

AJAX ENGINEERING

VISIT NOTE



KEY DATA

| Rating | BUY |
|----------------------------------|--------------|
| Sector relative | Outperformer |
| Price (INR) | 707 |
| 12 month price target (INR) | 850 |
| 52 Week High/Low | 757/549 |
| Market cap (INR bn/USD bn) | 81/0.9 |
| Free float (%) | 12.4 |
| Avg. daily value traded (INR mn) | 149.9 |

SHAREHOLDING PATTERN

| | Jun-24 | Mar-24 |
|----------|--------|--------|
| Promoter | 80.00% | 80.00% |
| FII | 6.47% | 5.95% |
| DII | 8.94% | 7.92% |
| Pledge | 0.00% | 0.00% |

| Year to March | FY25A | FY26E | FY27E | FY28E |
|--------------------|--------|--------|--------|--------|
| Revenue | 20,739 | 22,012 | 24,313 | 27,771 |
| EBITDA | 3,181 | 3,171 | 3,706 | 4,266 |
| Adjusted profit | 2,601 | 2,645 | 3,143 | 3,671 |
| Diluted EPS (INR) | 22.6 | 23.0 | 27.3 | 31.9 |
| EPS growth (%) | 15.5 | 1.7 | 18.8 | 16.8 |
| RoAE (%) | 25.1 | 20.9 | 21.0 | 20.8 |
| P/E (x) | 31.5 | 31.0 | 26.1 | 22.3 |
| EV/EBITDA (x) | 25.6 | 25.7 | 22.0 | 19.2 |
| Dividend yield (%) | 0 | 0.6 | 0.8 | 0.9 |

PRICE PERFORMANCE



Mechanisation to drive growth

We met with MD Mr Shubhabrata Saha and CFO Mr Tuhin Basu. Key insights: i) Over medium term, the SLCM industry is expected to compound 15–18%; the non-SLCM industry shall concretely outpace SLCM. ii) Share of mechanisation in concrete manufacturing is expected to rise from 25% in FY24 to 40%-plus in FY29E. iii) Ajax's FY26E volume growth is likely to be a high single digit due to transition to CEV-V norms. iv) FY26 gross margin shall dip 150–200bp YoY due to CEV-V norms. v) Smaller SLCMs have been launched on a pilot basis.

In all, the medium-term uptrend remains solid with a revenue/EPS CAGR of 11%/13% over FY25–29E. Retain 'BUY' with a TP of INR850 based on 30x Sep-27E core EPS plus cash of INR91/share.

Concrete consumption and mechanisation: A built-out opportunity

Over FY19–24, the mechanised CE industry's volumes compounded at 17%, outpacing concrete manufacturing CAGR of 5% due to better cost economics and quality of concrete over traditional manual mixers. The mechanisation trend has taken root, and we forecast mechanised CE volume shall expand at an 11% CAGR over FY25–29E (concrete manufacturing 5% CAGR). The share of mechanisation rose from 16% in FY19 to 25% in FY24 and may rise further. For perspective on growth headroom, mechanisation in China and developed markets are 55–85%.

Self-loading growth: SLCM leader leveraging growth in other CE too

Ajax dominates the SLCM market. These SLCMs command the highest resale value versus global peers—Schwing Stetter, Putzmeister, KYB-Conmat—due to first-mover advantage, better quality/reliability/service life of products and wide after-sales service. Furthermore, non-SLCMs are turning in robust growth due to an expanding product range, dealer network mining and a dedicated sales push. Furthermore, Ajax has initiated a soft launch of its new smaller capacity SLCM and the SLCM with hoist for select customers. **Overall, we reckon a revenue CAGR of 11% over FY25–29E led by 10%/15%/14% growth in SLCM/non-SLCM/spares. The medium-term outlook is robust; FY26 growth shall be moderate at 6% owing to changes in emission norms.**

Asset-light model driving elevated RoICs

Ajax has an asset-light model—average gross asset turnover of 8x during FY23–25, which allows for an agile business structure. The company's manufacturing facilities mainly focus on assembly of machines as it has built longstanding relationships with suppliers, and imports constitute <10% of raw material cost. It sources engines (Ashok Leyland, M&M, Kirloskar, Escorts and Caterpillar), axles (Comer, Dana), gearbox (Bondioli and Pavesi), hydraulic pumps (Bosch) and tyres (Balkrishna, TVS Srichakra, JK Tyres) from marquee suppliers. Consequently, RoIC was high at 68% over FY23–25. **We expect RoIC to hold above 60% over FY25–29E.**

Financial Statements

Income Statement (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|------------------------|--------|--------|--------|--------|
| Total operating income | 20,739 | 22,012 | 24,313 | 27,771 |
| Gross profit | 5,622 | 5,613 | 6,321 | 7,221 |
| Employee costs | 1,095 | 1,149 | 1,260 | 1,434 |
| Other expenses | 1,345 | 1,293 | 1,356 | 1,521 |
| EBITDA | 3,181 | 3,171 | 3,706 | 4,266 |
| Depreciation | 109 | 144 | 160 | 180 |
| Less: Interest expense | (9) | 0 | 0 | 0 |
| Add: Other income | 428 | 523 | 673 | 823 |
| Profit before tax | 3,509 | 3,550 | 4,218 | 4,908 |
| Prov for tax | 908 | 905 | 1,076 | 1,237 |
| Less: Other adj | 0 | 0 | 0 | 0 |
| Reported profit | 2,601 | 2,645 | 3,143 | 3,671 |
| Less: Excp.item (net) | 0 | 0 | 0 | 0 |
| Adjusted profit | 2,601 | 2,645 | 3,143 | 3,671 |
| Diluted shares o/s | 115 | 115 | 115 | 115 |
| Adjusted diluted EPS | 22.6 | 23.0 | 27.3 | 31.9 |
| DPS (INR) | 0 | 4.6 | 5.5 | 6.4 |
| Tax rate (%) | 25.9 | 25.5 | 25.5 | 25.2 |

Balance Sheet (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|----------------------|--------|--------|--------|--------|
| Share capital | 114 | 114 | 114 | 114 |
| Reserves | 11,457 | 13,573 | 16,087 | 19,024 |
| Shareholders funds | 11,571 | 13,687 | 16,201 | 19,138 |
| Minority interest | 0 | 0 | 0 | 0 |
| Borrowings | 0 | 0 | 0 | 0 |
| Trade payables | 2,908 | 3,086 | 3,409 | 3,894 |
| Other liabs & prov | 329 | 361 | 409 | 473 |
| Total liabilities | 14,823 | 17,150 | 20,036 | 23,525 |
| Net block | 1,758 | 1,864 | 2,003 | 2,173 |
| Intangible assets | 0 | 0 | 0 | 0 |
| Capital WIP | 206 | 206 | 206 | 206 |
| Total fixed assets | 1,964 | 2,070 | 2,210 | 2,380 |
| Non current inv | 6,565 | 9,065 | 11,565 | 14,065 |
| Cash/cash equivalent | 675 | 614 | 295 | 265 |
| Sundry debtors | 1,647 | 1,206 | 1,332 | 1,522 |
| Loans & advances | 0 | 0 | 0 | 0 |
| Other assets | 3,773 | 3,984 | 4,401 | 5,026 |
| Total assets | 14,823 | 17,150 | 20,036 | 23,525 |

Important Ratios (%)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|-------------------------|-------|-------|-------|-------|
| Gross profit margin (%) | 27.1 | 25.5 | 26.0 | 26.0 |
| Staff cost % sales | 5.3 | 5.2 | 5.2 | 5.2 |
| Other expenses % sales | 6.5 | 5.9 | 5.6 | 5.5 |
| EBITDA margin (%) | 15.3 | 14.4 | 15.2 | 15.4 |
| Net profit margin (%) | 12.5 | 12.0 | 12.9 | 13.2 |
| Revenue growth (% YoY) | 19.1 | 6.1 | 10.5 | 14.2 |
| EBITDA growth (% YoY) | 15.4 | (0.3) | 16.9 | 15.1 |
| Adj. profit growth (%) | 15.5 | 1.7 | 18.8 | 16.8 |

Free Cash Flow (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|-----------------------|---------|-------|-------|-------|
| Reported profit | 3,081 | 3,027 | 3,546 | 4,086 |
| Add: Depreciation | 109 | 144 | 160 | 180 |
| Interest (net of tax) | (86) | 0 | 0 | 0 |
| Others | 337 | 523 | 673 | 823 |
| Less: Changes in WC | (2,133) | 411 | (214) | (322) |
| Operating cash flow | 427 | 3,218 | 3,110 | 3,554 |
| Less: Capex | (180) | (250) | (300) | (350) |
| Free cash flow | 248 | 2,968 | 2,810 | 3,204 |

Assumptions

| Year to March | FY25A | FY26E | FY27E | FY28E |
|--|--------|--------|--------|--------|
| SLCM revenue (INRmn) | 17,532 | 18,317 | 20,077 | 22,914 |
| % YoY growth | 18 | 4 | 10 | 14 |
| Non SLCM rev. (INRmn) | 1,813 | 2,085 | 2,398 | 2,757 |
| % YoY growth | 18 | 15 | 15 | 15 |
| Spare parts, services & Others revenue (INRmn) | 1,395 | 1,611 | 1,839 | 2,100 |
| % YoY growth | 33 | 15 | 14 | 14 |

Key Ratios

| Year to March | FY25A | FY26E | FY27E | FY28E |
|-----------------------|-------|-------|-------|-------|
| RoE (%) | 25.1 | 20.9 | 21.0 | 20.8 |
| RoCE (%) | 33.6 | 28.1 | 28.2 | 27.8 |
| Inventory days | 58 | 59 | 58 | 57 |
| Receivable days | 22 | 24 | 19 | 19 |
| Payable days | 68 | 67 | 66 | 65 |
| Working cap (% sales) | 11.0 | 8.4 | 8.4 | 8.4 |
| Gross debt/equity (x) | 0 | 0 | 0 | 0 |
| Net debt/equity (x) | (0.6) | (0.7) | (0.7) | (0.7) |
| Interest coverage (x) | 403.7 | 0 | 0 | 0 |

Valuation Metrics

| Year to March | FY25A | FY26E | FY27E | FY28E |
|--------------------|-------|-------|-------|-------|
| Diluted P/E (x) | 31.5 | 31.0 | 26.1 | 22.3 |
| Price/BV (x) | 7.1 | 6.0 | 5.1 | 4.3 |
| EV/EBITDA (x) | 25.6 | 25.7 | 22.0 | 19.2 |
| Dividend yield (%) | 0 | 0.6 | 0.8 | 0.9 |

Valuation Drivers

| Year to March | FY25A | FY26E | FY27E | FY28E |
|-------------------|-------|-------|-------|-------|
| EPS growth (%) | 15.5 | 1.7 | 18.8 | 16.8 |
| RoE (%) | 25.1 | 20.9 | 21.0 | 20.8 |
| EBITDA growth (%) | 15.4 | (0.3) | 16.9 | 15.1 |
| Payout ratio (%) | 0 | 20.0 | 20.0 | 20.0 |

Source: Company and Nuvama estimates



Bio in brief

Mr Shubharata Saha, MD & CEO, joined Ajax in April 2023 from Mangalore Chemicals & Fertilizers (wherein he served as MD).

previously worked at Mahindra Group, Cummins India, VIP, ExxonMobil and Pernord Ricard.

Exhibit 1: Mr Saha's professional journey – An overview

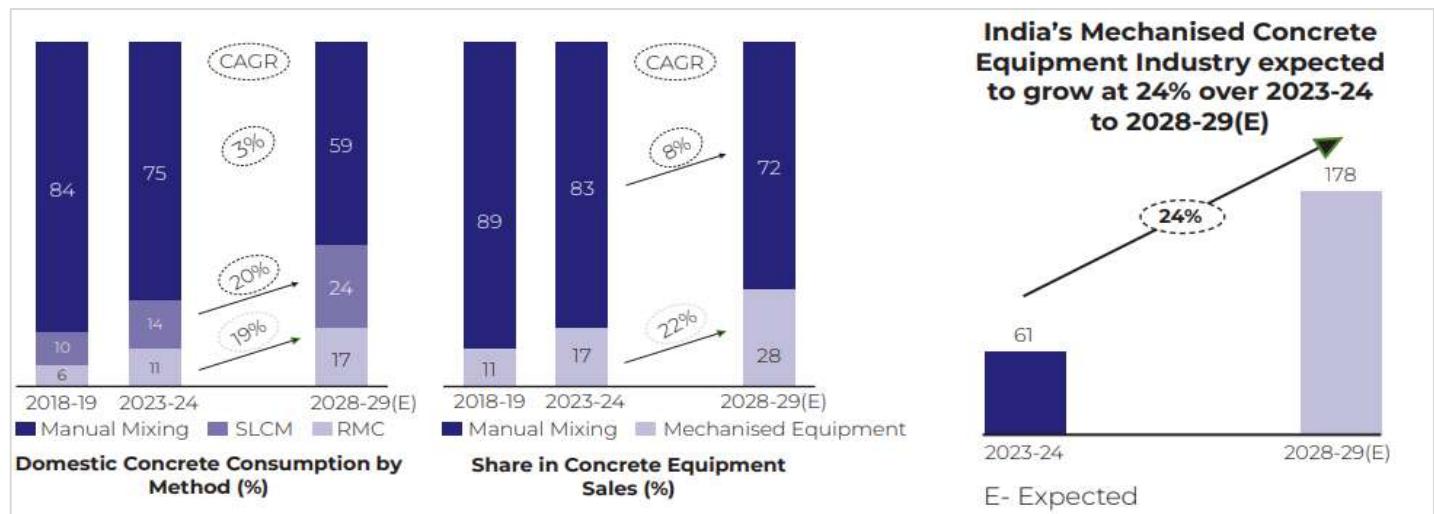
| Work experience and education | Organisation | Tenure |
|---|---|-----------|
| Managing Director | Mangalore Chemicals & Fertilizers | 2021-2023 |
| Chief Executive Officer Mahindra Farm Division | Mahindra Group | 2013-2021 |
| Chief Executive Officer | Mahindra First Choice Wheels | 2008-2012 |
| Head - Sales & Marketing (Spares business unit) | Mahindra Group | 2001-2008 |
| General Manager sales marketing | Cummins India | 2000-2001 |
| National Manager (OEM and Aftermarket) | ExxonMobil | 1997-2000 |
| Product Manager | Pernord Ricard | 1994-1997 |
| Area Sales Executive | VIP Industries Limited | 1992-1994 |
| Education (Management) | Narsee Monjee Institute of Management Studies, Mumbai | 1990-1992 |
| Education (Engineering) | Zakir Husain College of Engineering & Technology | 1986-1990 |

Source: Company, Nuvama Research

Management meet highlights

- Industry size for concreting equipment (FY24):** Total industry size is INR61bn. Within this, SLCM is INR21bn, Batching plants INR14bn, Transit mixers INR11bn, Concrete pumps at INR9bn and Boom Pumps at INR5bn.
- Industry medium-term outlook:** Over FY19–24, the mechanised CE industry's volumes compounded at 17%, outpacing concrete manufacturing CAGR of 5% owing to better cost economics and quality of concrete over traditional manual mixers. The industry is expected to expand at strong double digits over the medium term due to increasing mechanisation. SLCM industry is expected to compound at 15–18% over FY24–29E while non-SLCM growth shall be higher.
- Mechanisation:** The share of mechanisation rose from 16% in FY19 to 25% in FY24 and may increase to 40%-plus by FY29E. Mechanisation share in China and developed nations stands at 55–85%.

Exhibit 2: Mechanized concrete equipment slated to outperform manual mixers

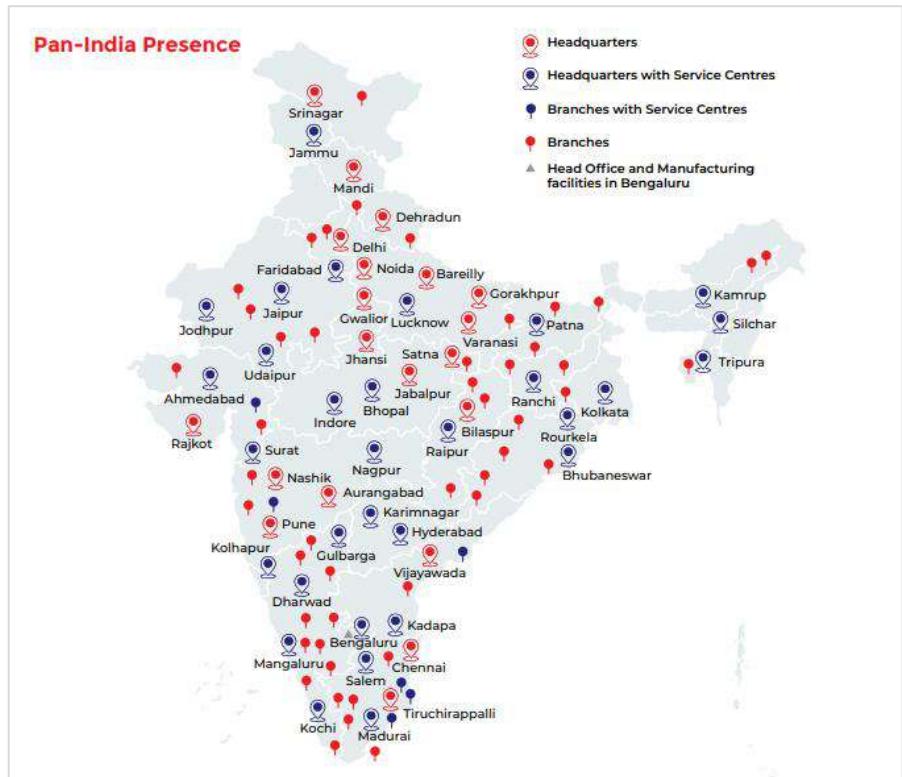


Source: Redseer analysis, Nuvama Research

- Ajax FY26 outlook:** Management expects volumes to grow in high single-digits or low double-digits in FY26.
- Market share** in SLCM segment share is at ~75% in FY25 and Jul-25, and is likely to be sustained. Schwing Stetter India has a share of ~17%.
- New products:** The company has initiated a soft launch of its new, smaller-capacity SLCM and the SLCM with hoist for select customers.
- Customer mix for SLCM:** ~40% individuals, ~30% small/medium contractors, and ~30% rental companies.
- SCLMs** are sold to dealers, which in turn sell to customers. There is high finance penetration, with financiers such as SBI, Tata Capital and ICICI. There is low delinquency levels for financiers in SLCMs.
- Non-SLCMs:** Over last six–seven years, the focus has increased on non-SLCMs, although there was a presence earlier (a batching plant was developed by Ajax in 1998). In recent years, the portfolio has been expanded and whites paces have been filled. In **non-SLCMs**, excluding transit mixers, Ajax's market share is 15% while Schwing Stetter's is 35%.

- **Customers of non-SLCMs:** Small EPC players and cement/construction companies.
- **Pavers:** Ajax has sold Pavers in Russia (2) and Gabon (1). Gomaco and Wirtgen (John Deere) are global competitors. Global industry size is USD550mn. In India, contractors use bitumen instead of concrete for road construction, which is preventing the acceptance of pavers in India. City roads are generally better done with concrete while highway roads are better done with bitumen.
- **3D printers:** Ajax participated in a government-funded project in Mohali, showcasing the potential of 3D printing in construction. This technology offers efficiency, precision, and sustainability benefits, and is aimed to be leveraged in various projects, including housing developments. In the new plant location (Adinarayana Sahalli), a building is likely to be made by 3D printer. Pre-cast has moulds, but 3D printer prints. Global companies in 3D printing include Icon, COBOD, and TVASTA.
- **Exports** commenced in 2018. Product available in over 50 countries across South Asia, South East Asia, Africa, Central America, Caribbean, Russia, etc.
- **High focus on R&D**—15% of employees work in this division.
- **Q1FY26 volume:** SLCM volume was flat YoY at 1,196 units. The non-SLCM volume increased 25% to 153 units. SLCM volume growth was flat due to unseasonal rains, slow progress of infrastructure project execution, and pre-buying. SLCM volume performance is expected to improve in H2FY26.
- **Q1FY26 revenue mix:** SLCM 82.5% versus (82.4% in Q1FY25), Non-SLCM 9.6% versus (10.3%), and Spares and others 7.9% versus (7.3%). Geography mix: Domestic 95% versus (93.6%), Export 5.0% versus (6.4%).
- **Emission norms change to CEV5:** In Q4FY25, ~30% of wholesales was CEV5, and in Q1FY26, ~90% of sales was CEV5.
- **Q1 gross margin** decreased 450bp YoY. The decline is due to: i) an increase in the material cost of CEV 5 vehicles, which was not fully passed on to customers; and ii) gross margin in Q1FY25 was higher due to the sale of a paver. Broadly, 40% of the impact was due to an increase in material cost and 60% due to the paver.
- **Pricing:** A price hike for CEV-5 vehicle is likely from end-Q2FY26E. This should support margin expansion from Q1 levels.
- **Gross margin hit:** In FY26, 150-200bp margin hit is expected versus cost increase of 400bp.
- **Cash** was INR6.8bn in Jun-25 versus INR6.7bn in Mar-25.
- **Supply chain:** The company designs products and manages the supply chain/quality. It has a strong supply base of 450+ suppliers. Of this, two-thirds of suppliers are around Bangalore.
- **Network:** Ajax had a 52-dealer network in Jun-25 (versus 51 in Mar-25), 114 touchpoints (versus 111) in India, and 38 (versus 26) international dealers/distributors. Network expansion remains a focus area.

Exhibit 3: Strong presence across the country



Source: Company, Nuvama Research

- **Dividend policy:** The board of directors has decided not to pay out dividends as they want the company to focus on growth and reinvest profits in organic/inorganic growth.
- **Fiori tie-up:** The partnership with Fiori began in 1992. This stake was bought out by promoter Mr Vijay in 2018.
- **Manufacturing facilities:** The company's manufacturing operations are supported by four facilities. A fifth facility at Adinarayananahosahalli (Karnataka) is under development and is expected to be completed in H2FY26E.

Exhibit 4: Key revenue assumptions: 11% CAGR over FY25–29E

| | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E | FY29E | FY25-29E CAGR |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| SLCM | 9,562 | 14,825 | 17,532 | 18,317 | 20,077 | 22,914 | 25,920 | 10.3 |
| % YoY Growth | 61.8 | 55.0 | 18.3 | 4.5 | 9.6 | 14.1 | 13.1 | |
| Non-SLCMs | 1,079 | 1,541 | 1,813 | 2,085 | 2,398 | 2,757 | 3,143 | 14.7 |
| % YoY Growth | 8.4 | 42.8 | 17.7 | 15.0 | 15.0 | 15.0 | 14.0 | |
| Total Revenue from sales of machine | 10,641 | 16,366 | 19,345 | 20,402 | 22,474 | 25,671 | 29,063 | 10.7 |
| % YoY Growth | 54.1 | 53.8 | 18.2 | 5.5 | 10.2 | 14.2 | 13.2 | |
| Spare parts, services and Others | 871 | 1,048 | 1,395 | 1,611 | 1,839 | 2,100 | 2,378 | 14.3 |
| % YoY Growth | 19.8 | 20.4 | 33.0 | 15.5 | 14.2 | 14.2 | 13.2 | |
| Total Revenue | 11,511 | 17,414 | 20,740 | 22,012 | 24,313 | 27,771 | 31,441 | 11.0 |
| % YoY Growth | 50.8 | 51.3 | 19.1 | 6.1 | 10.5 | 14.2 | 13.2 | |

Source: Nuvama Research

Company Description

Ajax Engineering (Ajax), established in 1992 is one of the largest self-loading concrete mixer (SLCM) manufacturer in the world having dominant domestic market share. In addition, the company also manufactures batching plants, concrete pumps, transit mixers, boom pumps, self-propelled boom pumps, pavers and 3D concrete printers. It also exports to overseas market such as South and Southeast Asia, the Middle East and Africa through its 25 dealer networks. The company has developed over 110 concrete equipment variants catering to the concrete application value chain, and over the last ten years, it has sold over 29,000 concrete equipment in India.

Investment Theme

Over FY19–24, the mechanised CE industry's volumes compounded at 17%, outpacing concrete manufacturing CAGR of 5% owing to better cost economics and quality of mechanised equipment over traditional manual mixers. We argue this mechanisation trend has taken root, and forecast mechanised CE volume shall expand at a CAGR of 11% over FY25–29E (versus concrete manufacturing's 5% CAGR). The share of mechanisation rose from 16% in FY19 to 25% in FY24, and can further increase to 31% by FY29E. For perspective on growth headroom, mechanisation levels in developed markets are 55–85%.

Ajax introduced SLCMs in India in 1992 and still dominates the segment. These SLCMs command the highest resale value versus global peers—Schwing Stetter, Putzmeister, KYB-Conmat—due to many factors: first-mover advantage, better quality/reliability/service life of products, comprehensive product range and wide after-sales service. These SLCMs have notably lower cost of ownership than manual mixers due to lower work force requirement. Furthermore, non-SLCMs are turning in robust growth due to expanding product range, dealer network mining and a dedicated sales push. Overall, we reckon a revenue CAGR of 11% over FY25–29E led by 10%/15%/14% growth in SLCM/non-SLCM/spares.

Ajax churned out a robust 20% top-line CAGR over FY15–25. A dominant share in self-loading concrete mixers (SLCM) along with a healthy presence in non-SLCMs form its foundation. FY26E growth can be a little moderate at 6% due to emission norm changes, but we reckon medium-term uptrend remains solid with a revenue/EPS CAGR of 11%/13% each over FY25–29E at RoIC of 60%-plus. Retain 'BUY' with a TP of INR850 based on 30x Sep-27E core EPS plus cash of INR91/share.

Key Risks

- Increase in competitive intensity resulting in market share and margin pressures
- Industry slowdown leading to cut in revenue estimates
- Spike in commodity prices, resulting in temporary negative impact on profitability

Additional Data

Management

| | |
|--------------------------------|--------------------------------|
| Chairman & Whole-Time Director | Mr. Krishnaswamy Vijay |
| Managing Director and CEO | Mr. Shubhabrata Saha |
| Chief Financial Officer | Mr. Tuhin Basu |
| Chief Marketing Officer | Mr. Gautam Eunny |
| Auditor | S.R. Batliboi & Associates LLP |

Holdings – Top 10*

| | % Holding | | % Holding |
|-----------------|-----------|-----------------|-----------|
| SBI Funds | 4.00 | Credit Agricole | 0.33 |
| Whiteoak capita | 1.21 | L&T MF | 0.32 |
| PI opportunitie | 1.16 | Carmignac Gest | 0.32 |
| Axis asset mana | 0.58 | Brinker Capital | 0.21 |
| Franklin resour | 0.56 | Edelweiss AMC | 0.19 |

*Latest public data

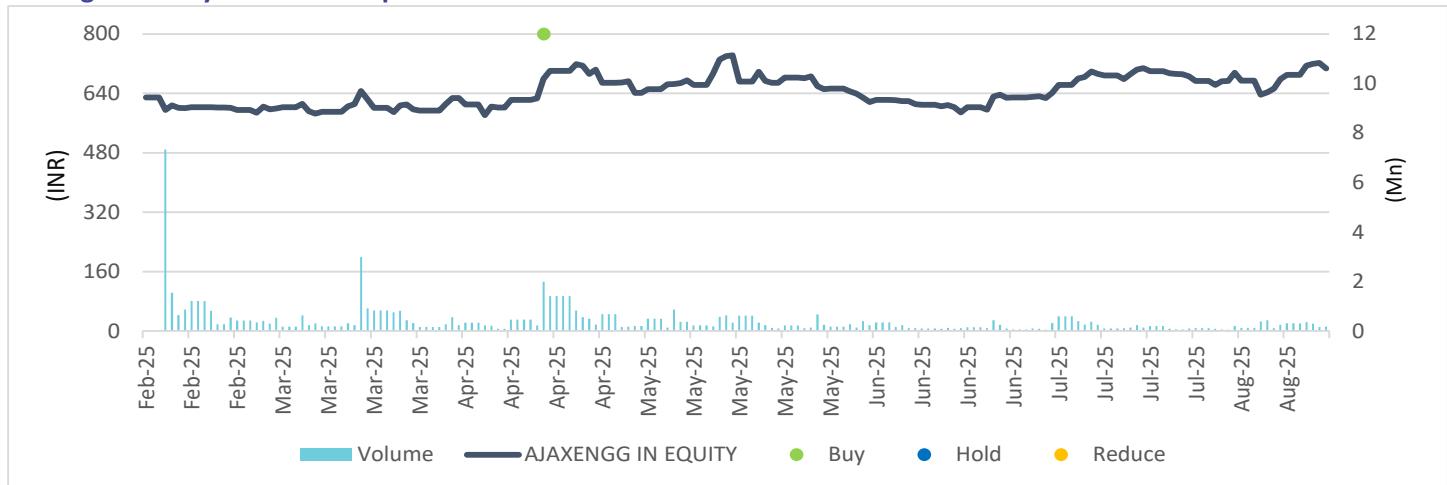
Recent Company Research

| Date | Title | Price | Reco |
|-----------|--|-------|------|
| 04-Aug-25 | Slight beat in Q1; robust outlook; <i>Result Update</i> | 636 | Buy |
| 28-May-25 | In-line EBITDA; robust outlook; <i>Result Update</i> | 686 | Buy |
| 16-Apr-25 | Mechanisation: Big beneficiary beckons; <i>Initiating Coverage</i> | 629 | Buy |

Recent Sector Research

| Date | Name of Co./Sector | Title |
|-----------|--------------------|--|
| 08-Aug-25 | Siemens | Limited catalysts but outlook stable; <i>Result Update</i> |
| 08-Aug-25 | Cummins India | Strong broad-based growth; better outloo; <i>Result Update</i> |
| 08-Aug-25 | Kalpataru Projects | Strong quarter led by robust execution; <i>Result Update</i> |

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

| Rating | Expected absolute returns over 12 months | Rating Distribution |
|--------|--|---------------------|
| Buy | 15% | 198 |
| Hold | <15% and >-5% | 70 |
| Reduce | <-5% | 36 |

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