

Defrail Technologies IPO

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- The company is engaged in the production of manufacturing rubber parts, components and assemblies.
- It primarily operates on a B2B model and off late entered in B2G segment.
- The company posted growth in its top and bottom lines from FY24 onwards.
- Based on its recent financial data, the issue appears fully priced.
- Well-informed/cash surplus investors may park moderate funds for long term.

About the Company

Defrail Technologies Ltd. (DTL) was incorporated as a Public Limited Company under the provisions of the Companies Act, 2013, on October 09, 2023, in the state of Haryana. Prior to this, the business of the Company was run by current promoters as a sole proprietorship under the name of M/s Vikas Rubber Industries and Ms. Ashi Aggarwal as a sole proprietorship under the name of M/s Impex Hitech Rubber. Further, on April 01, 2024, through two distinct Business Transfer Agreements (BTAs), the entire businesses of M/s Vikas Rubber Industries and M/s Impex Hitech Rubber, including their assets, liabilities, operations, and goodwill, were formally transferred to Defrail Technologies Limited.

The Company is engaged in the business of manufacturing rubber parts & components including Rubber Hose and Assemblies, Rubber Profiles and Beadings and Rubber Moulding parts. Its Products have diverse application across different industries including Automotive, Railways and Defence. The company assists clients in selecting the right type of product for their applications while also providing design and customization options according to the intended use.

The foundation of DTL, was laid in 1980 when promoters, who established Vikas Rubber Industries, a proprietorship firm located in Tigaon, a village near Ballabgarh, Faridabad to manufacture various rubber parts with a focus on the Business-to-Consumer (B2C) business model to serve individual consumers. As the proprietorship firm expanded, it relocated in 2001 to a larger facility in Neemka village, situated along Tigaon Road near Ballabgarh, Faridabad. This facility now serves as the company's current manufacturing plant, supporting enhanced production capacity and operational efficiency.

In 2008, another promoter of the Company founded M/s Impex Hitech Rubber, a proprietorship firm, to focus on manufacturing various rubber parts with a focus on the Business-to-Business (B2B) model to serve the operational and production needs of other businesses. In 2021, M/s Impex Hitech Rubber to further expand its business established a new compounding plant at Sector 25, Faridabad, which

was further relocated to Sector 24, Faridabad to enhance its manufacturing capabilities. Also, with the objective to manufacture, import, export and deal with all types of parts and by-products made of rubber streamline operations, a new corporate entity, Impex Hi-Tech Rubber Private Limited., was formed in July 2021.

DTL's products are manufactured from various raw material which includes Acrylonitrile Butadiene Rubber, Chloroprene Rubber, Ethylene Propylene Diene Rubber Monomer, Acrylonitrile Butadiene Rubber, Chloro Sulphonated Pole and Chlorinated Polyethylene. Following production, its products undergo through examination, testing and evaluation to ensure compliance with client's specifications and industry standards. Its manufacturing unit is equipped with advanced machineries, such as high Cold Feed Extruders, Knitting Machines, Autoclaves / Vulcanizers, Braiding Machines etc. Its business primarily operates on a B2B (Business-to-Business) model, supplying rubber products to various industries. A significant portion of its revenue is generated from bulk orders placed by clients that are in Automobile Industry. Additionally, it caters to B2G (Business-to-Government) segment as well, where it offers products directly to Government authority like Railways and Defence. While DTL's primary focus remains on B2B sales, the B2G segment contributes a smaller portion of overall revenue. As of November 30, 2025, it had 298 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 1860800 equity shares of Rs. 10 each to mobilize Rs. 13.77 cr. The company has announced the price band of Rs. 70 – Rs. 74 per share of Rs. 10 each. The IPO opens for subscription on January 09, 2026, and will close on January 13, 2026. The minimum application to be made is for 3200 shares and in multiple of 1600 shares thereon, thereafter. Post allotment, shares will be listed on BSE SME. The issue constitutes 26.49% of post-IPO paid-up equity capital of the company. From the net proceeds of the issue, the company will utilize Rs. 7.96 cr. for capex on equipment and machineries, Rs. 1.73 cr. for capex on solar plant, and the rest for general corporate purpose.

The IPO is solely lead managed by Nexgen Financial Solutions Pvt. Ltd., while Maashitla Securities Pvt. Ltd. is the registrar to the issue. Nikunj Stock Brokers Ltd. Is the market maker.

The company has issued initial equity shares at par value, it has converted further equity capital at a fixed price of Rs. 41 per share in March 2024. It has also issued bonus equity shares in the ratio of 3 for 1 in August 2024. The average cost of acquisition of shares by the promoters is Rs. 2.50, Rs. 10.15, and Rs. 10.25 per share.

Post-IPO, company's current paid-up equity capital of Rs. 5.16 cr. will stand enhanced to Rs. 7.02 cr. Based on the upper price band of the IPO, the company is looking for a market cap of Rs. 51.98 cr.

Financial Performance

On the financial performance front, for the last two fiscals, the company has (on a consolidated basis) posted a total income/net profit, of Rs. 0.72 cr. / Rs. 0.11 cr. (H2-FY24), Rs. 62.22 cr. / Rs. 3.42 cr. (FY25). For H1 - FY26 ended on September 30, 2025, it earned a net profit of Rs. 1.51 cr. on a total income of Rs. 39.08 cr.

For the last two fiscals, the company has reported an average EPS of Rs. 11.44, and an average RoNW of 71.75%. The issue is priced at a P/BV of 3.60 based on its NAV of Rs. 20.58 as of September 30, 2025, and at a P/BV of 1.18 based on its post-IPO NAV of Rs. 34.73 per share at the upper cap.

If we attribute its FY26 super annualized earnings on post-IPO expanded equity base, then the asking price is at a P/E of 17.25, and based on its FY25 earnings, the P/E stands at 15.20. Thus, the issue appears fully priced.

The company has posted PAT margins of 14.70% (FY24), 5.49% (FY25), 3.85% (H1-FY26), and RoCE Margins of - (2.52) %, 24.43%, 13.28%, respectively for the referred periods.

Dividend Policy

The company not declared any dividends for any financial year. It will adopt a prudent dividend policy, based on its financial performances and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Pentagon Rubber and Gujarat Reclaim, as its listed peers. They are currently trading at a P/E of 22.5, and NA (as of January 02, 2026). However, they are not truly comparable on an apple-to-apple basis.

MERCHANT BANKER'S TRACK RECORDS:

This is the 1st mandate from Nexgen Financial in the ongoing fiscal. It has no track records for any previous mandate.

Conclusion / Investment Strategy

DTL is engaged in the production of manufacturing rubber parts, components and assemblies. It primarily operates on a B2B model and off late entered in B2G segment. The company posted growth in its top and bottom lines from FY24 onwards. Based on its recent financial data, the issue appears fully priced. Small paid-up equity capital post-IPO indicates longer gestation period for migration. Well-informed/cash surplus investors may park moderate funds for long term.

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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