

05 August 2025

India | Equity Research | Results Update

Ajax Engineering

Capital Goods

'A quarter of transition'?

Ajax reported a muted set of numbers in Q1FY26 with revenue and volume flat YoY. Sale of slipform pavers (~5% of revenue) in base quarter aided EBITDA margin of 17.1% in Q1FY26 (vs. 15.6% in FY25). EBITDA margin in Q1 fell to 13.2% (-390bps YoY; -230bps QoQ) due to 1) cost increase on transition to CEV-V, 2) flat realisation (no price hike), and 3) lower fixed cost absorption. Thus, EBITDA was down 23% to INR 1.2bn. While the move to CEV-V compliant vehicles has been mandated since Jul'25, Ajax has sold 30% and 90% of CEV-V SLCMs in Q4FY25 and Q1FY26, respectively. The impact on margins is [visible](#) as well. Thus, we expect gross margin to dip 150-200bps in FY26E despite an estimated price hike of 4% in H2FY26E. Maintain **BUY** with TP of INR 900 (based on 28x FY27E EPS).

Muted performance in Q1FY26

SLCM volumes were flat YoY at 1,196 nos. leading to flat revenue of INR 4.7bn. Gross profit, however, was down 15% YoY to INR 1.2bn (margin of 25.8%). Volumes were flat due to heavy discounts on CEV-IV model by competitors and early monsoons. In Q1FY26, Ajax sold two slipform pavers (INR 100-120mn each), resulting in high margin of 30.3%. EBITDA and profit in Q1 stood at INR 614mn (-23%) and INR 529mn (-21% YoY), respectively.

CEV-V applicable from Jul'25

From Jul'25, India has transitioned to CEV stage V emission norms for construction equipment – a shift from the current CEV stage IV regime. Due to transition to CEV-V, volumes and margins are expected to compress temporarily. In Q4FY25 and Q1FY26, CEV-V consisted of 30% and 90% of Ajax's volumes, respectively. No price hike has been taken in CEV-V compliant vehicles. We expect gross margin compression of 150-200bps for FY26E.

Price hike expected in H2

Ajax is looking to gauge the appetite in the market in Q2 before making any changes in the prices of CEV-V SLCMs. Thus, we expect price hike in H2. Key monitorables: Customer appetite and premium over competitors.

Maintain BUY at a TP of INR 900

We maintain a **BUY** on the stock with a TP of INR 900 (28x FY27E earnings).

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	17,414	20,739	23,007	26,750
EBITDA	2,755	3,241	3,076	4,301
EBITDA Margin (%)	15.8	15.6	13.4	16.1
Net Profit	2,251	2,626	2,639	3,676
EPS (INR)	19.7	23.0	23.1	32.1
EPS % Chg YoY	65.7	16.6	0.5	39.3
P/E (x)	32.3	27.7	27.6	19.8
EV/EBITDA (x)	23.9	20.2	20.5	14.0
RoCE (%)	27.5	25.4	21.0	24.3
RoE (%)	27.6	25.3	20.9	24.3

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Market Data

Market Cap (INR)	73bn
Market Cap (USD)	831mn
Bloomberg Code	AJAXENGG IN
Reuters Code	AJAX.BO
52-week Range (INR)	757 /549
Free Float (%)	15.0
ADTV-3M (mn) (USD)	1.8

Price Performance (%)	3m	6m	12m
Absolute	(2.3)	0.0	0.0
Relative to Sensex	(2.9)	0.0	0.0

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

02-07-2025: [Initiating coverage](#)

Exhibit 1: Quarterly financial highlights

Particulars (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ (%)	YoY (%)
Net sales	4,690	3,010	5,482	7,558	4,665	-38%	-1%
EBITDA	802	391	881	1,168	614	-47%	-23%
<i>EBITDA Margin (%)</i>	<i>17.1%</i>	<i>13.0%</i>	<i>16.1%</i>	<i>15.5%</i>	<i>13.2%</i>	<i>-230 bps</i>	<i>-393 bps</i>
Other income	128	114	69	117	126	7%	-1%
Interest	5	5	6	3	1	-72%	-85%
Depreciation	26	26	28	28	30	6%	13%
PBT	898	473	916	1,255	709	-43%	-21%
Adjusted PAT	670	340	681	934	529	-43%	-21%
Reported PAT	670	340	681	909	529	-42%	-21%
EPS (INR)	6	3	6	8	5	-42%	-21%

Source: I-Sec research, Company data

Exhibit 2: Quarterly segmental revenue

Particulars (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ (%)	YoY (%)
SCLM	3,863	2,412	4,705	6,552	3,848	-41%	0%
Non-SCLM	485	304	436	588	448	-24%	-8%
Spares & Others	342	295	341	417	369	-12%	8%
Net sales	4,690	3,010	5,482	7,558	4,665	-38%	-1%

Source: I-Sec research, Company data

Exhibit 3: Quarterly volume and realisation (SLCM)

Particulars	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ (%)	YoY (%)
<i>Volumes (nos)</i>	<i>1,193</i>	<i>1,207*</i>	<i>1,100*</i>	<i>2,006</i>	<i>1,196</i>	<i>-40%</i>	<i>0%</i>
<i>Realisation (INR mn)</i>	<i>3.24</i>	<i>2.00</i>	<i>4.28</i>	<i>3.27</i>	<i>3.22</i>	<i>-1%</i>	<i>-1%</i>

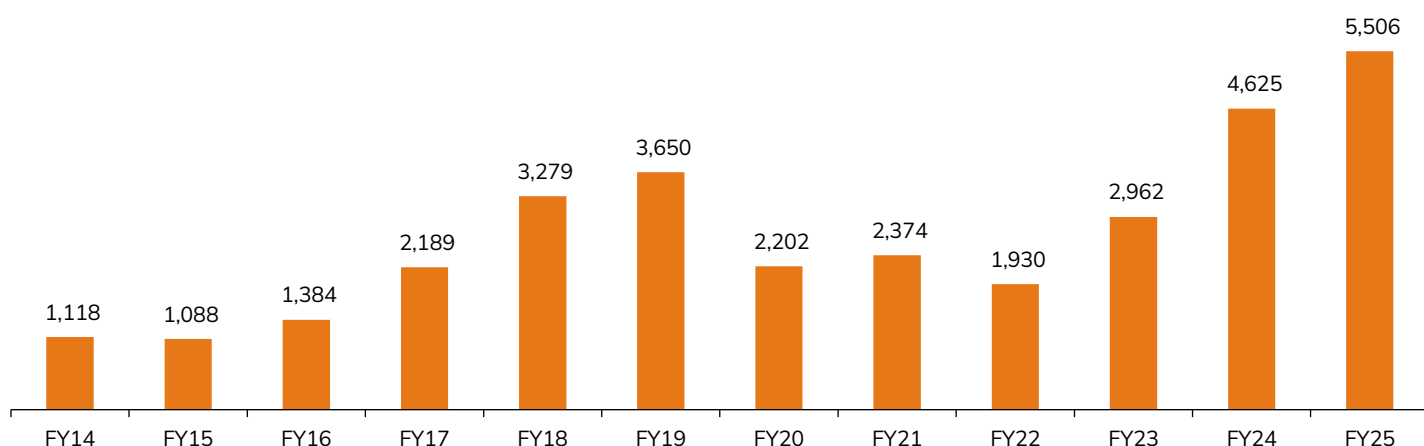
Source: I-Sec research, Company data; * - estimated

Exhibit 4: Quarterly SLCM volume

Particulars	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ (%)	YoY (%)
Reported volumes	1,193	1,207	1,100	2,006	1,196	-40%	0%
Volumes as per Vahan	1,295	924	1,077	1,676	1,578	-6%	22%
<i>Vahan/Reported</i>	<i>109%</i>	<i>77%</i>	<i>98%</i>	<i>84%</i>	<i>132%</i>		

Source: I-Sec research, Company data

Exhibit 5: SLCM volume of Ajax



Source: I-Sec research, Company data

Q1FY26 conference call highlights

SLCM

- SLCM revenue stood at INR 3.8bn - flat YoY.
- Volume was 1,196 (flat YoY).
- Volume growth was eroded by 1) untimely rains, 2) high discounts by competitors.
- The mix of CEV-V in SLCM sales was 90%.
- No price hike was taken in CEV-V vehicles (over CEV-IV vehicles).
- We expect volume growth of 2% in the SLCM segment for FY26E.
- Realisation fell on account of product mix.

Non-SLCM

- Non-SLCM revenue stood at INR 448mn, down 8% YoY, despite volume growth of 25% YoY.
- Ajax sold two slipform pavers in the base quarter (INR 100-120mn each).
- It is working on cultivating a B2B channel along with its dealer channel to focus on driving growth in the non-SLCM segment.

Other highlights

- In H2FY26, Ajax's fourth facility (Adhinarayanahosahall) will be commissioned.
- Ajax is awaiting Q2 to gauge the appetite for price hike.
- Janmashtami and Ganesh Chaturthi to ring in demand pick up.
- The company is mulling inorganic measures like acquisitions.
- The company has guided for revenue growth of low double digits in FY26.
- The company has transitioned its 4.3cbm model to 4.5cbm model and 2.8cbm model to 3cbm model, increasing the ticket size on the respective models.

Valuation and outlook

Ajax is a market leader in SLCM with 75% market share. It has been dominating the market over the last three decades, resulting in strong financial performance. Revenue/EBITDA/profit has seen CAGR of 20%/19%/24% over FY15-25; RoE has been >20% in last 10 years. We expect SLCM to grow at 15% CAGR in the medium term on rising share of mechanisation in concrete production. Also, it has a set of new products in concrete equipment – pavers and boom pumps – that is likely to grow at higher rates due to low base effect. As a result, we expect its earnings to grow by 17% CAGR between FY25–27E with RoE of >25% and low working capital. At 20x FY27E, the stock is trading at a discount to its immediate peers (25x FY27E) and the broader capital goods universe. Note that Ajax has reported consistent earnings compared to its immediate peers over the last decade. We initiate coverage with **BUY** and TP of INR 900, at 28x FY27E earnings.

Risks: 1) Growth of construction equipment is tied heavily to infrastructure growth, 2) high dependency on SLCMs, 3) fluctuations in material costs, 4) regional risks, 5) changing pollution norms, and 6) liquidity risk at buyer's end.

Exhibit 6: P/E-based valuation

Particular	FY27E
PAT (INR mn)	3,676
No. of shares (mn)	114
EPS	32.1
Multiple (x)	28
TP	900

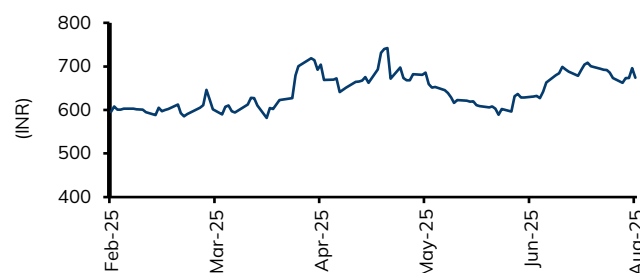
Source: I-Sec research, Company data

Exhibit 7: Shareholding pattern

%	Mar'25	Jun'25
Promoters	80.0	80.0
Institutional investors	14.0	15.5
MFs and other	6.2	6.5
Banks/ FIs	0.0	0.0
Insurance Cos.	0.2	0.0
FIIIs	7.6	9.0
Others	6.0	4.5

Source: Bloomberg, I-Sec research

Exhibit 8: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	17,414	20,739	23,007	26,750
Operating Expenses	1,897	2,380	2,791	2,922
EBITDA	2,755	3,241	3,076	4,301
EBITDA Margin (%)	15.8	15.6	13.4	16.1
Depreciation & Amortization	103	109	118	129
EBIT	2,653	3,132	2,958	4,171
Interest expenditure	20	18	15	10
Other Non-operating Income	387	428	575	740
Recurring PBT	3,019	3,542	3,518	4,901
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	768	916	880	1,225
PAT	2,251	2,626	2,639	3,676
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	2,251	2,626	2,639	3,676
Net Income (Adjusted)	2,251	2,626	2,639	3,676

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	4,077	6,095	6,229	6,761
of which cash & cash eqv.	713	675	958	756
Total Current Liabilities & Provisions	3,005	3,137	3,541	3,979
Net Current Assets	1,071	2,958	2,688	2,782
Investments	6,251	6,565	8,753	11,671
Net Fixed Assets	1,672	1,758	1,846	2,017
ROU Assets	-	-	-	-
Capital Work-in-Progress	173	206	300	-
Total Intangible Assets	-	-	-	-
Other assets	188	201	241	289
Deferred Tax Assets	-	-	-	-
Total Assets	9,356	11,688	13,828	16,759
Liabilities				
Borrowings	62	-	30	20
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	114	116	116	116
Equity Share Capital	114	114	114	114
Reserves & Surplus	9,065	11,457	13,568	16,508
Total Net Worth	9,180	11,571	13,682	16,623
Minority Interest	-	-	-	-
Total Liabilities	9,356	11,688	13,828	16,759

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	2,294	702	3,191	3,379
Working Capital Changes	43	(1,924)	553	(297)
Capital Commitments	(118)	(119)	(182)	129
Free Cashflow	2,412	820	3,373	3,250
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	(118)	(119)	(182)	129
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(39)	(62)	30	(10)
Dividend paid	(210)	-	(528)	(735)
Others	(1,305)	(558)	(2,228)	(2,966)
Cash flow from Financing Activities	(1,554)	(621)	(2,726)	(3,711)
Chg. in Cash & Bank balance	622	(38)	284	(203)
Closing cash & balance	712	675	958	756

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	19.7	23.0	23.1	32.1
Adjusted EPS (Diluted)	19.7	23.0	23.1	32.1
Cash EPS	20.6	23.9	24.1	33.3
Dividend per share (DPS)	(0.2)	(0.2)	(0.5)	(0.6)
Book Value per share (BV)	80.2	101.1	119.6	145.3
Dividend Payout (%)	(1.0)	(0.9)	(2.0)	(2.0)
Growth (%)				
Net Sales	51.3	19.1	10.9	16.3
EBITDA	61.4	17.6	(5.1)	39.8
EPS (INR)	65.7	16.6	0.5	39.3
Valuation Ratios (x)				
P/E	32.3	27.7	27.6	19.8
P/CEPS	30.9	26.6	26.4	19.1
P/BV	7.9	6.3	5.3	4.4
EV / EBITDA	23.9	20.2	20.5	14.0
P / Sales	4.2	3.5	3.2	2.7
Dividend Yield (%)	0.0	0.0	(0.1)	(0.1)
Operating Ratios				
Gross Profit Margins (%)	26.7	27.1	25.5	27.0
EBITDA Margins (%)	15.8	15.6	13.4	16.1
Effective Tax Rate (%)	25.4	25.9	25.0	25.0
Net Profit Margins (%)	12.9	12.7	11.5	13.7
NWC / Total Assets (%)	0.1	0.1	-	-
Net Debt / Equity (x)	(0.8)	(0.6)	(0.7)	(0.7)
Net Debt / EBITDA (x)	(2.5)	(2.2)	(3.1)	(2.9)
Profitability Ratios				
RoCE (%)	27.5	25.4	21.0	24.3
RoE (%)	27.6	25.3	20.9	24.3
RoC (%)	27.5	25.4	21.0	24.3
Fixed Asset Turnover (x)	10.4	12.1	12.8	13.9
Inventory Turnover Days	57	49	49	49
Receivables Days	22	32	23	23
Payables Days	53	43	42	42

Source Company data, I-Sec research

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