Fy24.

Overall, Financial performance is really good.

6. Risk in the Business?

a) High Dependence on SLCMs: 85.13% of FY24 revenue comes from SLCM sales, making the company vulnerable to demand fluctuations**.**
b) **Regional Manufacturing Risk**: All facilities in Karnataka expose the company to local disruptions and regulatory changes.
c) **Dealer Network Reliance**: Business heavily depends on dealers for sales and service, risking disruption impact.
d) **Lease Uncertainty**: Expired leases for two facilities create operational risks.
e) **Intense Competition**: Industry rivalry could pressure profit margins

7. Valuation of the business?

The IPO is being launched at a **market capitalization of INR 7,100 crore**, with a P/E ratio of 31x based on the **FY24 PAT of INR 225 crore.** While the valuation appears reasonably priced, the Offer for Sale (OFS) structure means that no fresh funds will be infused into the company. The past few years have been exceptionally strong for the infrastructure sector, but it remains to be seen if the same growth trajectory will continue in the future. The H1Fy25 numbers does not show same growth as we have seen in the last few years. The promoters are likely taking this opportunity to partially exit and book profits.