



DIVGI TORQTRANSFER SYSTEMS LIMITED



IPO NOTE

Issue highlights

- Divgi Torqtransfer (“Divgi-TTS”)** was incorporated on December 16, 1964. Divgi-TTS is amongst the very few automotive component entities in India who have the capability to develop and provide system level transfer case, torque coupler and dual clutch automatic transmissions (“DCT”) solution. They are 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.
- Divgi-TTS also has the capability to develop and provide transmission systems for electric vehicles (“EVs”). They are in the process of designing and developing prototypes of transmission systems for EVs pursuant to receipt of a business award for this purpose.
- Divgi-TTS manufactures and supply a variety of products under the broad categories of (i) torque transfer systems (which includes fourwheel- drive (“4WD”) and all-wheel-drive (“AWD”) products); (ii) synchronizer systems for manual transmissions and DCT; and (iii) components for the above-mentioned product categories for torque transfer systems and synchronizer systems in manual transmission, DCT, and EVs. They have also developed (i) transmission systems for EVs; (ii) DCT systems; and (iii) rear wheel drive manual transmissions.
- Company’s diverse capabilities enable them to service customers across segments in the automotive industry, including passenger vehicles, utility vehicles and commercial vehicles.

- They have a client base of global OEMs and global transmission systems suppliers, with their Top-5 customers accounting for 92.66%, 91.28%, 92.86%, and 86.94% of their revenue from operations for 6 months ended September 30, 2022, Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.

- Divgi-TTS has 3 manufacturing and assembling facilities across India located at **Sirsi in Karnataka, and Shivare and Bhosari near Pune in Maharashtra.**

Brief Financial Details*

(₹ In Cr)

	As at Sep’ 30,	As at Mar’ 31,		
	2022(06)	2022(12)	2021(12)	2020(12)
Equity Share Capital	13.77	13.77	6.88	6.02
Reserves	342.44	326.25	288.99	203.51
Net worth as stated	256.20	340.02	295.88	209.53
Revenue from Operations	133.72	233.78	186.58	159.07
Revenue Growth (%)	-	25.30%	17.29%	-
EBITDA	37.09	65.61	51.90	36.94
EBITDA Margin (%)	27.74%	28.07%	27.82%	23.22%
Profit before Tax	34.50	62.15	52.56	37.76
Profit for the period	25.66	46.15	38.04	28.04
Net Profit Margin (%) as stated	18.66%	19.08%	19.51%	16.42%
EPS – Basic (₹)	9.32 [^]	16.76	13.82	11.64
EPS – Diluted (₹)	9.32 [^]	16.76	13.82	10.18
RoNW (%)	7.20% [^]	13.57%	12.86%	13.38%
Net Asset Value (₹)	129.38	123.50	107.47	86.98

Source: RHP, *Restated Statement; Net Profit Margin% on Total Income; NAV calculated on increased Share Capital; [^] not annualised

Issue Details

Fresh Issue of Equity shares aggregating upto ₹ 180 Cr and Offer for sale of 3,934,243 Equity Shares

Issue summary

Issue size: ₹ 400 – 412 Cr
No. of shares: 7,148,528 – 6,985,090
Face value: ₹ 5/-

Price band: ₹ 560 – 590

Bid Lot: 25 Shares and in multiple thereof

Post Issue Implied Market Cap = ₹ 1,722 – 1,804 Cr

BRLMs: Inga Ventures, Equirus Capital
Registrar: Link Intime India Pvt Ltd.

Issue opens on: Wednesday, 1st Mar’2023

Issue closes on: Friday, 3rd Mar’2023

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	09-03-2023
Refunds/Unblocking ASBA Fund	10-03-2023
Credit of equity shares to DP A/c	13-03-2023
Trading commences	14-03-2023

Issue break-up

	No. of Shares		₹ In Cr		% of Issue
	@Lower	@Upper	@Lower	@Upper	
QIB	5,361,397	5,238,818	300.24	309.09	75%
NIB	1,072,279	1,047,763	60.05	61.82	15%
-NIB 1	357,427	349,255	20.02	20.61	-
-NIB 2	714,852	698,508	40.03	41.21	-
RET	714,852	698,509	40.03	41.21	10%
Total	7,148,528	6,985,090	400.32	412.12	100%

NIB-1=NII Bid between ₹ 2 to 10 Lakhs

NIB-2 =NII Bid Above ₹ 10 Lakhs

Listing: BSE & NSE

Shareholding (Approx. No. of Shares)

Pre issue	Post issue [~]	Post issue [^]
27,532,080	30,746,366	30,582,927

[~]@Lower price Band [^]@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	62.64%	56.39%
Promoter Group	4.55%	4.09%
Public - Inv Selling S/h	30.41%	15.30%
Public - Other Selling S/h	2.39%	1.35%
Public - Others	0.02%	22.86%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The Company was incorporated as “Divgi Metalwares Private Limited” on December 16, 1964. The company commenced operations in 1964 under Divgi Metalwares Pvt Ltd. In 1995, company formed a JV with BorgWarner. JV continued between 1995 to 2016. In 2016, the JV was dissolved and Divgi TorqTransfer Systems (Divgi TTS) was formed.

The company was promoted by Jitendra Bhaskar Divgi, Hirendra Bhaskar Divgi and Divgi Holdings Pvt Ltd. Currently, Promoters hold an aggregate of 17,245,840 Equity Shares, equivalent to 62.64% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Divgi Transmission Pvt Ltd was incorporated on September 18, 1995. The name was further changed to “Divgi TorqTransfer Systems Pvt Ltd” pursuant to the buyout of shares from BorgWarner and a fresh certificate of incorporation was issued on September 30, 2016. Pursuant to an order passed by the NCLT, Mumbai Bench on September 21, 2017, the erstwhile Divgi TorqTransfer Systems Pvt Ltd amalgamated with the company i.e. Divgi Metalwares Pvt Ltd.

Brief Biographies of Directors

Praveen Purushottam Kadle is the Chairman and Independent Director on the Board. He is the Chairman of Prachetas Capital Pvt Ltd. He was associated with Tata Information Systems (an IBM and Tata Company) in 1992 and with Tata Engineering and Locomotive Co Ltd (now Tata Motors Ltd) in 1996. He was associated with Tata Capital Ltd and Tata Sons Ltd in 2018.

Jitendra Bhaskar Divgi is the Managing Director on the Board. Before joining Divgi Metalwares in 1994, he worked at Digital Equipment Corporation, Massachusetts. He served on the Board of Directors of BorgWarner, China in 2000, and was associated with BorgWarner till 2005.

Hirendra Bhaskar Divgi is the Whole-time Director on the Board. He joined the Company in 1988 and has served in various capacities. He has over 30 years of experience working at the company.

Sanjay Bhalchandra Divgi is the Non-Executive Director on the Board. He served in various capacities at the company since 1986.

Bharat Bhalchandra Divgi is the Director on the board. He served in various capacities at the Company since 1981. He has over 20 years of experience with the company.

Pradip Vasant Dubashi is the Independent Director on the Board. He was previously associated with the State Industrial and Development Corporation of Maharashtra Ltd. He has served as an Independent Director on the board of Mahindra Retail Ventures Ltd.

Ajay Bhaskar Limaye is the Nominee Director on the Board, appointed by Oman India Joint Investment Fund II. He was previously associated with CEAT Ltd, Gujarat Venture Finance Ltd, SICOM Capital Management Ltd, Tata Capital, KSK Energy Company Pvt Ltd and Oman India Joint Investment Fund.

Pundalik Dinkar Kudva is an Independent Director on the Board. He is a Chartered Accountant by profession and has been in practice for 37 years.

Geeta Prafullachandra Tolia is an Independent Director on the Board. She is also the co-founder of Gravitech Business Solutions Pvt Ltd.

Key Managerial Personnel

Balu Naravan Patil is the ‘Head - Group Operations’ of the company and has been associated with the company with effect from November 12, 2018. His previous work experience includes years at Bajaj Auto Ltd, Ognibene India Pvt Ltd, Perciforge & Gears, Kalyani Technoforge Ltd, and SAM Hitech Components Pvt Ltd.

Sudhir Shridhar Mirjankar is the Chief Financial Officer of the company and has been associated with the company with effect from December 1, 2016.

Gopal Krishna Dalvi is the HR and Organization Development Head of the company and has been associated with the company with effect from August 13, 2007. His previous work experience includes years at Keihin Fie Pvt Ltd and Spicer India Ltd.

Satish Chandrashekhar Kadrolli is the Company Secretary and Compliance Officer of the company. He joined the company on September 5, 2022. He has been a compliance professional for over 7 years. His previous work experience includes years at Rajkumar Forge Ltd, Western India Forgings Pvt Ltd and Corpage India Advisors Pvt Ltd.

Dipak Annasaheb Vani is the Head of Purchase and Global Supply Management of the company and has been associated with the company with effect from July 1, 2006. He has over 15 years of experience in the company.

Rakesh Rameshchandra Sharma is the Head of Growth & Launch Management of the company and has been associated with the company with effect from January 15, 2018. His previous work experience includes years at Patheja Brothers Forgings & Stampings Ltd, Del Tech Controls Ltd, Delval Flow Controls Pvt Ltd and Inoxpa India Pvt Ltd. He has previously worked at Divgi Warner Pvt Ltd. He was the Chief Operating Officer at Divgi Metalwares Pvt Ltd.

Prasanna Bhaskarrao Deshpande is the Head of Engineering of the company and has been associated with the company with effect from February 1, 1997.

Balaji Macherla Veerabhadram is the Sales, Marketing and Business Development Head of the company and has been associated with the company with effect from October 15, 2019. He was associated with Brakes India Ltd for 10 years. He has previously worked at Motherson Automotive Technologies & Engineering, Visteon Automotive (India) Pvt Ltd and at Kalyani Brakes Ltd.

OBJECTS OF THE ISSUE

The net proceeds of the Fresh Issue are proposed to be utilised as:

Objects	Amount (₹ Cr)
• Funding capital expenditure requirements for the purchase of equipments/machineries of the manufacturing facilities (“Capital Expenditure”)	150.71
• General Corporate Purposes	[•]
Total	[•]

OFFER DETAILS

The Offer	No. of Shares	
Fresh Issue (₹ 180 Cr)	Approx. upto 3,214,286~ - 3,050,847^ Equity Shares	
Offer for Sale:	Upto 3,934,243 Equity Shares	WACA Per Equity Share (₹)
The Investor Selling Shareholder:		
<i>Oman India Joint Investment Fund II</i>	<i>Upto 2,250,000 Equity Shares</i>	167.30
<i>NRJN Family Trust</i>	<i>Upto 1,441,441 Equity Shares</i>	125.28
The Other Selling Shareholders:		
<i>Bharat Bhalchandra Divgi</i>	<i>Upto 49,430 Equity Shares</i>	0.69
<i>Sanjay Bhalchandra Divgi</i>	<i>Upto 40,460 Equity Shares</i>	0.82
<i>Ashish Anant Divgi</i>	<i>Upto 104,020 Equity Shares</i>	0.38
<i>Arun Ramdas Idgunji</i>	<i>Upto 33,660 Equity Shares</i>	2.50
<i>Kishore Mangesh Kalbag</i>	<i>Upto 15,232 Equity Shares</i>	2.50

(~ at lower price band and ^ upper price band); WACA = Weighted Average Cost of Acquisition

SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
<i>Promoters</i>	17,245,840	62.64%		17,245,840	56.39%
<i>Promoters Group</i>	1,251,360	4.55%		1,251,360	4.09%
Total for Promoter and Promoter Group	18,497,200	67.18%		18,497,200	60.48%
<i>Public – Investor Selling Shareholders</i>	8,372,080	30.41%	3,691,441	4,680,639	15.30%
<i>Public – Other Selling Shareholders</i>	657,200	2.39%	242,802	414,398	1.35%
<i>Public - Other</i>	5,600	0.02%		6,990,690	22.86%
Total for Public Shareholder	9,034,880	32.82%	3,934,243	12,085,727	39.52%
Total Equity Share Capital	27,532,080	100.00%	3,934,243	30,582,927	100.00%

BUSINESS OVERVIEW

Divgi Torqtransfer Systems Ltd (“**Divgi-TTS**”) is amongst the very few automotive component entities in India who have the capability to develop and provide system level transfer case, torque coupler and dual clutch automatic transmissions (“**DCT**”) solutions. They are 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. They are also the only player manufacturing and exporting transfer cases to global OEMs from India, and the only manufacturer of torque couplers in India.

Divgi-TTS also has the capability to develop and provide transmission systems for electric vehicles (“**EVs**”). They are in the process of designing and developing prototypes of transmission systems for EVs pursuant to receipt of a business award for this purpose. Currently, they have been awarded a contract for the supply of EV transmission systems for one of the leading providers of EVs in India, and for supply of components for Hybrid Vehicles for a global OEM. The company actively collaborates with Europe’s transmission engineering consulting firms like **FEV** and **Hofer**.

Divgi-TTS manufactures and supply a variety of products under the broad categories of (i) torque transfer systems (which includes 4-wheel-drive (“**4WD**”) and all-wheel-drive (“**AWD**”) products); (ii) synchronizer systems for manual transmissions and DCT; and (iii) components for the above-mentioned product categories for torque transfer systems and synchronizer systems in manual transmission, DCT, and EVs. They have also developed (i) transmission systems for EVs; (ii) DCT systems; and (iii) rear wheel drive manual transmissions. They are one of the few companies who serve both as systems level solution provider as well as component kit supplier to global OEMs and Tier I transmission systems suppliers.

Divgi-TTS has an in-house software development capability which helps them in providing system level solutions offering software that controls the vehicle dynamics. They are also one of the first few suppliers of steel and carbon-based synchronizer systems for the Indian markets and are one of the leading manufacturers of **steel synchronizers** in India.

Divgi-TTS has achieved leading positions for select products in their portfolio through focus on innovation; offering of customized solutions in distinctive products; in-house software development capability; and product development and production at quality standards acceptable to their clients and at optimized costs. They are in the process of launching domestically manufactured DCT systems for the Indian market. Once launched, they will be the only manufacturer of DCT systems in India. Very few component suppliers as well as OEMs globally have the capability to develop the system integration software solutions in-house. Given this, system level solution providers such as Divgi-TTS is likely to be highly valued by vehicle manufacturers globally.

Company’s diverse capabilities enable them to service customers across segments in the automotive industry, including passenger vehicles, utility vehicles and commercial vehicles. Having the ability to provide end-to-end solutions under one roof enables them to provide value added offerings, and increases their operational efficiency, resource optimization, and customer retention. The company supply to and have long term relationships with OEMs such as Mahindra & Mahindra, an Indian supplier to global automotive OEM, and a USA based multi-national automotive supplier.

They have developed long term relationships with marquee domestic and global OEMs in the automobile sector, such as **BorgWarner, Tata Motors and Mahindra & Mahindra**, amongst others, with some of whom they have had relationships for over 2 decades, including through their earlier joint ventures.

Contribution from Top-5 Customers

6 months ended September 30, 2022		Fiscal 2022		Fiscal 2021		Fiscal 2020	
Amount (₹ Cr)	% to Revenue from Operations	Amount (₹ Cr)	% to Revenue from Operations	Amount (₹ Cr)	% to Revenue from Operations	Amount (₹ Cr)	% to Revenue from Operations
123.91	92.66%	213.39	91.28%	173.26	92.86%	138.29	86.94%

Company’s relationships with various collaborators have played an instrumental role in their success. They have entered into a product development agreement (“**PDA**”) and a technology transfer agreement (“**TTA**”) with a German automotive company. Pursuant to the PDA and TTA, the Company is co-developing critical components and systems for DCT applications with exclusive rights for India and non-exclusive rights for markets outside India. The German automotive company is entitled to an earned royalty from Divgi-TTS during the term of the TTA. The

licensing arrangement pursuant to the TTA will continue for a period of 13 years from the date of signing till 2033. In connection to the PDA and TTA, the production of the products has not yet commenced. They have also entered into a license agreement with BorgWarner on October 4, 2004, subsequently renewed on March 1, 2017, valid for a period of 7 years from the date of renewal of the agreement. These agreements have bolstered their technological expertise and experience. Their agreement with BorgWarner provides them the exclusive rights to manufacture transfer cases and automatic locking hubs, and non-exclusive rights to manufacture manual transmissions and synchronizers for manual transmissions. This also reflects the German automotive company's and BorgWarner's confidence in them to develop the market in India for their technologies. They have also entered into an exclusive distribution agreement with a Japanese automotive supply chain company in relation to sourcing of products and components made by them. Further, they have received investments from external investors in the past, such as from NRJN Family Trust in 2016 and from Oman India Joint Investment Fund II in 2018, which has also provided an impetus to their growth and development.

Divgi-TTS has 3 manufacturing and assembling facilities across India located at **Sirsi in Karnataka**, and **Shivare and Bhosari near Pune in Maharashtra**, with the manufacturing facilities at Shivare and Bhosari being strategically located in proximity to their key clients, and 1 **under-construction manufacturing facility located at Shirwal**. They have purchased 10 acres of land at Shirwal near Pune in Maharashtra and commenced construction which will help them in expanding their manufacturing capacity including for manufacture of DCT and EV transmissions. They manufacture transmission, transfer case and synchroniser components at their facility in Sirsi. Their Shivare facility houses grinding and superfinishing equipment to achieve standards in precision and accuracy, including those demanded by EV and DCT applications globally and transmission components. The Bhosari facility, which is the assembling, lab testing and packing unit for their manufactured components and systems, and the Shivare facility, are strategically located in proximity to their key customers as well as the port for export located at New Mumbai. Their key customers in close proximity to their Bhosari and Shivare facilities include Tata Motors, Mahindra & Mahindra, an Indian automotive manufacturing company and an Indian supplier to global automotive OEM.

The manufacturing facilities have been duly certified in accordance with international standards of quality management systems, environmental management systems, health and safety management systems and specialized processes such as IATF 16949:2016, ISO 45001:2018 and ISO 14001:2015.

They have been awarded the "Innovation Award for ECU" by BorgWarner for the year 2008, and "Zero Defect Supplies" by Toyota Kirloskar Auto Parts for the years 2017 and 2020 in recognition of their outstanding contribution by achieving zero defect supplies. Their manufacturing operations are strengthened by their technical capabilities, infrastructure, and process knowledge. As of September 30, 2022, they had a team of 145 engineers as part of their team, which focuses on process innovation, design and implementation.

Divgi-TTS is led by a highly experienced board of directors, and a professional and experienced management team with extensive experience in the automotive industry and a proven track record of performance. Their Promoters Jitendra Bhaskar Divgi and Hirendra Bhaskar Divgi, are mechanical engineers with over 30 years of experience in the automotive industry. They are further supported by an experienced board of directors with diversified expertise, which actively contributes to and participates in their strategy. A large number of their senior management personnel have worked with them for a significant period of time, resulting in effective operational coordination and continuity of business strategies. Their business model is supported by a consistent track record of revenue growth and profitability.

REVENUE FROM OPERATIONS

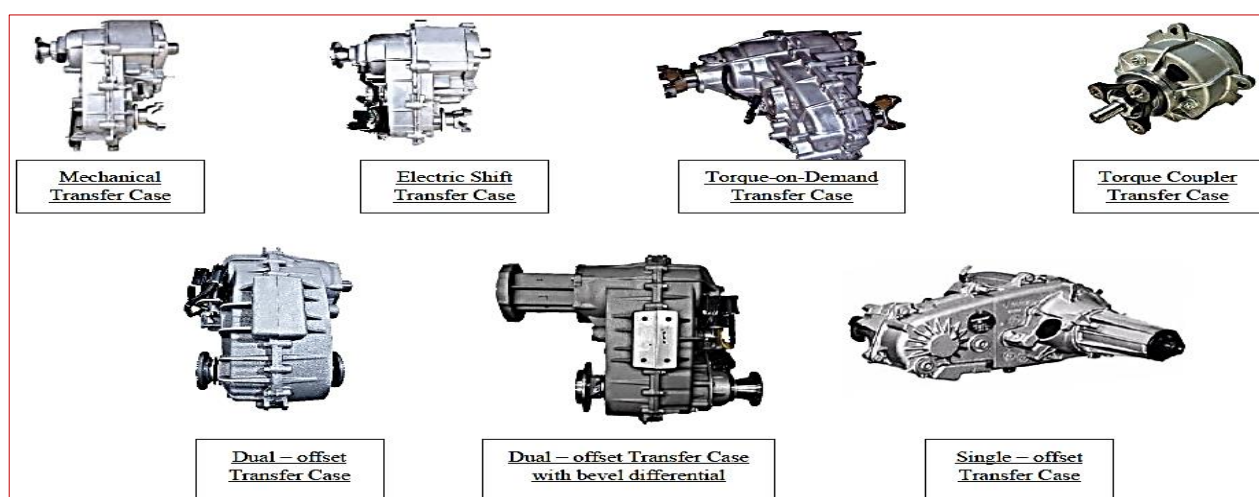
Particulars	6 months ended September 30, 2022		2022		2021		2020	
	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total
Revenue from:								
- Sale of Products	131.24		225.08		179.44		152.33	
- Services	-		-		-		0.16	
- Sale of Tools	1.07		3.23		2.06		2.22	
Sub Total	132.31	98.95%	228.31	97.66%	181.50	97.28%	154.72	97.27%
Other Operating Revenue								
- Sale of Scrap	1.03		1.93		1.40		0.86	
- Export Incentives	0.37		3.54		3.68		3.49	
Sub Total	1.40	1.05%	5.47	2.34%	5.08	2.72%	4.35	2.73%
Total	133.72	100.00%	233.78	100.00%	186.58	100.00%	159.07	100.00%

KEY FINANCIAL AND OPERATIONAL PERFORMANCE INDICATORS

	6 months period	Financial Year ended March 31,		
	Ended Sept' 30,	2022	2021	2020
Revenue from operations	133.72	233.78	186.58	159.07
Revenue CAGR (From FY2020 to FY2022)		21.23%		
Total Income	137.55	241.87	195.03	170.74
EBITDA (%) of Revenue from Operations	27.74%	28.07%	27.82%	23.22%
EBITDA CAGR (From Fiscal 2020 to Fiscal 2022) (%)		33.28%		
EBIT	34.64	62.32	52.74	42.22
EBIT (%) of Total Revenue	25.19%	25.77%	27.04%	24.73%
PAT	25.664	46.15	38.04	28.04
PAT CAGR (From Fiscal 2020 to Fiscal 2022) (%)		28.30%		
Debt Equity Ratio	0.01	0.00	0.00	0.24
Fixed Asset Turnover Ratio (Times)	0.71^	1.30	1.16	1.12
ROE (%)	7.37%^	14.52%	15.05%	16.20%
Adjusted ROCE (%)	14.96%^	29.47%	27.41%	24.35%
Net Working Capital turnover Ratio	2.49^	5.52	5.96	5.46
Current Ratio	4.03	4.40	4.09	2.31
Operating Cash Flow	103.28	510.77	269.65	383.29
Inventory Turnover Ratio	4.31^	8.23	7.86	7.85

^ not annualised

COMPANY OPERATIONS



• Torque transfer systems (which includes 4 wheel-drive (“4WD”)/ all-wheel-drive (“AWD”) products):

Wheel Drive systems or transfer cases are generally used in Rear Wheel Drive (RWD) configuration of vehicle architecture that selectively transmits torque either to the rear 2-wheels or all the 4-wheels. There are principally 2 types of transfer cases used in light duty gross vehicle weight (GVW) automobiles, that is the ‘geared type’ and the ‘chain type’. The chain type is more prevalent due to the advantages of lighter weight and lower noise. Divgi-TTS is the only player manufacturing and exporting transfer cases. While these come in a large variety of configurations, they can be broadly classified into 3 categories based on the method the shift in modes takes place, which is (i) Manual Shift; (ii) Electric Shift on the Fly (ESOF); and (iii) Automatic Shift Torque on Demand (TOD). Divgi-TTS manufactures all 3 versions.

Torque coupler is used in front wheel drive (FWD) based all-wheel drive (AWD) vehicles. The torque coupler senses the torque requirement & transfers the necessary torque to the rear wheels when wheels start slipping on the surface. The ‘All Wheel Drive’ systems typically refer to Front Wheel Drive (FWD) configuration of vehicle architecture. Divgi-TTS manufacture the multidisc wet clutch type AWD system.

• Solutions in Manual Transmission:

Divgi-TTS has developed manual transmissions for rear-wheel-drive applications with maximum input torque ranging between 220 Nm to 450 Nm. The designs are flexible to offer customers various shift linkage options such as direct shift, semi-remote shift or remote cable shift. They can be configured either in 4X2 or coupled with their transfer cases to offer 4X4 solutions. Primary market segment targeted is the pickup truck and rear wheel drive-based SUV segment.

• Synchronizer Systems:

Divgi-TTS has full solution capability in designing, developing, testing and manufacturing synchronizer systems that are used in manual transmissions for passenger vehicles, utility vehicles, commercial vehicles and agricultural vehicles. Synchronizer systems also find application in Dual Clutch Automatic transmissions. Divgi-TTS uses carbon lining on steel as against traditional use of brass as the friction component in the system to improve shift performance and durability of the system. Divgi -TTS range of synchronizers covers a range of applications from small hatch back cars to large SUVs in the passenger car segment, light commercial to medium commercials vehicles and agricultural tractor applications.

• Indigenous Automatic Transmissions:

Divgi-TTS has developed 7 Speed Dual Clutch Automatic transmissions in collaboration with Hofer. The 1st variant is designed to handle maximum input torque between 220 Nm to 280 Nm and is made of a compact design to meet the requirements of utility vehicles which form the fastest growing segment in Indian passenger vehicle market. They decided to develop the wet clutch DCT design considering India’s exhaustive start-stop driving duty cycles that calls for robustness in the clutch design.

• Transmissions for Battery Electric Vehicles:

Divgi-TTS has developed a range of transmissions for battery electric vehicles (BEVs) through its in-house design capabilities, benchmarking some of the best industry practices in improving transmission efficiencies and reducing weight for a given torque to be transmitted. Currently they have a range of 3 transmissions catering the motor power ratings of 55 Kilowatts, 60 Kilowatts and 95 Kilowatts. Depending on customer requirements, these can be integrated with electronic park lock systems that they have developed.

• Precision components for all the products:

Apart from designing and manufacturing above automotive drivetrain systems, Divgi-TTS also support their customers with precision components required for the manufacture of such systems. This enables them to develop economies of scale in components manufacture, that makes it competitive at a systems level even if the volumes are modest. Key focus areas are precision gears and shafts, synchronizer components, and components for planetary reduction sets.

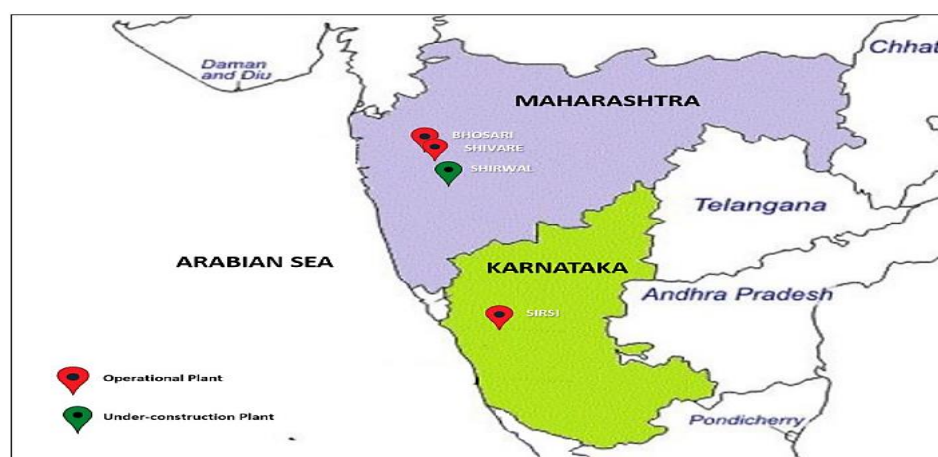
Transmission Component kit:

Manual Transmission	Dual Clutch transmission	Transfer Case	EV transmission
<ul style="list-style-type: none"> Aluminium Castings: clutch housing, main case, 	<ul style="list-style-type: none"> Aluminium castings Torque transfer 	<ul style="list-style-type: none"> Aluminium castings Torque Transfer 	<ul style="list-style-type: none"> Torque transfer components: Gears,

Manual Transmission	Dual Clutch transmission	Transfer Case	EV transmission
rear case etc • Torque Transfer Components: Gears, shafts, clutches etc • Synchronizers • Others: Shift Linkages, elastomers, Bearings, oil seals, fasteners, speedo sensors, reverse switch, gear indicators etc.	components • Synchronizers • Dual clutch • Electrohydraulic control unit • Sensor cluster • ECU/Software • Others: Oil pump, oil cooler, oil filter etc	components; Planetary gear set, strokets, output shafts • Electromagnetic Actuator • ECU/ software • Others: Elastomers, bearings, oil seals, shift linkages, fasteners	Shafts

MANUFACTURING UNITS

Divgi-TTS has 3 manufacturing and assembling facilities located at Sirsi in Karnataka, and Shivare and Bhosari near Pune in Maharashtra, with the manufacturing facilities at Shivare and Bhosari. and 1 under-construction manufacturing facility located at Shirwal. As on February 3, 2023, the construction of the facility at Shirwal, Maharashtra is 80% completed, and is expected to be fully completed by Fiscal 2024. They manufacture transmission, transfer case and synchroniser components at their facility in Sirsi. The Shivare facility houses grinding and superfinishing equipment to achieve standards in precision and accuracy, including those demanded by EV and DCT applications globally and transmission components. Their key customers in close proximity to their Bhosari and Shivare facilities include Tata Motors, Mahindra & Mahindra, an Indian automotive manufacturing company and Indian supplier to global automotive OEM.



Location, Owned/Leased Product Type	Installed Capacity (In Pieces)*				Production Volume (In Pieces)*				Capacity Utilisation (%)*			
	As of Sep' 30, 2022	For Fiscal			As of Sep' 30, 2022	For Fiscal			As of Sep' 30, 2022	For Fiscal		
	2022	2022	2021	2020	2022	2022	2021	2020	2022	2022	2021	2020
Bhosari – Leased												
A. Torq Transfer System												
- Transfer Case-ESOF	16,500	30,000	18,000	18,000	9,080	17,295	13,311	13,031	55.03	57.65	73.95	72.39
- Transfer Case- Mech	16,500	30,000	18,000	18,000	22,924	38,889	18,285	2,716	138.93	129.63	101.58	15.09
- ITM Coupler-Nextrac	11,550	23,100	NA	NA	2,369	1,464	96	47	20.51	6.34	NA	NA
Sirsi – Owned												
Synchronisers- Assembly	252,000	504,000	504,000	504,000	68,479	139,279	185,055	185,585	27.17	27.63	36.72	36.82
Components-Gears	729,300	1458,600	1312,740	1312,740	354,696	866,550	1141,546	1206,947	48.64	59.41	86.96	91.94
Shivare – Owned												
Torq Transfer System Auto Locking Hub	84,000	168,000	168,000	168,000	11,246	13,999	7,641	9,620	13.39	8.33	4.55	5.73
Components-Gears	294,000	588,000	529,200	449,820	154,931	200,617	83,112	153,989	52.70	34.12	15.71	34.23

COMPETITIVE STRENGTHS

- **Capability to develop and provide system level transfer case, torque coupler, DCT solutions and transmission systems for EVs across a wide array of automotive vehicles and geographies**

Given the complexity of the mechanical and electronic part integration, software development remains one of the defining fields in the automotive component development. Very few component suppliers as well as OEMs globally have the capability to develop these system integration software solutions in-house. The system level solution providers such as Divgi-TTS is likely to be highly valued by vehicle manufacturers globally. Divgi-TTS is amongst the very few automotive components entities in India who have the capability to develop and provide system level transfer case, torque coupler, DCT solutions as they have in-house software development capability.

They are amongst few companies who serve both as systems level solution provider as well as component kit supplier to global OEMs and Tier I transmission systems suppliers. This has helped them in offering customized solutions to their OEM customers in a cost-effective manner and become the leading supplier of transfer cases, torque couplers and steel synchronizers in India. The company actively collaborates with Europe's transmission engineering consulting firms like FEV and Hofer.

The company designs, develop, manufacture and supply engineered, turnkey solutions and components to automotive OEMs across India, USA, China, Korea and Russia, amongst others. They have developed transmission systems for EVs; DCT systems; and rear wheel drive manual transmissions. They are in the process of launching domestically manufactured DCT systems for the Indian market. Therefore, they will be the only manufacturer of DCT systems in India. They have been awarded a contract for the supply of EV transmission systems for one of the leading providers of EVs in India, and for supply of components for Hybrid Vehicles for a global OEM.

- **Strategically located manufacturing facilities capable of producing high precision components meeting system-level design intent**

Company's 3 facilities in India are located at Sirsi in Karnataka, and Shivare and Bhosari near Pune in Maharashtra equipped with advanced machinery and certain of their facilities are located in close proximity to their key customers. They manufacture transmission, transfer case and synchroniser components at their facility in Sirsi. Their facility at Shivare houses grinding and superfinishing equipment to achieve standards in precision and accuracy including those demanded by EV and DCT applications globally and transmission components. Their facility at Bhosari, which is the assembling, lab testing and packing unit for their manufactured components and systems, and their facility at Shivare are both strategically located in proximity to their key customers as well as the port for export located at New Mumbai.

They have implemented comprehensive production systems across their facilities which helps them improve workmen safety, quality control, inventory management, lean manufacturing process, flexibility to handle varying product mix and timely delivery on an on-going basis.

- **Long-term relationships with marquee domestic and global customers**

Divgi-TTS has strong and well-established relationships with several marquee domestic and global OEMs in the automobile sector such as Tata Motors, Mahindra & Mahindra and with global suppliers such as BorgWarner. They have been in continued business with BorgWarner, Tata Motors and Mahindra & Mahindra for over 2 decades. Their positioning as a system and solution provider entrenches them into the OEM eco-system, reduces the risk of purely price-based competition, and aids them develop a deeper interface with their customers' product development and senior management teams. With their track record and wide product portfolio, they have been able to retain their existing customers and have also been able to attract new customers.

- **Experienced board of directors and senior management team supported by skilled and qualified workforce**

Divgi-TTS is led by a highly experienced board of directors, and a professional and experienced management team with extensive experience in the automotive industry. Their Promoters Jitendra Bhaskar Divgi and Hirendra Bhaskar Divgi, had considerable experience in the automotive industry. Their Chairman, Praveen Purushottam Kadle has considerable experience in the automotive industry and they are benefitted from his extensive experience.

They are further supported by an experienced board of directors with diversified expertise. The large number of their senior management personnel have worked with them for a significant period of time. Their team comprises a strong and experienced team of skilled professionals across senior and mid-level management. Majority of their key managerial personnel have worked with them for over 10 years.

- **Consistent financial performance with focus on innovation and R&D capabilities**

The company focuses on continuous efficiency improvements, improved productivity and cost rationalization has enabled them to deliver consistent and strong financial and operational performance. Their business model is supported by stable and recurring revenues, with a consistent track record of revenue growth and profitability. They have established a track record of growth and financial performance with steady cash flows from their operations. Between Fiscal 2020 and Fiscal 2022, the profit after tax increased at a CAGR of 28.30%.

They have made investments in their R&D and in building production capacities for future growth. They have developed in-house capabilities to deliver evolving technologies for future mobility solutions, with an aggregate expenditure on R&D and royalty of ₹6.99, ₹ 22.92 crore, ₹ 12.47 crore and ₹ 5.83 crore and as a percentage of their total income were 5.08%, 9.48%, 6.39% and 3.41% for 6 months ended September 30, 2022, Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively. As of September 30, 2022, they had 26 on-roll employees engaged in R&D activities, representing approximately 12.68% of the total on-roll manpower.

KEY BUSINESS STRATEGIES

- **Capturing market opportunities in the growing EV space, and the fast-growing demand for automatic transmissions in the passenger UVs segment**

The market opportunities in the growing EV space are ample, as the global trend towards electrification of vehicles continues to surge. The key drivers of vehicle electrification includes environmental concerns and public awareness of the importance to reduce CO₂ emissions and other pollutants.

Divgi-TTS has awarded a contract for the supply of EV transmission systems for one of the leading providers of EVs in India, which will further their efforts in capitalising on the expanding EV space. As part of their growth strategy, they plan to increase their market share in both the Indian and overseas markets. They intend to enter into similar contracts with other customers across geographies.

The company intends to further leverage their presence in the increasing demand for automatics observed across the entire UV segment. Share of UVs has increased in the total PV industry. Penetration of DCT is expected to remain at the highest level in the compact UV and UV segments. Therefore, the size of DCT market is expected to grow at a CAGR of 27-30% to ₹26-28 billion in Fiscal 2027.

Currently OEMs in India are heavily dependent on imports for DCT. In India, Divgi-TTS is amongst the very few suppliers who have the capability to develop and provide system level transfer case, torque coupler, DCT solutions as the company has in-house software development capability. Once launched, they will be the only manufacturer of DCT systems in India. They have developed and are in the process of launching domestically manufactured DCT systems for the Indian market and are planning to localise and commercialise 7 Speed Dual Clutch Automatic Transmission. Further, they are evaluating development or in-licensing of an integrated electric drive unit which will help integrate powertrain and the drivetrain components.

- **Improve the market share and wallet share by increasing customer and geographic diversification**

The company aims to consolidate and strengthen their market share in domestic and global markets in their existing automotive powertrain solutions and products portfolio by leveraging their long-standing customer relationships to enter into new products and vehicle programs, expand into new geographies for existing customers and develop new customers. Their long-term relationship with well recognized OEMs and global suppliers, focus on tailor-made precision components, well-accepted processes and global delivery model will help them in such endeavours and will enable them to become the supplier of choice in the industry.

They have been able to discern emerging trends and proactively identify new segments of business over the past few years, enabling them to capitalize on an early mover advantage in certain segments. They intend to expand their reach through in-house efforts as well as through tie-ups, further bolstered by marketing agreements. They have and will continue to expand their global marketing team which will be complemented with tie-ups with consultants who have extensive experience in their local geographies.

Their comprehensive product portfolio and acceptance with large OEMs will help them expand their customer and geographical footprint.

- **Cost optimization through product engineering and localisation**

Company's components business offers them economies of scale which helps them optimize costs for their product systems and solutions. Their understanding of the vehicle dynamics through their engagement in product systems and solutions helps them offer components which are better suited to their customers.

The company continues to engage with their customers to re-engineer products which help achieve better operational and cost efficiencies. They have independently developed a cost-effective 32-bit processor for BorgWarner towards their transfer case application in replacement of their existing 8-bit technology. Offering quality products at competitive prices is a key aspect of maintaining and expanding their relationships with their customers. They intend to continue enhancing their operational efficiencies, to increase economies of scale, better absorb their fixed costs, reduce their other operating costs and strengthen their competitive position. They would focus on improving capacity utilization at their production facilities, through increase in their overall production volumes.

- **Continued focus on R&D to manufacture diverse products and expand into products to serve new and emerging trends**

Company's future growth depends on their ability to continue to design, develop and commercialize innovative, viable and sustainable new automotive systems and components in a timely and cost-effective manner, improve their existing systems and components, or to develop process improvements that can shorten production times, improve quality and cost efficiency.

The company aims to capture this growing trend by continuously investing in R&D to develop and deliver new and innovative systems and components. With OEMs continuously focusing on weight reduction in PVs and EVs to enhance the range, augment the vehicle's acceleration and improve overall efficiency, they aim to develop solutions and alternatives for improving the torque density and reducing the weight of their DCT systems and EV transmission units through their R&D efforts. They aim to leverage their core engineering competence to enter newer areas with similar technology intensity and margin profile such as defence applications and precision components for non-automotive segments.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2022)

Name of the Bank	Consolidated/ Standalone	Face Value	EPS		NAV	P/E*	RoNW (%)
			Basic	Diluted			
Divgi Torqtransfer Systems Ltd	Standalone	5	16.76	16.76	123.50	[•]	13.75
Listed Peers							
Sona BLW Precision forgings Ltd	Consolidated	10	6.22	6.21	34.23	73.52	18.07
Bosch Ltd	Consolidated	10	413.10	413.10	3,621.05	41.44	11.41
ZF Commercial Vehicle Control Systems India Ltd	Consolidated	5	74.90	74.90	1,114.57	124.83	6.72
Sundaram Fasteners Ltd	Consolidated	1	21.74	21.74	125.46	45.10	17.52
Endurance Technologies Ltd	Consolidated	10	32.75	32.75	278.68	44.61	11.75

Source: RHP; * P/E Ratio has been computed based on the closing market price of equity shares on NSE on February 1, 2023

Comparison of KPI with Listed Industry Peers (as of March 31, 2022)

Ratios	Divgi Torq Transfer Systems	Sona BLW Precision Forgings	Bosch	ZF Commercial Vehicle Control Systems India	Sundaram Fasteners	Enduranc Technologies
	Standalone	Standalone	Consolidated	Standalone	Consolidated	Standalone
Net Working Capital turnover Ratio	5.52	3.83	2.85	1.75	6.70	5.90
Current Ratio	4.40	2.46	1.94	3.92	1.58	2.40
Debt to Equity Ratio	0.00	0.04	0.01	-	0.29	(0.09)
Operating Cash Flow	51.08	395.38	269.30	138.26	401.18	548.92
Inventory Turnover Ratio	8.23	6.96	4.82	13.07	4.02	10.80

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