

Craftsman Automation Ltd : Average Issue

IPO Note : Largest player involved in the machining of cylinder blocks and cylinder heads : :High Debt: Low PATM

Ranking **



Issue details

Price band (Rs)	Rs.-1488-1490
IPO Opening Date	15/03/21
IPO Closing Date	17/03/21
Issue Size	Rs.823.70 Cr

Recommendation

On the financial performance front, for the last three fiscals, CAL has posted turnover/net profits of Rs. 1522.86 cr. / Rs. 31.53 cr. (FY18), Rs. 1831.64 cr. / Rs. 97.37 cr. (FY19) and Rs. 1501.06 cr. / Rs. 41.07 cr. (FY20). 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. If we annualized FY21-9M earnings and attribute it to fully diluted post issue equity, then the **asking price is at a P/E of around 46.59** against industry composite P/E of **72.76**. The issue appears reasonably priced. As per offer documents, **CAL has shown Bharat Forge, Endurance Techno, Jamna Auto, Mahindra CIE, Minda Ind., Sundaram Fastners and Ramkrishna Forge** as its listed peers. They are currently trading at a P/Es of around **221.3, 58.77, 70.15, 90.46, 167.32, 60.02** and 00. **The issue appears average. Overall, on a yearly basis, it has Negative Growth. It's a Low Margin based business with high debt. Investor can ignore this issue**

Highlights

- CAL is among the top three-four component players with respect to the machining of cylinder block for the tractor segment in India.
- 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.
- its key customers include Daimler India, Tata Motors, Tata Cummins, Mahindra & Mahindra, Simpson & Co. Limited, TAFE Motors and Tractors, Escorts, Ashok Leyland, Perkins, Mitsubishi Heavy Industries, John Deere and JCB India.
- For the Automotive - Aluminium Products segment, its key customers include Daimler India, TVS Motors, Royal Enfield, Perkins and Mahindra & Mahindra.
- Key customers for the industrial and engineering segment include Siemens and Mitsubishi Heavy Industries.
- As of December 31, 2020, CAL had a total secured borrowing of Rs. 890.11 cr.

Company Introduction

Incorporated in 1986, Craftsman Automation Ltd is a leading engineering organization that is engaged in manufacturing precision components. The company designs, develop, and manufactures a range of engineering products. It is one of the leading players in the machining of cylinder blocks for the tractor segment. The business operates 3 key segments namely Automotive-Powertrain and others, Automotive-Aluminium Products, and Industrial and Engineering division that is engaged in manufacturing material handling equipment i.e. hoists, industrial gears, marine engines, crane kits, gearboxes, locomotive equipment, storage solutions, etc. The company owns 12 state-of-the-art manufacturing facilities across 7 cities of India. Its customer base includes Tata Motors, Daimler India,



www.craftsmanautomation.com

Financial Summary (Rs. In Crore)

Particulars	Nine Month Dec.2021	FY20	FY19	FY18
Total Income	1029.90	1501.05	1831.64	1522.86
Net Profit	50.66	41.07	97.36	31.53
EPS (Rs)	23.98	19.44	46.09	14.92

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Tata Cummins, Mahindra & Mahindra, Royal Enfield, Siemens, Escorts, Ashok Leyland, VE Commercial Vehicles, TAFE Motors & Tractors, etc. CAL is considered as a strategic and preferred supplier by many OEM customers and also the single-source supplier in certain product categories, for some of the key customers. Most of its business comprises direct supply to OEM customers, under long term agreements, which are renewed from time to time. With its track record and wide product portfolio, the company has been able to retain existing customers and also been able to attract new customers. It has a diversified client base.

Company Promoters:

Srinivasan Ravi is the promoter of the company.

Objects of the Issue:

- The company purposes to utilize funds towards the following objectives;
- To make repayment/pre-payment of company's borrowing fully or partially.
- To meet general corporate purposes.

IPO Issue Proceed

To part finance its plans for repayment/prepayment of certain borrowings (Rs. 120.00 cr.) and general corpus fund needs, the company is coming out with a maiden IPO by way of a fresh equity issue (of approx 1006710 shares) worth Rs. 150.00 cr. and an offer for sale of 4521450 equity share of Rs. 5 each to mobilize Rs. 823.70 cr. for this combo offer (total 5528160 shares) at the upper price band. It has fixed the price band of Rs. 1488 - Rs. 1490 per share. Minimum application is to be made for 10 shares and in multiples thereon, thereafter. The company has allocated 50% QIBs, 15% HNIs and 35% for Retail investors. The issue opens for subscription on March 15, 2021, and will close on March 17, 2021. CAL's current paid-up equity capital of Rs. 10.06 cr. will stand enhanced to Rs. 10.56 cr. post issue. With the higher price of the IPO, the company is looking for a market cap of Rs. 3148.12 cr.

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