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Auto ancillary with niche powertrain technology play

About the Company: Sedemac Mechatronics (Sedemac) designs and supply critical, control-intensive electronic control units (“ECUs”) to major vehicle (OEM) and industrial equipment manufacturers in India, the United States, and Europeis.

- Segment mix as of FY25 – 86% mobility, 14% Industrial
- Geographical mix as of FY25 – 93% Domestic, 7% Exports
- It derives ~64% of its revenue from the domestic 2W/3W industry

Key triggers/Highlights:

- Sedemac is a technology company specialized in developing control products for engines & powertrains for on-road and off-road applications.
- It is a supplier of control-intensive, critical-to-the application electronic control units (ECUs) to leading original equipment manufacturers (OEMs) in the mobility and industrial markets in India as well as US and Europe.
- Flagship products include ISG (Integrated starter generator) ECUs, EFI (Electronic fuel injection) ECUs, combined ISG+EFI ECUs, MCUs (Motor control units) for electric vehicles, electric machines (magnetos / motors) for both engine-powered and electric bicycles and 2/3W and GCs
- It has ~ 35% market share of domestic ISG ECU market (2W, 3W combined) in terms of volume & is amongst the top 4 players. It is also leader in India for genset controllers (“GC”) with an estimated market share of 75%-77% & is amongst the key global players with a market share of ~14% globally.
- It is the first company in India to develop, design and manufacture sensorless commutation (“SLC”) based integrated starter generators (“ISG”) ECUs for 2/3Ws ICE powered vehicles.
- The company has 2 technical centres & 2 operational manufacturing facilities; all located in Pune and has 2 plants under construction as well.

Our View & Rating

- Sedemac comes across as a unique and focused technology play in the domestic auto-ancillary space operating in niche powertrain ecosystem with strong OEM relationships and leadership positions in ISG ECUs and genset controllers. It has a lean balance sheet, clocks healthy ~20% EBITDA margins and has a capital efficient business model with RoE/RoCE >20%.
- At the upper price band of IPO i.e. ₹1,352, it is being valued at ~63x P/E on FY26 annualised numbers. We assign **Unrated** rating to the IPO Issue.

Key risk & concerns

- **Customer concentration-** TVS Motors is the anchor client at Sedemac contributing ~81% of its revenues. Top 3 customers share pegged at ~88%.
- **Electrification risk-** Powertrain electronics constitute bulk of revenues at Sedemac & hence susceptible to Electrification (EV) risk especially in the 2W/3W space.

Key Financial Summary

Financial Summary (₹ crore)	FY23	FY24	FY25	9MFY26*
Net Sales	423.1	530.7	658.4	770.7
EBITDA	47.5	77.9	120.9	156.4
EBITDA Margins (%)	11.2	14.7	18.4	20.3
Net Profit	8.6	5.9	47.0	71.5
Reported EPS (₹)	1.9	1.3	10.7	16.2
RoNW (%)	7.5	4.7	15.5	23.2
RoCE (%)	7.7	15.3	21.4	32.3
P/E	700	1,021	128	63

Source: RHP, ICICI Direct Research, *Ratios and PE in 9MFY26 are annualized for FY26

SEDEMAC**IPO Details****Issue Details**

Issue Opens	4th March
Issue Closes	6th March
Issue Size	~ ₹ 1087 crore
QIB (Institutional) Share	50% of issue
Non-Institutional Share	15% of issue
Retail Share	35% of issue
Issue Type	Offer For Sale
Price Band (₹/share)	₹1287 - ₹1352
Market Lot	11 shares
Face value (₹/share)	₹ 10
Listing Market Cap @ Upper price band	~₹ 5,970 crore

Shareholding pattern

	Pre-Issue	Post-Issue
Promoters	26.5	26.2
Public	73.5	73.8
Total	100.0	100.0

Objects of the issue**Objects of the issue**

The issue is a pure play OFS (Offer for Sale) and no proceeds from the issue will get deployed with the company

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Subscribe: Apply for the IPO

Avoid: Do not apply for the IPO

Unrated: No View on applying for the IPO

Subscribe only for long term: Apply for the IPO only from a long-term investment perspective (>two years)

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