

BONFIGLIOLI TRANSMISSIONS LIMITED

Gearboxes, gear motors and drives | IPO Note | 12 October 2026

Issue 15–19 October 2026 · band ₹558–586 · lot 25 shares · ₹2,533.8 crore · anchor 14 October · allotment 21 October · listing 23 October, BSE and NSE

The band is ₹558 to ₹586. At the ₹586 cap the company is valued at ₹11,016.6 crore, 46.3 times CY2025 earnings, 40.6 times the last twelve months and 29.3 times CY2025 EBITDA after net cash. The four listed peers averaged 51.6 times on 28 September 2026; the cap sits 14% below Schaeffler India, the closest structural match, and 46% above Elecon Engineering, the closest product match. Every rupee of the ₹2,534 crore goes to the Italian parent, which is selling 100% through an offer for sale, and the company is a licensee: 6.5% of revenue — about 55% of CY2025 profit — leaves as royalty and service fees. Our call is **SUBSCRIBE — LONG TERM AND LISTING GAINS** (section 8).

1. The offer at a glance

Item	Detail
Total offer	Up to ₹2,533.8 crore at the cap, 100% book-built; 4,32,39,042 shares
Fresh issue / offer for sale	Nil fresh + 100% offer for sale — 0% of the money reaches the company; no monitoring agency required
Who is selling	Bonfiglioli S.p.A. (Italy), the parent — all 4,32,39,042 shares; average acquisition cost ₹6.77 per share
Price band · face value	₹558 to ₹586 · ₹10
Lot · minimum application	25 shares · ₹13,950 at the floor, ₹14,650 at the cap; retail maximum 13 lots (325 shares), ₹1,90,450 at the cap; employee reservation up to 50,000 shares with a ₹29 discount
Shares · market cap at the cap	18,79,95,834 shares before and after (no fresh issue) · ₹11,016.6 crore (18,79,95,834 × ₹586)
P/E at the cap	46.3× on CY2025 diluted EPS of ₹12.65 (₹11,016.6 cr ÷ ₹237.87 cr PAT); 40.6× on last-twelve-months PAT of ₹271.5 cr; EPS adjusted for the 1:2 bonus of January 2026
EV / EBITDA at the cap	29.3× CY2025 EBITDA (₹11,016.6 cr – ₹160.4 cr net cash = ₹10,856.2 cr ÷ ₹370.77 cr); 26.0× trailing
Price / book · market cap / revenue	10.7× June 2026 net asset value of ₹55.02 per share · 5.5× CY2025 revenue of ₹2,013.53 cr
Return on equity, CY2025	25.7% (CY2023 19.2%, CY2024 23.1%); return on capital employed 34.1%; no borrowings since CY2024; no credit rating disclosed
Allocation of the offer	QIB ≤ 50% (≈ ₹1,265.4 cr, of which anchor up to 60%) · NII ≥ 15% · Retail ≥ 35% (≈ ₹885.8 cr)
Listed peer P/E cited by the company	Four peers averaged 51.6× on 28 September 2026: Schaeffler India 53.7×, Timken India 57.7×, Elecon Engineering 31.6×, Shanthi Gears 63.4×
Promoter holding before / after	100% (including 10 shares held by six nominees) → 77.0% at the cap; free float 23.0%; no promoter shares pledged; no private equity or institutional holder pre-issue; 20% of post-offer capital locked in for 18 months
Timetable	Anchor 14 October · opens 15 October · closes 19 October (UPI mandate 5 pm) · allotment 21 October · refunds 22 October · listing 23 October 2026, BSE (designated) and NSE
Lead managers · registrar · auditor	Axis Capital, BNP Paribas, ICICI Securities, Jefferies India · MUFG Intime India · S.R. Batliboi & Associates LLP (remarks on audit trail, server back-ups, statutory-dues delays; no restatement adjustments)

Source: RHP cover, pp. 1, 37–38, 63, 67, 88, 90, 97, 99, 106, 109–112, 114. Price band, lot and employee discount per the company's price band announcement; allotment, refund and listing dates are tentative. Market cap = 18,79,95,834 shares × ₹586. EV deducts net cash of ₹160.4 crore at 31 December 2025 (p. 114). TTM = CY2025 + H1 2026 – H1 2025. Financial year ends 31 December. All multiples are our calculations, derivations shown in brackets.

2. What the business actually does

The one-paragraph answer

A gearbox is to a machine what the gears on a bicycle are to a rider. An electric motor spins very fast but with little force, like pedalling in top gear; a conveyor belt, a cement mixer or a 100-tonne excavator's turntable needs slow, heavy turning, like climbing a hill in first gear. The gearbox trades speed for force. Bonfiglioli Transmissions designs-in, machines, heat-treats and assembles these gearboxes and the motors attached to them, and sells about 11,800 different variants (p. 211). It is the Indian arm of Italy's Bonfiglioli group, selling to factories, to builders of construction machines and to wind-turbine makers.

The company was set up in 1998 by Bonfiglioli S.p.A. of Bologna, which reported group revenue of €1,173 million in 2025 and operates 18 plants in 80 countries (p. 205). In India it runs three plants: Thirumudivakkam near Chennai (since 1999, 11.63 acres; heavy machining, gear-cutting and heat treatment for wind and off-highway drives), Mannur near Chennai (2011; industrial gear motors and, since October 2025, electric motors) and Talegaon near Pune (2023; industrial gearboxes). Together they made 3,41,133 gear motors and gearboxes in CY2025 with 1,032 people (pp. 209, 234, 238). About 72.5% of CY2025 revenue was earned in India; the US is the largest export market at 15.5% (p. 227).

The single most important structural fact is the licence. The parent owns the technology, the “Bonfiglioli” trademark and the designs of products co-engineered with Indian customers; the Indian company holds a non-exclusive, one-year, auto-renewing licence to make and sell them in South Asia for a royalty of 6% of licensed sales (pp. 231–232). It also pays the parent for IT, finance, HR and other shared services, and has had no R&D expense of its own since the Chennai R&D centre was moved into a sister company in 2024 (p. 231). This is why the Indian company can sell a world-class product without world-class research spending — and why part of every rupee of sales leaves India before it reaches shareholders.

Not the whole Bonfiglioli group. Buyers of this IPO get the Indian manufacturing company only. The brand, the patents and the global R&D sit with the Italian parent; 17 sister companies worldwide make and sell the same kind of products (pp. 407–409).

The products, one at a time

Vertical	What it sells, in one line	Where it ends up	CY2025	% of revenue	H1 2026 growth
Industry & Automation	Gear motors and gearboxes for conveyors, mixers, cranes and process plants	Cement plants, pharma reactors, cranes, plastic extruders	₹824.4 cr	40.9%	+23.3%
Wind Industry	Yaw and pitch drives that steer a wind turbine and angle its blades	Turbine makers — Suzlon, Nordex, Senvion	₹634.8 cr	31.5%	+0.1%
Off-Highway Mobility	Track, swing and drum drives for excavators, mixers and road machines	Machine makers — JCB India, Schwing Stetter, CNH, Wirtgen, Ajax, Hyundai	₹507.1 cr	25.2%	+36.4%
Others	Export incentives, scrap and component sales	—	₹47.3 cr	2.3%	–20.9%
Total			₹2,013.5 cr	100%	+17.9%

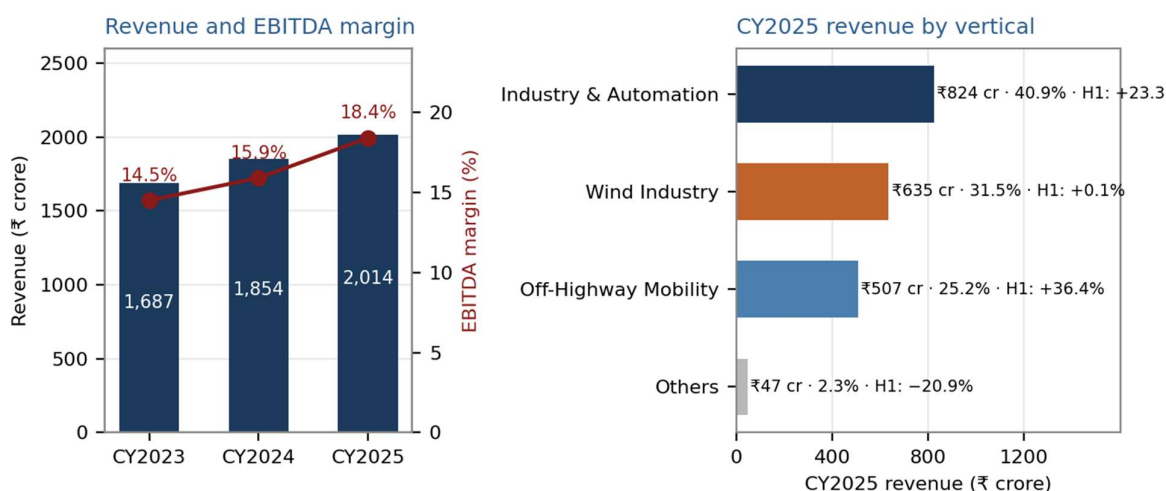
Source: RHP pp. 207, 230, 369–370. Where-it-ends-up column drawn from the RHP's product and customer descriptions. H1 2026 growth is the MD&A figure; p. 209 shows 12.43% for the same period (see section 7).

Industry & Automation (41%). The product is a cast-metal box the size of a shoebox to a small fridge, bolted to an electric motor — together a “gear motor.” It drives conveyor belts in cement plants, agitators in pharma reactors, hoists on cranes and extruders in plastic plants. If it fails, the line stops: a cement kiln feed or a bottling line can lose a shift's output while a replacement is found, which is why plant engineers buy proven brands and stock spares. Here the product is not unique — Indian and foreign makers compete hard, and the RHP itself describes the market as price-sensitive, naming SEW-Eurodrive, Elecon, NORD and Flender among rivals (p. 30) — so the advantages are breadth (13 Nm to 1,400 kNm of turning force), availability through 44 dealers (36 exclusive, 16 with the company for 20-plus years) and next-day service (pp. 215, 236). About 89% of this vertical is low-to-medium-duty gear motors; heavy-duty gearboxes are the remaining 11% and the target of a new Talegaon plant (pp. 218, 222). Revenue grew 7.8% in CY2025 and 23.3% in H1 2026.

Wind Industry (32%). A wind turbine has to face the wind and keep adjusting the angle of its blades. The yaw drive is a geared motor that turns the whole nacelle — the housing on top of the tower — towards the wind, like turning a weathervane by hand;

pitch drives tilt each blade, like a rower feathering an oar. If a yaw drive fails, the turbine cannot track the wind and stops earning; if a pitch drive fails in a storm, the turbine cannot shed load safely. Replacing one means bringing a crane to the top of the tower. That is why turbine makers co-engineer drives with a supplier over up to 30 months and rarely switch (pp. 215, 225). The company was first in India to make pitch drives for 1 MW through 5 MW turbines and has 67.9% of domestically made yaw and pitch drives (p. 214). Customers include Suzlon (20 years), Nordex and Servion; the largest wind customer is in the United States (pp. 227, 230). Revenue rose 5.9% in CY2025 and was flat in H1 2026 as US installations were delayed (p. 370).

Off-Highway Mobility (25%). Inside every excavator's tracks sits a track drive — a compact planetary gearbox, like a set of gears inside a tin, that turns hydraulic power into crawling force; another, the swing drive, rotates the cab. Concrete mixer trucks use a drum drive to keep the drum turning. If one fails on site, the machine stands idle and the contractor loses the day's work. Designs are co-engineered with each machine maker over about 25 months, after which the customer would need to re-test a substitute (p. 225). Customers include JCB India (15 years), Schwing Stetter (16), CNH, Wirtgen, Ajax and Hyundai (p. 230). The intellectual property in these co-engineered drives stays with the Bonfiglioli group (p. 225). Revenue rose 16.4% in CY2025 and 36.4% in H1 2026 on new programmes linked to customers diversifying their supply chains (pp. 369–370).



Revenue and EBITDA margin, CY2023–CY2025 (EBITDA excludes other income), and CY2025 revenue by vertical with H1 2026 growth. Source: RHP pp. 67, 114, 207, 369–370.

How the money is actually made

Most revenue comes from repeat orders under framework agreements, annual contracts and purchase orders, with formula-based price clauses that pass raw-material changes through to OEMs, though with a lag (pp. 27, 365). Direct sales to OEMs were 63% of CY2025 revenue, dealer sales 19% and sales to Bonfiglioli sister companies abroad 15%, rising to 20% in H1 2026 (p. 228). The RHP does not split revenue between new machines and replacement parts; with OEMs as the main buyers, this is predominantly new-equipment demand. Receivables run at about 94 days of sales (p. 114).

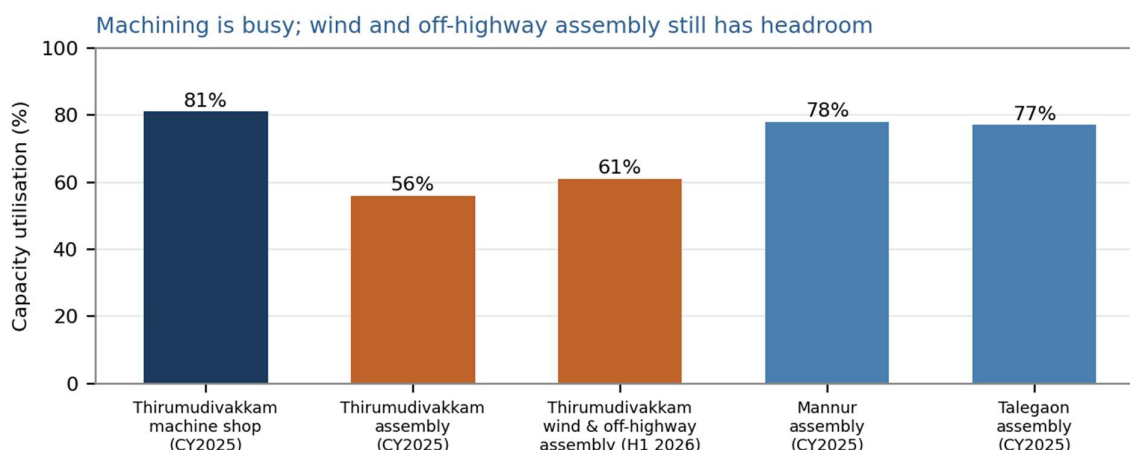
Concentration is moderate and has crept up: the largest customer was 7.5% of revenue in CY2023 and 11.4% in CY2025 (9.4% in H1 2026), the top five 23.4% rising to 28.8% (25.3%), and the top ten 32.8% rising to 36.6% (31.7%). India's share of revenue fell from 76.2% to 72.5% (70.0% in H1 2026) as the US share rose from 9.5% to 15.5% (14.2%) (pp. 27, 227–228). Sales to group companies were 16.1%, 15.0% and 15.2% of revenue in the three years.

This is a company run by professionals under a parent. Kennady Kaippally, a production engineer with 30-plus years at Ashok Leyland, Delphi and Federal-Mogul, has been Managing Director since 2010; Gatham Anandhan Balaji, a chartered accountant with the company since 2000, is the CFO. Sonia Bonfiglioli, 62, promoter and chairwoman of the group, is a non-executive director with two group nominees. The board has eight directors — two executive, three non-executive nominees and three independent — and the independent chairperson, Ravindra Pisharody, 70, has served since 2018; the other two independents joined in February 2026, one of them a former director of Schwing Stetter and Ammann India, both named customers (pp. 230, 255–258, 274). Five directors, including the independent chairperson, also sit on the board of sister company Bonfiglioli Drive Solutions, from which the company is acquiring land (p. 26). The parent itself is 69.54% owned by BON-FI S.r.l., controlled by Sonia and Luciano Bonfiglioli (p. 208).

The physical shape of the company

Thirumudivakkam, Tamil Nadu is owned (11.63 acres) and does the heavy work for wind and off-highway drives: machining, gear-cutting and heat treatment. Mannur, Tamil Nadu (3.50 acres, leased) makes industrial gear motors and, since October 2025, electric motors; its lease deed is not adequately stamped or registered. Talegaon, Maharashtra (10.50 acres, MIDC lease) makes industrial gearboxes, and an adjacent plot is planned for heavy-duty gearboxes, with the land being transferred from a sister company (pp. 232–235, 240, 27). About 70% of materials by value are bought in India, up from 65% in CY2023; 15% of purchases come from the Italian sister company Bonfiglioli Riduttori (pp. 79, 237–238). Revenue per person is about ₹1.95 crore.

Utilisation has risen at every plant since CY2023. In CY2025 the Thirumudivakkam machine shop ran at 81% and its assembly at 56%; Mannur assembly ran at 78% and Talegaon assembly at 77%. Wind and off-highway assembly at Thirumudivakkam was at 61% in H1 2026 (p. 233), so the busy parts of the company are the machine shop and the industrial lines, and the headroom is in the wind and off-highway assembly where the growth is meant to come from.



Capacity utilisation by plant and shop. Source: RHP pp. 232–235, 240, 233.

How it got here

Revenue rose 9.9% in CY2024 and 8.6% in CY2025 to ₹2,013.53 crore, from ₹1,687.33 crore in CY2023 — 9.2% a year over two years, almost entirely organic; the December 2025 purchase of a sister company's gear-component business for ₹21.4 crore was pooled and comparatives restated (p. 341). EBITDA excluding other income rose 52% in two years, from ₹243.89 crore to ₹370.77 crore, and the margin from 14.5% to 18.4% (19.8% in H1 2026). The expansion came from gross margin — 35.8% to 37.9% as more parts were bought in India — and from operating leverage on flat other expenses, so it should largely hold (p. 373). Profit after tax rose from ₹146.67 crore to ₹237.87 crore, 27.4% a year; H1 2026 PAT rose 29% on 18% revenue growth. CY2024 tax was unusually low at 21.8% after a prior-year credit (p. 67). CY2024 and CY2025 revenue include one-off transfer-pricing secondary adjustments of ₹14.1 crore and ₹8.0 crore (p. 373).

The balance sheet is clean: the company repaid ₹111 crore of borrowings in CY2024 and has had none since, and net cash has stayed near ₹140–160 crore (₹160.4 crore at CY2025). Net worth rose from ₹801.4 crore to ₹993.0 crore (₹1,034.3 crore in June 2026), held back by dividends. Fixed assets barely moved (₹276 crore to ₹282 crore including work in progress), so every rupee of plant produced ₹7.15 of sales in CY2025. The pressure point is receivables: ₹517.7 crore at CY2025, up 27% against 8.6% revenue growth, with receivable days of 94 against 80 a year earlier, while inventory days improved from 112 to 93 and payable days shortened from 121 to 97. Inventory rose to ₹377.6 crore by June 2026. Loans of ₹13.0 crore to sister company Bonfiglioli Technology Space were outstanding at June 2026 (pp. 66, 78, 114).

3. What makes it different — and where it doesn't

The company advances five claims. They do not all survive equally.

Leadership in three separate niches is real, where the product is co-engineered. Frost & Sullivan places the company first in low-to-medium-duty gear motors (25%), first among independent off-highway drive suppliers (32%) and first in domestically made yaw and pitch drives (67.9%) (p. 206). A competitor would need a decade of dealer-building in industry and 25–30 months of co-engineering per machine platform in wind and off-highway. The caveat is ownership: the intellectual property in the co-

engineered drives stays with the Bonfiglioli group (p. 225). Verdict: a real barrier in wind and off-highway (57% of revenue); a head start in industrial gear motors (41%), where price competition is open.

Margins rising on localisation and mix are real and repeatable, for now. Material cost fell from 63.6% to 62.1% of revenue in CY2025 as more parts were bought in India, and gross margin rose from 35.8% to 37.9% over CY2023–25 (pp. 67, 373). In-house electric motors from October 2025 cut lead time from 12 weeks to four (p. 219). The company's own risk factors note its margins were the lowest among listed peers in CY2023–24 (p. 44), so the gap is closing from below. Verdict: real, while localisation continues.

A global brand and R&D it does not have to fund is a genuine advantage, priced in the royalty. The group's seven R&D centres, the only Indian test rig for wind yaw and pitch drives and a 70-year brand are available for a royalty of 6% of licensed sales plus service fees (pp. 209, 231). New products launched in the past three years made up 35.7% of CY2025 revenue (p. 231). But the licence is non-exclusive, runs for one year and can be ended by either side with three months' notice before any year-end (pp. 24–25). Verdict: an advantage for the business; the question for shareholders is whether the price stays fixed.

Debt-free, high-return and spare capacity is real. The company repaid ₹111 crore of borrowings in CY2024 and has had none since; return on capital employed was 34.1% in CY2025 (pp. 66, 114). Wind and off-highway assembly at Thirumudivakkam ran at 61% in H1 2026 (p. 233), so growth does not need heavy new capex. Verdict: real.

Customers that stay are a head start, reinforced by co-engineering lock-in. Every one of the top ten industrial customers and eight of the top ten off-highway customers have bought for more than ten years (p. 206); Suzlon has been a customer for 20 years and JCB for 15 (p. 230). Verdict: a head start.

Industrial gear motors are not differentiated in the same way. Indian and foreign makers compete on price, the RHP names SEW-Eurodrive, Elecon, NORD and Flender (p. 30), and the company's edge is breadth, 44 dealers and next-day service — useful, but not a lock-in.

The competitor's view

A well-briefed rival would say this: Bonfiglioli holds the co-engineered programmes in wind and off-highway and I cannot economically displace a drive that took 25 to 30 months to qualify. But it does not own what it sells. The licence is non-exclusive and one year at a time, it holds no registered patents or trademarks of its own (p. 406), and 6.5% of every sale goes to Italy before dividends. Fifteen to twenty per cent of its revenue is sales to its own sister companies, wind was flat in the first half of 2026 while US installations slipped, and in industrial gear motors it meets SEW-Eurodrive, Elecon, NORD and Flender on price. Its operating cash flow has not grown in two years. So we meet on level ground in industry, and in wind and off-highway the question is not whether it can be displaced but what the parent chooses to charge.

The honest summary

Roughly 57% of revenue — wind and off-highway drives, co-engineered with customers over up to 30 months — is protected by switching costs and would be hard for a newcomer to take. About 41% — industrial gear motors — is a competitive, price-sensitive market where the company wins on breadth and service. The strategic question is not whether the franchise is real. It is how much of its economics the company keeps: royalty and service fees were ₹131.6 crore in CY2025, 6.5% of revenue and about 55% of profit after tax, and the licence they buy is renewed annually.

4. The industry

Frost & Sullivan, in the study prepared for this offer, sizes India's industrial gearbox market at ₹4,040 crore in FY2026 and industrial gear motors at ₹2,965 crore, growing 7.5% and 8.0% a year to FY2031 (pp. 151, 156). Off-highway drives are ₹1,950 crore, growing 9.6%, led by excavators and concrete equipment; wind turbine drives are ₹935 crore, growing 9.9% (pp. 168, 178). Together, ₹9,890 crore today and ₹14,730 crore by FY2031 — about 8.3% a year, slower than the roughly 11% nominal GDP growth implied by F&S's own forecast of ₹346.5 lakh crore in FY2026E rising to ₹579 lakh crore by FY2031 (p. 134). The industrial gearbox market is concentrated in cement, steel and sugar; the company's CY2025 revenue of ₹2,014 crore spans all four pools, so its ranking holds by vertical, not as one market.

Demand is physical. Every new cement line, steel rolling mill, warehouse conveyor, excavator and wind turbine needs gearboxes. Growth therefore depends on capex cycles more than on share gains — and on wind, which F&S expects to grow about 15% a year in India through 2030 (p. 176).

Three Indian policies help. The 14-sector PLI framework, with an approved outlay of about ₹1.91 lakh crore, had attracted over ₹2.16 lakh crore of investment by December 2025 (p. 135) — factories that need drives. SECI wind and round-the-clock

renewable auctions underpin turbine demand (p. 218). And the push for higher-efficiency IE2/IE3 motors, which the company now makes at Mannur under BIS certification, favours integrated gear motors over older belt-and-pulley set-ups (p. 235). Against that, the US opened a Section 232 national-security review of imported wind turbines and their components in August 2025 (US Commerce Department notice, 21 August 2025); with the US at 15.5% of revenue, any tariff outcome bears directly on the wind vertical.

The domestic datapoints point both ways. The Ministry of New and Renewable Energy reported a record 6.05 GW of wind capacity added in FY2026, up 46%, taking India past 56 GW (MNRE, 6 April 2026) — each new turbine carries one yaw-drive set and three pitch drives. Off-highway is the counterweight: ICEMA reported domestic construction-equipment sales down about 7% in FY2026 even as exports rose 32% (ICEMA, May 2026). The company's off-highway growth of 36% in H1 2026 therefore came from new programmes and export-linked supply, not from a buoyant Indian machine market.

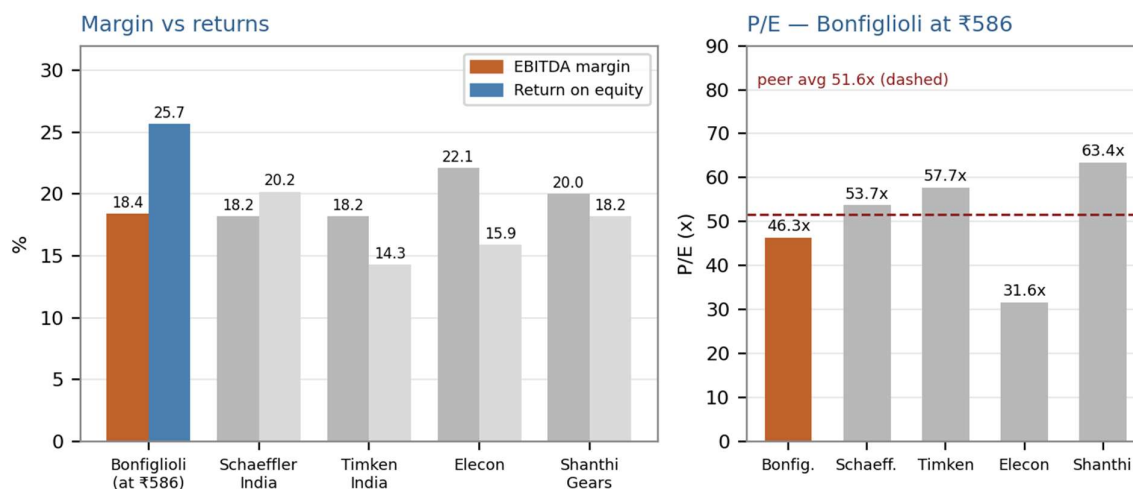
One number sits awkwardly against the growth story. The company's CY2025 revenue of ₹2,014 crore is already about a fifth of the ₹9,890 crore total pool, so growing well above 8–10% a year needs exports, heavy-duty gearboxes and electrification — not just the Indian market rising.

Verdict: tailwind, steady rather than spectacular; above-market growth must come from new products and exports.

5. Peer comparison

Latest FY	Revenue (₹ cr)	EBITDA margin	PAT margin	RoE	Net debt (₹ cr)	P/E	EV/ EBITDA	Comparable on... / not on
Bonfiglioli (at ₹586)	2,014	18.4%	11.8%	25.7%	(160)	46.3×	29.3×	—
Schaeffler India	9,686	18.2%	11.7%	20.2%	(1,791)	53.7×	34.0×	European parent, wind and off-highway exposure / 5× larger, bearings-led
Timken India	3,478	18.2%	11.8%	14.3%	(261)	57.7×	37.4×	US parent, power transmission / bearings-led
Elecon Engineering	2,366	22.1%	13.9%	15.9%	60	31.6×	20.7×	Indian gearbox maker / heavier duty, owns its IP
Shanthi Gears	519	20.0%	14.2%	18.2%	(75)	63.4×	46.0×	gears and gearboxes / much smaller
Peer average		19.6%	12.9%	17.1%		51.6×	34.5×	

Source: RHP pp. 110, 112, 119 (peer data for the year to 31 March 2026; Schaeffler and Bonfiglioli to 31 December 2025). P/E on NSE closing prices of 28 September 2026. Peer EV/EBITDA is derived (market value = P/E × PAT, plus net debt, over EBITDA) and is directional only; negative net debt means net cash.



EBITDA margin, return on equity and P/E against the company's named listed peers. Source: RHP pp. 110, 112; Bonfiglioli P/E at the ₹586 cap is our calculation.

The multiples, with workings. Market cap of ₹11,016.6 crore (18.80 crore shares × ₹586) over CY2025 PAT of ₹237.87 crore gives 46.3× — matching ₹586 ÷ EPS of ₹12.65 from the basis of offer price (p. 109). On last-twelve-months PAT of ₹271.5 crore

it is 40.6×. Less ₹160.4 crore of net cash, the enterprise value of ₹10,856 crore is 29.3× CY2025 EBITDA of ₹370.8 crore, or 26.0× trailing. Price to June 2026 book is 10.7×. No pro-forma adjustment applies: no fresh capital, no debt to repay.

Is the gap explicable? Margins now sit in line with Schaeffler and Timken but below Elecon, because 6.5% of revenue goes to the parent as royalty and fees — add that back and EBITDA margin would be about 25%. Returns are the best in the set, at 25.7% against 14–20%, because the asset base is light and the technology is rented rather than built. That is not leverage: Bonfiglioli holds net cash. It is the licence model, and its cost is the line the margin does not show.

The two-horizon argument. For the listing window, the narrow comparison is Schaeffler India — like Bonfiglioli, the listed Indian arm of a European engineering group — at 53.7×; Bonfiglioli at 46.3× leaves a 14% gap, 10% below the 51.6× peer average, and on EV/EBITDA it is 15% below the peer average. For the long term, if profit compounds at the CY2023–25 rate of 27%, CY2028 PAT would be about ₹492 crore and the cap price about 22 times that — illustrative arithmetic, not an estimate; at a more conservative 15%, about 30 times. Against Elecon, which owns its technology, the premium is steep (46% dearer at 31.6×), and the comparison is directional because no listed peer has the same mix of industrial, wind and off-highway exposure.

6. Issue size and use of funds

Object	₹ crore	% of offer	Deployment
Offer for sale — Bonfiglioli S.p.A. (4,32,39,042 shares)	≈ 2,533.8	100%	To the selling shareholder
Fresh issue to the company	Nil	0%	—
Total	2,533.8	100%	

Source: RHP pp. 1, 106. Offer expenses other than listing fees are borne by the selling shareholder.

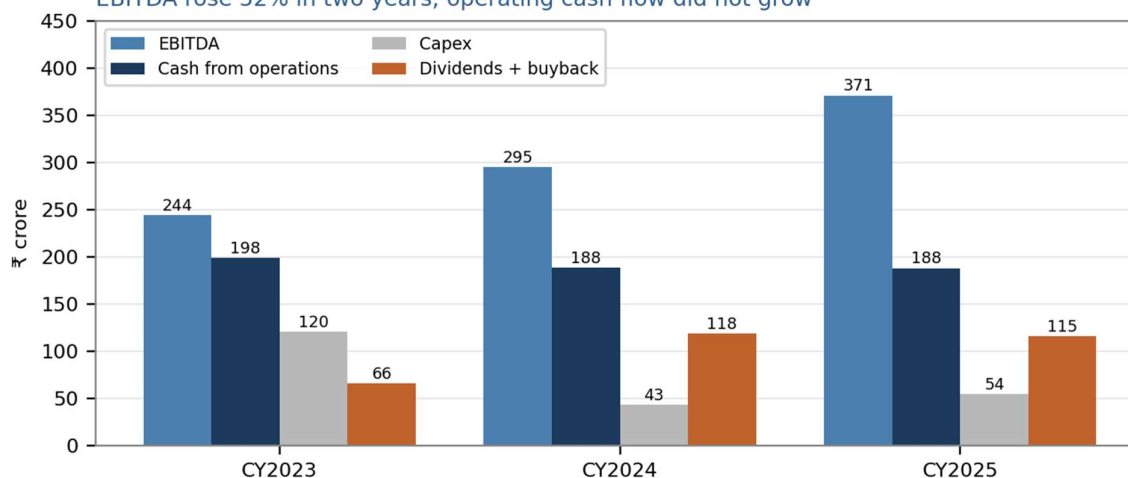
Of every rupee investors pay, none reaches the company; all of it goes to the Italian parent, whose average cost is ₹6.77 a share (p. 1). The stated purpose is listing benefits (p. 106), and no monitoring agency is needed because no proceeds are deployed (p. 90). The company's own growth — the heavy-duty gearbox plant at Talegaon and electric-motor localisation — will be funded from internal cash; the Talegaon land is being transferred from sister company Bonfiglioli Drive Solutions, a related-party transaction (pp. 26, 218). Promoter shares equal to 20% of post-offer capital are locked in for 18 months (p. 99).

After the offer the public will hold 23%, below the 25% minimum public shareholding that listed companies must reach under the Securities Contracts (Regulation) Rules, so the parent will need to sell at least another 2% within the permitted period — a known, modest overhang. With no new money coming in, future capacity — the heavy-duty plant, more motor lines — must come out of free cash flow, ₹133.7 crore in CY2025, the same pool that funds dividends to the parent.

The parent has taken cash out steadily: ₹409 crore of dividends and a buyback since CY2023 (₹65.6 crore, ₹118.4 crore, ₹115.3 crore and ₹110.0 crore in H1 2026), plus royalty and service fees of ₹131.6 crore in CY2025 alone (pp. 70, 79, 82). In CY2025 dividends plus royalty and fees came to about ₹247 crore against profit after tax of ₹237.9 crore. In May 2024 the company bought back 57.9 lakh shares from its sole owner at ₹124.30 each — ₹82.87 after the January 2026 bonus — valuing the company at about ₹1,630 crore (p. 95); the cap price is 7.1 times that adjusted buyback price. A buyback between a company and its only shareholder is not a market price, but it is the last price at which the parent dealt in these shares.

Cash from operations was ₹198.2 crore, ₹188.4 crore and ₹187.7 crore in CY2023–25 — flat for three years while EBITDA rose 52%. That is 81%, 64% and 51% of EBITDA, falling every year; before tax, conversion fell from 105% to 71%. The reasons are visible: receivables absorbed ₹108 crore in CY2025 alone, and other assets ₹33 crore (p. 69). The company also discounts some receivables with customers for early payment, which shows up in finance costs (p. 370). H1 2026 recovered to 58% of EBITDA, but inventory rose ₹58 crore. Capital expenditure was ₹120.1 crore, ₹43.1 crore and ₹54.0 crore, so free cash flow was ₹78.1 crore, ₹145.3 crore and ₹133.7 crore (pp. 69–70). This divergence is the most important financial number to watch.

EBITDA rose 52% in two years; operating cash flow did not grow



EBITDA, cash from operations, capital expenditure and dividends plus buyback, CY2023–CY2025. Source: RHP pp. 67, 69–70, 114.

7. What we would want answered

#	The question	What the documents show
1	Why has cash conversion fallen every year while profit has risen?	Cash from operations was 81%, 64% and 51% of EBITDA in CY2023–25 and ₹198.2 crore, ₹188.4 crore and ₹187.7 crore in absolute terms (p. 69). Receivables rose 27% in CY2025 on 8.6% revenue growth, receivable days went from 80 to 94, and the company discounts some receivables for early payment (pp. 66, 114, 370). H1 2026 recovered to 58% of EBITDA, but inventory rose ₹58 crore. Why it matters: if conversion does not recover, dividends to the parent will outrun free cash flow. What would settle it: receivables ageing, the volume of receivables discounted, and receivable days for group companies separately from third parties.
2	How secure is the licence, and will the royalty stay at 6%?	The licence is non-exclusive, runs for one year and can be ended by either side with three months' notice before any year-end (pp. 24–25). The company holds no registered patents or trademarks of its own (p. 406). Royalty was ₹88.8 crore in CY2025; with service fees, royalty and fees were 7.0%, 6.7% and 6.5% of revenue in CY2023–25 and 6.8% in H1 2026 (pp. 79, 82). Why it matters: a higher rate or narrower licence would hit margins directly, and the fees do not fall in a downturn. What would settle it: the licence term and renewal history, the basis on which service fees are charged, and any board commitment to cap parent charges as a share of revenue.
3	How are prices on sales to, and dealings with, group companies set and reviewed?	Sales to group companies were 20% of H1 2026 revenue (p. 228); related-party expenses were 32.7% of total expenses (p. 25); the company advanced ₹24.1 crore to a sister company in H1 2026, with ₹13.0 crore outstanding at June 2026 (pp. 66, 78). A transfer-pricing order for AY2023-24 has been passed with final assessment pending (p. 401), and revenue includes transfer-pricing secondary adjustments of ₹14.1 crore and ₹8.0 crore (p. 373). Land for the heavy-duty plant is being transferred from a sister company whose board shares five directors with the company (p. 26). Why it matters: the parent sets the royalty, fees and transfer prices, and a 23% public float depends on the independent directors to police them. What would settle it: the pricing policy for group sales, benchmarking studies and the status of the transfer-pricing assessment.
4	What is the real size of the GST exposure?	A show-cause notice of 25 August 2026 alleges ₹31.7 crore of ineligible input tax credit — 13% of CY2025 profit — which the company has challenged in the Madras High Court (p. 401). It post-dates the June 2026 contingent-liability table, which shows only ₹3.1 crore (p. 72). Why it matters: the notice is more than ten times the disclosed contingent liability. What would settle it: the High Court's ruling and the company's assessment of the probable outcome.

#	The question	What the documents show
5	Why do different parts of the RHP give different customer and growth figures?	The business chapter states the top ten customers were “less than 31.72%” of revenue in every period (pp. 207, 215), while its own table shows 35.58% for CY2025 (p. 229) and the risk factors show 36.60% on a different base (p. 27). H1 2026 revenue growth is shown as 12.43% on p. 209 and 17.86% in the MD&A (p. 369). Why it matters: concentration and growth are two of the numbers an investor leans on most. What would settle it: the basis of each computation and a corrigendum to the figure that is wrong.
6	Why are there gaps in audit and corporate records?	S.R. Batliboi reported that the audit trail was not enabled for certain transactions in CY2024–25 and back-ups were not kept on servers in India; CARO noted delays in statutory dues and an observation on audit-committee approval of related-party transactions in CY2025 (pp. 37–38). Incorporation and early allotment filings with the RoC cannot be traced (p. 30), and the Mannur lease deed is not adequately stamped or registered (p. 240). Why it matters: none moves the valuation, but they sit alongside heavy related-party dealings. What would settle it: confirmation that the audit trail and India back-ups are now in place, and the lease deed stamped and registered.

None of these is an allegation. Each is a gap between two disclosures, or between a disclosure and a fact, that the company is in a position to close. Set against them, several things that often go wrong in a first-time issue are clean here: the company has no borrowings and has had none since CY2024, no promoter shares are pledged, the auditor made no restatement adjustments, and the 20% lock-in on promoter shares runs for 18 months.

The three that matter most

- **The cash conversion gap.** Receivables ageing and the volume discounted would show whether CY2025's 51% of EBITDA was timing or a structural change in how the company is paid.
- **The royalty and fee terms.** A board-level cap on parent charges as a share of revenue, and the licence term, would fix the single largest claim on profit.
- **Group-company pricing.** The pricing policy for group sales, the transfer-pricing assessment and the Talegaon land terms would show whether the related-party weight is at arm's length.

8. Bottom line

Two things have to go right. Cash conversion has to recover towards its CY2023 level: operating cash flow of 51% of EBITDA cannot fund both growth and dividends for long, and a CY2026 figure above 65%, with receivable days below 85, would show CY2025 was timing, not a trend. And the parent's charges have to stay where they are: royalty plus service fees at or below 6.8% of revenue and no change to the 6% licence rate, because the returns are high precisely because the technology is rented, and the rent has been stable at 6–7% of revenue.

Two things would break it. A rise in the royalty rate or service fees above 7% of revenue, a second year of operating cash flow below 55% of EBITDA, or an adverse ruling on the ₹31.7 crore GST notice would each undermine the quality of earnings. And US wind exposure: the US is 15.5% of revenue and home to the largest wind customer, wind revenue was flat in H1 2026, and a Section 232 review of imported wind components is open. On the upside, cash conversion back above 75%, a heavy-duty gearbox plant at Talegaon that opens without new related-party charges, and wind exports recovering as US installations resume would improve the case.

Three things to watch after listing, with the number that settles each:

- **Cash conversion.** CY2026 cash from operations above 65% of EBITDA (CY2025: 51%), with receivable days below 85 (CY2025: 94).
- **Parent charges and margin.** Royalty plus service fees at or below 6.8% of revenue in CY2026 (H1 2026: 6.8%), no change to the 6% licence rate, and EBITDA margin excluding other income at or above 18.4% (CY2025).
- **Wind recovery and the GST notice.** H2 2026 wind revenue above ₹325 crore (CY2025 wind of ₹634.8 crore less H1 2025 of ₹309.2 crore) as US deliveries resume, and the outcome of the Madras High Court writ on the ₹31.7 crore notice.

On price, ₹558–586 is fair to full, not cheap. At the cap the company is 46.3 times CY2025 earnings and 29.3 times EBITDA — 14% below Schaeffler India, 10% below the 51.6 times peer average, and 46% above Elecon, which owns its technology. Two things support the price: it is debt-free with ₹160 crore of net cash, earns 25.7% on equity, and leads three Indian niches that

grow with factories, construction and wind. Against it: not a rupee reaches the company, 55% of profit goes to the parent as royalty and fees, and cash conversion has fallen every year. A recognised global brand, four large bookrunners and a discount to the closest structural comparable make for a firm debut, which is why we would subscribe for listing gains; the case for holding rests on cash conversion and parent charges, which are visible every quarter.

Who this suits. Investors who want a debt-free, well-run engineering franchise riding India's factory, construction and wind build-out, and who accept that a European parent controls the technology and takes a fixed slice of sales. **Who it does not.** Anyone who wants the company to own its intellectual property, or who prices Indian gearbox makers on Elecon's multiple.

RECOMMENDATION: SUBSCRIBE — LONG TERM AND LISTING GAINS. Investors who apply only for the listing should note that the case does not rest on a cheap price; those holding for the long term should judge the stock on cash conversion and parent charges rather than on reported profit alone. Before adding beyond a starter position we would ask management whether the board will commit to a cap on royalty and service fees as a share of revenue, what share of revenue is replacement and spares rather than new equipment, and how prices on sales to group companies are set and reviewed.

Prepared from the Red Herring Prospectus dated 9 October 2026, Frost & Sullivan (28 September 2026, as reproduced in the RHP), the Ministry of New and Renewable Energy (6 April 2026), ICEMA (May 2026), the US Department of Commerce (21 August 2025), the company's price band announcement and other publicly available information, as attributed. Not investment advice. No target price appears in this note; the rating is a subscription call only. Grey-market premia are unofficial, unregulated and excluded from this note.

Annexure — Disclosures

Disclaimer — About the Research Analyst

Krijuna Research and Analytics (hereinafter referred to as the “Research Analyst” or “RA”) is a registered SEBI Research Analyst under the SEBI (Research Analysts) Regulations, 2014, having Registration No. INH000014881. Below are the brief details:

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General disclosure

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