

IPO Details	
Opening Date	April 23, 2024
Closing Date	April 25, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price	₹93 to ₹98 per share
Issue Size	Aggregating up to 53.90 Cr.
Fresh Issue	Aggregating up to 53.90 Cr.
Offer for Sale	-
Application Amount	₹1,17,600

IPO Objective	
1.	Investment in a Subsidiary Company i.e. Emmforce Mobility Solutions Private Limited (EMSPL) in the form of equity or debt.
2.	To meet the working capital requirements.
3.	General corporate purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,50,00,000	100.00%
Public	-	-

Promoter of the Company	
1.	Ashok Mehta
2.	Neetu Mehta
3.	Azeez Mehta

Competitive Strengths	
1.	Engineering Excellence
2.	One-Stop Solution for Drivetrain Parts.
3.	Quality Assurance and Standards.
4.	Existing client relationship.
5.	Scalable Business Model.
6.	Experienced Management Team.

Company Background	
○	Founded in 2012 as a partnership firm, Emmforce Autotech Limited has its registered office in Panchkula, Haryana, India.
○	The company is engaged in the business of manufacturing niche automotive drivetrain parts like Differential Housings, Differential Lockers, Differential Covers, 4WD Locking Hubs, Spindles, Axles & Shafts, Gear Shifters, Yokes, Differential Spools, Differential Tools and various differential forged/cast parts primarily for 4-wheel Drive and performance racing vehicles.
○	The company offers fully integrated engineering solutions from conceptualisation, development, and validation to implementation and manufacturing of the products.
○	As of October 31, 2023, the company had a total of 128 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 147	₹ 201

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Oct-23
Total Assets	3,384.40	5,257.36	4,895.39	5,597.11
Net Assets	1,524.82	2,129.09	2,344.95	1,543.72
Total Borrowing	501.70	1,651.09	1,535.43	2,404.25
Total Revenue	5,185.32	7,138.13	4,875.32	4,790.31
Profit After Tax	508.92	732.59	438.84	511.76

Tentative Timeline	
Opening Date	April 23, 2024
Closing Date	April 25, 2024
Basis of Allotment	April 26, 2024
Initiation of Refunds	April 29, 2024
Credit of Shares to Demat	April 29, 2024
Listing Date	April 30, 2024

Company Background and Analysis

Emmforce Autotech Limited was originally incorporated on September 25, 2012. The company is engaged in the business of manufacturing niche automotive drivetrain parts like Differential Housings, Differential Lockers, Differential Covers, 4WD Locking Hubs, Spindles, Axles & Shafts, Gear Shifters, Yokes, Differential Spools, Differential Tools and various differential forged/cast parts primarily for 4-wheel Drive and performance racing vehicles. The company has been engaged in exports ever since its inception.

The company offers fully integrated engineering solutions from conceptualization, development, and validation to implementation and manufacturing of the products. The conceptualization stage involves acquiring market intelligence, assessing customer requirements, and formulating customized strategies for individual customers. The development phase includes product designing, material procurement, and processing.

The company's product portfolio –

1. Differential Forged and Cast Parts – The company manufactures a wide variety of Differential Forged/Cast Parts like Differential Housings, Differential Lockers, Differential Covers, Gear Shifters, Yokes, Differential Spools, Pinion Supports, etc.
2. Hubs and Spindles – The company has an extensive range of 4WD Locking Hubs, Floater Hubs, and Spindles.
3. Differential Tools - Differential Parts are expensive and proper tools are required to dismantle and assemble the same in order to avoid damage to these. The company has developed a range of special differential tools like Clamshell style bearing pullers for differential housing spreaders that not only save the parts but also make the life of mechanics easier.

Revenue Break Up is set forth below:

Particulars	For the period ended				For the year ended March 31,					
	October 31, 2023		October 13, 2023		2023		2022		2021	
	In Lakhs	In %	In Lakhs	In %	In Lakhs	In %	In Lakhs	In %	In Lakhs	In %
Hubs & Spindles	345.84	66.61	1814.07	43.97	1418.00	31.03	1487.43	21.54	1907.83	37.81
Axle Shafts	101.86	19.62	998.55	24.20	1165.91	25.52	2431.48	35.21	1437.15	28.49
Differential Forged Parts	-	0.00	653.70	15.84	980.48	21.46	1544.59	22.36	779.07	15.44
Differential Cast Parts	49.60	9.55	326.63	7.92	443.70	9.71	707.97	10.25	570.86	11.31
Scrap, License, Tooling, etc.	0.21	0.04	141.26	3.42	271.68	5.95	346.17	5.01	142.37	2.82
Other Parts Big	20.39	3.93	128.40	3.11	105.81	2.32	53.60	0.78	33.53	0.66
Other Parts Small	1.34	0.26	49.53	1.20	90.31	1.98	154.27	2.23	67.98	1.35
Differential Tools	-	0.00	13.82	0.33	93.19	2.04	180.78	2.62	106.38	2.11
Total	519.24	100	4125.96	100	4569.08	100	6906.29	100	5045.17	100

To conclude, since the company was incorporated in 2012 it has good experience in the industry. The company is generating the majority of its revenue from the Hubs & Spindles Segment.

Business Strategies

1. **Customer-Centric Approach –**

The company with an extremely high customer-centric approach along with transparency helps them keep the customers happy thus not only retaining their business with them but growing their business with the company on a continuous basis.

2. **Optimal Utilization of Resources –**

The Company constantly endeavours to improve the manufacturing process to optimize the utilization of resources. The company has invested significant resources and intends to further invest in the activities to develop customized systems and processes to ensure effective management control.

3. **Improving operational efficiencies –**

The company aims to continue to improve ongoing operational effectiveness and efficiencies to achieve cost reductions including overheads. The company believes that this can be done through continuous business process review and timely corrective measures in case of diversion and technology upgrade with a proper analytics base.

4. **Leveraging the Market Skills and Relationships –**

The company is planning to make the products available in more countries by expanding the network and reaching new countries. The company aims to do this by leveraging the marketing skills and relationships and further enhancing customer satisfaction. The company plans to increase the number of customers by meeting orders in hand on time, maintaining the customer relationship, and renewing the relationship with existing buyers.

5. **One-Stop Solution Approach –**

The company Manufacturing of Rotavator Blades will be among the few manufacturers in the country to have the manufacturing capability and set up to cater to more than 60% of the Bill of Material required for manufacturing a Rotavator.

6. **Market Driven Product Development –**

The company's latest development is the development of a Hydraulic Gear Pump for Dump trucks and the first shipment of the same will leave by February 2024. The company's engineering team is working on venturing into EV space, and the company will soon announce the launch of an exciting product for EV vehicles.

7. **To build up a Professional Organization –**

The company has a blend of experience and sufficient staff to take care of the day-to-day operations. The company also consults with external agencies on a case-to-case basis on technical and financial aspects of the business.

Competitive Scenario and Peer Mapping

Competition

The automotive component business in India is characterized by intense competition, technological advancements, and price fluctuations. The company faces significant competition from manufacturers & suppliers in both the organized and unorganized sectors. The presence of more players in the unorganized sector compared to organized ones has resulted in an increasingly competitive environment characterized by stiff price competition. The company has slightly lower entry barriers further intensifying the competition. The bargaining power with the suppliers is high and the bargaining power with the customer is also slightly higher in the industry in which the company operates.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	Emmforce Autotech Limited	Divgi Torqtransfer Systems Limited
	31st Mar 2023	31st Mar 2023
Net Profit Margin	10%	18%
EBITDA Margin	18%	30%
Return on Capital Employed	21%	12%
Return on Equity	19%	9%
EPS (INR)	2.93	17.60

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	Emmforce Autotech Limited	Divgi Torqtransfer Systems Limited
	31st Mar 2022	31st Mar 2022
Net Profit Margin	10.61%	19.08%
EBITDA Margin	17%	31%
Return on Capital Employed	40%	18%
Return on Equity	34%	14%
EPS (INR)	4.88	16.77

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Emmforce Autotech Limited	Divgi Torqtransfer Systems Limited
	31st Mar 2021	31st Mar 2021
Net Profit Margin	10.09%	19.5%
EBITDA Margin	19.0%	31.0%
Return on Capital Employed	54.3%	17.5%
Return on Equity	33.4%	12.9%
EPS (INR)	3.39	14.74

Industry Overview

Exhibit 1: Aggregate turnover (US\$ billion)

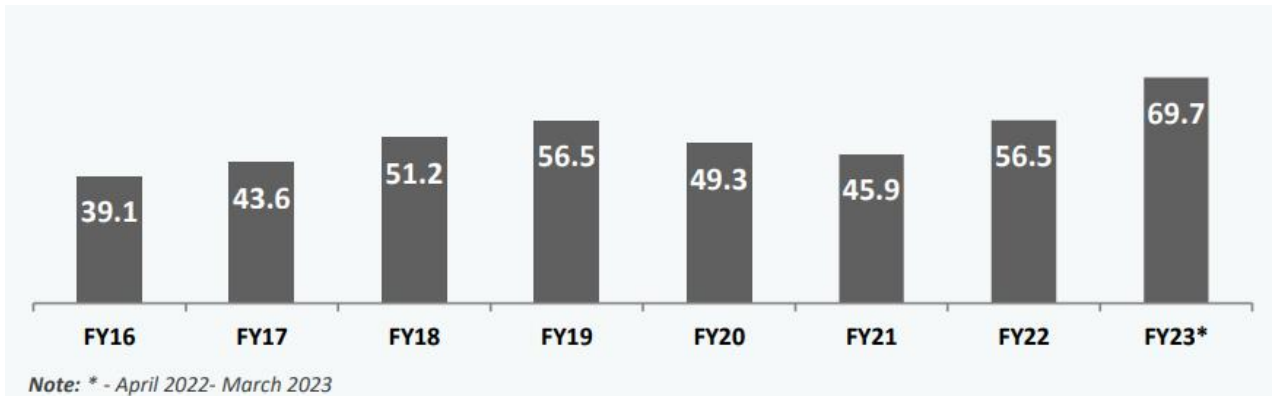
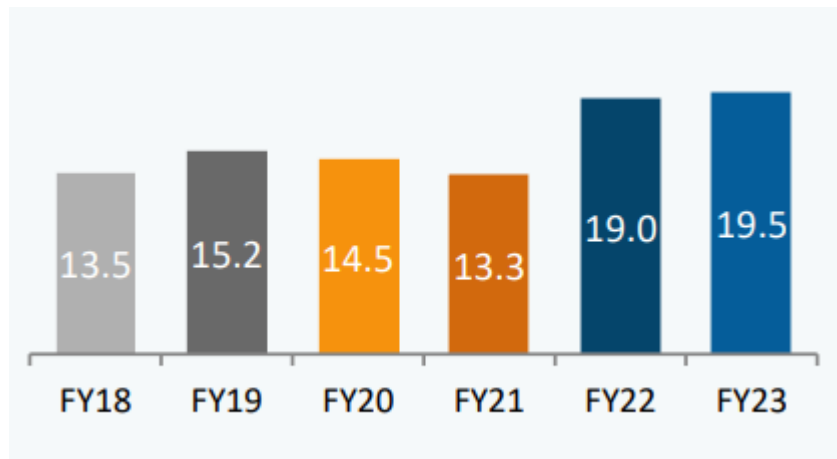


Exhibit 2: Value of Auto Component Export (US\$ billion)



(Source: ibef.org)

Auto Components Industry -

India has become the fastest-growing economy in the world in recent years. This fast growth, coupled with rising incomes, a boost in infrastructure spending and increased manufacturing incentives, has accelerated the automobile industry. The two-wheeler segment dominated the automobile industry because of the Indian middle class, with automobile sales standing at 19.45 million units in FY23. India's auto component industry is an important sector driving macroeconomic growth and employment.

The industry comprises players of all sizes, from large corporations to micro entities, spread across clusters throughout the country. The auto components industry accounted for 2.3% of India's GDP and provided direct employment to 1.5 million people. By 2026, the automobile component sector will contribute 5-7% of India's GDP. The Automotive Mission Plan (2016-26) projects to provide direct incremental employment to 3.2 million by 2026.

The industry is a leader in exports and provides jobs to over 3.7 crore people. From FY2016-FY2022, the industry registered a CAGR of 6.35% and was valued at US\$ 56.50 billion in FY2022. Exports of auto components grew by 5.2% to Rs. 1.61 lakh crore (US\$ 19.49 billion) in 2022-23 from Rs. 1.41 lakh crore (US\$ 19 billion) in 2021-22. North America, which accounts for 32% of total exports, increased by 8%, while Europe and Asia, which account for 31% and 26% of total exports, increased by 3% and 4%, respectively.

The key export items included drive transmission and steering, engine components, body/chassis, suspension and braking etc. Due to the high development prospects in all vehicle industry segments, the auto component sector is expected to see double-digit growth in FY22. The industry is expected to stand at US\$ 200 billion by FY26.

India's auto components industry's market share has significantly expanded, led by increasing demand for automobiles by the growing middle class and exports globally. Due to the remarkable growth in demand for Indian auto components, several Indian and international players have entered the industry. India's auto component industry is broadly classified into organised and unorganised sectors. While the unorganised sector consists of low-valued items and mostly serves the aftermarket category, the organised sector serves OEMs and includes high-value precision instruments.

The automobile component industry turnover stood at Rs. 5.6 lakh crore (US\$ 69.7 billion) between 2022-23 the industry had revenue growth of 32.8% as compared to 2021-22. Domestic OEM supplies contributed ~66% to the industry's turnover, followed by domestic aftermarket (~12%) and exports (~22.3%), in FY23.

The component sales to OEMs in the domestic market grew by 39.5% to US\$ 57.62 billion (Rs. 4.76 lakh crore). Between 2022-23, exports of auto components grew by 5.2% to Rs. 1.61 lakh crore (US\$ 19.49 billion). The aftermarket for auto components grew by 15% in 2022-23 reaching Rs. 85,333 crore (US\$ 10.33 billion).

As per the Automobile Component Manufacturers Association (ACMA) forecast, auto component exports from India is expected to reach US\$ 30 billion by 2026. The auto component industry is projected to record US\$ 200 billion in revenue by 2026. Strong international demand and resurgence in the local original equipment and aftermarket segments are predicted to help the auto component industry grow 20-23% in FY22.

(Source: ibef.org)

Key Managerial Personnel

Ashok Mehta, aged 56 years, is one of the Promoters, Chairman, and Managing Director of the Company. He is a Chartered Accountant from the Institute of Chartered Accountants of India and also holds the degree of Bachelor of Commerce. He is a first-generation entrepreneur in the automotive industry with over 32 years of industrial experience in Manufacturing Automotive Differential and Drivetrain Parts. He is playing a vital role in formulating business strategies and effective implementation of the same.

Azeez Mehta, aged 26 years, is one of the Promoters, a Whole-Time Director, and the Chief Financial Officer of the Company. He holds a degree of Bachelor of Science in Industrial Engineering. He has over 4 years of industrial experience in the automotive components industry.

Neetu Mehta, aged 50 years, is one of the Promoters and Non-Executive Director of the Company. She is having experience of 11 years in the automotive components industry. She holds a Bachelor of Science degree. She has served the Company since incorporation.

Raman Tewari, aged 45 years, is the Non-Executive and Independent Director of the Company. He is a Chartered Accountant from the Institute of Chartered Accountants of India. He has experience of 16 years as a practising Chartered Accountant. He has experience in the corporate consulting and auditing services. He is responsible for providing his expertise & inputs in relation to finance and also ensuring that the board adheres to the required corporate governance requirements.

Manish Verma, aged 50 years, is the Non-Executive and Independent Director of the Company. He holds a bachelor's degree in mechanical engineering and Post Graduate Diploma in Management and has experience of 25 Years in Banking, Automobile, and Startup Industries. He is responsible for providing his expertise in Management and compliance-related matters of the Company and also provides inputs in business matters.

To conclude, the company has 3 promoters, two of them have vast and good experience in the industry and one has decent experience in the industry in which the company operates. The Remaining Directors of the company also have vast knowledge and experience in their respective fields which helps in the overall growth of the company.

Financial Snapshot

Profit and Loss Statement		(In Lacs)		
Particulars	FY 21	FY 22	FY 23	Oct-23
Revenue from Operations	5045.17	6906.29	4569.08	4,645.20
Other Income	140.15	231.84	306.24	145.11
Total Income	5,185.32	7,138.13	4,875.32	4,790.31
Expenses				
Cost of Material Consumed	3267.22	4800.44	3093.88	2,861.95
Changes in Inventories of Finished Goods, Work-In-Progress, and Stock-In-Trade	192.51	-184.67	-420.84	201.19
Employee benefits expense	275.62	426.89	546.3	380.68
Finance costs	151.71	188.7	243.55	158.48
Depreciation and Amortization expense	119.15	127.73	190.32	109.72
Other Expenses	353.42	658.29	544.42	295.64
Total Expenses	4,359.63	6,017.38	4,197.63	4,007.66
Earnings Before Interest, Taxes, Depreciation & Amortization	956.40	1,205.34	805.32	905.74
EBITDA Margin	19%	17%	18%	19%
Profit/(Loss) before tax	825.69	1,120.75	677.69	782.65
Tax Expense				
Current tax	313.37	355.95	238.8	285.17
Deferred Tax	3.4	32.21	0.05	-14.28
Total Tax Expense	316.77	388.16	238.85	270.89
Profit/(Loss) for the year	508.92	732.59	438.84	511.76
Net Profit Margin	10%	10%	9%	11%

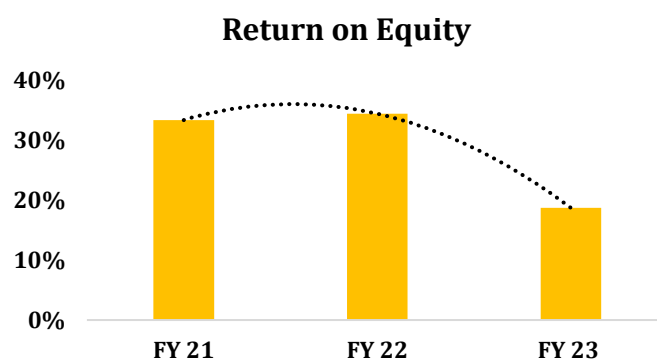
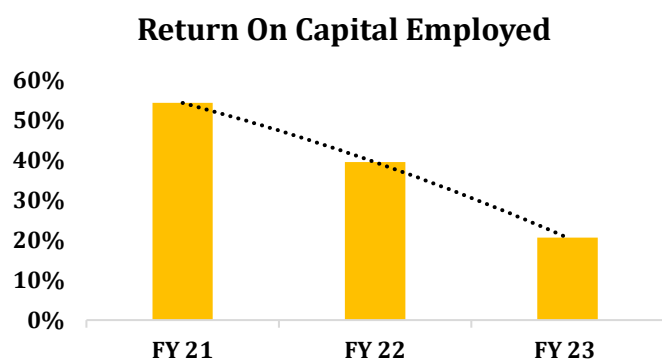
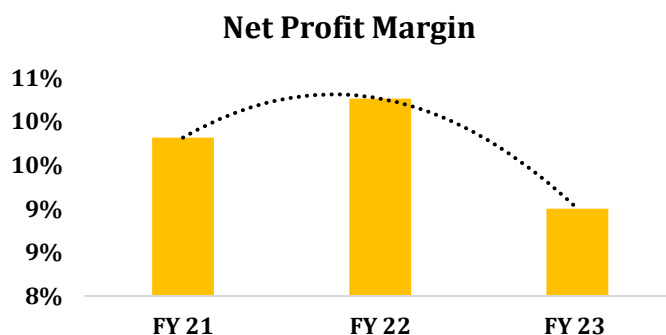
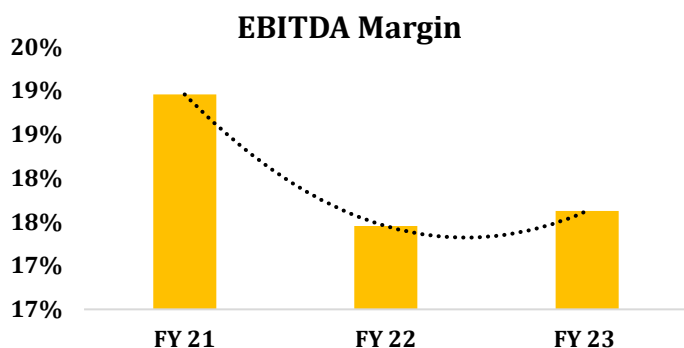
Balance Sheet		(In Lacs)		
Particulars	FY 21	FY 22	FY 23	Oct-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	1,524.82	2,129.09	2,344.95	1,500.00
Reserves and surplus	-	-	-	43.72
Total Equity	1,524.82	2,129.09	2,344.95	1,543.72
2. Non-current liabilities				
Long Term Borrowings	12.67	563	599.94	484.83
Deferred tax liability (net)	3.4	35.61	35.66	21.38
Total Non-current liabilities	16.07	598.61	635.60	506.21
3. Current liabilities				
Short-term borrowings	489.03	1,088.09	935.49	1,919.42
Trade payables				
(i) total outstanding dues of micro-enterprises and small enterprises; and	-	-	-	-
(ii) total outstanding dues of creditors other than micro-enterprises and small enterprises.	989.98	951.38	587.58	1,245.41
Other current liabilities	51.13	134.23	152.96	147.24
Short-term provisions	313.37	355.96	238.81	235.11
Total Current liabilities	1,843.51	2,529.66	1,914.84	3,547.18
Total Liabilities	1,859.58	3,128.27	2,550.44	4,053.39
Total Equity and Liabilities	3,384.40	5,257.36	4,895.39	5,597.11

Balance Sheet					(In Lacs)
ASSETS					
1. Non-current assets					
Property, plant & equipment and Intangible Assets					
(i) Tangible Assets	843.52	1359.1	1205.51	1,171.55	
(ii) Capital Work-In-Progress	-	153.26	419.42	614.15	
Other Non-Current Assets	4.07	4.07	4.07	4.07	
Total Non-Current assets	847.59	1,516.43	1,629.00	1,789.77	
2. Current assets					
Current Investments	23.86	17.56	18.85	18.79	
Inventories	374.97	652.93	790.19	583.29	
Trade receivables	1528.55	1935.45	1403.79	2031.97	
Cash and cash equivalents	53.74	0.52	0.74	477.5	
Short-term loans and advances	140.98	273.3	227.9	194.77	
Other Current Assets	414.71	861.17	824.92	501.02	
Total Current assets	2,536.81	3,740.93	3,266.39	3,807.34	
Total Assets	3,384.40	5,257.36	4,895.39	5,597.11	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Oct-23	
Net Cash Flow from Operating Activities	719.94	-87.7	886.75	1,349.91	
Net Cash Flow from Investing Activities	-28.5	-797.9	-304.34	-270.48	
Net Cash Flow from Financing Activities	-641.23	832.38	-582.2	-602.66	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Oct-23*
Per Share Data				
Diluted EPS	3.39	4.88	2.93	4.90
BV per share	7.44	10.39	11.44	36.22
Operating Ratios				
EBITDA Margins	18.96%	17.45%	17.63%	19.50%
PAT Margins	9.81%	10.26%	9.00%	12.23%
Inventory days	27.13	34.51	63.12	45.83
Debtor days	110.59	102.29	112.14	93.61
Creditor days	110.46	72.52	79.60	164.59
Return Ratios				
RoCE	54%	40%	21%	18%
RoE	33%	34%	19%	14%
Valuation Ratios (x)				
EV/EBITDA	2.06	3.14	4.82	5.57
Market Cap / Sales	3.98	2.91	4.40	2.52
P/E	28.91	20.08	33.45	20.01
Price to Book Value	13.18	9.44	8.57	2.71
Solvency Ratios				
Debt / Equity	0.33	0.78	0.65	1.56
Current Ratio	1.38	1.48	1.71	1.07
Quick Ratio	1.17	1.22	1.29	0.91
Asset Turnover	1.49	1.31	0.93	0.83
Interest Coverage Ratio	5.52	5.71	2.53	5.02

*Annualized Figures

Financial Charts

Key Risk Factors

1. There are outstanding legal proceedings involving the Company, Promoters, and Group Companies amounting to Rs. 4.87 lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations, and financial condition.
2. The company's top ten customers have contributed 100%, 98%, 79%, 78% and 74% of the revenues for the period ended October 31, 2023, October 13, 2023, March 31, 2023, March 31, 2022, and March 31, 2021. Any loss of business from one or more of them may adversely affect the revenues and profitability.
3. The company's top ten suppliers contributed approximately 85%, 78%, 83%, 81%, and 96% of the revenues for the period ended October 31, 2023, October 13, 2023, March 31, 2023, March 31, 2022, and March 31, 2021, respectively. Any loss of business with one or more of them may adversely affect the business operations and profitability.
4. The company has had negative operating cash flow for the FY ended 2022. Any such negative cash flows in the future could affect the business, results of operations, and prospects.

Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	TAC Infosec Limited	29.99	106.00	April 05, 2024	281.00
2.	KP Green Engineering Limited	189.50	144.00	March 22, 2024	455.00
3.	Pratham EPC Projects Limited	36.00	75.00	March 18, 2024	164.00
4.	V R Infraspac Limited	20.40	85.00	March 12, 2024	101.00
5.	Fonebox Retail Limited	20.37	70.00	February 02, 2024	143.00
6.	Konstelec Engineers Limited	28.70	70.00	January 30, 2024	173.00
7.	Australian Premium Solar (India) Limited	28.08	147.00	January 18, 2024	218.00
8.	Indifra Limited	14.04	65.00	December 29, 2023	37.0
9.	Benchmark Computer Solutions Limited	12.24	66.00	December 21, 2023	55.00
10.	Sheetal Universal Limited	23.80	70.00	December 11, 2023	66.2

The company has had 29 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 15th April 2023.

As per the offer document, from the above-mentioned mandates, all the mandates have opened at a premium on the listing date.

Recommendation

The company has been in the industry since 2012 and has good experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualized basis is around 20.01 times which makes it highly priced by looking at the performance of the company and sector. The Sector is 31.8 times.

The company operates in a competitive environment. The company also operates in a very fragmented market. The company has seen a decrease in the top line and bottom line of its financials. The company has seen a sudden dip in the financials for FY 2023. The company's financial overview is not very satisfactory. Thus, at the current P/E, we recommend **Risk Averse - Should Wait Risk Seekers - Should Apply** applying to this IPO.

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Emmforce Autotech Limited

IPO Note

Recco – **RISK**



completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.