



IPO NOTE

Omnitech Engineering Ltd.

24rd February 2026

Company Overview

Omnitech Engineering Limited (OEL) manufactures precision-engineered components and assemblies for industrial applications. The company operates a customized manufacturing model, producing components based on client-specific design and technical requirements. It is led by its Founder, Chairman and Managing Director, Udaykumar Arunkumar Parekh, who has over 19 years of experience in the machining industry. OEL serves multiple end-user industries including Energy, Motion Control and Automation, Industrial Equipment Systems, and select applications in automotive, medical, and consumer segments. In the Energy segment, it supplies components used in drilling, exploration, refining, power systems, and renewable energy equipment. In Motion Control and Automation, it produces cylinders, shafts, and related components for robotic and actuator systems. In Industrial Equipment, it manufactures parts used in aerospace ground support, construction, and mining equipment, including pivot pins, drill bits, chain anchors, and wheels. As of September 30, 2025, the company operated three manufacturing facilities in Rajkot, Gujarat (Metoda, Chhapara, and Padavala) with annualized machining capacity of 2,429,856 machine hours and fabrication capacity of 7,200 MTPA. The facilities housed 383 CNC machines, including VMCs and turn-mill centers, and utilized industrial robots and IoT-based monitoring systems. Operations cover design (2D/3D modeling), machining, fabrication, plating, phosphating, welding, assembly, and testing. The facilities are located approximately 300 kilometres from Mundra Port. The company supplies customers in 24 countries. Revenue from exports accounted for 79% of revenue from operations in the H1FY26. It operates a subsidiary, Omnitech Group Inc., and maintains a warehouse in Houston, Texas to support North American operations. The business model remains centered on customized manufacturing, export-led demand, and multi-sector industrial exposure.

Objects of the issue

The company proposes to utilize net proceeds from the issue towards the following objects:

- Repayment and/or pre-payment, in full or in part, of certain outstanding borrowings availed by the company;
- Setting up of two new manufacturing facilities of the company at Gujrat, India;
- Funding towards capital expenditure requirements for purchase and installation of solar panels on the roof top at, and, purchase of new equipment / machinery for, existing manufacturing facility;
- General corporate purposes.

Investment Rationale

Revenue visibility backed by large order book and expanding manufacturing capacity

Omnitech's investment case rests on a sharp increase in confirmed demand supported by parallel capacity build-out. The order book expanded from Rs. 58 crores in FY23 to Rs. 1,765 crores as of September 2025, equivalent to five times the FY25 revenue. Around 74% of this backlog comes from the Energy segment, including a Rs. 1,039 crores commitment from one customer. While customer concentration requires monitoring, such large program-based orders typically indicate deeper integration into OEM supply chains rather than short-term procurement. Revenue growth has followed a similar trajectory, with a 39% CAGR between FY23-25 and 92% YoY growth in FY25. Importantly, capacity expansion has kept pace with demand. Annual machining capacity increased from 0.9 million hours in FY23 to 2.43 million hours currently, and ongoing capex is expected to take it to 3.3 million hours. This expansion reduces the risk of order backlog turning into execution bottlenecks. The business remains export-driven, with 79% of H1FY26 revenue from international markets and nearly 56% from the US. A warehouse in Houston enables localized stocking and faster delivery, supporting a 38% CAGR in US revenue over FY23-25. Facilities located near Mundra Port and within the Rajkot industrial cluster support logistics efficiency. Demand growth and manufacturing scale are expanding together, which strengthens execution visibility.

High-barrier precision business with margin resilience

Omnitech operates in segments where precision, certification, and process control matter more than price alone. The company manufactures components with tolerances as fine as 5 microns and works with specialized materials such as titanium and nickel alloys. Its products are used in oil & gas drilling systems, aerospace, robotics, and heavy industrial equipment applications where reliability is critical. Entry into these supply chains requires long qualification cycles of 8-12 months, including audits and testing. Once approved, supplier replacement is limited. The company holds AS9100 (Aerospace), API monogram rights (Oil & Gas), and IATF 16949 (Automotive) certifications, which are mandatory for many global OEM programs.

Issue Details

Offer Period 25th Feb. 2026 - 27th Feb. 2026

Price Band Rs. 216 to Rs. 227

Bid Lot 66

Listing BSE & NSE

Issue Size (no. of shares in Crs) 2.6

Issue Size (Rs. in Crs) 583

Face Value (Rs.) 5

Issue Structure

QIB 50%

NIB 15%

Retail 35%

BRLM Equirus Capital Pvt. Ltd., ICICI Securities Ltd.

Registrar MUFG Intime India Pvt. Ltd.

Particulars	Pre Issue	Post Issue
	%	%
Promoter & Promoter Group	94.09%	74.19%
Public	5.91%	25.81%
Total	100.0%	100.0%

(Assuming issue subscribed at higher band)

These approvals restrict the competitive field. EBITDA margins remained above 34% between FY23 and FY25, indicating operating stability during rapid scale-up. While there is contraction in H1FY26 margins to 31%, this is due to capacity ramp up and will eventually normalize. The company is also expanding into higher-value assemblies through fabrication capabilities, which can increase revenue per contract. Planned backward integration into metal forming aims to improve control over raw material processing and reduce dependence on third parties. Internal automation software under development through its Novatro subsidiary is intended to improve workflow efficiency. The overall positioning reflects participation in technically demanding sectors with measurable entry barriers, though performance will depend on mix stability and execution discipline.

Valuation

Omnitech Engineering Limited represents a precision engineering business undergoing a structural scale transformation from a smaller supplier to a program-based, export-oriented manufacturer, with financials reflecting both operating strength and balance sheet expansion typical of growth phases. Revenue increased from Rs. 177 crores in FY23 to Rs. 343 crores in FY25, delivering a 39% CAGR, while EBITDA for FY25 stood at Rs. 118 crores with a robust 34% margin despite rapid capacity addition. PAT reached Rs. 44 crores, translating into a 13% net margin, EPS of Rs. 4.26 (weighted average Rs. 3.30), and RoE of 22% following equity expansion. H1FY26 revenue of Rs. 228 crores with EBITDA margin of 31% indicates continued execution with mild normalization during ramp-up, yet margins remain structurally above 30%, supported by 5-micron precision capability and operations in certification-driven, safety-critical segments (AS9100 for Aerospace, API monogram for Oil & Gas, and IATF 16949 for Automotive), where qualification cycles typically range from 8-12 months, reinforcing entry barriers and margin resilience. The most significant valuation anchor is the Rs. 1,765 crores order book as of September 2025, equivalent to five times of FY25 revenue. However, 74% of this backlog is Energy-driven and includes a Rs. 1,039 crores commitment from a single customer, creating meaningful concentration risk alongside strong revenue visibility. The business remains structurally export-led, with ~79% of H1FY26 revenue derived from international markets and over half from the US, supported by a warehouse in Houston that enables localized stocking and closer coordination with North American OEMs. Capacity has expanded from 0.9 million machining hours in FY23 to 2.43 million hours as of September 2025, with a roadmap to reach 3.3 million hours, aligning infrastructure with backlog growth. On the balance sheet, borrowings of Rs. 383 crores, Debt-to-Equity of 1.66x, Net Debt-to-EBITDA of 5.41x, and elevated working capital days of 256 reflect capital intensity, inventory build-up, and funding needs during expansion. Relative valuation versus listed precision engineering peers indicates that while the peer group trades at an average P/E of 188x (Azad Engineering at 118x, Unimech Aerospace at 51x, PTC Industries at 429x, and Dynamic Technologies at 156x). **Omnitech Engineering Ltd. at the upper price band of Rs. 227 and EPS of Rs. 4.3 per share implies a P/E of 53x. Given the company's position within the value added precision business, addressable market size and expanding capacity, we recommend a "SUBSCRIBE" rating to the issue from a medium-to-long-term perspective.**

Key Risks

- Top 10 customers contributed 56% of revenue in H1FY26, indicating high client dependence. Any cancellation, deferral, or reduction from this anchor client could materially impact revenue visibility and growth.
- Inventory levels reached 283 days in FY25 due to long lead times and specialized inputs. The company reported negative operating cash flow of Rs. 69 crores in FY25. Sustained expansion may require additional debt or equity, increasing financial risk if funding tightens.
- Exports formed 79% of H1FY26 revenue, with the US contributing 56%. Recent elevated US tariffs and continued trade policy uncertainty increase pricing and competitiveness risks.

Income Statement (Rs. in crores)

Particulars	FY23	FY24	FY25	H1FY26
Revenue				
Revenue from operations	177	178	343	228
Total revenue	177	178	343	228
Expenses				
a) cost of material consumed	56	55	125	86
b) Change in inventories of finished goods and work in progress	-6	-14	-44	-28
c) Employee benefits expense	24	26	55	37
d) Other Expenses	40	45	89	63
Total operating expenses	114	113	225	158
EBITDA	63	65	118	70
Depreciation & amortization	17	23	39	22
EBIT	47	42	79	48
Finance costs	9	14	30	20
Other Income	6	4	7	9
PBT	44	31	56	37
Current Tax	12	10	13	8
Adjustment of tax related to earlier years	1	1	0	0
Deferred tax	-1	1	-1	1
Total tax	12	13	12	9
Net Profit	32	19	44	28
Diluted EPS	3.2	1.9	4.3	2.6

Cash Flow Statement (Rs. in crores)

Particulars	FY23	FY24	FY25	H1FY26
Cash Flow from/(used in) operating activities	39	21	-69	12
Cash flow from/(used in) investing activities	-46	-145	-75	-42
Net cash flows (used in) / from financing activities	4	124	146	29
Net increase/(decrease) in cash and cash equivalents	-3	1	3	-1
Cash and cash equivalents at the beginning of the period	5	2	2	5
Cash and cash equivalents at the end of the period	2	2	5	4

Source: RHP, BP Equities Research

Source: RHP, StoxBox

Balance Sheet (Rs. in crores)

Particulars	FY23	FY24	FY25	H1FY26
Assets				
Non-Current Assets				
Property, plant and equipment	53	183	204	234
Capital work in progress	5	0	26	14
Right to use assets	15	36	37	47
Intangible assest	0	0	1	1
intangible assest uner development	0	0	1	3
Other Financial Assets	1	4	8	9
Deferred tax assests	2	1	2	1
Other Non-Current Assets	14	12	5	7
Total Non Current assets	91	236	284	317
Current Assets				
Inventories	54	91	179	227
Financial Assets	0	0	0	0
(i) Investments	0	2	2	3
(ii) Trade Receivables	33	43	128	177
(iii) Cash and cash equivalentents	2	2	5	4
Other financial assets	0	0	0	2
Other current assets	5	11	28	38
Total Current Assets	94	151	343	450
Total Assets	185	387	626	767
Equity and Liabilities				
Equity Share Capital	5	50	53	53
Other Equity	55	29	151	178
Total Equity	60	79	204	230
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	21	103	129	142
(ii) lease liabilites	11	26	20	27
Provisions	1	1	2	3
Total Non-Current Liabilities	33	130	152	171
Current Liabilities				
Financial Liabilities				
(i) Borrowings	68	128	201	241

Source: RHP,StoxBox

Balance Sheet (Rs. in crores)

(ii) lease payable	3	6	10	11
(iii) Trade Payables	0	0	0	0
Total outstanding dues of MSME	7	25	20	54
Total outstanding dues of creditors other than micro and small enterprises	3	5	15	27
(iv) Other financial liabilities	2	4	6	9
Current tax liabilities (Net)	9	9	11	18
Provisions	1	1	1	2
Other current liabilities	1	1	7	2
Total Current Liabilities	93	178	271	365
Total Liabilities	125	308	423	536
Total Equity and Liabilities	185	387	626	767

Source: RHP, StoxBox

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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