

Poojaa Precision Engg IPO

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- It is a precision engineering company engaged in manufacturing of aluminium die castings and machining components for use industry.
- It has outperformed in its PAT and RoCE margins compared to its listed peers, that raise eyebrows and concern over its sustainability.
- The company is operating in a highly competitive and fragmented segment.
- Based on its super recent earnings, the issue appears aggressively priced with the help of inflated earnings.
- Only well-informed/cash surplus investors may park moderate funds for medium term.
- Though PPEL's DRHP had indicated eligible employees' quota of 41600 equity shares, but surprisingly, its missing from the IPO ad, though its mention is there in RHP. Its average EPS data and the post-IPO NAV data is missing from the price band ad.

About the Company

Poojaa Precision Engg. Ltd. (PPEL) is a precision engineering company engaged in the manufacturing of aluminium die casting and machining components for use in the automotive sector, including electric vehicle applications and the non-automotive sector, covering agriculture, defence, energy, healthcare and engineering goods industry. Its manufacturing facilities include melting units, casting lines that support gravity die casting (GDC), low-pressure die casting (LPDC), high-pressure die casting (HPDC) and machining capabilities for component finishing processes. As on the date of this Red Herring Prospectus, the company had over 600 SKUs, which also include certain safety-critical components used in automotive, electric vehicle and non-automotive applications.

It endeavors to provide its customers with integrated solutions covering design, engineering, melting, casting, cleaning and value-added processes including machining, assembly and related engineering services. It supplies components such as bracket, compressor, intake manifold, cylinder head cover, assembly air intake manifold, camshaft carrier, clutch housing, cover front, oil filter holder (NA), elbow assembly etc. for the automotive sector. For the electric vehicle mobility sector, its supplies include transmission housings, brackets and housing bearing sleeve assembly. For the non-automotive sector, the company supplies drive box housing FA5, cast flange, elbow, turbo outlet, external conductor, contact carrier (fertigteil), upper bracket, conductor, carrier, drive box housing (FA1) etc. Over the years, it has expanded product portfolio beyond the automotive sector to cater to the electric vehicle and non-automotive sectors, including agriculture, defence, energy, healthcare, engineering goods and other industries.

It has recently entered the aerospace segment and have obtained vendor approval from a customer for the supply of products, reflecting its focus on diversifying customer base and end-use industries. Its customer base has increased from 39 customers in Fiscal 2024 to 58 customers in Fiscal 2026, and it served approximately 56 customers during the Fiscal 2025. It has generated repeated business from 25 customers during the above periods. In the automobile segment, its customers include original equipment manufacturers and tier-1 automotive suppliers operating in the domestic market. The company also exports automobile components to customers in international markets including countries like Germany, United States, Italy and Switzerland.

PPEL's in-house design and engineering functions support the development of a range of precision engineering components and solutions and has enabled it to expand business across different sectors. It also undertakes reverse engineering activities to support customer design requirements. Its reverse engineering process involves the examination and deconstruction of customer-provided sample components to generate design data, develop drawings and prepare prototypes/models. These activities are supported by X-ray machines used for internal structure assessment of components, enabling the identification of internal profiles, cavities and dimensional characteristics required for product development. PPEL's design and engineering team comprises 17 employees and is equipped with tools and software such as Adstefan, casting simulation software, Solidcam Bundle standard software etc., which facilitate activities relating to design development, analysis, modelling and engineering support for customers. As of March 31, 2026, it had 216 employees on its payroll and additional 800 contract workers in various department.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 5310000 equity shares of Rs. 10 each to mobilize Rs. 159.83 cr. The company has announced the price band of Rs. 285 – Rs. 301 per share. The minimum application to be made is for 800 shares and in multiples of 400 shares thereon, thereafter. The issue opens for subscription on July 28, 2026 and will close on July 30, 2026. The shares will be listed on BSE SME. The IPO constitute 26.62% of the post-IPO paid-up capital of the company. From the net proceeds of the issue, the company will utilize Rs. 106.34 cr. for capex on setting up of manufacturing facility, Rs. 30.00 cr. for working capital, and the rest for general corporate purposes.

The IPO is solely lead managed by Hem Securities Ltd., MUFG Intime India Pvt. Ltd. is the registrar to the issue. HEM group's Hem Finlease Pvt. Ltd., is the market maker and also a syndicate member.

After issuing initial equity capital at par value, the company issued further equity shares in the price range of Rs. 15.70 – Rs. 31.56 (based on Rs. 10 FV), between February 2012, and October 2025. It also issued bonus shares in the ratio of 1 for 5 in January 2020, and 3 for 5 in November 2025. The average cost of acquisition of shares by the promoter's is Rs. 4.87, Rs. 5.01, Rs. 5.21, Rs. 5.76, and Rs. 7.13 per share.

Post-IPO, company's current paid-up equity capital of Rs. 14.63 cr. will stand enhanced to Rs. 19.94 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 600.34 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted total income/net profit, of Rs. 174.59 cr. / Rs. 16.10 cr. (FY24), Rs. 222.80 cr. / Rs. 23.93 cr. (FY25), Rs. 295.20 cr. / Rs. 30.90 cr. (FY26). The company posted surge in its top and bottom lines for the reported periods. Its contingent liability of Rs. 11.01 cr. as of March 31, 2026, raise concern.

For the last three fiscals, the company has reported an average EPS of Rs. 18.74 and an average RoNW of 25.00%. The issue is priced at a P/BV of 3.19 based on its NAV of Rs. 94.36 per share as of March 31, 2026, but its post-IPO NAV data is missing from the offer documents.

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 19.43, and based on FY25 earnings, the P/E stands at 25.08. The issue appears aggressively priced based on its recent super earnings.

The company has posted PAT Margins of 9.27% (FY24), 10.78% (FY25), 10.52% (FY26), and RoCE margins of 29.74%, 32.27%, 26.38%, respectively for referred periods. The outperforming margins compared to its listed peers raise eyebrows and concern over its sustainability going forward.

Dividend Policy

The company paid a dividend of 30% for FY24 and FY25 and then skipped. 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 Aicon Castalloy, Rico Auto, Endurance Techno, as its listed peers. They are currently trading at a P/E of 26.5, 33.2, and 38.3 (as of July 24, 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 47th mandate from Hem Securities in the last three fiscals (including the ongoing one). Out of the last 10 listings, 1 listed at par and the rest with premium ranging from 1% to 90% on the date of listing.

Conclusion / Investment Strategy

PPEL is a precision engineering company, engaged in manufacturing of aluminium die castings and machining components for use industry. It has outperformed in its PAT and RoCE margins compared to its listed peers, that raise eyebrows and concern over its sustainability. The company is operating in a highly competitive and fragmented segment. Based on its recent super earnings data, the issue appears aggressively priced with the help of inflated earnings. Only well-informed/cash surplus investors may park moderate funds for medium 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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