SEDEMAC Mechatronics Ltd - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
4 March 2026	6 March 2026	₹1287 to ₹1352	Neutral

Investment Summary

SEDEMAC supplies control-intensive electronic systems to OEMs, covering ISG/EFI ECUs for 2W/3W, motor & motor controllers for e-mobility, and genset controllers/EFI for generators and power tools. Its first-to-market capabilities in critical technologies create high entry barriers, as these products require long validation cycles and deep integration at the OEM level, making replacement difficult once embedded. This is supported by scale proof points such as SmartIgn integration in 48.8+ million vehicles (FY2012 to Q3 FY2026) and 1.0+ million genset controller units sold since FY2015. The company reports strong competitive positioning in genset controllers, including ~75%–77% share by volume in India (9M ended Dec'25) and ~14% global share by volume (FY25). SEDEMAC's integrated model across design, engineering and manufacturing supports faster product iterations and quality control, while a customer roster that includes Hero MotoCorp, TVS, Bajaj, Kirloskar Oil Engines, Mahindra & Mahindra, Briggs & Stratton and Generac adds visibility and repeat business potential.

Company Overview

SEDEMAC Mechatronics Limited is a Pune based technology driven company founded in 2007 specializing in the design, development and manufacture of control intensive, critical to the application electronic control units (ECUs) for the mobility and industrial sectors. Originating from a lab at IIT Bombay in 2007, the company has evolved into a major Tier I supplier to leading original equipment manufacturers (OEMs) in India, the United States, and Europe. The business focuses on delivering proprietary, in house developed solutions that manage complex systems in real time. It specializes in powertrain controllers, motor control units, and integrated starter-generator (ISG) solutions. The company is known for its patented sensor-less motor control technology, which delivers accurate and efficient performance without external sensors. SEDEMAC is the first Indian company to indigenously develop and manufacture sensorless commutation based ISG ECUs for two and three wheeler ICE vehicles. Its product portfolio spans ISG and EFI ECUs, combined ISG+EFI solutions, EV motor controllers, and electric machines for ICE, electric mobility, and generator set applications.

Business Model

SEDEMAC is a B2B engineering-and-manufacturing company that designs and supplies "control-intensive" electronic control units (ECUs). The embedded electronics that sense inputs and run software to control how an engine, generator or electric drivetrain behaves. It primarily serves mobility OEMs (ICE and electric 2W/3W) and the industrial genset ecosystem, with a portfolio that includes ISG ECUs, EFI ECUs, combined ISG+EFI ECUs, motor control units (MCUs) for EVs, and genset controllers (GCs).

From a revenue perspective, the company earns most of its operating income from the sale of products (controllers/ECUs) supplied to OEMs, where growth is driven by shipment volumes. For example, in FY24, sale of products rose to ₹5,230.25 million (vs ₹4,145.90 million in FY23), supported by higher ECU volumes, while sale of services (typically smaller) includes items such as non-recurring engineering/application fees. It also has other operating revenue, including items like export incentives and miscellaneous income.

Commercially, SEDEMAC's model is to win "design-ins" with anchor OEMs by co-developing and integrating the controller hardware plus base software into the customer's platform; once validated, the programme scales into recurring, high-volume production supplies. It also offers a CustomECU approach where customers can retain/own their application logic while SEDEMAC provides the hardware and foundational software layers, which helps deepen OEM relationships and extend programmes over multiple vehicle or genset variants. Operationally, the company sources key inputs (notably semiconductors and PCBs) and converts them, along with mechanical parts and consumables, into finished ECUs for delivery to OEMs, which underpins its product sales engine.

Industry Outlook

The industries served by SEDEMAC Mechatronics Limited are supported by a combination of steady growth in traditional applications and high growth electrification driven segments, creating a favorable long term demand environment for control electronics and motor control solutions.

Two-Wheeler Industry:
The global two wheeler market is projected to grow at a 9–11% CAGR, reaching approximately 113–124 million units by 2030, led by India, China, and Southeast Asia. Electrification is a major growth lever, with global EV penetration expected to rise from about 29% in 2025 to 41–43% by 2030. In India, domestic two wheeler sales are forecast to expand at a 6–8% CAGR from FY25 to FY31, reaching 29–31 million units. Electric two wheelers are expected to grow significantly faster, with penetration rising to 25–30% by FY31 and the segment recording a 40–45% CAGR. Exports from India are also projected to grow at an 8–10% CAGR, reaching 6.5–7.0 million units by FY31.

Generator (Genset) Industry:
The global fixed genset market, which stood at about 3.0 million units in 2024, is expected to grow at a 2–3% CAGR, reaching 3.3–3.5 million units by 2030. Growth is driven by data centers, digital infrastructure, and power reliability needs in emerging economies. The Indian genset market is expected to outperform global trends, growing at a 6–8% CAGR to reach 215,000–225,000 units by 2030, supported by infrastructure development and stricter emission norms such as CPCB IV+, which encourage adoption of advanced control technologies. The industry is also transitioning toward hybrid and cleaner genset solutions.

Power Tools and E-Bike Segments:
The global power tools market is projected to grow at a 5–6% CAGR, reaching 460–470 million units by 2030, with cordless tools accounting for an estimated 48–55% of total sales as battery technology advances. The global e-bike market is expected to expand at a 9–11% CAGR, reaching 61–67 million units by 2030, driven by sustainability initiatives, government incentives, and urban mobility trends.

Investment Rationale

Niche Market Leadership and Entry Barriers
SEDEMAC demonstrates niche leadership in highly specialized segments, with a dominant market position in genset controllers, where it commands an estimated 75–77% share, and a first-mover advantage in sensorless commutation–based ISG ECUs for two- and three-wheelers, holding roughly 35% domestic market share. Its products are mission-critical and deeply integrated into OEM platforms, creating high switching costs and strong entry barriers for competitors.

Technological Moat and In-House Capabilities
The company's competitive strength is underpinned by a robust technology moat. SEDEMAC maintains full in-house control over hardware, firmware, and software, which enables rapid innovation, customization, and cost optimization. This capability is reinforced by a highly skilled engineering team of 158 engineers with over 600 man-years of cumulative experience, supporting first-to-market execution and long product lifecycles.

Cross-Market Scalability and Growth Optionality
SEDEMAC also benefits from multi-market optionality by reusing core control architectures across mobility, industrial, electric vehicle, and power tool applications. This cross-segment approach enhances R&D productivity, improves procurement efficiency, and allows the company to scale technologies efficiently. Its expansion into EV motor controllers and cordless power tools further positions it to participate in faster-growing end markets.

Customer Stickiness and Long-Term Visibility
Customer stickiness is another key strength, driven by a structured technology deployment model that secures anchor OEMs early in the product lifecycle. Once integrated into high-volume platforms, SEDEMAC's solutions tend to generate repeat orders and provide long-term revenue visibility.

Key Risks

Customer and Segment Concentration Risk-
SEDEMAC Mechatronics Limited faces pronounced customer and revenue concentration risk, with TVS Motor Company Limited contributing 75.48% of revenue in 9M FY2026 and 83.46% in FY2024. Any decline in orders, adverse pricing actions, or loss of this key relationship would have an immediate and material impact on revenues, cash flows and operating leverage. This risk is compounded by heavy segment concentration, as the mobility segment accounted for 84.63% of revenue in 9M FY2026, largely tied to ICE based two and three wheeler platforms, increasing exposure to cyclical demand within a narrow end market.

Supply Chain and Geopolitical Exposure
The company is also exposed to supply chain and geopolitical risks due to its reliance on China for critical components such as semiconductors and printed circuit boards. Potential trade restrictions, tariffs, or geopolitical tensions could disrupt supplies or increase costs. Supplier concentration further heightens this risk, with the top 10 suppliers accounting for 63.63% of total purchases in 9M FY2026, limiting sourcing flexibility.

Operational and Geographic Concentration Risk
Operational risk is elevated by geographic concentration, as all manufacturing is carried out at two facilities in Pune, Maharashtra. Any localized disruption, such as natural disasters, labor issues, infrastructure failures or regulatory actions could materially affect production and deliveries. In addition, with over 90% of revenue generated in India, SEDEMAC remains highly sensitive to domestic economic conditions, regulatory changes, and industry policies.

Technology and Market Transition Risk
The company also faces technology and market transition risks. The rapid shift toward electrification in the Indian 2W/3W industry poses a structural challenge to its ICE focused product portfolio, and a faster than expected decline in ICE platforms could create revenue gaps before EV volumes scale meaningfully. In the industrial segment, long-term demand for traditional gensets may be constrained by cleaner energy alternatives and tightening emission norms, necessitating ongoing technology upgrades.

Financial Governance and Working Capital Risk
From a governance and financial perspective, statutory auditors highlighted the absence of a fully enabled audit trail in the company's accounting software for FY2024 and FY2025, raising internal control concerns. Working capital risk has increased, with trade receivables from the top 10 customers rising to ₹1,384.06 million as of December 31, 2025, exposing the company to counterparty risk and cash flow volatility. Additionally, the significantly lower acquisition cost for promoters and selling shareholders relative to the offer price may influence post listing supply dynamics and investor sentiment.

Financial Snapshot

(In Cr)

Metric	FY23	FY24	FY25
Revenue (₹ Cr)	423.03	530.65	658.36
EBITDA (₹ Cr)	54.24	83.12	125.07
Net Profit (₹ Cr)	8.57	5.88	47.05
EBITDA Margin (%)	12.82%	15.66%	19%
PAT Margin (%)	12.82%	15.66%	7.15%
EPS (Basic) (₹)	1.94	1.33	10.66

IPO Details and Use of Proceeds

Parameter	Details
Issuer	SEDEMAC Mechatronics Ltd.
IPO Structure	Offer for Sale
Issue Size	80,43,300 shares (agg. up to ₹1,087 Cr)
Price Band	₹1287 to ₹1352 per share
Face Value	₹10 per share
Post-Issue Market Cap	₹ 5970.63Cr.
Promoter Holding (Pre/Post)	26.43%
IPO Opening Date	March 4, 2026
IPO Closing Date	March 6,, 2026
Listing	BSE & NSE
Book Running Lead Managers	• ICICI Securities Ltd. • Avendus Capital Pvt. Ltd. • Axis Capital Ltd.

Valuation and Recommendation

At the upper end of the **price band of ₹1,352** per share, SEDEMAC Mechatronics Limited is valued at **48x EV/EBITDA and 9x market-cap to sales,** implying a post-issue **market capitalization of ₹5,970.63 crore**. However, this valuation appears to be very high to account for the company's elevated risk profile. Revenue concentration remains extremely high, with a single customer contributing over three-fourths of revenues, while segment concentration is skewed toward ICE-based two and three wheelers, exposing the business to cyclical demand and structural risks from rapid electrification. The company's dependence on China for critical components such as semiconductors, coupled with significant supplier concentration, heightens supply chain and geopolitical vulnerabilities. Operational risk is amplified by geographic concentration, with all manufacturing facilities located in Pune, and limited diversification in revenue geography, as over 90% of revenues is domestic. Additionally, the transition risks in both mobility and industrial segments, rising working capital intensity, and auditor observations regarding deficiencies in audit trail controls raise concerns around governance and cash flow stability. Hence, we recommend a **Neutral rating**, with a plan to monitor post listing for evidence of continued scale-up, durable margin improvement, operating leverage and delivery against growth targets.

Disclaimer

This information/document has been prepared by Mangal Keshav Financial Services LLP (MANGAL KESHAV) and is intended for use only by the person or entity to which it is addressed. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/document is subject to changes without prior notice.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. MANGAL KESHAV will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and MANGAL KESHAV has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavor to update the information herein on a reasonable basis, MANGAL KESHAV, its subsidiaries, and associated companies, their directors and employees ("MANGAL KESHAV and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent MANGAL KESHAV and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information.
Clients should read the Risk Disclosure Document issued by SEBI and relevant exchanges, and the Terms & Conditions on the Mangal Keshav website.

Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst Registration No.: INH000018319.
LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.
Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.
TEL: 022 61907900