

# MSEARCH

## IPO OFFERING

### DIVGI TORQTRANSFER SYSTEM LIMITED



### About Company

### Recommendation: Subscribe for long term

Divgi Torqtransfer System Limited (DTTS) is 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. It is among the few suppliers in India who have the capability to develop and provide system-level transfer cases, torque couplers and DCT solutions. The company is also the only player manufacturing and exporting transfer cases to global OEMs from India, and the only manufacturer of torque couplers in India. It also has the capability to develop and provide transmission systems for electric vehicles (“EVs”). It has also developed (i) transmission systems for EVs; (ii) DCT systems; and (iii) rear-wheel drive manual transmissions. It is one of the few companies that serve both as a systems-level solution provider as well as a component kit supplier to global OEMs and Tier I transmission systems suppliers. It has three manufacturing and assembling facilities across India located at Sirsi in Karnataka, and Shivare and Bhosari near Pune in Maharashtra and one is under construction which will be commenced by FY2024E.

Price Band	: Rs 560 to 590/- per share
Bid Lot size	: 25 Shares
Issue size	: Rs 400-412 Cr
Face Value	: Rs 5/-
Min App Amount	: Rs 14750/- at upper band
Issue Period	: 01st March 2023 to 03 <sup>rd</sup> March 2023
Indicative credit of equity shares	: 13-03-2023
Indicative listing date	: 14-03-2023

**Important Note:** All retail applications compulsory in UPI mode\*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

**•Msearch View & Recommendation:** We see DTTS as a well-placed company with its wide array of products as it designs, develop, manufacture and supply engineered, turnkey solutions and components to automotive OEMs across India, USA, China, Korea and Russia, amongst others. We believe the company's strength is adapting to changes and implementing as it has developed transmission systems for EVs; DCT (dual-clutch transmission) systems; and rear wheel drive manual transmissions. It is in the process of launching domestically manufactured DCT systems for the Indian market and after this they will be the only manufacturer of DCT systems in India. To add on, the company is debt free and it has diverse capabilities which enables them to service customers across segments in the automotive industry including passenger vehicles, utility vehicles and commercial vehicles. As per valuation per se, we believe the issue is fully priced in considering low growth on annualized basis despite having healthy margins. The only concerns for investors seems to be high client concentration and high dependence on imported raw material. Hence, considering the above rationales along with the risk, we recommended investors to “SUBSCRIBE” the issue for long term only.



# MSEARCH

## IPO OFFERING

BASIC FINANCIAL DETAILS				
Particulars Rs (in Cr)	2020	2021	2022	Sept'30 2022 (06)
Equity Share Capital	6.02	6.88	13.77	13.77
Reserves as stated	203.51	288.99	326.25	342.44
Net worth as stated	209.53	295.88	340.22	256.20
Revenue from Operations	159.07	186.58	233.78	133.72
Revenue Growth (%)	-	17.29%	25.30%	-
EBITDA as stated	36.94	51.90	65.61	37.09
Profit Before Tax	37.76	52.56	62.15	34.50
Net Profit for the period	28.04	38.04	46.15	25.66
EPS (Rs )	11.64	13.82	16.76	9.32
RONW%	13.38%	12.86%	13.57%	7.20%
NAV (Rs )	86.98	107.47	123.50	129.38

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)								
Companies	Mcap (in Cr)	FV	Revenue from operation FY 2022 (in Cr)	EPS	NAV	P/E	P/Bv	RoNW
Divgi Torqtransfer System	1804	5	233.78	16.76	123.50	-	-	13.75
Sona BLW Precision	26548	10	2130	6.22	34.23	72.02	12.86	18.07
Bosch Ltd	18018	10	11781	413.10	3621.05	38.37	4.90	11.41
ZF CV Control System Ltd	19726	5	2543	74.90	1114.57	71.93	8.83	6.72
Sundaram Fasteners Ltd	20613	1	4902	21.74	125.46	43.43	7.28	17.52
Endurance Technology	17582	10	7549	32.75	278.68	42.64	5.71	11.75

Data as on 31<sup>st</sup> March 2022, Cline: Mcap, P/E, P/BV calculated as on 28<sup>th</sup> Feb 2023.



# MSEARCH

## Disclaimer & Disclosures

This Report is published by Mehta Equities Limited (hereinafter referred to as "MEL") for registered client circulation only. MEL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH00000552. MEL is a registered broker with the Securities & Exchange Board of India (SEBI) and registered with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments, Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL), is registered with SEBI for providing PMS services and distribute third party PMS product and also member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

MEL a "Research Entity" under SEBI (Research Analyst) Regulations 2014 has independent research teams working with a Chinese wall rule with other business divisions of MEL as mentioned above.

MEL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. MEL, its associates or Research analyst or his relatives do not hold any financial interest in the subject company. MEL or its associates or Research analysts do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. MEL or its associates or Research Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

MEL or its associates or Research analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Research analyst during the past twelve months. MEL or its associates have not received any compensation or other benefits from the company covered by Research analyst or third party in connection with the research report. Research Analyst has not served as an officer, director or employee of Subject Company and MEL / Research analyst has not been engaged in market making activity of the subject company.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. MEL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. This research has been prepared for the general use of the clients of MEL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MEL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MEL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. MEL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MEL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. MEL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, MEL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

The information/document contained herein has been prepared by Mehta Equities Ltd and is intended for use only by the person or entity to which it is addressed to. This information/document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/document is subject to changes without prior notice. Kindly note that this information/document is based on technical analysis by studying charts, patterns, trends of a stock's price movement and trading volume of the stock and as such, may not match with any company's fundamentals. This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this information/report at the same time. MEL will not treat recipients as customers by virtue of their receiving this information/report.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of MEL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither MEL, nor its directors, employees, or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

**Analyst Certification:** Research Analyst the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the Research analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The Research analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

MEHTA EQUITIES LTD BSE: - Membership Clearing No. 122 - SEBI Regn. No. INZ000175334, NSE: - Membership Clearing No. 13512- SEBI Regn. No.

INZ000175334, NSE FO SEBI Regn. No. INZ000175334, CIN No: U65990MH1994PLC078478 MSEI: - Membership Clearing No. 51800 - SEBI Regn. No.

INZ000175334 SEBI registered RA Reg No INH000000552

Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India Tel: +91 22 6150 7101, Fax: +91 22 6150 7102 Email: info@mehtagroup.in, Website: www.mehtagroup.i

Kindly Contact Mehta Equities Ltd :  
[www.mehtagroup.in](http://www.mehtagroup.in) or Call @ 022-61507123/142

Disclaimer: [www.mehtagroup.in](http://www.mehtagroup.in)