

Kheria Autocomp IPO

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- The company is an auto ancillary unit engaged in the business of plastic molded parts for the automotive segment.
- The company operates in a highly competitive and fragmented segment, that keeps pressure on its margins.
- The company posted growth in its top and bottom lines for the reported periods.
- Based on its recent financial data, the issue appears fully priced.
- Only well-informed investors may park moderate funds for medium to long term.
- Merchant Banker has an average track record so far.

About the Company

Kheria Autocomp Ltd. (KAL) is an auto ancillary unit engaged in the business of plastic injection moulding. It specializes in the manufacture of plastic injection moulding sub- assembly operations and supplying primarily to the automotive sector. In earlier years, the Company also catered to the white goods segment; however, its present focus is on the manufacture of automotive plastic moulded parts.

The company operates as a Tier-II supplier, producing moulded plastic components in accordance with the specifications of Tier-I vendors, who in turn supply to original equipment manufacturers (“OEMs”) in the passenger vehicle categories. Its product range includes interior cabin trims, exterior plastic parts, under-hood components, and heating, ventilation and air-conditioning (HVAC) ducts. These products are supplied for both internal combustion engine and electric vehicles. In addition to component production, KAL undertakes basic sub-assembly operations, such as bolt assembly or the fitting of inserts, wherever required by customers. These activities support integration of the moulded components into larger assemblies at the Tier-I level.

Its manufacturing facility is situated within the Tata Vendor Park at Sanand, Gujarat, covering an area of approximately 3 acres. The facility is equipped with 30 injection moulding machines with capacities ranging from 120 tons to 1,700 tons, procured majorly from Milacron India Private Limited and other vendors. The facility is supported by automation, including systems tailored to customer-specific requirements, along with vision measuring equipment for dimensional verification of components. As on FY26, the installed capacity of its manufacturing unit is 5,400 MTPA. The Company has progressively adopted automation, including the installation of multiple robotic systems, to enhance consistency in production.

The Company is certified under IATF 16949, ISO 45001:2018 and ISO 14001:2015 and implements lean manufacturing practices supported by standardized operating procedures. Continuous improvement is encouraged through regular process monitoring and review, with a focus on enhancing efficiency, product quality, and cost competitiveness. The Company's location within the Tata Vendor Park at Sanand also provides logistical advantages, as most of its raw material suppliers and key Tier-I customers are located within close proximity, resulting in reduced lead times and transportation costs.

The Company has installed a 636 kW solar power system at its facility, which supports renewable energy usage and reduces reliance on conventional power sources. Together, these initiatives reflect the Company's commitment towards responsible and efficient manufacturing practices. The company is operating in a highly competitive and fragmented segment that keeps pressure on its cost competitiveness. As of June 30, 2026, it had 119 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 4598400 equity shares of Rs. 10 each to mobilize Rs 46.44 cr. The company has announced a price band of Rs. 96 – Rs. 101 per share. The minimum application to be made is for 2400 shares and in multiples of 1200 shares thereon, thereafter. The IPO opens for subscription on September 17, 2026, and will close on September 21, 2026. The IPO constitute 29.02% of the post-IPO paid-up capital of the company. The shares will be listed on NSE SME Emerge. From the net proceeds, it will utilize Rs. 39.96 cr. for capex on setting up of new manufacturing facility for plastic moulded auto components, and the rest for general corporate purposes.

The IPO is solely lead managed by SMC Capitals Ltd., while KFin Technologies Ltd., is the registrar to the issue. SMC Global Securities Ltd., is the market maker, and also a syndicate member.

The company has issued initial equity capital at par value, and issued further equity shares in the price range of Rs. 30 – Rs. 50 per share between March 2010, and March 2020. It also issued bonus shares in the ratio of 3 for2 in July 2025. The average cost of acquisition of shares by the promoters is Rs. 3.78, Rs. 6.47, Rs. 8.78, and Rs. XX9.07 per share.

Post-IPO, company's current paid-up equity capital of Rs. 11.25 cr. (11250000 equity shares) will stand enhanced to Rs. 15.85 cr. (15848400 equity shares). Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 160.07 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has reported a total income/net profit of Rs. 62.40 cr. / Rs. 3.31 cr. (FY24), Rs. 92.31 cr. / Rs. 8.24 cr. (FY25), and Rs. 120.30 cr. / Rs. 11.42 cr. (FY26). It marked growth in its top and bottom lines for the reported periods. Rising trade receivables on a year-on-year basis raises alarm.

For the last three fiscals, the company has reported an average EPS of Rs. 8.01, and an average RoNW of 18.02%. The issue is priced at a P/BV of 2.88 based on its NAV of Rs. 35.13 per share as of March 31, 2026, and at a P/BV of 1.86 based on its post-IPO NAV of Rs. 54.24 per share.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 14.01, and based on FY25 earnings, the P/E stands at 19.42. The issue appears fully priced, based on its average earnings.

For the reported periods, the company has posted PAT margins of 5.31% (FY24), 8.95% (FY25), 9.52% (FY26), and RoCE margins of 20.32%, 25.21%, 26.89%, respectively, for referred periods. Its outperforming margins compared to listed peers is a big surprise.

Dividend Policy

The company has not declared any dividends since its incorporation. It has adopted a dividend policy in July 2025, based on its future prospects, and financial performance.

Comparison with Listed Peers

As per the offer document, the company has shown Machino Plastics, PPAP Automotive, as its listed peers. They are currently trading at a P/E of 16882, and 80.0 (as of September 15, 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 3rd mandate from SMC Capitals Ltd., in the last three fiscals (including the ongoing fiscal. Out of the last 2 listings, all opened with premium ranging from 0.06% to 15.99% on the date of listing. The merchant banker has an average track record so far.

Conclusion / Investment Strategy

KAL is an auto ancillary unit engaged in the business of plastic molded parts for the automotive segment. The company posted growth in its top and bottom lines for the reported periods. Based on its recent financial data, the issue appears fully priced. Only well-informed investors may park moderate funds for medium to long term. Merchant Banker has an average track record so far.

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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