



IPO NOTE

SEDEMAC Mechatronics Limited

02nd March 2026

Company Overview

SEDEMAC Mechatronics Limited is a supplier of control-intensive, critical-to-the-application electronic control units (ECUs) to leading OEMs in the mobility and industrial markets in India, the US, and Europe. The company develops and supplies engine control units and integrated systems such as Integrated Starter Generators (ISG), ISG + Electronic Fuel Injection (EFI) systems, EFI, Motor Control Units (MCUs) (for EVs), and genset controllers, which enable engine efficiency improvement, emission compliance, performance optimisation and electrification support across mobility and non-mobility applications. Its product portfolio is broadly classified into automotive control systems and non-automotive industrial control systems, with automotive contributing 85.7% (as of FY25) share of revenue at roughly four-fifths of total operating income, while genset and industrial controllers account for the balance. Within automotive, engine control systems, including ISG, MCU and EFI solutions, form the largest revenue block (79.2% of the total revenue). The company operates on a B2B, OEM-focused model, supplying directly to leading two-wheeler and passenger vehicle manufacturers, off-highway OEMs, and global small-engine manufacturers, with key customers including large domestic automotive OEMs and export-focused engine makers. The revenue concentration remains meaningful, with top three customers contributing 87.8% of annual sales. SEDEMAC has an integrated R&D-led manufacturing setup with multiple production facilities located in Pune, Maharashtra, supported by in-house design, embedded software development, testing and validation capabilities, enabling it to offer customised, application-specific solutions rather than commoditised hardware. The company holds approximately 35% market share in the domestic ISG ECU market by volume and is among the top four players as of 9MFY26. R&D spending stood at 6.7% of operational revenue in FY25.

Objects of the issue

The company will not receive any proceeds from the issue as the entire offer comprises of OFS worth Rs. 1,087 crores.

Investment Rationale

Early-mover technological leadership creates structural entry barriers

SEDEMAC's early entry into control-intensive engine electronics, particularly in ISG ECUs and advanced engine control systems, has enabled it to establish technological leadership in a niche but critical segment of the powertrain value chain. Being among the first to indigenously develop and commercialise ISG ECUs for domestic OEM platforms has enabled the company to capture approximately 35% market share by volume and emerge as one of the top four players as of 9MFY26. In automotive electronics, early validation with OEMs creates a durable advantage given long development cycles, stringent qualification norms and multi-year platform approvals. Once embedded into an engine architecture, switching suppliers requires redesign, recalibration, and fresh validation, resulting in high switching costs and strong customer stickiness. This early-mover positioning not only creates meaningful entry barriers but also enhances the company's ability to secure repeat platform wins and next-generation mandates. As emission norms tighten and OEMs increase adoption of ISG and advanced EFI solutions, SEDEMAC can leverage its installed base, software capabilities and established OEM relationships to expand content per vehicle. The combination of proven field performance, integration depth and platform continuity support sustained competitive advantage in a segment where reliability and execution credibility are critical.

High value-add, R&D-led business model supporting margin resilience and content expansion

SEDEMAC operates in a control-intensive, software-driven segment of the automotive value chain where value addition is driven not just by hardware assembly but by embedded software, calibration capability, system integration & application engineering. Unlike commoditized auto components, engine control electronics require deep domain expertise, real-time software development, multi-condition validation & regulatory alignment, creating higher technical complexity & differentiation. This R&D-led positioning enables relatively superior realizations compared with pure hardware suppliers and reduces exposure to raw-material-led pricing pressure alone. As OEMs transition toward tighter emission norms, improved fuel efficiency standards & progressive hybridization, control complexity per engine platform continues to increase. This drives content expansion within existing OEM

Issue Details

Offer Period	04th Mar. 2026 - 06th Mar. 2026
Price Band	Rs. 1,287 to Rs. 1,352
Bid Lot	11
Listing	BSE & NSE

Issue Size (no. of shares in Cr.)	0.8
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Issue Size (Rs. in Cr.)	1,087
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Face Value (Rs.)	10
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Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	ICICI Securities Limited, Avendus Capital Private Limited, Axis Capital Limited
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Registrar	MUFG Intime India Private Limited
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	26.5%	8.3%
Public	73.5%	91.7%
Total	100.0%	100.0%

(Assuming issue subscribed at higher band)

relationships rather than relying purely on new customer additions. SEDEMAC's in-house design, embedded software development, testing & validation capabilities allow it to scale alongside OEM platform upgrades, strengthening revenue visibility & value capture per vehicle. The combination of rising electronic intensity, engineering depth & platform-linked stickiness supports a scalable business model with margin resilience & operating leverage potential.

Valuation

SEDEMAC Mechatronics is a control-intensive automotive electronics supplier positioned within engine management & powertrain control systems. The company's main products use innovative, in-house technologies and are essential for equipment to work such as ECUs for vehicles and generators. Its operations are supported by an integrated R&D-led setup with embedded software, calibration, and validation capabilities, enabling differentiated, application-specific solutions rather than commoditised hardware supply. Early mover positioning in ISG & advanced control electronics has created technological validation and entry barriers, reinforced by OEM integration and long development cycles. Additionally, the company operates in a high value-add, software-intensive niche where differentiation is driven by embedded IP and calibration expertise, supporting superior unit economics & margin resilience relative to low-complexity auto component players. Platform stickiness & rising electronic complexity per engine create opportunities for content expansion within existing OEM relationships, enhancing revenue visibility and operating leverage over time. At a macro level, the business is supported by structural economic tailwinds. Tightening emission norms across India & global markets are increasing electronic control intensity per engine. OEMs continue to prioritise fuel efficiency & regulatory compliance, driving sustained demand for advanced control systems. Additionally, localisation initiatives, premiumisation in two-wheelers & passenger vehicles, and gradual hybridisation trends are structurally expanding the addressable market for control electronics. Financially, the company has recorded a revenue CAGR of 24.8% between FY23 and FY25. During the same period, EBITDA grew at a CAGR of 59.7%, with margin expanding from 11.2% in FY23 to 18.4% in FY25, while PAT grew at a CAGR of 134.3%. Return ratio profile remains strong, with RoE rising from 7.5% in FY23 to 15.5% in FY25, and RoCE increasing from 9.9% to 22.0% over the same period. **On the valuation front, the company commands a P/E multiple of 125.0x based on its FY25 earnings and 62.0x on its FY26 annualized earnings, which when compared to its peers, seems to be expensive. In addition, the issue entirely comprises of OFS. We, thus, recommend an "AVOID" rating to the issue and will reassess our rating in future following sustained business performance and valuation comfort in upcoming quarters.**

Key Risks

- The company has significant customer concentration risk, with TVS Motor contributing 75.48% of revenue in 9MFY26 and 80.46%, 83.46% and 79.05% in FY25, FY24 and FY23, respectively. Any reduction in demand or change in commercial terms with this key customer could materially impact revenue, profitability, and cash flows.
- The company is fully dependent on its two manufacturing facilities located in Pune, Maharashtra, for all production requirements. Any regional disruption, operational issue, or concentration risk at these facilities could materially and adversely affect its business, operations, cash flows, and financial condition.
- The company imports critical raw materials such as semiconductors and printed circuit boards from China, exposing it to supply chain disruptions, geopolitical risks, and cost volatility, which could materially impact production schedules, margins, business continuity and future growth.

Income Statement (Rs. in Million)

Particulars	FY23	FY24	FY25	9MFY26
Revenue from operations:	4,230	5,307	6,584	7,707
Total revenue from operations	4,230	5,307	6,584	7,707
Expenses				
Cost of Material Consumed	3,040	3,668	4,146	4,925
(Increase)/decrease in Inventories of Finished Goods and Work-in-Progress	-6	-38	-40	-182
Employee benefits	325	428	614	662
Other expenses	398	470	654	738
Total operating expenses	3,756	4,528	5,375	6,142
EBITDA	474	779	1,209	1,564
Depreciation & amortization	302	359	453	456
EBIT	172	420	756	1,108
Finance costs	160	384	120	72
Other Income	68	52	42	46
PBT	80	88	677	1,083
Current tax	25	63	129	174
Deferred tax	-31	-33	78	193
Total tax	-6	29	207	368
Net Profit	86	59	470	715
Diluted EPS	2.0	1.4	10.8	16.4

Cash Flow Statement (Rs. in Million)

Particulars	FY23	FY24	FY25	9MFY26
Cash Flow from operating activities	777	607	909	671
Cash flow from/(used in) investing activities	-509	-591	-1,048	-797
Net cash flows (used in) / from financing activities	-245	-14	129	192
Net increase/(decrease) in cash and cash equivalents	23	3	-10	66
Cash and cash equivalents at the beginning of the period	9	32	35	25
Cash and cash equivalents at the end of the period	32	35	25	91

Source: RHP, BP Equities Research

Source: RHP, StoxBox

Balance Sheet (Rs. in Million)

Particulars	FY23	FY24	FY25	9MFY26
Assets				
Non-Current Assets				
Property Plant & Equipment	614	826	1,148	1,635
Capital Work in Progress	25	32	39	8
Other intangible assets	521	507	689	642
Intangible assets under development	413	587	493	675
Right-of-use assets	228	181	129	224
Financial Assets				
(i) Other Financial Assets	41	42	60	51
Deferred tax assets (net)	180	211	135	0
Other tax assets (net)	4	1	13	32
Other non-current assets	71	33	60	133
Total Non-Current Assets	2,098	2,420	2,766	3,400
Current Assets				
Inventories	902	1,176	1,353	1,470
Financial Assets				
(i) Investments	0	0	194	40
(ii) Trade Receivables	152	270	439	1,430
(iii) Cash & Cash Equivalents	32	35	25	91
(iv) Other Bank Balances	53	38	57	28
(v) Other Financial Assets	17	5	6	179
Other Current Assets	58	77	71	121
Total Current Assets	1,215	1,602	2,145	3,360
Total Assets	3,313	4,022	4,912	6,760
Equity and Liabilities				
Equity Share Capital	0	0	0	437
Other Equity	1	1	0	0
Reserves and Surplus	1,149	1,240	3,034	3,667
Total Equity	1,150	1,241	3,034	4,105
Liabilities				
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	350	424	257	242

Source: RHP, StoxBox

Balance Sheet (Rs. in Million)

(ii) Lease Liabilities	194	140	82	173
Provisions	37	46	36	44
Deferred Tax Liability (Net)	0	0	0	54
Other non-current liabilities	7	21	19	49
Total Non-Current Liabilities	588	631	394	562
Current Liabilities				
Financial Liabilities				
(i) Current Borrowings	746	1,083	239	227
(ii) Lease Liabilities	47	54	66	68
(iii) Trade Payables	665	767	858	1,427
(iv) Other Current Financial Liabilities	77	154	226	247
Other Current Liabilities	24	76	44	29
Current Provisions	15	16	50	96
Total Current Liabilities	1,574	2,151	1,484	2,093
Total Liabilities	2,163	2,781	1,878	2,655
Total Equity and Liabilities	3,313	4,022	4,912	6,760

Source: RHP, StoxBox

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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