

Advance Technoforge IPO

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- The company is engaged in the manufacturing and marketing of forged steel machined components of carbon steel, alloy steel and stainless steel for user industry.
- It posted almost static top lines for the reported periods, with static capacity utilization.
- Boosted profits for FY26 appears inflated one to fetch fancy valuations for the IPO.
- Based on its recent financial data, the issue appears aggressively priced.
- There is no harm in skipping this pricey and dicey IPO.

About the Company

Advance Technoforge Ltd. (ATL) is primarily engaged in manufacturing of forged steel machined components of Carbon Steel, Alloy Steel and Stainless Steel, specializing in Closed Die Forging, Upset Forging and Ring Rolling Forging in both rough and precision machined conditions. It is supplying these products to automotive, General engineering, oil & gas, Earth Moving and heavy machinery industries. ATL is manufacturer of products supplying original equipment manufacturers (OEMs) in Automotive, oil and gas industries, earth moving equipment, railway etc.

The Company was incorporated as a private company in August 2013. It is manufacturing and supplying quality and complex components according to customers specifications. It has been producing forged and precision machined parts for supplying in International & Domestic market. The company manufactures precision machined components as per customer specifications and International Standard catering to the requirements of various industries such as Automobiles, Industrial Valves & Pumps, Earth Moving and Agriculture Equipment, Power Transmission, Construction and Batching Machinery Parts, EGR Coolers and Heat Exchangers Parts, Electric Transmission and Switch Gears and other related industries.

It is among the few companies in India with the capability to manufacture and supply high precision safety critical components to leading OEMs including manufacturers of parts for commercial vehicles, farm equipment, off highway and industrial equipment and machinery for oil and gas, power generation, railways and industries. Some of its common running components or products are made of Carbon Steel, Low Carbon Steel, Alloy Steel, Bearing Steel, Free Cutting Steel, Austenitic Stainless Steel.

The Company complies with international standards like IATF 16949:2016 for Automotive part supply, ISO 9001:2015 for General Quality management system, PED-2014/68/EU & AD 2000 W0 for Pressure containing parts manufacture, IBR 1950 for Boiler part manufacture, D&B Certificate, ZED Gold Level

Certificate etc. and strives to deliver quality products to the customers. As of June 30, 2026, it had 205 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden IPO of 2529600 equity shares of Rs. 10 each at a fixed price of Rs. 95 per share to mobilize Rs. 24.03 cr. The minimum application to be made is for 2400 shares and in multiples of 1200 shares thereon, thereafter. The issue opens for subscription on July 27, 2026 and will close on July 29, 2026. The shares will be listed on BSE SME. The IPO constitute 28.01% of the post-IPO paid-up capital of the company. The company is spending Rs. 3.60 cr. for this IPO process, and from the net proceeds, the company will utilize Rs. 7.19 cr. for capex purchase and installation of machinery for manufacturing of prevision machine components at its existing premises, Rs. 7.25 cr. for working capital, Rs. 2.40 cr. for repayment/prepayment of certain borrowings, and Rs. 3.59 cr. for general corporate purposes. The offer document has error of repayment/prepayment data as on page no. 85 is shows Rs. 2.40 cr. and on page no 86 it shows Rs. 2.30 cr. It is paying 14.98% of its IPO size for its process, indicating fully structured nature of the issue.

The IPO is solely lead managed by Sun Capital Advisory Services Pvt. Ltd., KFin Technologies Ltd. is the registrar to the issue and JSK Securities and Services Pvt. Ltd., is the market maker. The IPO is underwritten to the tune of 15.04% by Sun Capital Advisory and 84.96% by Prabhat Financial Services Ltd.

After issuing entire initial equity capital at par value, the company issued bonus shares in the ratio of 12 for 1 in September 2024. The average cost of acquisition of shares by the promoter's is Rs. 0.77, Rs. 2.64, Td. 2.68, and Rs. 2.86 per share.

Post-IPO, company's current paid-up equity capital of Rs. 6.50 cr. will stand enhanced to Rs. 9.03 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 85.78 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted total income/ net profit, of Rs. 48.24 cr. / Rs. 1.71 cr. (FY24), Rs. 51.16 cr. / Rs. 2.70 cr. (FY25), Rs. 50.73 cr. / Rs. 4.06 cr. (FY26). The company posted almost static top lines on an average, but marked boosted bottom line for FY26, that raise eyebrows and concern over its sustainability as it is operating in a highly competitive and fragmented segment. Its outperformance over the listed peers raises eyebrows.

Company's capacity utilization for the last three fiscals is on an average 49.13%, that raise alarm. Its trade receivables were above 57% for FY24 and FY25, but it got reduced to 48.65% for FY26, but still at a high level of about 50+% as projected for coming two fiscals, that raise concern. As of July 11, 2026, it had an order book worth Rs.19.04 cr. Its debt - equity ratio of 1.29 as of March 31, 2026 raise

alarm.

For the last three fiscals, the company has reported an average EPS of Rs. 4.94 and an average RoNW of 25.09%. The issue is priced at a P/BV of 4.61 based on its NAV of Rs. 20.59 per share as of March 31, 2026, and at a P/BV of 2.27 based on its post IPO NAV of Rs. 41.78 per share.

If we attribute FY26 earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 21.16, and based on FY25 earnings, the P/E stands at 31.77. The issue appears aggressively priced based on its recent super earnings. FY26 bottom line appears inflated one to fetch fancy valuations for the IPO.

The company has posted PAT Margins of 3.55% (FY24), 5.32% (FY25), 8.11% (FY26), and RoCE margins of 17.77%, 17.63%, 22.52%, respectively for referred periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It has already adopted a dividend policy in November 2024, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Tirupati Forge, Forge Auto Intl., as its listed peers. They are currently trading at a P/E of 159.0, and 7.47 (as of July 23, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash.

Merchant Banker's Track Record

This is the 6th mandate from Sun Capital Advisor in the last three fiscals (including the ongoing one). Out of the last 5 listings, 4 listed at discount and 1 with premium of 5.13% on the date of listing. It has a poor track record.

Conclusion / Investment Strategy

ATL is engaged in the manufacturing and marketing of forged steel machined components of carbon steel, alloy steel and stainless steel for user industry. It posted almost static top lines for the reported periods, with static capacity utilization. Boosted profits for FY26 appears inflated one to fetch fancy valuations for the IPO. Based on its recent financial data, the issue appears aggressively priced. Merchant Banker has a poor track record. Small post-IPO equity indicates longer gestation period for migration. There is no harm in skipping this pricey and dicey IPO.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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