IPO REVIEW

SEDEMAC Mechatronics IPO

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- The company is a unique player as supplier of control intensive, critical-to-the-application ECUs globally and enjoys good market share.
- It suffered a minor setback for FY24 in bottom lines.
- SML posted quantum jump in bottom lines from FY25 onwards.
- Based on its recent financial data, the issue appears aggressively priced.
- Well-informed/cash surplus investors can park funds for long term.

About the Company

Sedemac Mecatronics Ltd. (SML) is a supplier of control-intensive, critical-to-the-application electronic control units (“ECUs”) to leading original equipment manufacturers (“OEMs”) (Source: CRISIL Report) in the mobility and industrial markets in India, the United States, and Europe. The majority of its revenue from operations is attributed to products which incorporate novel control technologies that are conceived and developed entirely in-house, enabling the company to offer fresh proprietary solutions that provide distinct value to end-users or OEM customers. Several of these unique technologies have achieved widespread adoption across the sectors it serves.

Critical-to-the-application components are those without which a piece of equipment cannot fulfil its primary function for the end user (Source: CRISIL Report). For example, an ECU supporting electronic fuel injection (“EFI”) in an engine-powered vehicle or a motor control unit (“MCU”) in an electric vehicle is indispensable for mobility; if it fails, the vehicle will not move. In contrast, components like dashboards, though important, are not fundamental to the main function (Source: CRISIL Report). Within critical-to-the-application components, it focuses on “control-intensive” components that are application specific and manage complex systems in real time (Source: CRISIL Report).

SML is the first company in India to develop, design and manufacture sensor less commutation (“SLC”) based integrated starter generators (“ISG”) ECUs for two-wheeler / 3-wheelers (“2/3Ws”) internal combustion engine (“ICE”) powered vehicles (Source: CRISIL Report). The company has shipped sensor less ISG ECUs, and ECUs integrating the functionality of ISG with electronic fuel injection (“ISG+EFI”) ECUs for more than 9.2 million small engine 2/3Ws between Fiscal 2018 and nine months ended December 31, 2025 (Source: CRISIL Report). It held approximately 35% market share of domestic ISG ECU market (for 2W and 3W combined) in terms of volume and are amongst the top 4 players for the nine months ended December 31, 2025 (Source: CRISIL Report).

The company is also the leaders in India for genset controllers (“GC”) with an estimated market share of 75%-77% during the nine months ended December 31, 2025 and are amongst the key global players with a market share of 14% globally with its offerings of genset controllers and EFI ECUs for this market for Fiscal 2025 (Source: CRISIL Report). Furthermore, SML introduced electronic governing (“eGov”) as an integrated feature into genset controllers in 2014 and according to the CRISIL Report, it pioneered the introduction of integrated eGov technology in genset controllers in India. As of December 31, 2025, it has cumulatively sold more than 10 million control-intensive products to automotive (2/3W) and genset market (Source: CRISIL Report). The company is among few Indian-origin suppliers who have repeatedly initiated, introduced, and scaled breakthrough innovations (Source: CRISIL Report). As of December 31, 2025, it had 496 employees on its payroll and additional 1359 off-roll employees.

Issue Details / Capital History

The company is coming out with its maiden book building route secondary IPO of 8043300 equity shares of Rs. 10 each worth Rs. 1087.45 cr. at the upper cap. The company has announced a price band of Rs. 1287 – Rs. 1352 per equity shares of Rs. 10 each. The issue opens for subscription on March 04, 2026, and will close on March 06, 2026. The minimum application to be made is for 11 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 18.21% of the post-IPO paid-up equity capital. This being 100% Offer for Sale (OFS) no funds are going to company.

The company has reserved equity shares worth Rs. 1.00 cr. (approx. 7396 equity shares based on upper cap), and offering them a discount of Rs. 128 per share. From the rest, it has allocated not more than 50% for QIBs, not less than 15% for HNIs and not less than 35% for Retail Investors.

The joint three Book Running Lead Managers (BRLMs) to this issue are ICICI Securities Ltd., Avendus Capital Pvt. Ltd., Axis Capital Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue. Spark Institutional Equities Pvt. Ltd. is a syndicate member.

After issuing initial equity shares at par, the company has issued further equity shares in the price range of Rs. 44.00 – Rs. 739801.31 per share between September 2011, and February 2026. It has also issued bonus shares in the ratio of 1499 for 1 in September 2025. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. 0.01, Rs. 45.55, Rs. 46.00, Rs. 83.34, Rs. 94.86, Rs. 100.00, Rs. 240.78, Rs. 340.00, Rs. 352.29, Rs. 368.28, Rs. 373.68, Rs. 386.13, and Rs. 386.31 per share.

Post-IPO, its current paid-up equity capital of Rs. 44.16 cr. will remain same as this is a pure secondary issue. Based on the upper cap of the IPO price band; the company is looking for a market cap of Rs. 5970.63 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit, of Rs. 429.87 cr. / Rs. 8.57 cr. (FY23), Rs. 535.90 cr. / Rs. 5.88 cr. (FY24), and Rs. 662.54 cr. / Rs. 47.05 cr. (FY25). For 9M of FY26 ended on December 31, 2025, it earned a net profit of Rs. 71.50 cr. on a total income of Rs. 775.31 cr. The company witnessed setback in bottom line for FY24, but marked heavy surge since FY25 onwards that raise eyebrows and concern over its sustainability going forward.

For the last three fiscals, the company has posted an average EPS of Rs. 6.30 (basic) and an average RoNW of 10.56 %. The issue is priced at a P/BV of 14.38 based on its NAV of Rs. 94.02 as of December 31, 2025, as well as on post-IPO basis (at the upper cap).

If we attribute FY26 annualized super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 62.62. Based on FY25 earnings, the P/E stands at 126.95. Thus, prima facie, the issue is aggressively priced. Based on super earnings for 9M-FY26 the P/E turned lower than FY25, but it is still pretty high in comparison with listed peers.

For the reported periods, the company has posted PAT margins of 2.03% (FY23), 1.11% (FY24), 7.15% (FY25), 9.28% (9M-FY26), and RoCE margins of 17.51%, 28.87%, 33.79%, 32.52% respectively, for reported periods.

Dividend Policy

The company has not declared any dividends for the referred periods of the offer document. It has already adopted a dividend policy in November 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Bosch Ltd., ZF Commercial, Sona BLW, Schaeffler India, as its listed peers. They are currently trading at a P/E of 46.4, 57.9, 50.8, and 57.0 (as of February 27, 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

The three BRLMs associated with this issue have handled 112 issues in the last three fiscals, out of which 29 issues closed below the issue price on listing date.

Conclusion / Investment Strategy

SML is a unique player as supplier of control intensive, critical-to-the-application ECUs globally and enjoys good market share. It suffered a minor setback for FY24 in bottom lines. SML posted quantum jump in bottom lines from FY25 onwards. Based on its recent financial data, the issue appears aggressively priced. Well-informed/cash surplus investors can park 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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