

SEDEMAC Mechatronics Ltd.

Revving Up for a Multi-Year Compounding Journey

17 Jun 2026

Spark Initiating Coverage Reports – Rebooted!

Outlining the framework from our desk

In our new, rejuvenated approach to publishing fundamental research ideas, we aim to balance a traditional, time-tested framework with a contemporary and hopefully refreshing segue into stock-picking. Accordingly, our Initiating Coverage reports will be presented in four sections: **(1) Annual Report Deep-dive, (2) Business Assessment Scores, (3) Valuation Framework, and (4) Stock Buzz & Influencing Factors.**

This report is underpinned by two key beliefs: (1) business assessment should be separated from valuation frameworks so that equity research can calibrate the mix objectively when making stock calls; and (2) reactions to “buzz” and other factors that influence price action must be identified and given due regard when timing stock calls, particularly in the current environment where information flow is incessant.

Annual Report Deep-dive

Drawing on the time-tested but sadly, rarely-applied practice of drilling into historical annual reports, we dedicate the opening section to the **Analytical Perspective gleaned** from this exercise. A helpful forensic overlay provides a clearer view of the company’s **historical operating performance, balance sheet behaviour, cash flow quality & governance structure.** By anchoring the analysis in reported numbers and disclosures, this section helps assess earnings quality and risk before progressing to any forward-looking calls with conviction.

Business Assessment Scores

To address the question of whether a company’s business can emerge as a long-term winner, we draw on Porter’s Five Forces framework to examine key aspects such as revenue models, pricing risks, market positioning, and competitive moats. Our financial analysis and estimates are anchored in our assessment of both the company’s current performance and its long-term potential. To ensure that this assessment remains objective and not influenced by subjective judgment, we employ a scoring model that captures the key drivers of business quality across five composite vectors. The resulting scores form the basis of our call on the business.

Valuation Framework

We have often observed how markets can make target multiples appear like the proverbial rabbits out of a hat. To avoid the temptation of retrospectively justifying valuations alongside the broader market, we returned to first principles while designing our Valuation Framework. Anchored in market, peer, and historical absolute benchmarks, our valuation scores incorporate Economic Value Added, return profiles, growth prospects, and leadership positions, mapped against relevant valuation multiples. Ultimately, the central question remains: given everything we know about the business, markets, and peers, does the current pricing appear attractive? This question forms the bedrock of stock-picking in equity research.

Stock Buzz & Influencing Factors

The **Buzz Chart** & Liquidity Chart track stock-specific news flow, events, and market activity to help identify **periods of elevated attention or sentiment shifts**, complementing fundamental and valuation analysis.

Report In Gist (1/2)

Last Day Close
Rs. 2,778

1Y TP
Rs. 3,333

Upside
20%

Rating
BUY

About the company

- SEDEMAC Mechatronics Ltd. is a technology driven company that has built a differentiated, innovation-led product portfolio in control systems, led by a technocrat management and supported by a strong in-house R&D capability, with nearly 244 employees working in engineering and product development. The company primarily caters to the automobile industry, with a focused presence in two-wheelers, three-wheelers and electric 2W / 3W, where it has established itself as a trusted supplier to marquee OEMs including TVS, Bajaj Auto and Hero Moto. SEDEMAC supplies critical-to-application electronic control units (ECU) that sit at the heart of vehicle performance, fuel efficiency and emission compliance, components that OEMs simply cannot afford to replace once integrated. It provides customers with fully in-house developed, end-to-end solutions, spanning proprietary control technology, product design, embedded software, and high-volume manufacturing, with no external technical collaboration, thereby building strong & sticky relationships with leading OEMs.
- Beyond automobiles, it also serves the industrial segment by supplying controller solutions to leading Genset manufacturers including Cummins and Kirloskar. While anchored in the domestic market, operating through two key manufacturing facilities in Pune, SEDEMAC has steadily expanded its global footprint, supplying OEMs across the US and Europe.

Annual Report Deep-dive

- The annual report deep dive reveals key accounting and financial nuances that are critical to understanding SEDEMAC's earnings quality and financial trajectory. It analyses few transient factors like TReDS and CCPS that historically had bearing on financials. Normalization of these factors in FY24, made financials a more representative reflection of company's underlying business strength.

Business Assessment Scores

Business Franchise & Moat	6.0	7.0
Management & Governance Quality	5.5	7.0
Risk Profile & Pricing Power	5.0	7.0
Financials (Growth, Margins &...)	6.0	7.0
Balance Sheet & Cash Flow	6.0	7.0

■ Average factor score

Valuation Framework

Current Position vs Peers	6.0	7.0
Based on Growth	5.5	7.0
Capturing Return Profiles	6.0	7.0
Reflecting EVA	6.0	7.0

■ Average factor score

Financials and Estimates Summary

Particulars (Rs. cr)	Revenue	EBITDA	EBITDA %	PAT	EPS	RoE %	RoCE %	P/E	EV/EBITDA
FY24	531	78	14.7%	6	1	5%	15%	-	160
FY25	658	121	18.4%	47	11	22%	23%	257	102
FY26	1,058	217	20.5%	104	24	28%	35%	118	57
FY27E	1,450	296	20.4%	151	34	29%	35%	81	41
FY28E	1,964	431	21.9%	232	53	32%	40%	53	28

17 Jun 2026

Industry Auto Components

Key Stock Data

Bloomberg	SEDEMAC IN
Shares o/s (Cr)	4.42
Market Cap (Rs. Cr)	12,269
52-wk High-Low	2,937/1,413
30D ADV ('000)	530
Index	Nifty 500
F&O	N

Latest Shareholding (%)

	Mar 2026
Promoter Group	26.2
FII	2.5
DII	43.9
Others (Public)	27.3

Stock Performance (%)

	1M	2M	3M
SEDEMAC IN	40.3	66.1	90.8
Nifty 500	2.1	1.5	6.9

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Source: Company, Bloomberg, Midas Research

SEDEMAC Mechatronics Ltd.

Midas
Equities and Research

Stock Buzz & Influencing Factors



SEDEMAC Mechatronics Ltd. delivered a remarkable ~90% return since its listing on March 11, 2026, at Rs.1,535 per share, driven by progressive re-rating as the market developed a better appreciation of the company's IP-led business franchise and sustained strong growth momentum leading to improved price discovery.

While high dependence on imported semiconductors, constituting ~75% of RM costs, remains a key monitorable given exposure to supply chain disruptions, geopolitical risks, and currency movements. However, SEDEMAC's growing volume base is steadily elevating its pricing leverage over global suppliers, providing a natural and strengthening offset to this risk.



Investment Rationale

- **Innovation led product portfolio creating dominant position in niche markets:** SEDEMAC's technology-first approach consistently delivers first-to-market, differentiated products, securing early mover advantage and dominant market share across every segment it enters. The company invests ~7% of revenue in R&D, the highest among peers, and unlike several other Indian auto companies that rely on licensed foreign technology, SEDEMAC builds entirely on in-house developed IP. This approach has produced three landmark innovations: Electronic Governing (eGoV) system in Genset controllers, SmartIgn Technology and sensor-less commutation (SLC) ISG ECU, leading to large market share gains, highlighting SEDEMAC's ability to penetrate and cater large market shares, driven by its product innovations.
- **Business MOAT reflected in superior and sustainable operational margins:** SEDEMAC's IP-led, first-to-market product portfolio enabling dominant market share positions, translates into procurement scale that compounds into better input pricing, supply chain priority, and long-term cost efficiencies. Complete vertical integration, with no licensing fees, royalty payments, and no technology dependencies, provides full control over costs and margins. These structural advantages collectively underpin a sustained high operating margin trajectory that peers relying on licensed technology or external design partnerships simply cannot replicate.
- **High growth journey maintaining healthy return ratios:** Core growth levers, like expanding ISG penetration, growing domestic market share, strong EV MCU traction, and anticipation for healthy acceptance of upcoming commercial vehicle related products, together underpin our ~36% revenue CAGR estimate over FY26-28E. Healthy cash flow generation is expected to support both capex and R&D fund requirements without straining the balance sheet, preserving capital efficiency and financial flexibility. This combination of high revenue growth trajectory coupled with disciplined capital allocation is expected to sustain industry-leading return ratios, with RoCE forecasted at ~40% by FY28E.
- **Balance Sheet strengthening initiatives yield results:** Conversion of all Compulsory Convertible Preference Shares (CCPS), issued across multiple PE/VC funding rounds, into equity in May 2024 triggered a sharp collapse in Net D/E from 1.3x (FY24) to ~0.2x (FY25), fundamentally transforming the company's leverage profile. Simultaneously, discontinuation of the TReDS bill discounting platform, eliminated the cost of high-yield invoice discounting, improving underlying cash flow quality. Together, these pre-IPO initiatives have delivered a strong, unencumbered balance sheet, well-positioned to support the next leg of growth.
- **Premium Valuation pricing in multiple industry-leading metrics:** SEDEMAC's 90% post-listing appreciation has resulted in the stock trading at ~53x FY28E P/E, a multiple that may appear optically rich but is well-supported by a ~50% PAT CAGR over FY26-28E, double the industry average of ~25%, alongside FY28E RoE of ~32%, nearly 1.8x the industry average of ~18%. The premium valuation therefore reflects a genuinely premium business with industry-leading growth and return metrics, not a market mispricing.
- **Target PEG offers valuation comfort relative to peers:** We assign a target multiple of ~63x on FY28E earnings to derive a Target Price of Rs.3,333, implying a target PEG of ~1.2x, a multiple that offers compelling valuation comfort relative to peers trading at significantly higher PEGs despite lower growth: Bosch at ~4.8x, Schaeffler at ~3.2x, and Sona BLW at ~1.4x. For investors seeking high-quality, high-growth exposure at a reasonable growth-adjusted valuation, SEDEMAC's current ~1.0x FY26-28E PEG represents an attractive and well-supported entry point.

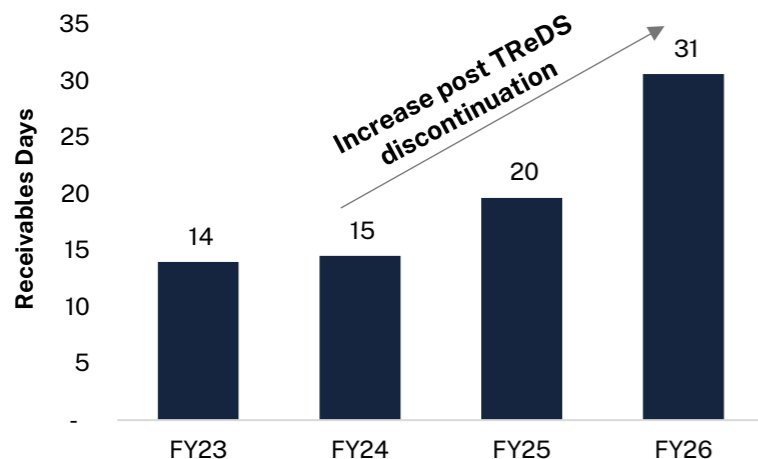
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1 – Annual Report Deep-dive (1/2)

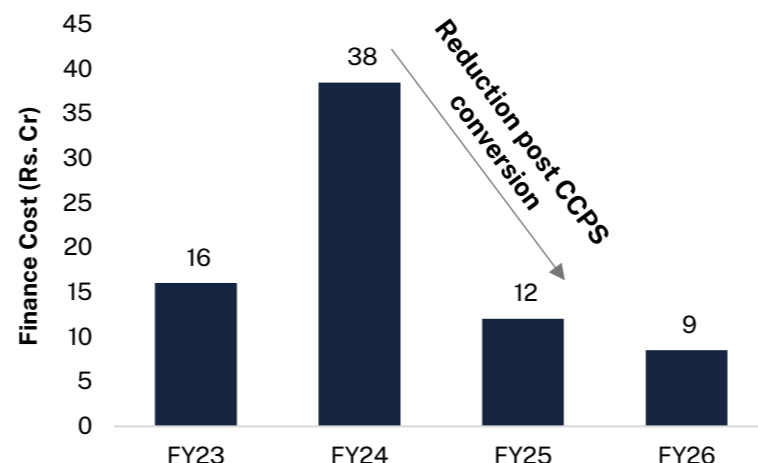
Receivables Days – Accounting change impact



Working Capital

- SEDEMAC historically utilized the M1xchange Trade Receivables Discounting System ("TReDS") platform to accelerate cash collections, enabling faster cash realization typically within 24-48 hours of billing.
- While this significantly optimized working capital, it also resulted in lower reported receivable balances, keeping receivable days at an exceptionally tight 15 days during FY24.
- Post discontinuation of TReDS, receivable days increased notably to 20 days in FY25 and 31 days in FY26, reflecting a transition to standard OEM payment terms.

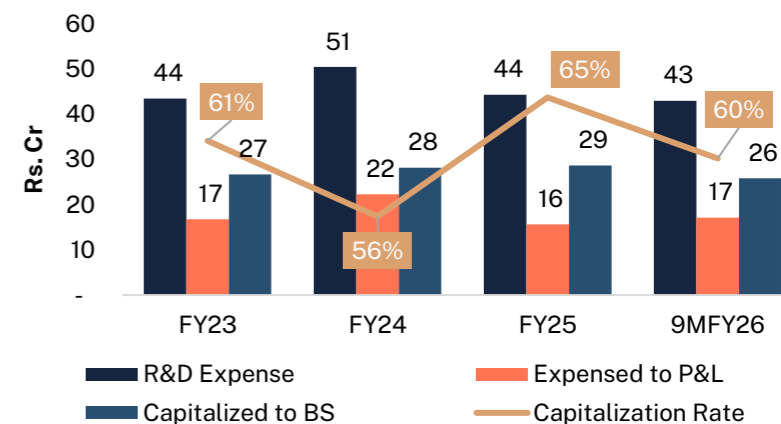
Finance Cost – Reduction post CCPS conversion



Compulsory Convertible Preference Shares (CCPS)

- SEDEMAC raised multiple rounds of PE/VC funding through Convertible Preference Shares (CCPS) – across Series A through F1, between 2010 and 2018.
- Under IndAS accounting, CCPS are classified as financial liabilities, and the coupon/dividend accruals are charged to the P&L as finance costs.
- All CCPS were converted to equity on 31st May 2024, eliminating ~Rs.26cr in annual finance costs.
- As a result, overall finance costs declined ~69% YoY to Rs.12cr (FY25) from Rs.38cr (FY24).

R&D Expense – Capitalization rate at 50%+



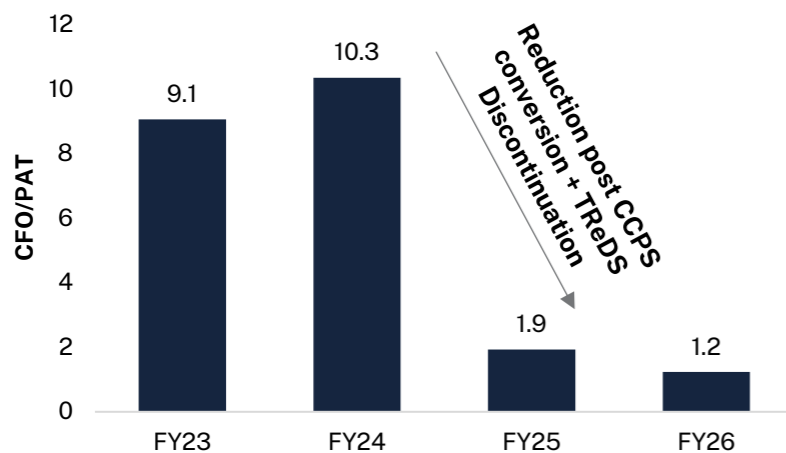
Note: R&D Expense not yet available for FY26

R&D Capitalization

- SEDEMAC follows **Ind AS 38 (Intangible Assets)** - for accounting its R&D expenditure. Policy makes strict bifurcation between research and development phase.
- Research Phase** – Fully expense all costs incurred. **Development Phase** – Capitalize as Intangible Asset, if six criteria are met.
- In key audit matter, management judgement has been explicitly highlighted stating that 'the company applies judgement in determining at what point in a project's life cycle the recognition criteria under Ind AS are satisfied, and in determining the nature of the cost capitalized'.
- The capitalization rate has remained over 50%+ over the years.

1 – Annual Report Deep-dive (2/2)

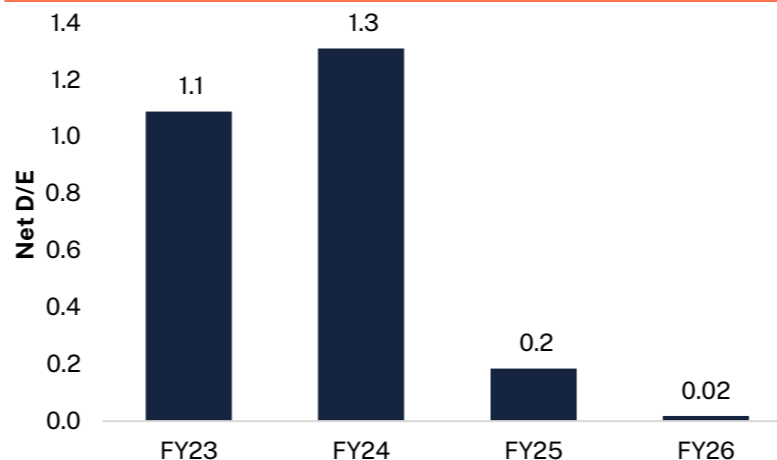
CFO/PAT - Correction to sustainable Levels



Cash Flow Integrity

- SEDEMAC's reported cash flow metrics through FY23-24 were flattered by two transient factors. CCPS-related finance costs suppressed PAT margin to ~2% or below.
- Secondly, TReDS-driven low receivables led to significant expansion of CFO/PAT ratio.
- With discontinuation of TReDS and CCPS conversion in FY25, both effects normalized and CFO/PAT corrected to a more representative 1.9x in FY25.
- FY26 reading of 1.2x, while comparatively lower still reflects healthy cash generation ahead of reported profits and compares favorably against listed peers. It confirms SEDEMAC's underlying business consistently converts earnings into cash.

Net D/E - CCPS conversion drives deleveraging



Balance Sheet and Leverage

- All 8 series of CCPS, totaling 16,110 preference shares, were converted into 15,921 equity shares on May 31, 2024.
- The conversion eliminated Rs.108cr of financial liabilities from the balance sheet, causing Net D/E to collapse from 1.3x (FY24) to effectively ~0.2x (FY25).
- Further active deleveraging transformed SEDEMAC's balance sheet from a leveraged, PE-funded startup to a near-debt free, self funding technology company.

Management Remuneration

- Cumulative management remuneration (MD, Jt. MD and COO) for FY25 stood at ~Rs.11cr which formed ~23-24% of PAT for the year.
- Elevated percentage terms though largely a reflection of PAT being in early stages of normalization rather than absolute remuneration being disproportionate.

2 - Business Assessment Scores



Business Assessment Scores – Summary

Business Franchise and Moat: 2.1

Through innovation-led product portfolio, SEDEMAC has built a niche business franchise, anchored by deep OEM integration that makes switching costly, first mover led market leadership driving procurement scale and pricing power and in-house R&D capability that consistently raises the competitive bar through IP-led product development. These MOAT creates a business franchise that is structurally difficult to replicate, **thus we provide high rating of 6.0 out of 7.0.**

Management and Governance Quality: 2.2

SEDEMAC's management led by a team of technocrats from IIT Bombay, whose deep domain expertise in control systems is central to the company's technological MOAT. Governance standards are robust with the lone watch item being management remuneration, elevated in percentage terms though largely a reflection of PAT being in early stages of normalization rather than absolute remuneration being disproportionate. **Accordingly, we assign a 5.5 rating out of 7.0.**

Risk Profile and Pricing Power: 2.3

The company operates in a highly competitive industry, but its overall risk profile is broadly favorable, as entry barriers are high, while substitution and rivalry are only moderate given the company's differentiated sensor-less ISG and entrenched market share. The key vulnerabilities lie in bargaining power, which is high on both sides: supplier power is elevated on concentrated, import-dependent sourcing, while buyer power is very high, with TVS Motor alone contributing ~75% of revenue. **Accordingly, we assign a 5.0 rating.**

Financials (Growth, Margins & Returns): 2.4

SEDEMAC's growth trajectory is underpinned by four compounding drivers i.e., an ISG market expected to nearly double by FY31, expanding domestic market share as newer high-volume OEM models adopt its sensor less ISG solutions, strong early traction in the EV MCU segment backed by robust sectoral tailwinds and expanding TAM as new product launches in commercial vehicles and electric 4W open up significantly larger end-markets. Together these drivers provide healthy, multi-year revenue visibility that is broad-based and self-reinforcing, and accordingly **we assign a rating of 6.0 out of 7.0.**

Balance Sheet and Cash Flow: 2.5

Over the last few years, SEDEMAC's balance sheet has strengthened meaningfully, driven by the elimination of CCPS-related debt and working capital cycle optimization, while healthy cash flow generation supported by declining finance costs, cumulatively leading to a near debt-free position by FY26. With a strong encumbered balance sheet now in place, the company is well-positioned to fund its next leg of growth. **Accordingly, we assign a rating of 6.0 out of 7.0.**



SEDEMAC Mechatronics Ltd. - Company Factsheet

Corporate Snapshot	
Company background	<ul style="list-style-type: none"> SEDEMAC Mechatronics Ltd., incorporated in 2007 and originating from an IIT Bombay laboratory led by Prof. Shashikanth Suryanarayanan, is an Indian Tier-I supplier of critical-to-application, control-intensive Electronic Control Units (ECUs) to leading two-wheeler, three-wheeler, and industrial genset OEMs across India, the US, and Europe. The company specializes entirely in in-house control technologies, with no external collaboration and operates across a portfolio spanning ISG ECUs, EFI ECUs, ISG+EFI ECUs, MCUs for electric 2W/3W, Magnetos/Motors, and Genset Controllers, serving marquee customers including TVS, Bajaj Auto, Hero Moto, Cummins and Kirloskar. As of FY26, SEDEMAC has cumulatively shipped over 12 million control-intensive ECUs (3.9 million in FY26 alone) and has established market leadership positions with ~35% domestic share in the 2W/3W ISG ECU market and ~75% share in India's genset controller market. The company's proprietary Sensorless Commutation (SLC) technology, first in the world, is trusted by 3 of the top 4 two-wheeler OEMs in India and SEDEMAC accounted for 80% of India's entire ISG volume growth in FY26.
Revenue mix (FY26)	<ul style="list-style-type: none"> Mobility: Rs.911cr (FY26 : Revenue Mix - 86.2%) It includes critical components like ISG ECU, EFI ECU, ISG+EFI ECU & Other components like VRR, TCI controller Industrial: Rs.148cr (FY26 : Revenue Mix - 13.8%) It includes Genset Controllers and Genset EFI ECU segment
Demand drivers	<ul style="list-style-type: none"> SEDEMAC's proprietary sensorless ISG ECU to be introduced across new variants of most popular 2W models from 3 of India's top-4 2W OEMs. Two of these model launches are expected in Q1FY27 with third following by Q4FY27. Ramp-up of E2W MCUs: Following the commercial launch of SEDEMAC's Motor Controller Unit (MCU) for the domestic 2W/3W market in Q4FY25, volumes ramped up meaningfully by ~6x during FY26 and are expected to ramp up further through FY27 as EV penetration broadens. Ramp-up of ISG ECU for export 3W: Having already achieved strong ISG ECU penetration in the domestic market, SEDEMAC is focused to replicate this success in export markets, particularly in the three-wheeler segment.
Business model	<ul style="list-style-type: none"> SEDEMAC designs, develops, and manufactures critical Electronic Control Units (ECUs) entirely in-house and supplies them to leading two-wheeler and three-wheeler OEMs - including TVS Motor, Bajaj Auto, and Hero MotoCorp - as well as to prominent industrial and genset manufacturers such as Mahindra, Kirloskar, Cummins, and Briggs & Stratton, spanning both domestic and international markets.
Plants	<ul style="list-style-type: none"> 2 Manufacturing facilities at Pune (MF1: 40,000 sq ft; MF2: 8,000 sq ft) MF3 at Chakan, Pune (120,000 sq ft) starting ECU shipments from Q2FY27. MF4 at Chakan, Pune (9,000 sq ft) starting Electric Machine shipments from Q3FY27. Acquired ~13 acres at Shoolagiri (SIPCOT) for future South India shipments.
Auditors	<ul style="list-style-type: none"> B S R & Co. LLP
Credit rating	<ul style="list-style-type: none"> IND A- / Stable
Employee count	<ul style="list-style-type: none"> 1,855 personnel, including 496 on-roll employees with 158 engineers from IITs/NITs/BITs (as on 9MFY26).










Category (Mar '26)	% Share
Promoter Group	26.2
FII	2.5
DII	43.9
Others (Public)	27.3
Total	100.0

Key Metrics (Rs. Cr)	FY23	FY24	FY25	FY26
Revenue	423	531	658	1,058
Gross Profit	120	168	248	413
Gross Margin	28%	32%	38%	39%
EBITDA	47	78	121	217
EBITDA Margin	11%	15%	18%	20%
PBT	8	9	68	150
PAT	9	6	47	104
Net Worth	115	124	303	449
Net Debt	125	163	56	8
NWC - Ex Cash	60	74	90	113
Total Assets	331	402	491	814
RoCE		5%	22%	28%
RoCE		15%	23%	35%

Source: Company, Midas Research

SEDEMAC Mechatronics Ltd. – Core Operations

- SEDEMAC Mechatronics Ltd. is a technology-driven Tier-I supplier that designs, develops, and manufactures critical-to-application Electronic Control Units (ECUs) and controller solutions entirely in-house, encompassing proprietary control algorithms, embedded software, product design, and high-volume manufacturing, across its facilities in Pune, with no reliance on external technology partners or licensed IP.
- The company serves two distinct end-markets, the automobile industry, where it supplies sensorless ISG ECUs, EFI ECUs, ISG+EFI integrated ECUs, and EV Motor Controllers to marquee two-wheeler and three-wheeler OEMs including TVS Motor, Bajaj Auto, and Hero MotoCorp; and the industrial segment, where it supplies genset controllers and EFI ECUs to leading manufacturers including Cummins, Kirloskar, Mahindra, and Briggs & Stratton, across domestic as well as US and European markets.

Business Segments	Mobility	Industrials							
Revenue Mix (FY26)	Rs.911cr (86%)	Rs.148cr (14%)							
End User Industries	Two-wheeler, Three-wheeler OEMs (Both IC Engine and Electric Vehicle) (Commercial Vehicle product launch expected soon) (Penetration in Passenger Vehicle category by FY30)	Generator Set Manufacturer, Industrial Power Tool Manufacturers							
Geographic Mix	Dominant Domestic Presence (Export exposure through Domestic OEMs only, direct relationship with overseas OEMs not meaningful)	Largest Player in Domestic Market. Expanding presence in Export market across the US and Europe.							
Sub-Categories	IC Engine – Bike, Scooter and 3W Electric Vehicle – Bike, Scooter and 3W	IC Engine							
Product Portfolio	Critical Components			Non-Critical Components		Critical Components			
	Integrated Start-Generator ECU, EFI ECU, ISG+EFI ECU			Motor Control Unit and Motor		VRR and TCI	EFI ECU	Controllers	Compact MCU
	Sensorless ISG ECU 	EFI ECU 	Integrated ISG+EFI ECU 	MCU 	Motor 	Voltage Regulator Rectifier 	EFI ECU 	Generator Controller 	MCU for Power Tools 

What is Integrated Starter Generator?



Historically, bikes used two different motors

1. Starter Motor : To start the bike
2. Alternator : To charge electric battery while the bike is running



Integrated Starter Generator combined these two motor into single, serving both the purposes.

What is the use of ISG Electronic Control Unit?



Electronic Control Unit sends command to ISG Motor for its seamless operations and for its start and stop function

What is the use of Integrated ISG+EFI ECU



Implementation of BS VI emission norms mandated the adoption of Electronic Fuel Injection (EFI) systems across all 2W/3W. Each requires a dedicated ECU for real-time fuel and ignition management. SEDEMAC developed integrated ISG+EFI ECU, combining two functionalities, delivering cost savings and simplified architecture

Source: Company, Midas Research

2.1 – Business Franchise and Moat - Summary

6.0

7

Through innovation-led product portfolio, SEDEMAC has built a niche business franchise, anchored by deep OEM integration that makes switching costly, first mover led market leadership driving procurement scale and pricing power and in-house R&D capability that consistently raises the competitive bar through IP-led product development. These MOAT creates a business franchise that is structurally difficult to replicate, **thus we provide high rating of 6.0 out of 7.0.**

MOAT 1 – High Switching Cost for OEMs

- SEDEMAC's products are deeply co-developed with OEMs, not just plug-and-play components, over a **typical 2–3-year cycle** during which the company's hardware and embedded software get deeply integrated into the OEM's vehicle platform and manufacturing processes.
- Since these (ECUs) are critical-to-application components, replacing SEDEMAC would require the OEM to re-validate the entire development and integration process and effectively re-engineer the vehicle, making a supplier **switch a costly affair** and time-consuming exercise.
- SEDEMAC's CustomECU model enables OEMs to build proprietary software on its hardware platform, tightly linking OEM IP with SEDEMAC's technology stack and creating stickiness beyond a typical vendor relationship.

MOAT 2 – Innovation and R&D Driven Auto Ancillary Player

- SEDEMAC is founded and run by a **team of technocrats from IIT Bombay**, with MD, Jt. MD and COO holding advanced engineering degrees from India's premier institutions and carrying decades of hands-on experience in control systems for automotive applications.
- The founding DNA is reflected in the engineering team of 244 members, of which ~158 are from IITs/NITs/BITs. The company **invests ~7% of revenue in R&D**, the highest among peers, and unlike several other Indian auto companies that rely on licensed foreign technology, SEDEMAC builds entirely on in-house developed IP.
- This approach has produced three landmark innovations: the first domestic **Electronic Governing (eGoV)** system in Genset controllers (launched in 2014) which drove market share to ~75% now, the proprietary **SmartIgn Technology** (launched in 2012) sold ~43.6 million units so far, and world's first **sensor-less commutation (SLC) ISG ECU** (launched in 2018) led to ~35%+ domestic market share. It highlights SEDEMAC's ability to **penetrate and cater** large market shares, driven by its product innovations.

MOAT 3 – Early Mover Advantage and Vertical Integration Drive Market Share and Pricing Power

- SEDEMAC's consistent ability to launch **first-to-industry products**, such as eGov Genset controller and the sensorless ISG ECU, has enabled to enter new markets ahead of competition, build customer trust early and capture dominant market share.
- These leadership positions, ~75% in domestic genset controllers and ~35% in 2W/3W ISG ECUs, **translate into meaningful procurement scale** over global semiconductor suppliers, giving SEDEMAC better input pricing, supply priority and cost efficiencies.
- Layered on top of this is **complete vertical integration** across all-of-four design layers i.e. i. Hardware, ii. Base Software, iii. Application Software and iv. Mechanical Integration, developed entirely In-house with no dependence on any external technology partner.
- This means no royalty payments, no licensing fees and full control over the product lifecycle, factors that directly translates into higher margins profiles and a pricing power that is structurally earned rather than cyclically dependent.

Source: Company, Midas Research

2.1 – Business Franchise and Moat (1/3)

High Switching Cost For OEMs

SEDEMAC’s products are co-developed, deeply integrated control systems that become inseparable from the OEM’s vehicle platform, making supplier change a complex task. Complete in-house ownership, dominant market position and CustomECU model – together create switching barrier that compound with every passing year.

Seven-stage Model

SEDEMAC follows a structured seven-stage model to guide new technology proposition. Typically, the company works alongside OEMs for 2-3 years before a product reaches commercial production, creating a deep integration that is difficult to unwind.

Association with OEM spans around ~2-3 years	Technology Proposition	<ul style="list-style-type: none"> Typically, 1 – 2 years SEDEMAC identifies industry pain points and develops innovative solutions
	Proof-of-concept (PoC) Demonstration	<ul style="list-style-type: none"> Typically, 0.25 – 0.5 years Technology prototyped and demonstrated to OEMs
	Commercial Business Win	<ul style="list-style-type: none"> Typically, 0.25 – 1 year If technical feasibility and commercial value are established, OEM commit through Lol
	Initial Introduction	<ul style="list-style-type: none"> Typically, 1 – 2 years Work alongside OEMs for seamless integration
	Early Growth	<ul style="list-style-type: none"> Typically, 2 – 3 years Anchor customers expand solutions across product lines
	Broader Market Adoption	<ul style="list-style-type: none"> Typically, 3 – 5 years Operational track record enable other OEMs to replicate adoption
	Sustaining Industry Position	<ul style="list-style-type: none"> Till the technology stays relevant Ongoing improvement, drive cost reductions, enhance feature sets, and support wider deployment

Key MOATs

Why switching away from SEDEMAC is difficult

Critical-to-Application Products	<ul style="list-style-type: none"> SEDEMAC’s products are critical to vehicle operation. Undergo extensive multi-stage validation before commercial production. OEMs invest time, resources and engineering efforts. It creates a natural barrier to switching.
Hardware and software Integrated Platform	<ul style="list-style-type: none"> Embedded software and hardware interfaces are co-developed and deeply integrated into OEMs’ platform. Resourcing new supplier is not a straightforward vendor swap.
Custom ECU Lock-in	<ul style="list-style-type: none"> OEMs can develop own application software on SEDEMAC’s hardware and base software layers. OEM’s proprietary IP software becomes inseparable from SEDEMAC’s platform.
Procurement Scale Creates Cost Efficiencies	<ul style="list-style-type: none"> With ~35% domestic market share in ISG ECU and ~75% in Genset controller, SEDEMAC commands significant procurement leverage. Translates to better input pricing and long-term cost efficiencies.
In-house End-to-End Development Capabilities	<ul style="list-style-type: none"> SEDEMAC owns all four layers of design- i. Hardware ii. Base Software iii. Application Software iv. Mechanical Integration No dependence on third-party licensors or technology partners.

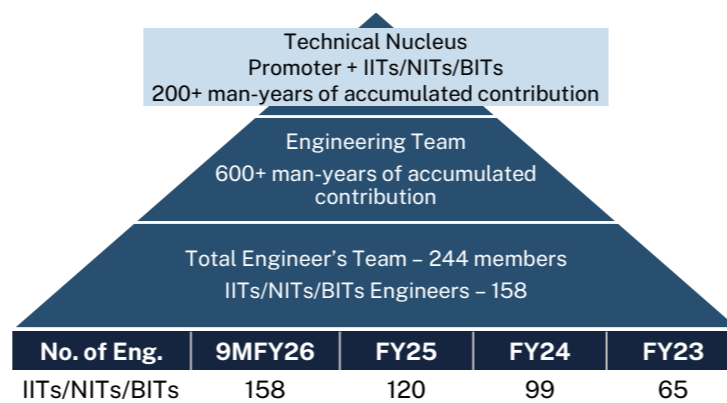
Source: Company, Midas Research.

2.1 – Business Franchise and Moat (2/3)

Innovation and R&D Driven Auto Ancillary Player

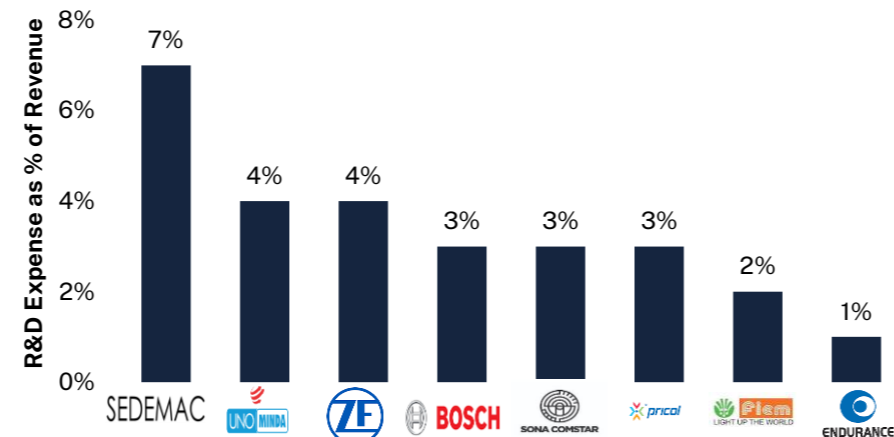
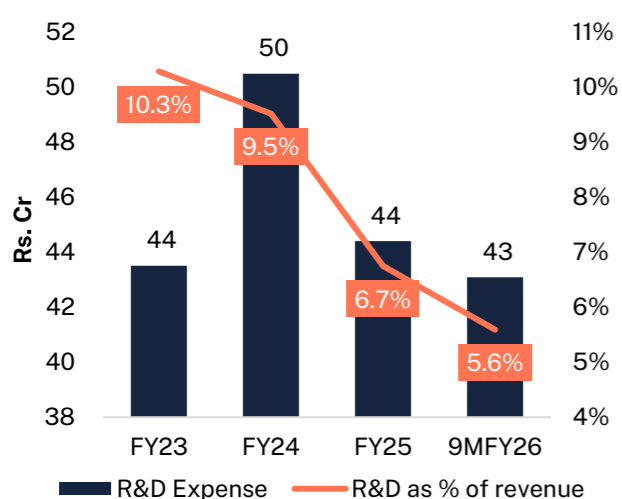
Technocrat leadership powering innovation-led growth

Key Personnel	Qualification
Prof. Shashikanth Suryanarayanan (Managing Director)	Ph. D. (University of California) B. Tech (Mechanical Eng.) (IIT Madras) Asso. Prof. in Mechanical Eng. (IIT Bombay)
Amit Arun Dixit (Joint Managing Director)	Ph. D. in Control Systems (IIT Bombay) M. Tech (Mechanical Eng.) (IIT Bombay) B.E. (Production Eng.) (K.J. Somaiya C. O. E.)
Manish Sharma (Chief Operating Officer)	M. Tech (Mechanical Eng) (IIT Bombay) B.E. (Mechanical Eng.)(Bharati Vidyapeeth C. O. E.)



SEDEMAC consistently invests significant portion of revenue in R&D – **a commitment that is not discretionary but a structural necessity for the business.**

This ~7% R&D intensity is among the highest in the Indian Auto Ancillary Industry.



Note: R&D Expense analysis conducted on FY25 basis. FY26 data not yet available for all.

SEDEMAC's R&D and innovation led first-to-industry approach driving scale and dominant market positions



First in India – Electronic Governing (eGov) in Genset Controllers (2014)

- In 2014, Sedemac became first company in India to provide integrated electronic governing (eGov) as a built-in-feature within genset controllers.
- eGov-enabled genset controllers have been since shipped into over 1 million gensets as Dec 31, 2025, translating into ~75-77% domestic market share and 14% global market share by volume.



First in India - SmartIgn Technology (2012);

- In 2012, SEDEMAC launched its proprietary SmartIgn Technology, which eliminated the need for a Throttle Position Sensor in carburetted 2W/3W.
- By replacing physical sensor hardware with intelligent software algorithms, SEDEMAC delivered simultaneous benefits of improved reliability, cost reduction and improvement in fuel efficiency.
- Since launch in 2012 till Dec. 31, 2025, SmartIgn has been cumulatively shipped into 43.6 million units.



World First - Sensor-less ISG for 2W/3W

- In 2018, SEDEMAC introduced world's first Sensor-less Commutation (SLC) ISG technology for small-engine 2W/3W, eliminating the need of hall-effect sensors.
- This proprietary technology enhances reliability and simplifies ISG architecture.
- Since its launch in 2018, Sedemac's ISG SLC technology has been installed on more than 10 million units so far.

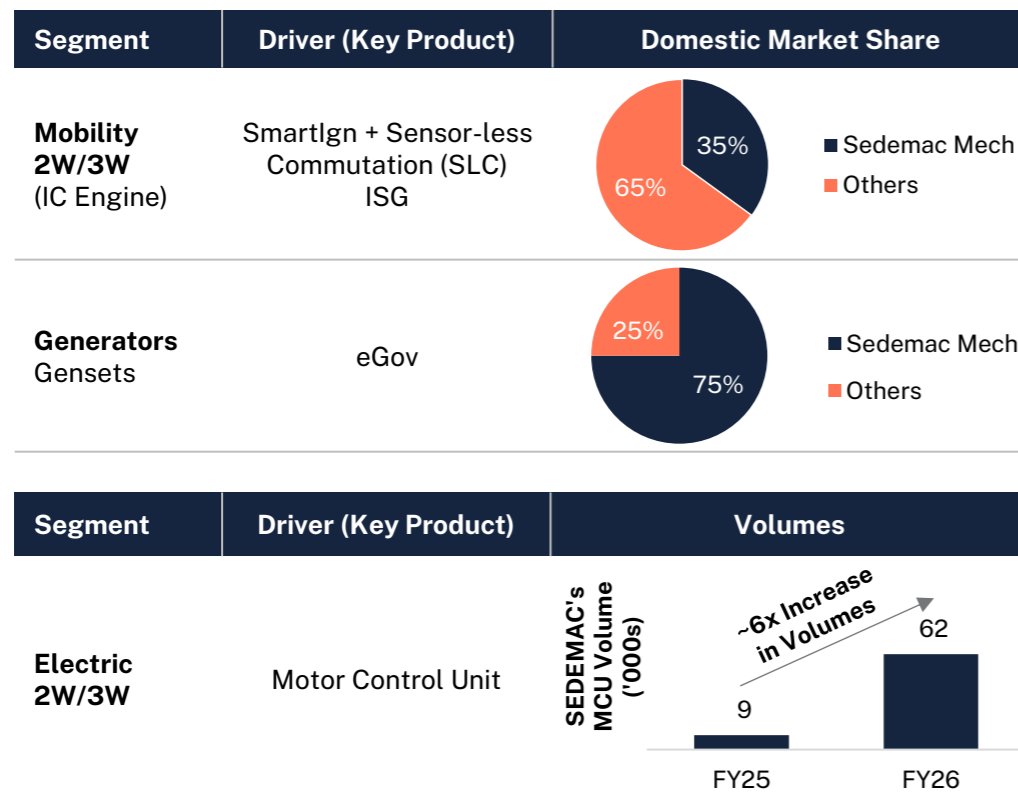
Source: Company, Midas Research.

2.1 - Business Franchise and Moat (3/3)

Early Mover Advantage and Vertical Integration Drive Market Share and Pricing Power

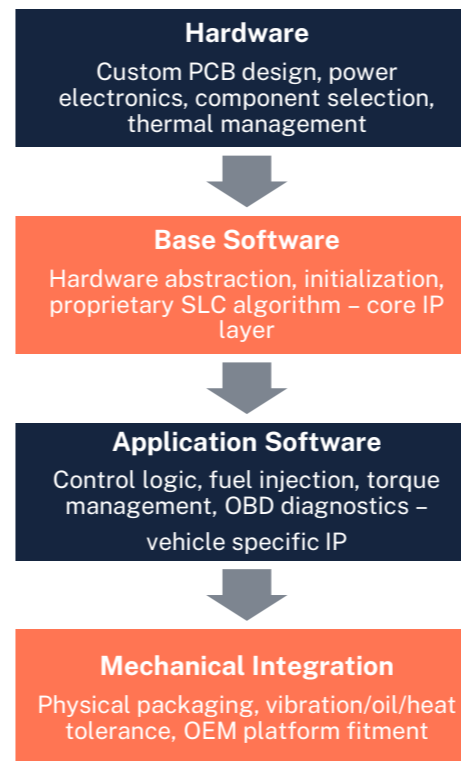
Early Mover Advantage drives dominant market share creating procurement scale

- SEDEMAC's technology-first approach consistently delivers first-to-market, differentiated products, securing early mover advantage and dominant market share across every segment it enters.
- Scale advantage compounds into better input pricing, supply chain priority and long-term cost efficiencies, benefits that strengthen SEDEMAC's competitive strength.



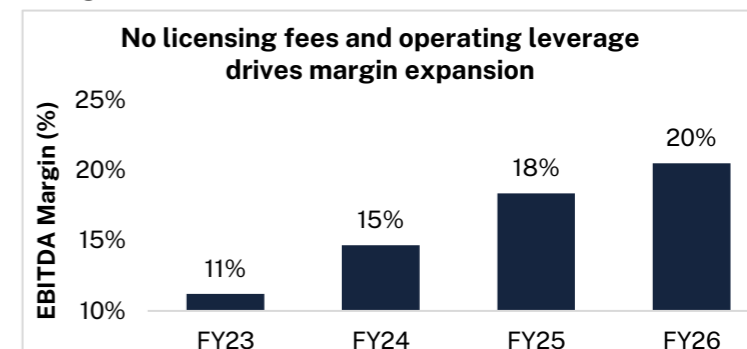
Vertical integration enables complete cost control

- Full in-house ownership of all four design layers eliminates technology licensing fees entirely and removes any dependence on outsourced design.
- Complete ownership of the technology stack allows SEDEMAC to efficiently transfer proven solutions and technical learnings across markets, absorbing fixed costs over growing revenue base.

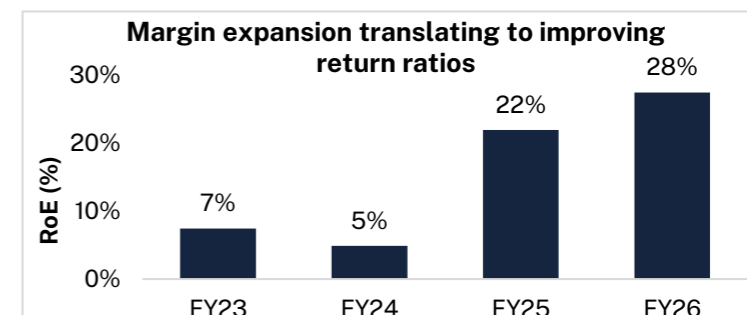


Elevated pricing power and operating leverage lead to operating margin and return ratio expansion

- No royalty payments, no technology licensing fees, thus every rupee of revenue is earned on proprietary, in-house developed technology, making this the primary driver of SEDEMAC's margin superiority over listed peers.
- As revenues scale, fixed costs spread over a growing unit base, will drive margins and return ratios structurally higher.



Company	BOSCH	ZF Commercial	Sona BLW Precision	Schaeffler India.	Varroc Engineering
EBITDA Margin(FY26)	13%	16%	24%	18%	9%



Source: Company, Bloomberg, Midas Research

2.2 - Management and Governance Quality (1/2)

Management Team

5.5

7

SEDEMAC's management led by a team of technocrats from IIT Bombay, whose deep domain expertise in control systems is central to the company's technological MOAT. Governance standards are robust with the lone watch item being management remuneration, elevated in percentage terms though largely a reflection of PAT being in early stages of normalization rather than absolute remuneration being disproportionate. Accordingly, we assign a 5.5 rating out of 7.0.

Senior management comprises highly skilled professionals with decades of industry experience



Mr. Shashikanth Suryanarayanan
Managing Director

- Prof. Shashikanth Suryanarayanan is a co-founder and promoter of SEDEMAC, associated with the company since its incorporation in 2007.
- He holds a B.Tech in Mechanical Engineering from IIT Madras, and a Ph.D from the University of California, Berkeley.
- He continues to serve as an Associate Professor in the Department of Mechanical Engineering at IIT, Bombay.
- With over 17 years of experience in the control systems domain, he brings academic depth and hands-on industry expertise that sits at the very foundation of SEDEMAC's technology-first culture.



Mr. Amith Arun Dixit
Joint Managing Director

- Amit Arun Dixit is a co-founder, promoter and Joint Managing Director of SEDEMAC, having joined the company in a professional capacity in August 2008.
- He holds a B.E. in Production Engineering from K.J. Somaiya College of Engineering, an M.Tech in Mechanical Engineering and a Ph.D. from IIT Bombay.
- With over 17 years of experience in the control systems domain, he is the principal architect of SEDEMAC's proprietary SLC technology.
- He remains central to the company's ongoing R&D and technology leadership.



Mr. Manish Sharma
Whole Time Director & COO

- Manish Sharma is a co-founder, promoter, and Whole-Time Director and Chief Operating Officer at SEDEMAC, having joined the company in a professional capacity in August 2008.
- He holds a B.E. in Mechanical Engineering from Bharati Vidyapeeth's College of Eng. and an M.Tech in Mechanical Engineering from IIT Bombay and brings prior industry experience from Eaton India Engineering Center where he worked as an engineer.
- With over 17 years of experience in the control systems domain, he oversees SEDEMAC's manufacturing operations, quality systems and end-to-end production capabilities across its facilities in Pune, playing a vital role in scaling the company's high-volume ECU manufacturing.



Mr. Rajesh Madhukar Sheth
CFO

- Rajesh Madhukar Sheth is the Chief Financial Officer of SEDEMAC, associated with the Company since May 2015.
- A member of the Institute of Chartered Accountants of India, he brings ~27 years of experience in finance – with prior roles as Finance controller at Vanderlande Industries Software Pvt. Ltd. and Manager-Finance at Chemetall-Rai India Ltd.
- He oversees SEDEMAC's financial strategy, planning, and risk management and has played key role in stewarding the company's financial discipline through its growth phase.

2.2 - Management and Governance Quality (2/2)

✓: Positive
 ✓: Neutral
 ✗: Negative

Governance Overview

Rating	Corporate Factsheet
✓ Board of Directors – Independence & Diversity	<ul style="list-style-type: none"> The board of directors comprises 6 members, including three Executive Directors (one Managing Director, one Joint Managing Director, and one Whole Time Director) and three Non-Executive Directors. Out of the total directors, two are independent directors, one of whom is a woman director who also serves as the Chairperson of the Board. The board is composed of seasoned professionals with extensive industry experience (ranging from 17 to 30 years), including three representatives from the company's promoter group. Independent directors constitute 33.33% of the board.
✓ Board of Directors – Changes in directors	<ul style="list-style-type: none"> Abhay Pandey and Bhavya Kapoor were both appointed as Non-Executive Directors on May 30, 2024 (both subsequently resigned in October 2025). Paul Robine and Sandeep Singhal resigned as Non-Executive Directors on May 30, 2024. Namakal S Parthasarathy was appointed as an Independent Director on February 21, 2025. Poyini Bhatt was appointed as an Independent Director on March 22, 2025. Udo Edgar Wolz was appointed as a Non-Executive Director on July 1, 2025.
✓ Board of Directors – Independence in board committees	<ul style="list-style-type: none"> The Audit Committee comprises three directors, of whom two are independent directors. The Nomination and Remuneration Committee comprises three directors, of whom two are independent directors.
✓ Changes in Key Managerial Personnel	<ul style="list-style-type: none"> Rajesh Kulkarni resigned from his position as Senior Vice President – Global Sales, effective September 30, 2023. Nikhil Rai was re-designated as Senior Vice President, Global Sales & Business Development, effective September 29, 2023. Prof. Shashikanth Suryanarayanan was appointed as Managing Director for a period of three years, effective March 26, 2025. Manish Sharma was appointed as Whole Time Director, effective May 14, 2025. Sudeep Motilal Solanki was re-designated as Vice President, Business Development, effective July 2, 2025. Prasad Rajendra Chavan was re-designated as Company Secretary and Compliance Officer, effective May 14, 2025.
✓ Management Continuity	<ul style="list-style-type: none"> Prof. Shashikanth Suryanarayanan, Managing Director associated with the Company since its incorporation in July 2007. Mr. Amit Arun Dixit, Joint Managing Director, associated with the Company in a professional capacity since August 11, 2008. Mr. Manish Sharma, Whole Time Director & COO, associated with the Company in a professional capacity since August 1, 2008.
✗ Management Remuneration	<ul style="list-style-type: none"> Prof. Shashikanth Suryanarayanan, Managing Director, remuneration stood at Rs5.4Cr., representing 11.5% of FY25 PAT. Mr. Amit Arun Dixit, Joint Managing Director, remuneration stood at Rs3.0Cr., representing 6.4% of FY25 PAT. Mr. Manish Sharma, Whole Time Director & COO, remuneration stood at Rs2.6Cr., representing 5.6% of FY25 PAT.
✓ Promoter Holding	<ul style="list-style-type: none"> Prof. Shashikanth Suryanarayanan – 16.19%, Mr. Amit Arun Dixit – 2.82%, Mr. Manish Sharma – 1.85%, Mr. Anaykumar Avinash Joshi – 1.34%
✓ Promoter Group Holding	<ul style="list-style-type: none"> Ms. Mallika R Iyer – 2.80%, Ms. Ashwini Amit Dixit – 1.07%, Ms. Priyanka Manish Sharma – 0.13%, Mr. Ravikumar Krishnamurthi – 0.03%.
✓ Related-party transactions	<ul style="list-style-type: none"> As of FY25, related party transactions accounted for 2.06% of revenue (Rs13.5Cr against Rs658.3Cr.).

Source: Company, Midas Research

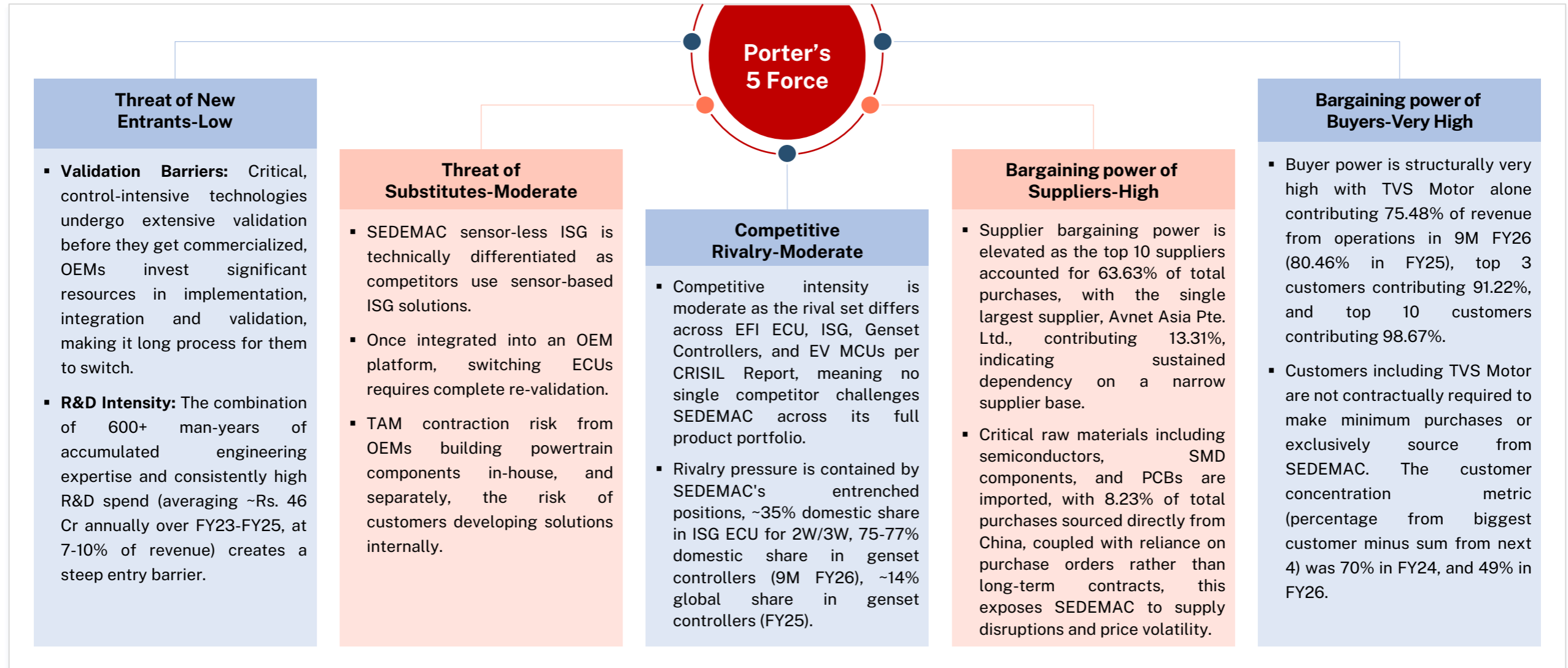
2.3 - Risk Profile and Pricing Power

Highly competitive industry

5.0

7

The company operates in a highly competitive industry, but its overall risk profile is broadly favorable, as entry barriers are high, while substitution and rivalry are only moderate given the company's differentiated sensor-less ISG and entrenched market share. The key vulnerabilities lie in bargaining power, which is high on both sides: supplier power is elevated on concentrated, import-dependent sourcing, while buyer power is very high, with TVS Motor alone contributing ~75% of revenue. **Accordingly, we assign a 5.0 rating.**



Source: Company, Industry, Midas Research

2.4 - Financials (1/4)

Mobility – ISG ECU : Key Growth Driver

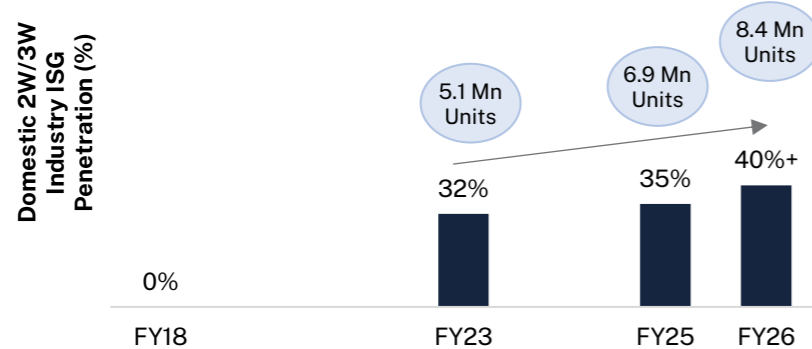


SEDEMAC's growth trajectory is underpinned by four compounding drivers i.e., an ISG market expected to nearly double by FY31, expanding domestic market share as newer high-volume OEM models adopt its sensor less ISG solutions, strong early traction in the EV MCU segment backed by robust sectoral tailwinds and expanding TAM as new product launches in commercial vehicles and electric 4W open up significantly larger end-markets. Together these drivers provide healthy, multi-year revenue visibility that is broad-based and self-reinforcing, and accordingly we assign a rating of 6.0 out of 7.0.

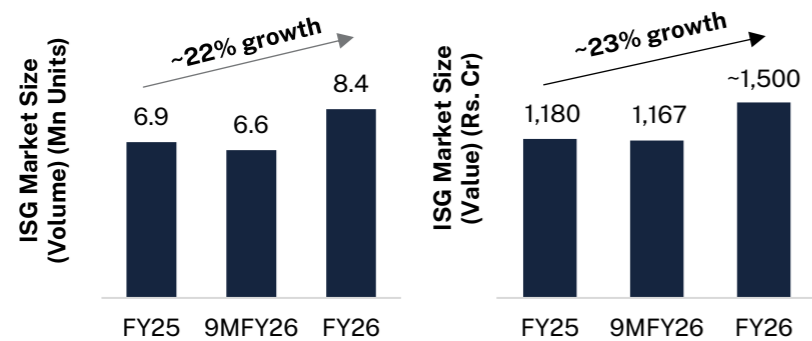
- Integrated Starter Generator (ISG) Electronic Control Unit (ECU) is the primary growth driver for Mobility segment.
- Growth for ISG ECU will be driven by - 1. Expanding market size (Domestic) 2. Rising market share of SEDEMAC

1. Domestic ISG ECU Market to expand consistently; Market size likely to double by FY31

Domestic 2W / 3W industry witnessed strong ISG ECU adoption



ISG Market stood at ~Rs.1,500cr in FY26 expanded ~23% YoY



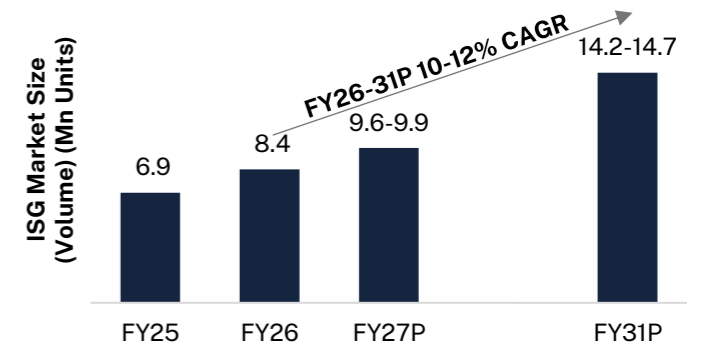
Multiple ISG implementation benefits drive rapid adoption trends

- Idle Start-Stop (Fuel Efficiency & Emission Benefits)**
 - ISG automatically switches the engine off in traffic or at signal
- Silent & Smooth Start (Consumer Experience)**
 - Traditional starter motor's gear meshing noise and mechanical jolt is eliminated
- Rising adoption in Mass-Market Models**
 - OEMs are incrementally implementing ISG to high volume models as well.
- Component Elimination (Reliability Benefit)**
 - Improved system robustness through components elimination
- ISG + EFI Integration (Bundled Cost Reduction)**
 - Provides both the functionalities at a reduced cost to the OEM

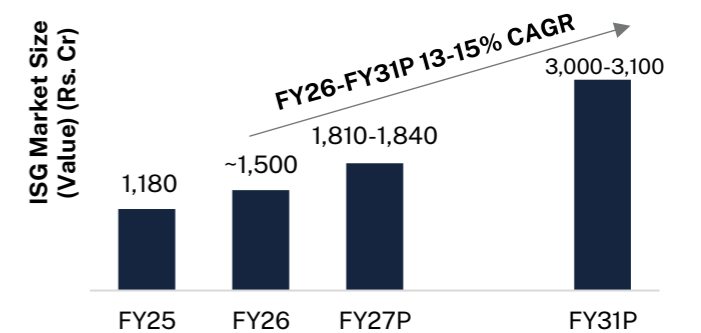
Suppliers of ISG & ISG ECU



Wider Adoption across OEMs to drive overall volumes to ~14.2-14.7 Mn Units by FY31



Volume growth coupled with realization improvement to nearly double market size value by FY31



Source: Company, Industry, Midas Research

2.4 - Financials (2/4)

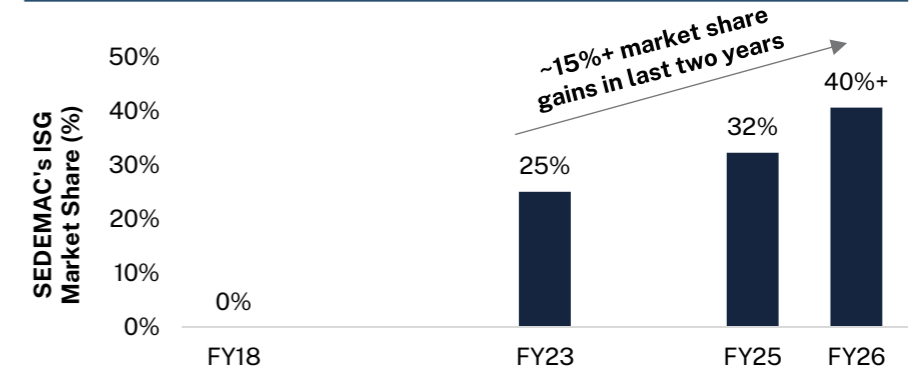
Mobility – ISG ECU : Key Growth Driver

2. SEDEMAC's competitive edge to drive market share gains in ISG; market share to surpass 50% mark

SEDEMAC's Competitive Advantage - Sensor-less Commutation (SLC) Technology

Standard ISG Motor Uses Hall Effect Sensor	SEDEMAC's ISG Motor Eliminates Hall Effect Sensor	SLC Technology Benefits to OEMs
		Elimination of Hall Effect sensor improves reliability
		No sensor makes the architecture of motor - more simple and smaller.
		Improves overall system efficiency

Competitive edge enabled SEDEMAC gain market share rapidly from ~25% in FY23 to ~40%+ by FY26



More than 80% of ISG volume growth in FY26 was due to SEDEMAC

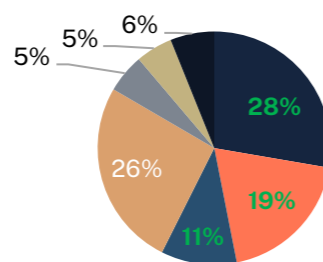
SEDEMAC supplies ISG & EFI ECU to TVS, Bajaj Auto and Hero Moto Onboarding of more OEMs in future provides revenue optionality

Three new models (out of top – 10 most popular 2W models) will be launched in FY27 with SEDEMAC ISG solution. Two model launches expected in Q1FY27, and third launch expected in Q4FY27.

Hero Moto already announced ISG implementation in Super Splendor model.

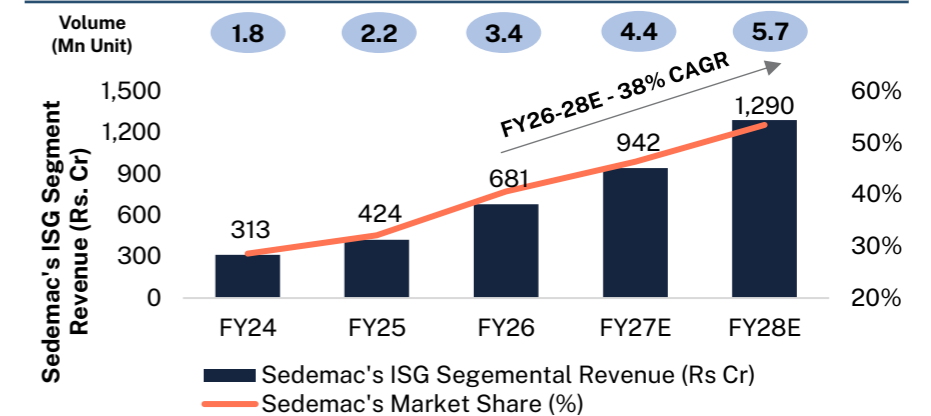
SEDEMAC Caters to OEMs with 50%+ Market Share

- Hero Moto
- Bajaj Auto
- Suzuki
- Others
- TVS
- Honda
- Royal Enfield



OEM	Type	Model (Capacity)
TVS	Jupiter, Ntorq, Ronin, Raider, XL100, 3W	Scooter (110cc, 125cc, 150cc) Bike (125cc, 225cc) Moped (110cc) 3W (226cc)
Bajaj Auto	Freedom, Pulsar, 3W	Bike (125cc) 3W (236cc)
Hero	Xoom, Super Splendor	Scooter (125cc) Bike (125cc)

SEDEMAC's ISG implementation in more 2W/3W models to drive market share gains; Likely to surpass 50% mark by FY28



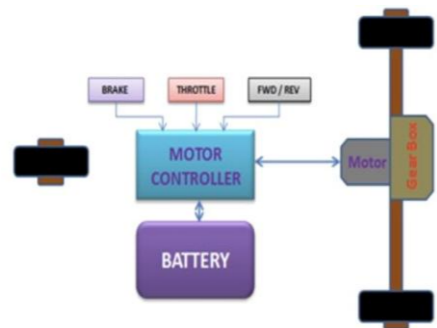
Source: Company, Industry, Midas Research

2.4 - Financials (3/4)

Mobility – MCU : Secondary Growth Driver

SEDEMAC's formal entry into Electric 2W/3W witnesses strong traction

Motor Control Unit (MCU) acts as brain of Electric Vehicle



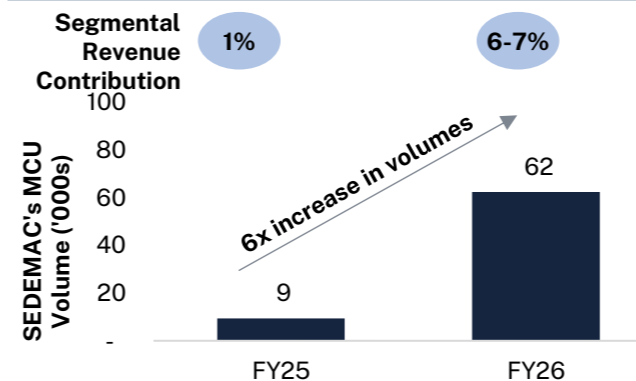
A motor control unit (MCU) can typically account for 3-8% of overall cost of an electric bike.

In Q4FY25, SEDEMAC launched MCU for domestic 2W / 3W EV



Image source: SEDEMAC

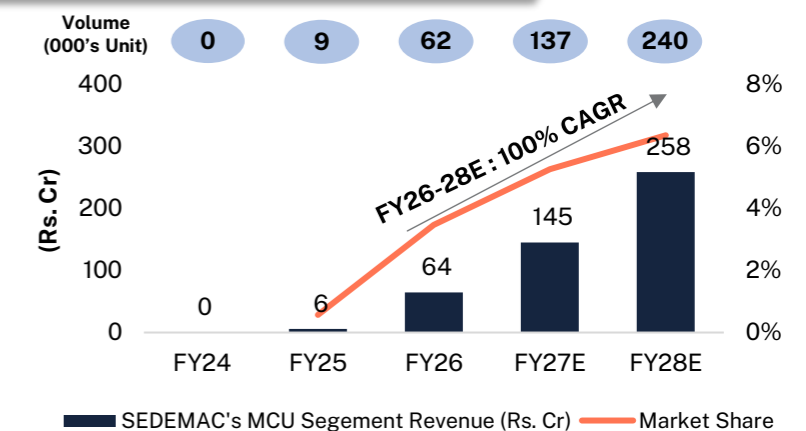
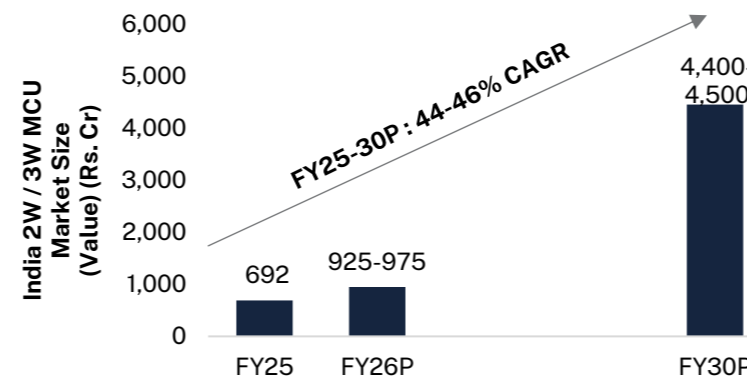
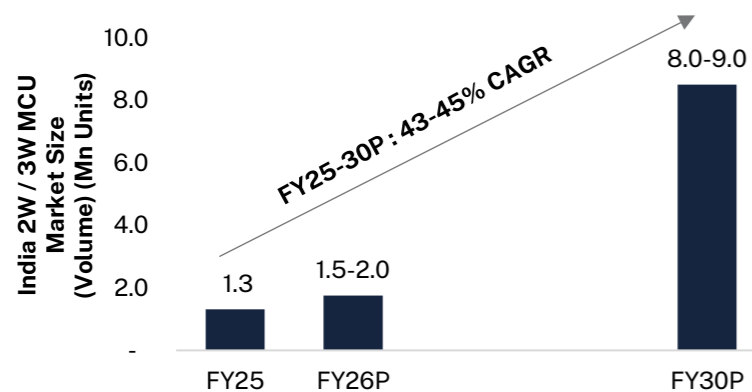
Post formal launch, MCU volumes zoomed in FY26.



SEDEMAC's Competitive Advantage & VCU Optionality

- All current MCUs used in EVs rely on physical sensors for motor commutation.
- Leveraging its proven SLC technology, already commercialized in ISG ECUs, SEDEMAC has the capability to eliminate sensors in MCUs as well.
- Additionally, like its ISG + EFI ECU technology, SEDEMAC can integrate MCU with Vehicle Control Unit (VCU) to optimize cost for OEMs and reducing overall system complexity.
- These technology levers represent revenue optionality for SEDEMAC.

Robust EV industry tailwinds combined with SEDEMAC's growing market share to drive healthy traction in MCU segment



Source: Company, Industry, Midas Research

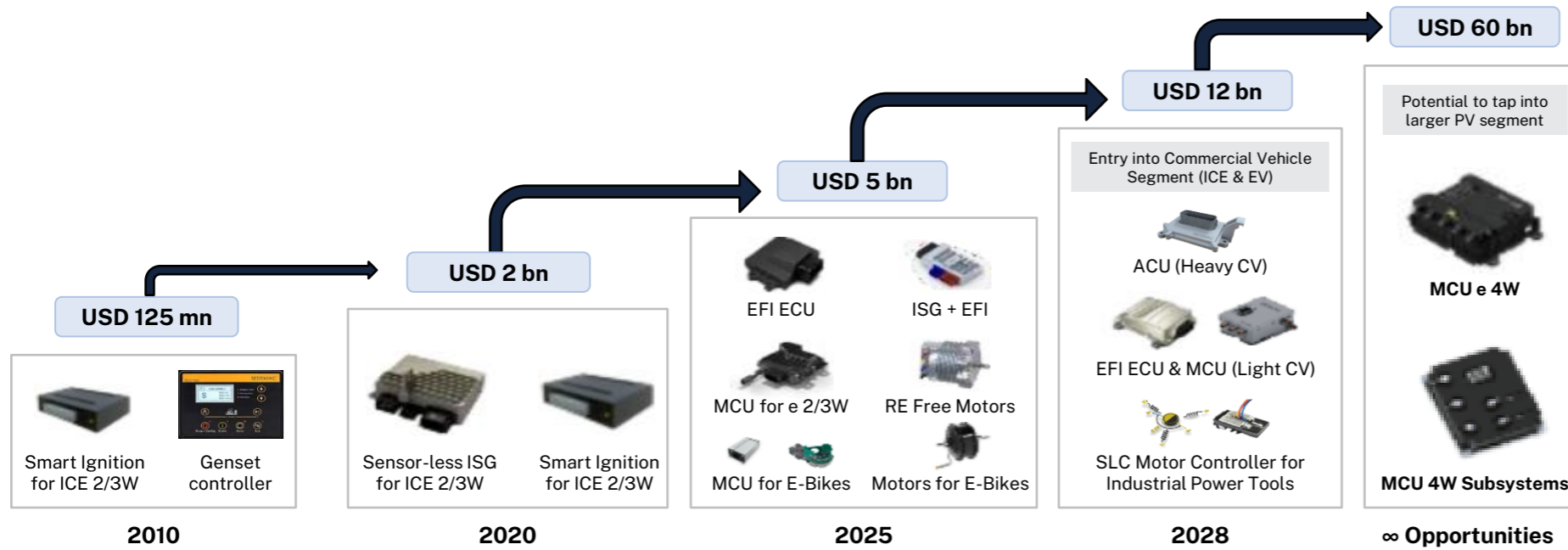
2.4 Financials (4/4)

Innovation-led Product Pipeline To Continuously Expand SEDEMAC's Addressable Market

Every new product launched by SEDEMAC has systematically expanded its total addressable market, reinforcing a long and visible runway for sustained revenue growth.

- **Foray into Commercial Vehicle segment** : A launch of After Treatment Control Unit (ACU) for Heavy CV, expected in 2HFY27.
 - **Launch of EFI ECU** : for ICE LCV likely in coming 4-5 quarters.
 - **Launch of MCU** : for EV LCV likely in H2FY27
- Entry into commercial vehicle segment collectively opens-up a significantly larger opportunity, expanding SEDEMAC's addressable market to USD12bn by 2028.
- The longer-term opportunity, led by MCU for e4W and 4W subsystems, has the potential to expand the total TAM to ~USD 60bn, a ~5x step-up from current levels.
- This steady cadence of innovation-led launches keeps opening larger end-markets with each new introduction, giving SEDEMAC a structural long-term growth runway that extends well beyond its current core segments.
- Revenue contribution from this healthy product pipeline has not been factored into our current revenue estimates completely, but as commercial traction builds and greater clarity emerges on volumes and realizations, these products are expected to provide meaningful additional revenue optionality.

SEDEMAC's Addressable Market set to grow exponentially with foray into CV and PV



Product Portfolio

- Sensor-less ISG ECUs, EFI ECUs, ISG + EFI ECUs**
 - Sensor-less ISG ECU
 - EFI ECUs
 - ISG + EFI ECUs
 - Magnetos
 - VRR
- Genset Controllers & Genset EFI ECUs**
 - AMF Controllers
 - Engine EFI ECUs
- MCU for E2Ws, E3Ws and e-LCVs**
 - ISSAC Series Traction MCUs
 - Rare-earth free Motors
- MCU for E-Bikes**
 - Traction MCUs
 - Rare-earth free Motors

Source: Company, Midas Research

2.5 – Balance Sheet and Cash Flow

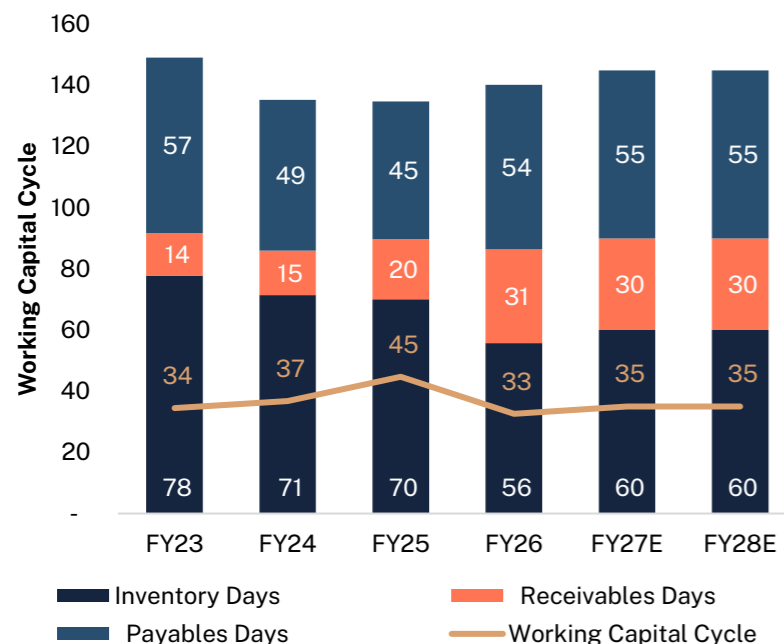
Revenue is vanity, profit is sanity, but cash is reality

6.0

7

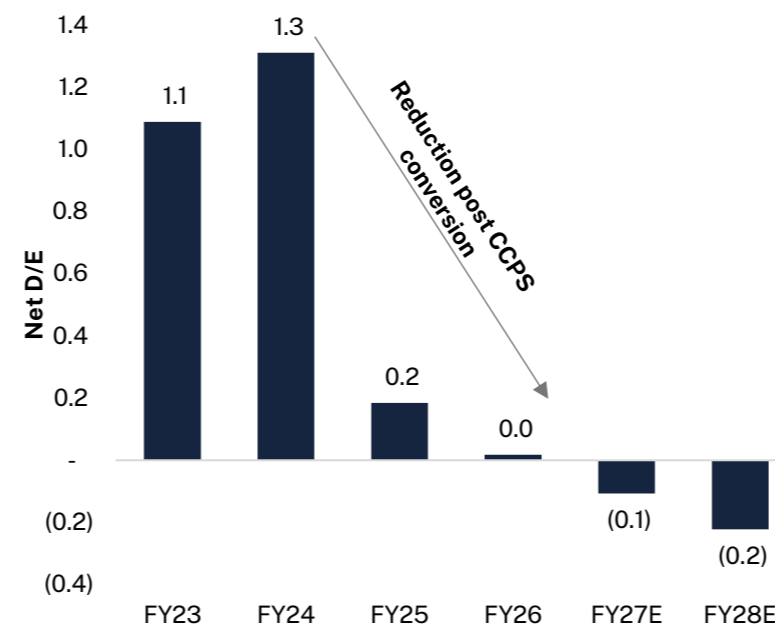
Over the last few years, SEDEMAC's balance sheet has strengthened meaningfully, driven by the elimination of CCPS-related debt and working capital cycle optimization, while healthy cash flow generation supported by declining finance costs, cumulatively leading to a near debt-free position in FY26. With a strong encumbered balance sheet now in place, the company is well-positioned to fund its next leg of growth. Accordingly, we assign a **rating of 6.0 out of 7.0**.

WC Cycle - Increase in Receivable Days



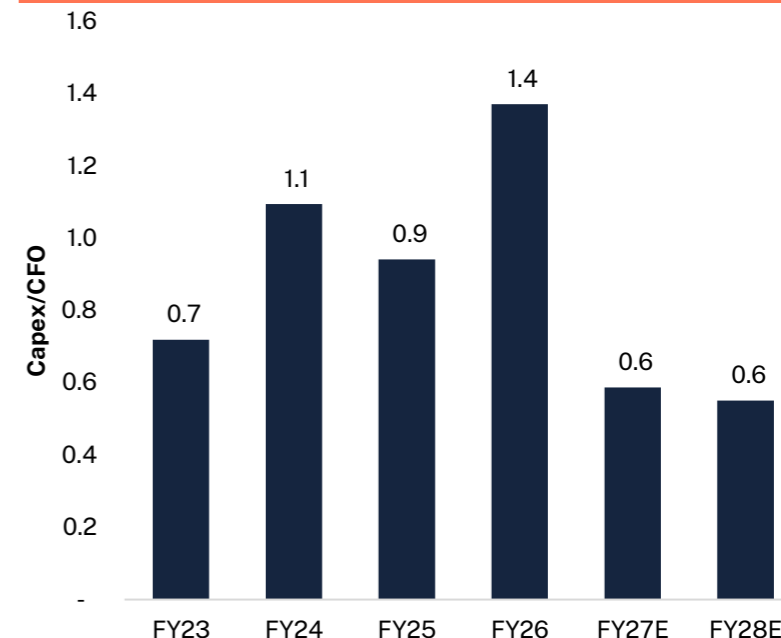
- Discontinuation of the TReDS platform led to an increase in receivable days from 15 days (FY24) to 31 days (FY26). However, a meaningful improvement in inventory days from 71 days to 56 days over the same period, kept the overall WC cycle broadly stable at ~35 days.
- With volumes scaling, SEDEMAC's growing procurement leverage over suppliers continues to keep the supply-side of the working capital equation well-managed.

Net D/E - CCPS conversion drives deleveraging



- Total borrowings peaked at Rs.170cr in FY24 primarily driven by CCPS liability growing from Rs.83cr (FY23) to Rs.108cr (FY24), alongside working capital borrowings increasing from Rs.51cr to Rs.62cr.
- The conversion of all CCPS into equity on May 31, 2024 triggered a sharp fall in total borrowings to Rs.64cr in FY25. Subsequent active debt repayment funded through operating cash flow brought Net D/E down to effectively ~0.0x by FY26.

Capex/CFO - Capex largely met through accruals



Note : Capex includes investments made for growing intangible assets.

- Historically, SEDEMAC's Capex/CFO ratio remained largely at / below ~1x, reflecting the company's ability to comfortably meet its capex requirement through internal accruals.
- The ratio moved higher to 1.4x in FY26, driven by significant capex undertaken for the MF3 facility and the acquisition of Shoolagiri land.
- With healthy cash flow generation expected to continue and capex moderating post these one-time investments, the ratio is expected to improve to ~0.6x in FY27.

Source: Company, Midas Research

3 - Valuation Framework



Valuation Framework – Summary

Current Position vs Peers:

3.1

Among ECU and electronic component manufacturers, SEDEMAC stands out as the most compelling growth story, with Revenue/EBITDA/PAT CAGR expectations of 36%/41%/50% over FY26-28E, significantly ahead of the industry average, across all metrics. Importantly, this growth is expected to be achieved while sustaining superior return ratios, with FY28E RoE of ~32%, nearly 1.8x the industry average of ~18%. A combination of high growth and high returns is rare in the Indian auto ancillary universe and is clearly reflected in the company's premium valuation. **Accordingly, we assign a 6.0 rating.**

Based on Growth:

3.2

Structurally expanding MOAT and IP-led differentiated product portfolio underpin an industry-leading earnings growth profile, with PAT expected to compound at ~50% CAGR over FY26-28E, well above the peer set. Current valuations at 53x FY28 P/E are largely justified by a strong business franchise with demonstrated ability to grow at 2-3x the industry rate. Additionally, peer PEG multiples ranging from ~1.4x to ~4.8x provide further valuation comfort, **thus assigning rating of 5.5 out of 7.0.**

Capturing Return Profiles:

3.3

SEDEMAC's return profile transformed structurally, RoE expanding from 5% (FY24) to 28% (FY26) and RoCE from ~15% to 35% over same period, driven by elimination of CCPS-related finance costs, gross margin expansion, operating leverage and active deleveraging, placing the company among the highest return-generating business in the listed auto ancillary universe. Healthy CFO generation with CFO/PAT of ~1.2x in FY26 further reinforces that this improvement is structural in nature and not a one-time event, **Accordingly, we assign a rating of 6.0 out of 7.0.**

Reflecting EVA:

3.4

The company has generated positive economic value addition since FY24, despite distortion from CCPS related finance costs pressuring reported profitability, and further advanced decisively from FY25 onwards, rising meaningfully to 16% in FY26 as expanding return ratios began generating returns well in excess of the cost of capital. As this structural improvement is likely to sustain, we assign a **score of 6.0 out of 7.0.**



3.1 – Current Position vs Peers

Commands premium valuation compared to peers

6.0

7

Among ECU and electronic component manufacturers, SEDEMAC stands out as the most compelling growth story, with Revenue/EBITDA/PAT CAGR expectations of 36%/41%/50% over FY26-28E, significantly ahead of the industry average, across all metrics. Importantly, this growth is expected to be achieved while sustaining superior return ratios, with FY28E RoE of ~32%, nearly 1.8x the industry average of ~18%. A combination of high growth and high returns is rare in the Indian auto ancillary universe and is clearly reflected in the company's premium valuation. Accordingly, we assign a 6.0 rating.

- SEDEMAC Mechatronics Ltd. is a R&D-driven company led by a team of technocrats with deep domain expertise, whose entirely in-house developed IP, consistent first-to-market product launches and a differentiated technology portfolio have translated into operating margins and return ratios that stand well above listed peers, justifying a valuation of ~53x FY28E PE, a ~50%+ premium to the peer average of 35x.
- Our investment thesis is built on SEDEMAC's ability to sustain its strong FY26 momentum, healthy volume growth in flagship sensor less ISG ECU and EFI ECU products across mobility and industrial end-markets. Supplemented by the recently launched domestic e2W/3W MCU adding a fresh, fast-growing revenue layer, together supporting our **36% revenue CAGR estimate over FY26-28E**; The company's healthy product pipeline encompassing potential entry into the LCV segment, where controller solutions are complex, critical, and command higher realizations, will provide a meaningful contribution to overall revenue which is not yet factored in fully.
- A steadily improving product mix driven by rising contribution from higher-value ISG and ISG+EFI ECUs, combined with operating leverage on a largely fixed cost base, is expected to sustain healthy margins and drive a **41% EBITDA CAGR over FY26-28E**. While new manufacturing facilities coming online in FY27 may introduce a near-term earnings drag from ramp-up costs and initial underutilization, these investments are clearly growth accretive over the medium term, supporting a **50% PAT CAGR over FY26-28E**.
- We assign a target multiple of 63x PE on FY28E earnings to derive a Target Price of Rs.3,333 with an implied PEG of ~1.2x, a valuation we believe is justified by the unmatched business franchise SEDEMAC has built over the years, offering high-growth trajectory while maintaining robust return ratios and a near debt-free balance sheet providing ample headroom to fund the next leg of growth.

Companies	CMP	Market Cap. (Rs. Cr.)	Revenue			EBITDA			EBITDA Margin (%)		PAT			PE	RoE	
			FY26	FY28E	CAGR	FY26	FY28E	CAGR	FY26	FY28E	FY26	FY28E	CAGR	FY28E	FY26	FY28E
SEDEMAC Mechatronics Ltd	2,778	12,269	1,058	1,964	36%	217	431	41%	20%	22%	104	232	50%	53	28%	32%
Bosch Ltd	39,045	1,15,158	20,035	29,020	20%	2,650	3,310	12%	13%	11%	2,504	2,910	8%	37	19%	17%
Schaeffler India Ltd*	4,175	65,257	10,891	13,571	12%	2,036	2,648	14%	19%	20%	1,365	1,717	12%	40	21%	21%
Sona Blw Precision Forgings	599	37,238	4,449	6,318	19%	1,081	1,581	21%	24%	25%	614	983	27%	38	11%	14%
ZF Commercial Vehicle Control	14,896	28,254	4,119	5,355	14%	655	884	16%	16%	17%	519	717	18%	40	15%	15%
Varroc Engineering Ltd	623	9,519	8,890	11,359	13%	836	1,151	17%	9%	10%	206	535	61%	18	13%	22%
Average					16%			16%		17%			25%	35		18%

Source: Bloomberg, Midas Research

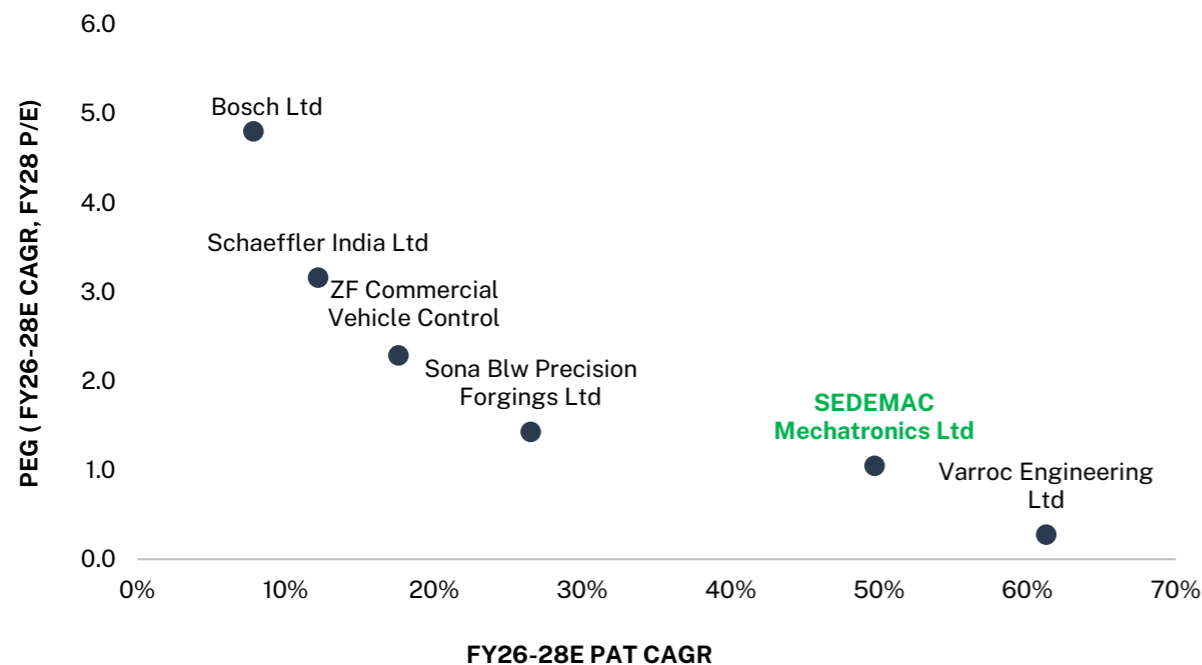
Note: *Schaeffler reports on a CY basis, hence its reflects CY25 performance

3.2 – Based on Growth

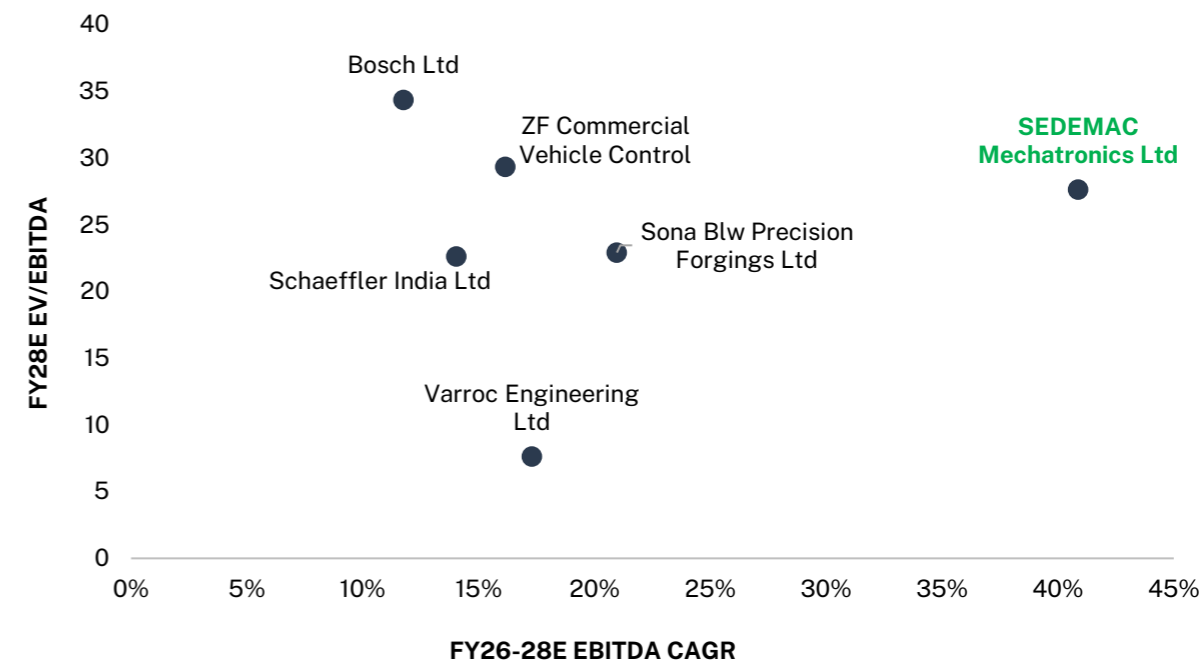
Relatively better placed on PEG basis

- SEDEMAC currently trades at 53x FY28E P/E, implying a PEG of 1.0x, against an anticipated PAT CAGR of 50% over FY26-28E, making it attractively priced relative to the earnings growth it is expected to deliver.
- We are comfortable assigning a target PEG of ~1.2x, translating into a target multiple of 63x FY28E earnings, keeping in view the strong revenue visibility from existing OEM relationships and the meaningful higher revenue growth optionality embedded in SEDEMAC's healthy product pipeline across LCV controllers, EV MCUs, and industrial power tools.
- SEDEMAC's peers are trading at significantly higher PEG multiples, BOSCH at ~4.8x, Schaffler at 3.2x and Sona BLW at 1.4x, despite lower PAT CAGR growth expectations, which gives us comfort in assigning a target PEG of ~1.2x, a meaningful discount to peer set.**

SEDEMAC looks attractive from current valuation standpoint as it trades at ~1.0x PEG, meaningfully lower than industry peers, despite offering ~2x PAT CAGR over peer average for FY26-28E period



Current valuation at 28x FY28E EV/EBITDA, broadly at par with peers, provides comfort, keeping in view its expectations of 41% EBITDA CAGR over FY26-28E, coming significantly higher than peer average of 16%



5.5 / 7

Structurally expanding MOAT and IP-led differentiated product portfolio underpin an industry-leading earnings growth profile, with PAT expected to compound at ~50% CAGR over FY26-28E, well above the peer set. Current valuations at 53x FY28 P/E are largely justified by a strong business franchise with demonstrated ability to grow at 2-3x the industry rate. Additionally, peer PEG multiples ranging from ~1.4x to ~4.8x provide further valuation comfort, **thus assigning rating of 5.5 out of 7.0.**

Source: Bloomberg, Midas Research
Note: *Schaeffler reports on a CY basis, hence its reflects CY25 performance

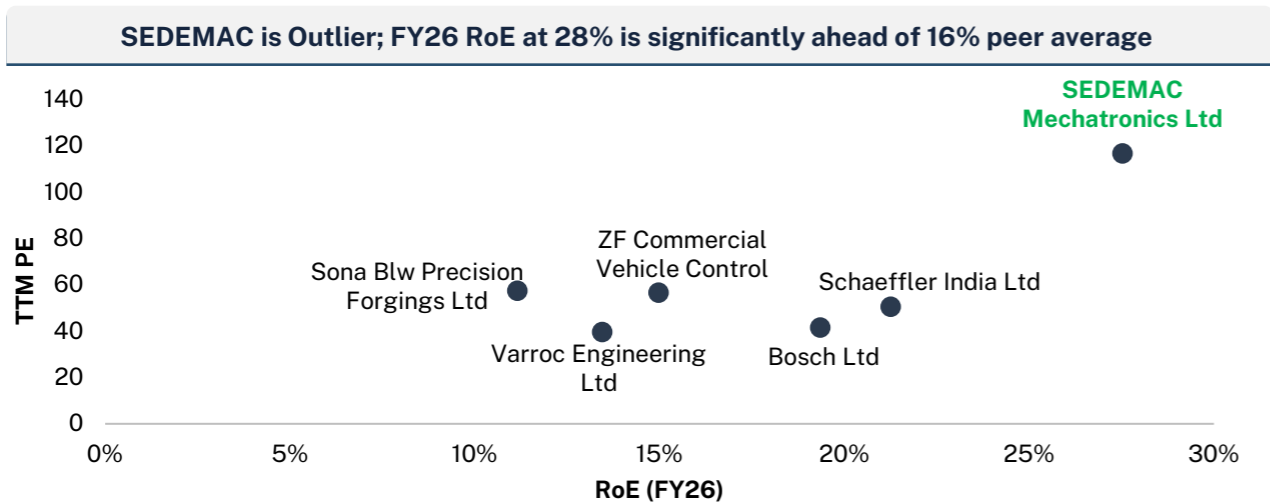
3.3 - Capturing Return Profiles

Best-in-class return ratios; factored in premium valuations

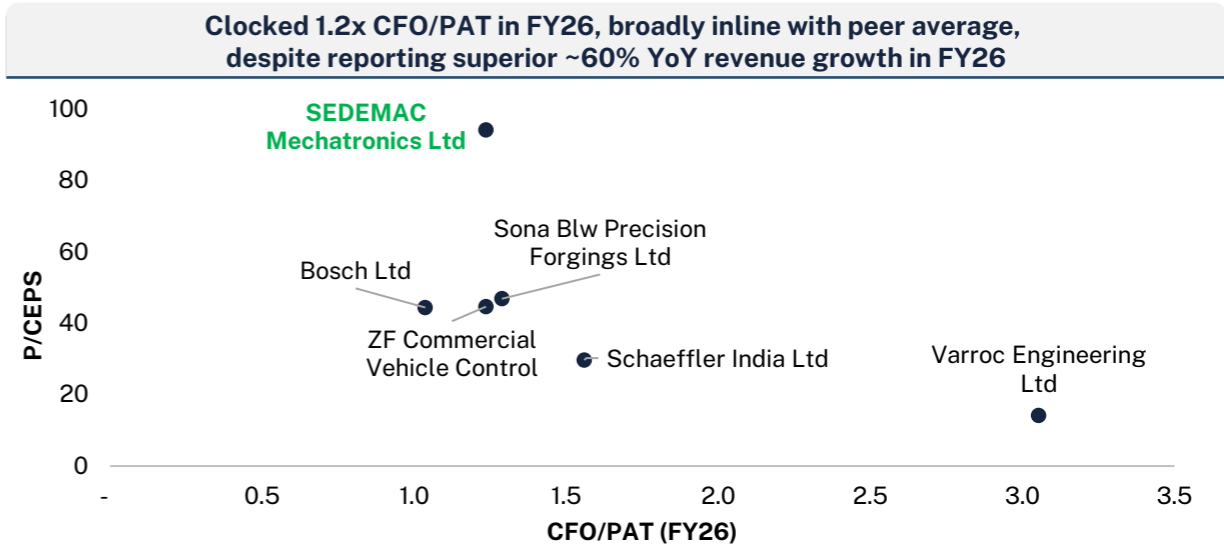
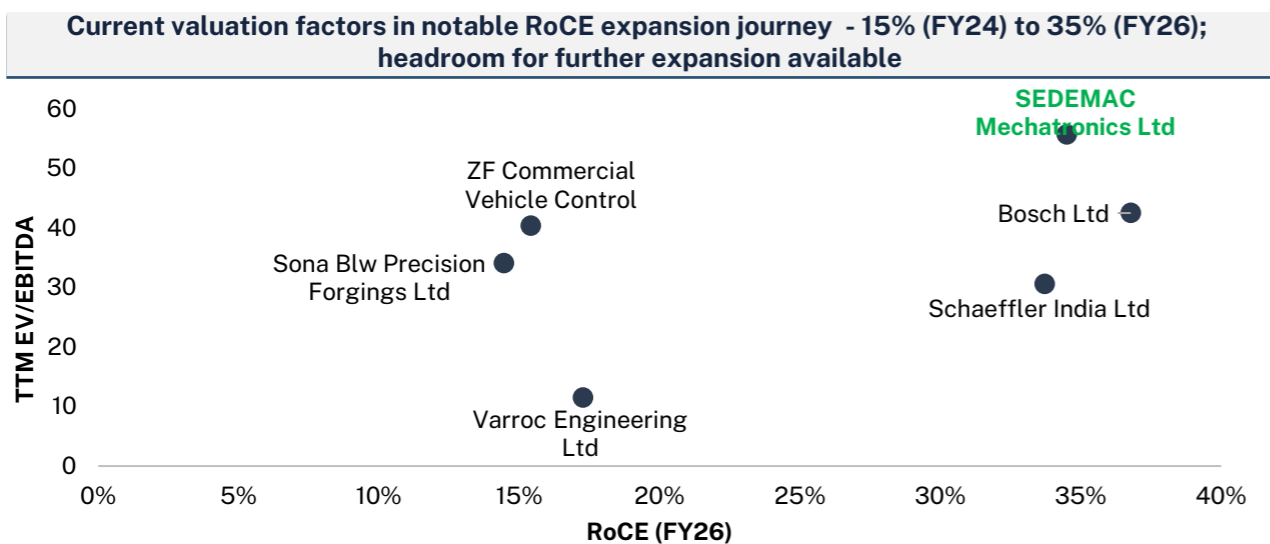
6.0 / 7

SEDEMAC's return profile transformed structurally, RoE expanding from 5% (FY24) to 28% (FY26) and RoCE from ~15% to 35% over same period, driven by elimination of CCPS-related finance costs, gross margin expansion, operating leverage and active deleveraging, placing the company among the highest return-generating business in the listed auto ancillary universe. Healthy CFO generation with CFO/PAT of ~1.2x in FY26 further reinforces that this improvement is structural in nature and not a one-time event, **Accordingly, we assign a rating of 6.0 out of 7.0.**

Multiple levers like margin expansion, balance sheet deleveraging and working capital optimization drive return ratio expansion



- SEDEMAC's return profile has undergone a structural transformation, with RoE expanding from 5% (FY24) to 28% (FY26), driven by a combination of one-time factor and structural tailwinds that led to profitability expansion.
- The primary catalyst was the May 2024 CCPS conversion eliminating Rs.26cr of annual finance costs, which improved PAT from Rs.6cr (FY24) to Rs.47cr (FY25). Simultaneously, gross margins expansion coupled with operating leverage pushed EBITDA margins from 15% to 20% over FY24-26 period.
- Active debt repayment further strengthened the balance sheet, with Net D/E improving from 1.3x (FY24) (peak leverage) to 0.0x (FY26) leading to RoCE expansion from ~15% (FY24) to ~35% (FY26), placing SEDEMAC among the best return-generating businesses in the listed auto ancillary space.
- FY26 saw healthy CFO backed by improving WC discipline, with CFO/PAT of ~1.2x, placing it in a relatively better position compared to some of its peers. **On P/CEPS basis, SEDEMAC trades at ~96x.**



Source: Bloomberg, Midas Research

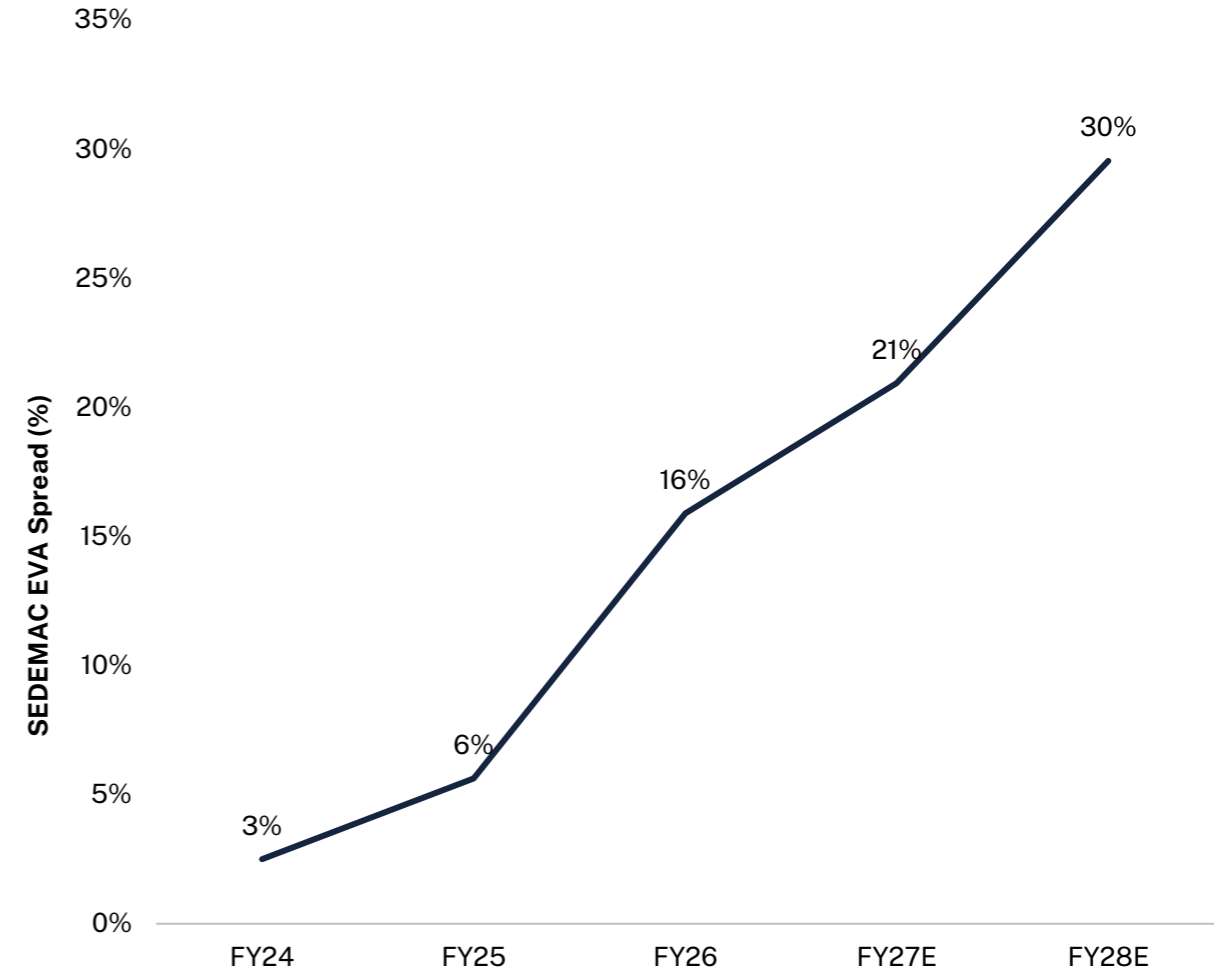
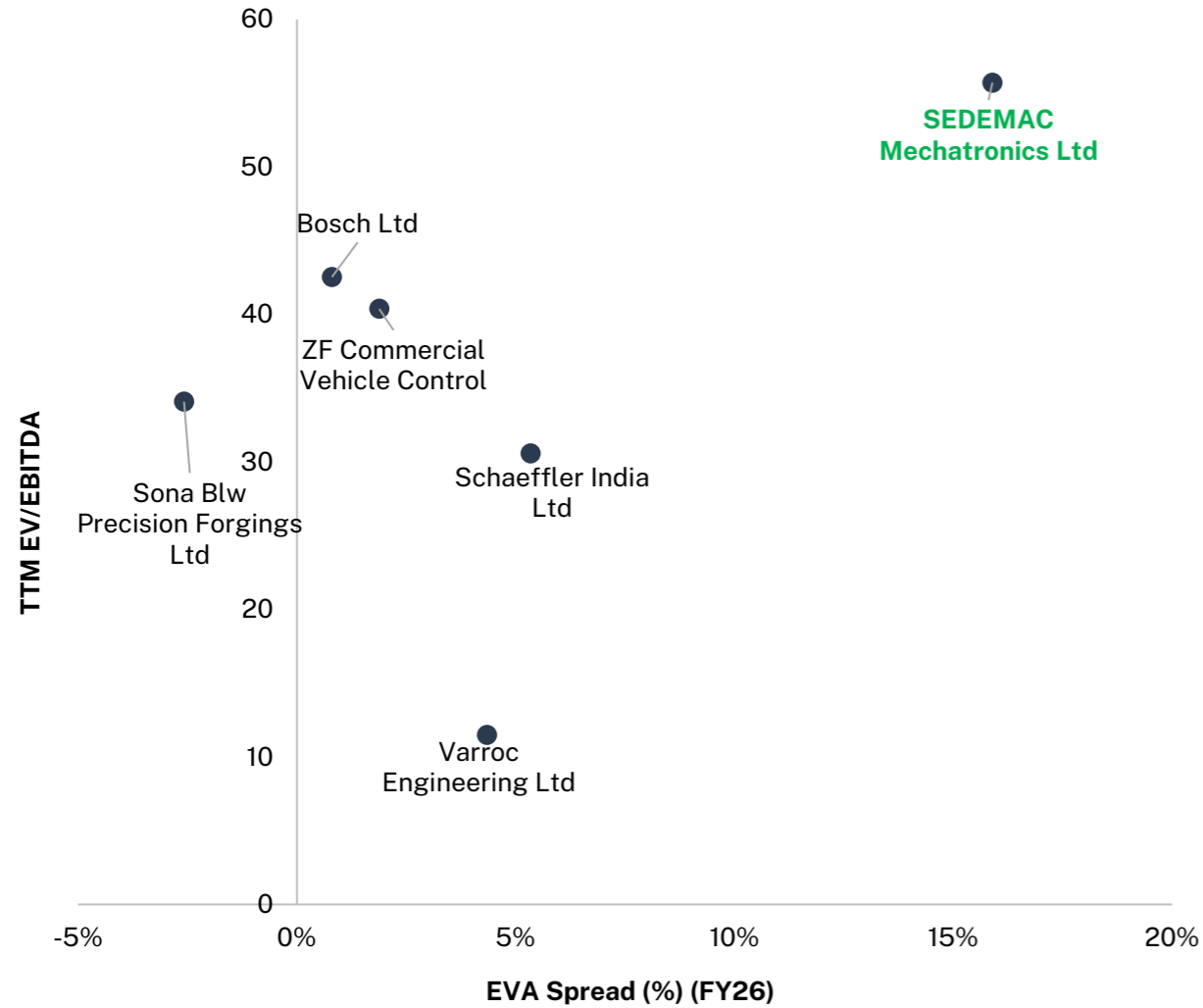
3.4 - Reflecting EVA

Economic value addition

6.0 7

The company has generated positive economic value addition since FY24, despite distortion from CCPS related finance costs pressuring reported profitability, and further advanced decisively from FY25 onwards, rising meaningfully to 16% in FY26 as expanding return ratios began generating returns well in excess of the cost of capital. As this structural improvement is likely to sustain, we assign a **score of 6.0 out of 7.0**.

Anticipation for Healthy EVA generation led by return ratio expansion



Source: Bloomberg, Midas Research

Valuation Rationale

Conclusion

Growth-Adjusted Value (PEG)

STRONGEST VALUATION ARGUMENT

1

Key points

- SEDEMAC's ~50% PAT CAGR over FY26-28E is double the listed auto ancillary peer average of ~25%
- Currently trading at PEG of ~1.0x, the stock is effectively pricing in this growth at a discount to peers, which are expected to deliver half the earnings growth at ~1.4 – 4.8x PEG.
- On a pure growth-adjusted basis, SEDEMAC is attractively valued relative to its peer.

Quantitative evidence

- BOSCH trades at 4.8x PEG on FY28E basis with expectations of ~8% PAT CAGR over FY26-28E. Schaeffler trades at 3.3x while ZF Commercial is valued at 2.3x despite offering lower PAT CAGR growth rates.

Qualitative evidence

- The ~50% PAT CAGR is underpinned by genuine volume growth from ISG ECU market share gains, introduction to new OEM models, EV MCU ramp-up, and LCV segment entry, not by debt-funded acquisitions, one-time gains, or accounting changes.

Return Profile vs Peers

SUPPORTING ARGUMENT

2

Key points

- SEDEMAC is uniquely positioned to deliver a high-growth trajectory without compromising on return ratios, a combination that is structurally rare in the Indian auto ancillary universe. Current valuation aptly reflects this industry leading return profile, with ~40% RoCE expected by FY28E, that are structural in nature and not cyclical.

Quantitative evidence

- FY28E RoE of ~32% is nearly 1.8x the peer averages of ~18%, showcasing superiority in return profile largely factored in current valuations.

Qualitative evidence

- Superior return profile is a combination of multiple factors such as operating leverage, IP-led high operating margin, deleveraged balance sheet and healthy cash flow generation. As all these factors are fundamental to the company's business franchise, thus they are likely to keep this robust return profile intact.
- Operating leverage and product mix change led margin improvement is also likely to support return ratio expansion.

Valuation Risk

WATCH

3

Key points

- TVS Motor's revenue contribution, represents the single most significant risk to SEDEMAC's earnings trajectory and valuation. At current valuation, the market is leaving limited room to absorb any TVS-related volume disappointment or adverse development at the OEM level.

Quantitative evidence

- TVS Motor alone contributed ~75-83% of revenues across FY23-9MFY26, a concentration level that is among the highest for any listed Tier-I auto ancillary supplier in India.

Qualitative evidence

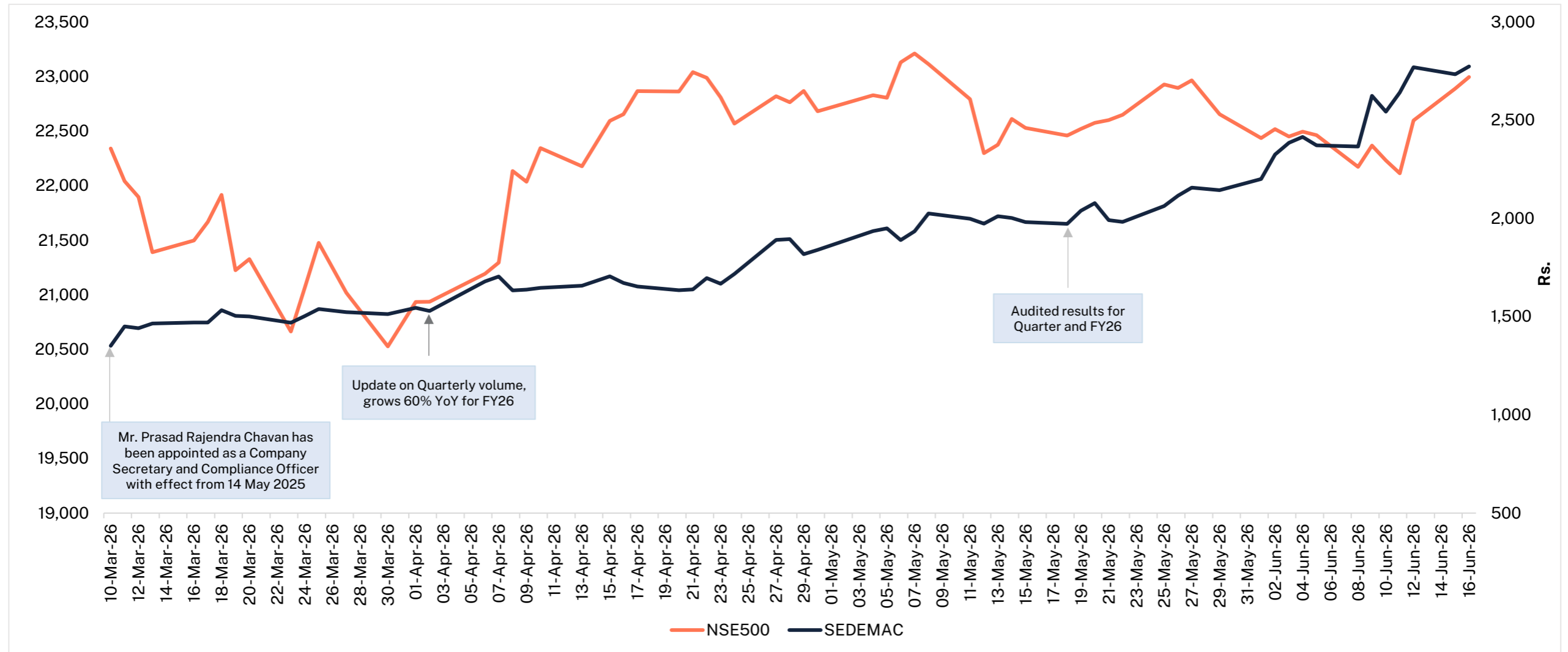
- TVS Motor and other major customers are not contractually required to make minimum purchases or exclusively source products from SEDEMAC, and can adjust order volumes or switch to alternative solutions at anytime.

Valuation Verdict:

From a growth-adjusted valuation perspective, SEDEMAC looks attractively valued, justified by IP-led technology platform with no licensing costs, an unparalleled business franchise that the market is still in early stages of fully appreciating. For investors seeking high-quality, high-growth exposure, SEDEMAC offers a uniquely compelling multi-year compounding story, with industry leading growth and return ratios, with well-supported entry point at current valuation of ~1.0x FY26-28E PEG.

4 - Stock Buzz and Influencing Factors

Noise vs. signal: what really drove the stock?



Note: SEDEMAC listed on March 11, 2026. Thus, there is limited availability of price information for the script.



Key Risks



Customer concentration

SEDEMAC's revenue is concentrated among a few OEMs, with TVS alone contributing ~75% of revenues on 9MFY26 basis.



Import dependence of semiconductors

The company is entirely dependent on imported semiconductors, its single most critical input. A concentrated and import-dependent supply chain that is inherently exposed to global disruptions.



Product concentration

Revenue is significantly concentrated in ISG and ISG+EFI ECU, making the company near-term growth trajectory heavily dependent on the continued adoption and penetration of this single product category.



Financial Summary

- Over FY26-28E, revenue is expected to compound at **36% CAGR** driven by the introduction of SEDEMAC's ISG solution across three new models in FY27, continued strong traction in electric 2W/3W MCU segment and incremental volumes flowing from new MF3 & MF4 manufacturing facilities expected to be operationalized in FY27.
- Operating profit (EBITDA) is poised to grow at higher rate of **41% CAGR** as we factor in **~140bps+ EBITDA margin expansion** driven by an improving product mix led by rising contribution of higher value ISG ECUs and EV MCUs, alongside meaningful operating leverage benefits as MF3 volumes ramp up through FY28.
- Profitability expected to improve further with **PAT compounding at ~50% CAGR**, supported by muted finance costs.

Particulars	FY24	FY25	FY26	FY27E	FY28E
Profit And Loss					
Revenue	531	658	1,058	1,450	1,964
Gross Profit	168	248	413	574	800
EBITDA	78	121	217	296	431
Depreciation	36	45	63	80	99
EBIT	42	76	153	216	332
Other Income	5	4	5	8	10
Finance Costs	38	12	9	8	10
Profit Before Tax	9	68	150	216	332
PAT	6	47	104	151	232
EPS	1	11	24	34	53
Balance Sheet					
Net Worth	124	303	449	600	832
Total Debt	170	64	72	97	119
Other liabilities and provisions	108	123	292	284	362
Total Net worth and liabilities	402	491	814	981	1,313
Gross Block	191	290	410	495	632
Net Block	151	197	253	259	297
Capital Work-in-progress	3	4	20	20	20
Intangible assets under developement	59	49	71	101	131
Investments	-	19	-	-	-
Cash and Bank Balances	7	8	64	161	297
Net Working Capital	182	214	405	441	568
Total Assets	402	491	814	981	1,313
Capital Employed	294	368	522	697	951
Invested Capital (CE-Cash-CWIP)	284	356	437	516	633
Net Debt	163	56	8	(64)	(179)
Cash Flows					
Cash flow from Operations (Pre-tax)	67	105	155	260	391
Cash flow from Operations (Post-tax)	61	91	128	196	292
Capex	(67)	(86)	(175)	(115)	(167)
Free Cashflows	(6)	5	(47)	81	125
Cash Flow from Investments	(59)	(105)	(148)	(115)	(167)
Cash Flow from Financing	(1)	13	18	16	11

- We expect SEDEMAC to generate healthy and improving cash flows over FY26-28E, supported by sustained working capital optimization. Large capex investments largely behind, progressively strengthening the balance sheet, with **Net D/E expected to improve from 0.0x in FY26 to -0.2x by FY28E**.
- Rising ISG penetration and new product introductions are expected to drive higher utilization across SEDEMAC's fungible manufacturing facilities, with FATO to inch up **from 3.0x (FY26) to 3.5x (FY28)**, to drive operating leverage.
- With no near-term fundraise requirement and profitability driven by operating leverage and favorable product mix, SEDEMAC is well positioned to sustain and improve its return profile, **RoE expected to rise to ~32% by FY28E**.

Particulars	FY24	FY25	FY26	FY27E	FY28E
Growth Ratios (%)					
Revenue	25%	24%	61%	37%	35%
EBITDA	64%	55%	79%	36%	46%
PAT	-32%	701%	120%	46%	54%
Margin Ratios					
EBITDA	15%	18%	20%	20%	22%
PAT	1%	7%	10%	10%	12%
Performance Ratios					
Pre-tax CFO/EBITDA	0.9	0.9	0.7	0.9	0.9
CFO/IC (%)	21%	26%	29%	38%	46%
RoE (%)	5%	22%	28%	29%	32%
RoCE (%)	15%	23%	35%	35%	40%
Fixed Asset Turnover	2.9	2.7	3.0	3.2	3.5
Total Asset Turnover	1.4	1.5	1.6	1.6	1.7
Financial Stability Ratios					
Net Debt to Equity (x)	1.3	0.2	0.0	(0.1)	(0.2)
Net Debt to EBITDA (x)	2.1	0.5	0.0	(0.2)	(0.4)
Interest Cover (x)	1.1	6.3	18.0	25.6	32.2
Working Capital Days	37	45	33	35	35
Valuation Metrics					
Fully Dil. Shares (cr)	4.2	4.3	4.4	4.4	4.4
Market Cap (Rs. Cr)			12,269		
P/E (x)	-	257	118	81	53
P/CFO (x)	202	135	96	63	42
EV (Rs cr) (ex -CWIP)			12,277		
EV / EBITDA	160	102	57	41	28
EV / CFO	205	136	96	62	41
FCF Yield	0.0%	0.0%	-0.4%	0.7%	1.0%
Price to BV	95	40	27	20	15
Cash as a % of CE	2.5%	2.2%	12.3%	23.1%	31.3%

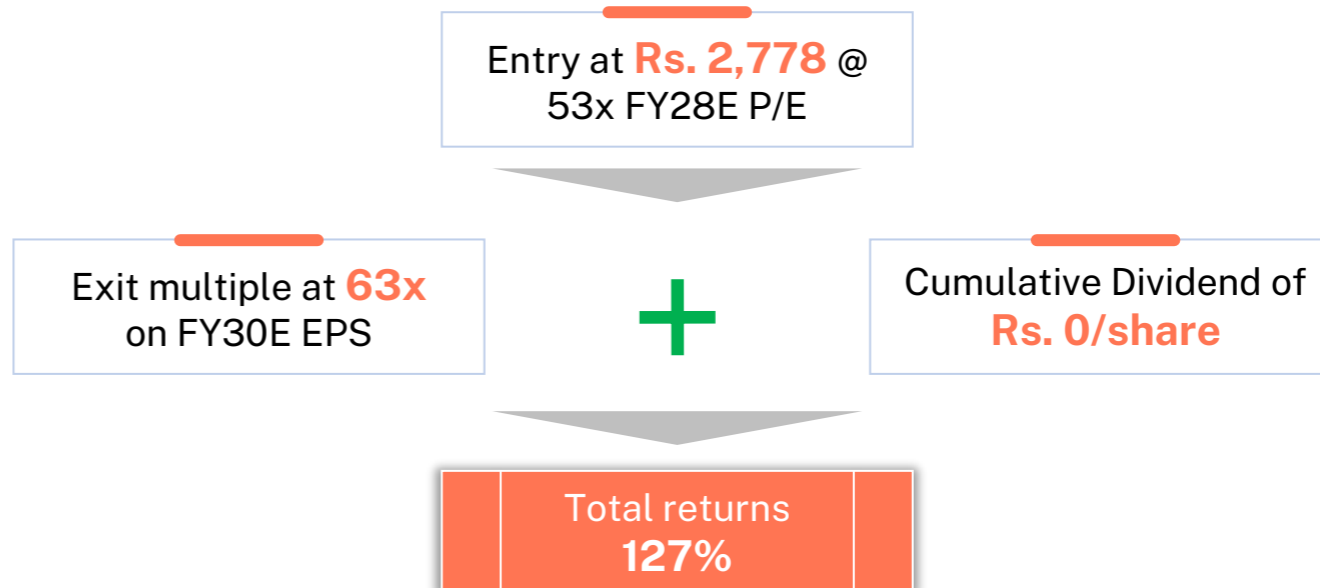
Source: Company, Midas Research

Future Lens

SEDEMAC Mechatronics Ltd. is a niche, technology driven auto ancillary, led by a team of technocrats from IIT Bombay, supported by a strong in-house R&D team of engineers from IIT/NIT/BITs, collectively capable to developing, validating and integrating new products into OEM systems / models without any dependence on external licensing or technology transfer.

We believe, the core growth engine remains intact with expectations for ISG penetration expand toward 50%+ mark and domestic market share set to broaden with introduction of SEDEMAC's ISG solution across three new models in FY27. Looking beyond FY28, SEDEMAC's planned foray into electric 4W components and subsystems, alongside scaling EV MCU business progressively opens up a significantly larger addressable market, providing strong structural visibility to sustain ~35% revenue CAGR and ~45% profitability CAGR over FY26-30E.

Underpinning this multi-year growth outlook is a near debt-free balance sheet, self-funding operating cash flows and a continuous cadence of innovation-led product launches, positioning SEDEMAC as one of the most compelling long-term compounding stories in the Indian auto ancillary universe.



Sensitivity of 3-yr TP

Sensitivity Analysis	Market cap	Dividend	Target price	Upside
58x	25,657	0	5,810	109%
63x	27,869	0	6,311	127%
68x	30,080	0	6,812	145%

Glossary

ECU	Electronic Control Unit
ISG	Integrated Starter Generator
MCU	Motor Control Unit
EFI	Electronic Fuel Injection
SLC	Sensor-less Control
SoP	Start of Production
ICE	Internal Combustion Engine
VRR	Voltage Regulator Rectifier
TCI	Transistor Controlled Ignition (TCI) regulator
TAM	Total Addressable Market
OEMs	Original Equipment Manufacturers (OEMs)
EV	Enterprise Value
FCF	Free Cash Flow
P/E	Price to Earnings
PBT	Profit Before Tax
RoE	Return on Equity

RoCE	Return on Capital Employed
RoIC	Return on Invested Capital
R&D	Research and Development
PBT	Profits Before Tax
ROA	Return on Assets
DTL	Deferred Tax Liabilities
CAPEX	Capital Expenditure
CF	Cash Flow
QoQ	Quarter on Quarter
RM	Raw Material
CoGS	Cost of Goods Sold
Crs	Crores
DCF	Discounted Cash Flow

Disclaimer (1/2)

Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon	REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
ACCUMULATE	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon	SELL	Stock expected to fall >10% over a 1-year horizon

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