

Divgi Torqtransfer System Ltd. (Divgi TTS) – Investment BUY Call – 6 Months Horizon

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 16 June 2026

CMP-> 858

Upside Potential-> 14%

Investment Horizon-> 6 Months

Target price-> 978

1. Investment Thesis: Multi-Year Growth Cycle Supported by Technology, EV Transition and Export Expansion

Divgi TorqTransfer Systems has entered a new phase of growth after FY26 marked a strong operational recovery, record revenue scale and improving profitability. The company delivered its highest-ever annual revenue of INR 375.2 crore in FY26, registering 56% YoY growth, while EBITDA increased 58% YoY to INR 92.3 crore with margins sustaining at ~24.6%. PAT almost doubled to INR 46.9 crore, supported by operating leverage, better business mix and negligible finance costs due to a debt-free balance sheet. The company's quarterly revenue run-rate improved significantly from approximately INR 55 crore levels to over INR 110 crore in Q4FY26, reflecting stronger customer acceptance, higher wallet shares and execution improvement across Transfer Cases, Components and EV Transmission businesses. The medium-term investment case is supported by multiple growth engines including EV transmissions, 4WD systems, exports, precision components and localisation opportunities in advanced automotive transmission technologies.

2. Business Overview: Technology-Led Automotive Drivetrain Platform with Multiple Growth Segments

Divgi TorqTransfer Systems operates across automotive drivetrain solutions including 4WD/AWD transfer cases, manual transmissions, synchronizer systems, EV transmissions, transmission components and next-generation automatic/hybrid transmission technologies. The company supplies products for SUVs, LCVs, passenger vehicles, EVs, off-highway applications and global automotive platforms. Its product portfolio covers Torque Transfer Systems, Manual Transmission Systems, Synchronizers, EV Transmission systems, key transmission components and future automatic/dual clutch transmission solutions. The company has built deep manufacturing capability across Pune, Karnataka and Maharashtra facilities, including 4WD transfer cases, precision transmission components, synchronizers, EV assembly and manual/automatic transmission capabilities. Over the years, Divgi has strengthened relationships with leading OEMs and Tier-1 suppliers through technology partnerships and product localisation capabilities.

3. FY26 Performance, Q4FY26 Results and Management Outlook: Strong Recovery with Operating Leverage Potential

FY26 performance demonstrated a sharp recovery across business segments. Revenue from operations increased to INR 352.9 crore compared with INR 218.9 crore in FY25, while total income reached INR 375.2 crore. EBITDA improved to INR 92.3 crore from INR 58.6 crore, maintaining margins at 24.6% and PAT increased to INR 46.9 crore from INR 24.4 crore. Q4FY26 continued the momentum with total income of INR 113.8 crore, EBITDA of INR 27.8 crore and PAT of INR 15.5 crore, representing strong YoY growth. EBITDA margin remained healthy at 24.5% and PAT margin improved to 13.6%. Management highlighted that future growth will be driven by next-generation transfer case technologies, EV transmission ramp-up, export expansion, component scaling and deeper global customer engagement. Improving capacity utilisation, which has crossed 70% at the company level, provides further operating leverage potential as new programmes move into commercial production.

4. Growth Drivers: EV Transmission Ramp-Up, Transfer Case Opportunity and Export Expansion

The EV transmission business remains a strategic long-term growth opportunity, although FY26 growth was moderated due to longer OEM validation and testing cycles. EV transmission revenue increased to INR 28.5 crore in FY26 from INR 25.8 crore, reflecting early-stage scale-up. The company has received customer approval for production supplies, with SOP expected from Q2FY27, which can improve EV volumes and capacity utilisation. Divgi has developed EV transmission solutions ranging from 10kW to 150kW motor systems, targeting passenger EVs, SUVs, three-wheelers and global markets. The Transfer Case segment remains the largest growth contributor, driven by SUV/LCV demand, 4WD adoption and export programmes. FY26 Transfer Case revenue increased to INR 183 crore from INR 110.5 crore, representing 66% growth. The company's Indonesia export programme, global pickup applications and new-generation Torque-on-Demand transfer cases create multi-year growth visibility. Exports have emerged as an important growth pillar, with export revenue increasing to INR 66.9 crore in FY26 from INR 10.8 crore, increasing export contribution to 18% of revenue. Management is targeting further export mix improvement toward 20–25%.

5. Capex, Balance Sheet Strength and Cash Flow Position: Financial Flexibility Supports Expansion

Divgi has maintained a strong financial position with a debt-free balance sheet and disciplined capital allocation approach. As of March 2026, the company had total assets of INR 731.4 crore, cash and cash equivalents of INR 31.5 crore and bank balances of INR 263 crore, while borrowings remained negligible. Operating cash generation improved, with net cash from operating activities increasing to INR 41.1 crore in FY26 from INR 35.2 crore in FY25. Historically, the company invested significantly in manufacturing capacity and technology capabilities, including IPO-linked capex deployment. Total capex deployed from IPO proceeds was INR 96.92 crore out of the allocated INR 169.66 crore as of March 2026. Future investments are expected to focus on capacity expansion, EV transmission capability, export infrastructure and technology development rather than large balance-sheet-heavy acquisitions.

6. Business Transformation, Strategic Partnerships and Long-Term Opportunity Pipeline

Divgi is transitioning from a component supplier into an integrated drivetrain technology and manufacturing partner. The company is moving up the value chain by offering engineering, manufacturing and supply-chain solutions rather than only supplying individual parts. The Components business has become a major growth driver, with FY26 revenue increasing 124% YoY to INR 112.2 crore. The company is strengthening global engagement through partnerships with customers including BorgWarner ecosystem opportunities, Toyota Tsusho-linked global access and strategic relationships with Indian OEMs. Divgi is also investing in future technology capabilities through collaboration with BITS Pilani for automotive transmission engineering research covering EV, automatic, manual and 4WD systems, including AI-driven manufacturing and advanced engineering capabilities. Future growth opportunities include automatic transmission localisation, hybrid transmission systems, EV drivetrain solutions and global export expansion, with management indicating a long-term revenue potential opportunity of INR 2,000+ crore across multiple segments.

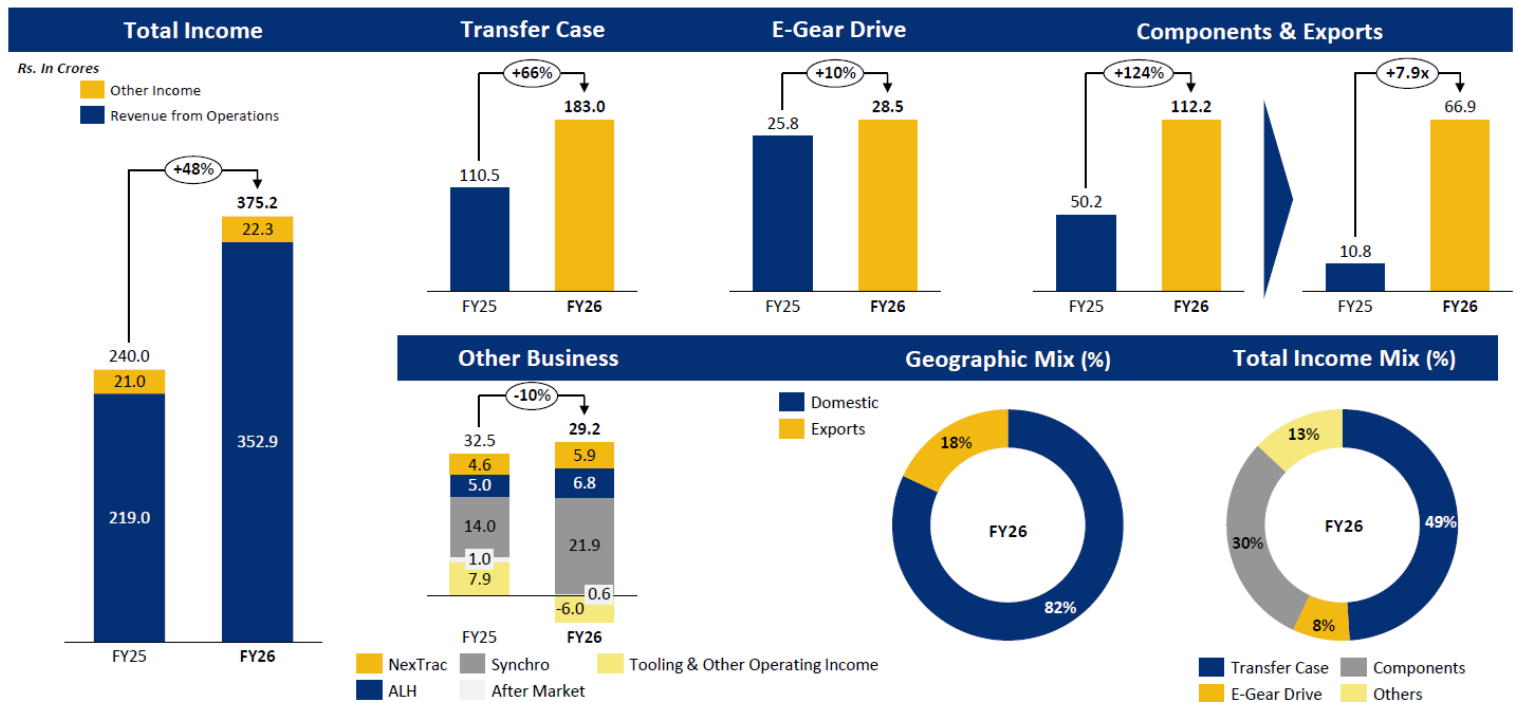
7. Key Risks and Short-Term Headwinds: Execution Timing, EV Adoption and New Programme Ramp-Up

Near-term risks include slower-than-expected EV industry growth, longer OEM development cycles, delays in new vehicle launches and slower capacity utilisation improvement. The EV transmission segment remains dependent on OEM production ramp-up, while automatic transmission opportunities involve technology transfer discussions and longer commercialisation timelines. Export growth also carries execution risks related to global automotive cycles, customer approval timelines and international expansion requirements. The company's future growth depends on successful execution of Transfer Case export programmes, EV transmission SOP timelines, conversion of RFQs into commercial orders and maintaining quality standards as volumes scale. However, the strong balance sheet, technology capability, diversified product portfolio, increasing exports and structural automotive localisation trends provide support for sustainable medium-term growth.

Q4FY26 Financial Performance:






	YoY	QoQ	Mar 2026	Dec 2025	Mar 2025
Revenue Cr	84.8%	18.8%	108	91	58
Operating Profit Cr	150.2%	22.3%	22	18	9
OPM %			20.1	19.6	14.9
PAT Cr	189.3%	31.5%	15	12	5
NPM %			14.4	13.0	9.2
EPS ₹	189.1%	31.4%	5.1	3.9	1.8

Historical Financial Performance:



Note – Amount is in INR Crores.

Growth Opportunities:

			Annual Revenue Potential
	4-Wheel Drive System	<ul style="list-style-type: none">• Strategy: Invest in next gen products, include additional products in driveline system, pre-development engagement with customers, competitiveness thru localization• Focus on SUV, LCV applications in India and global market	~INR 300 Crores
	Manual Transmission, Synchronizer system	<ul style="list-style-type: none">• Strategy: Manufacturing solution to OEMs for outsourcing of full manual transmission, offer indigenously developed manual transmission thru flexible industrialization plan, focus on synchronizer system solutions• Focus on SUV, LCV, Off-Highway applications in India and global market	~INR 300 Crores
	EV Transmission	<ul style="list-style-type: none">• Strategy: Tooled up and production ready solution from 10kW to 150kW motor system, assess partnership with leading Tier 1s having motor + inverter tech but lacking engineering depth on Transmission• Focus on 3-Wheeler, Pass Cars, SUVs, Off-Highway applications in India and global market	~INR 250 Crores
	Automatic, Hybrid Transmission	<ul style="list-style-type: none">• Strategy: Technology transfer to bring global proven Automatics in India, partner with leading Tier 1s to build local eco-system for sub-systems of Automatic, local capability on software, hardware, validation infrastructure• Focus on SUV, LCV applications in India	~INR 1,000 Crores
	Exports	<ul style="list-style-type: none">• Strategy: moving up the value chain, system solution offering of 4-Wheel Drive, Manual Transmission, Synchronizers, EV transmission, footprint in U.S.• Focus on SUV, LCV, Off-Highway applications in U.S., EU, South Africa, Indonesia, Thailand, etc.	~INR 200 Crores

Potential Annual Revenues of Rs. 2,000+ Crores

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team