



MSEARCH

IPO OFFERING

CRAFTSMAN AUTOMATION LTD



About Company

Recommendation: Subscribe with caution

Craftsman Automation Limited (Craftsman) is a diversified engineering company with vertically integrated manufacturing capabilities. It is engaged in 3 business segments, namely powertrain and other products for the automotive segment (Automotive - Powertrain and Others), aluminium products for the automotive segment (Automotive – Aluminium Products), and industrial and engineering products segment (Industrial and Engineering). Craftsman 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. They are among the top 3-4 component players with respect to machining of cylinder block for the tractor segment in India. It also owns and operates 12 strategically located manufacturing facilities across 7 cities in India, with a total built up area of over 1.5 msf.

Price Band	: Rs. 1488 to 1490 per share
Face Value	: Rs. 5
Bid Lot size	: 10 Shares
Issue size	: Rs. 824 Cr
Issue Opens	: March 15 th 2021, Monday
Issue Closes	: March 17 th 2021, Wednesday
Min App Amount	: Rs. 14,900 /- at upper band

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: We believe Craftsman Automation IPO offer gives investors an investment opportunity in a diversified industrial & engineering company involved in designing, processing, and OEM manufacturer who is a leader in cylinder blocks & heads. We are optimistic about this sector as demand would rise due to the use of aluminum auto products to reduce weight as well as to meet BSVI emission norms wherein Craftsman has a strong presence with a decent market share. “Make in India” an initiative by the Indian Govt will also add impetus to the emergence of India as an automobile manufacturing hub for the world. Considering its well-diversified presence in automobile segments and long-standing relationships with marquee customers with a global presence, Craftsman is well placed to tap the sector growth but one should also consider a few risks before making an informed decision to invest in this IPO that would be like high debt on books with low-profit margins, high competition in domestic as well as global markets which can keep margins under lower single digit, exposure to the cyclicity of automobile business with changing BS norms and rise in focus towards EV vehicles which would reduce components demand. **On valuations parse at upper price band (Rs 1490/-), the issue is asking for a market cap of Rs 3148 Cr with the price-earnings ratio at 44x FY21E annualized earnings vs. industry average P/E at ~72x and on P/BV ratio the company is asking for 4x FY21E annualized book value vs 4.9x industry average which seems this IPO offer is priced on industry average. (Point to be noted that FY21E annualized earnings contents lower interests due to loan moratorium benefits availed).** Hence considering all the above factors risk concerns weigh more over rationales to invest in this IPO offer so we recommend risky investors can “Subscribe with Caution” for listing gain while conservative investors can give a miss on this offer.



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BASIC FINANCIAL DETAILS				
Particulars Rs (in Cr)	2018	2019	2020	9M FY21
Equity Share Capital	10	10	10	10
Reserves as stated	531	618	653	706
Net worth as stated	541	628	663	716
Revenue from Operations	1511	1818	1492	1023
Revenue Growth (%)	-	20.28%	-17.91%	-
EBITDA as stated	305	456	406	295
Profit Before Tax	44	140	57	76
Net Profit for the period	32	97	41	51
EPS (Rs)	15.67	48.39	20.41	25.18
RoNW%	5.83%	15.51%	6.19%	7.07%
NAV (₹)	268.98	312.02	329.73	355.93

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr).							
Companies	Mcap	FV	Revenue	EPS	NAV	P/E	RoNW
Craftsman Automation Ltd	3148	5	1492	20.41	329.73	44	6.65%
Bharat Forge Ltd	28139	2	8056	7.51	112.80	82.28	6.65%
Endurance Technologies Ltd	19669	10	6918	40.20	213.71	36.54	18.81
Jamna Auto Ltd	2879	1	1129	1.20	12.97	58.75	9.27%

Source: Company RHP