BONANZA RESEARCH – SME IPO

Bonanza

21 August 2026

Sumax Engineering Limited - SUBSCRIBE

Company Overview

Sumax Engineering Limited, incorporated in 1994 and based in Secunderabad, manufactures and trades consumables for the automotive OEM and auto refinish markets. Its range spans adhesive tapes and die-cuts, pre-taped masking film, rubbing and polishing compounds, buffing pads, car care products, abrasives and body shop consumables, made at two units in Sriperumbudur and Manesar.

Investment Rationale

- **Sharp Margin-Led Earnings Expansion:** EBITDA margin widened from 8.84% in FY24 to 12.86% in FY26 and PAT margin from 5.68% to 8.64%, lifting PAT at a 31% CAGR to Rs. 1,276 Lakh. Gross margin improved 466 bps over two years as raw material consumption fell 14.55% in FY26.
- **Capacity Is the Binding Constraint:** FY26 utilisation reached 99% on die-cuts and polish and 94% to 96% on buffing pads and aluminium die-cuts at Sriperumbudur, leaving little headroom. The two proposed units at Tapukara and Jhajjar address a real bottleneck rather than speculative growth.
- **Land Already Paid For:** Rs. 2,400.33 Lakh of land for both proposed units has been acquired and funded before the issue. Offer proceeds go only into buildings, which shortens the gap between money raised and capacity created.
- **Strong Return Ratios on a Light Balance Sheet:** RoNW of 20.71% and RoCE of 23.86% in FY26 on a debt-equity ratio of 0.21x and a current ratio of 3.42x, with negligible long-term debt until the FY26 land purchase.
- **Shift From Trading to In-House Manufacture:** The Jhajjar unit is aimed at in-house die-cut capacity in the Manesar cluster, cutting reliance on external vendors. Manufacturing was 73.25% of FY26 revenue.
- **Supportive End-Market Growth:** India's adhesive tapes market is projected to compound at 7.4% between 2026 and 2033 and coated abrasives at 6.6% to 2030, with the auto component industry set to absorb Rs. 25,000 to 30,000 Cr of capacity spend in FY26.

Valuation

At the cap of Rs. 101 the issue is priced at 11.66x FY26 EPS of Rs. 8.66 pre-issue and 15.06x fully diluted, for a post-issue market capitalisation of Rs. 19,213 Lakh. Fresh capital is 81% of the issue, funding Rs. 2,151 Lakh of capex and Rs. 1,200 Lakh of working capital, on top of Rs. 2,400 Lakh of land already paid for. RoNW of 20.71% and RoCE of 23.86% on 0.21x gearing. We recommend **SUBSCRIBE**.

IPO Details	
Industry	Auto Components
Issue Open Date	25-Aug-26
Issue Close Date	28-Aug-26
Price Band	Rs. 95 – 101
Issue Size*	Rs. 5,340 Lakh
Issue Size (Shares)	52,87,200
Bid Lot	1,200 Shares
Listing Exchanges	NSE SME
Face Value	Rs. 10/-

*At highest price band

Issue Details	
Fresh Issue*	Rs. 4,334 Lakh
Offer for Sale*	Rs. 1,006 Lakh
Issue Type	Fresh Capital cum OFS
Lead Manager	GYR Capital Advisors
Registrar	KFin Technologies
Issue structure	Market Maker: 5.04% QIB: 45.57% NII: 13.75% Retail: 32.00%
Allotment	31-Aug-26
Credit of Shares	01-Sep-26
Listing Date	02-Sep-26

Objective of Issue	
Particular	**Estimated Amt (in Lakh)**
Capex, Unit I (Rajasthan)	488.68
Capex, Unit II (Haryana)	1,662.34
Working Capital	1,200.00
General Corporate Purposes	-

Shareholding Pattern		
Shareholding (%)	**Pre (%)**	**Post (%)**
Promoter	96.73	71.25
Public & Others	3.27	28.75

Business Highlights

- **Product And Segment Mix (FY26):** Manufacturing contributed 73.25% of revenue and trading 26.75%. The largest lines were adhesive tapes and die-cuts at 44.25%, traded abrasive sheets, discs and rolls at 22.95%, pre-taped masking film at 10.08% and rubbing and polishing compounds at 9.21%.
- **Manufacturing Footprint:** Unit I at SIPCOT Sriperumbudur (Tamil Nadu) and Unit II at IMT Manesar (Haryana, leased and to be consolidated into the proposed Jhajjar facility). Processes are certified to ISO 9001:2015 and IATF 16949:2016, with 121 permanent and 198 contractual employees as on 31 March 2026.
- **Market Reach:** Domestic sales were 99.56% of FY26 revenue and exports 0.44%, spread across ten countries. Tamil Nadu at 32.54% and Haryana at 16.25% together account for 48.79% of revenue. The top ten customers contributed 55.59%.
- **Sourcing Profile:** Imports were 76.65% of FY26 purchases against 61.71% in FY24, and the single largest supplier accounted for 27.10% of purchases. The Company has also entered paint protection film as a new product line.

Financials

Profit & Loss Statement:

Particulars (in Lakh)	FY24	FY25	FY26	CAGR (FY24-26)
Revenue from Operations	13,079	14,613	14,769	6%
EBITDA	1,163	1,503	1,908	28%
EBITDA Margin	8.84%	10.21%	12.86%	-
PAT	743	998	1,276	31%
PAT Margin	5.68%	6.83%	8.64%	-

- Revenue is effectively flat. FY26 growth was 1.07% after 11.72% in FY25, giving a two year CAGR of only 6.26%.
- The entire earnings uplift is margin-led. Gross margin widened from 21.44% in FY24 to 26.10% in FY26 as material consumption fell 14.55% on flat volumes, which is a cost outcome rather than an operating leverage outcome.
- FY26 profit before tax includes a Rs. 100.00 Lakh exceptional gain from settlement agreements with two individuals. Excluding it, FY26 PAT is about Rs. 1,201 Lakh and EPS about Rs. 8.15.
- The growth mix weakened. Adhesive tapes and die-cuts, 44.25% of revenue, fell 7.06% YoY, while traded abrasives rose 16.35%, taking trading to 26.75% of revenue from 23.92%.
- Employee cost rose 24.96% to Rs. 1,148 Lakh even as permanent headcount fell from 130 to 121, reflecting a shift towards 198 contractual staff.

Balance Sheet:

Particulars	FY24	FY25	FY26	Particulars	FY24	FY25	FY26
Equity & Liabilities				**Assets**			
Net Worth	3,886	4,884	6,160	Net Block	684	692	3,232
Long Term Debt	33	-	685	Inventories	2,282	2,872	2,632
Short Term Debt	610	775	621	Trade Rec.	1,424	1,841	1,763
Trade Payables	490	618	593	Cash	371	572	192

- Net worth rose 58.5% over two years to Rs. 6,160 Lakh entirely from retained profits. The FY26 jump in share capital to Rs. 1,473 Lakh is the 6:1 bonus issue of 11 March 2026 capitalised out of reserves, not fresh money.
- Net block rose 4.7x to Rs. 3,232 Lakh, but 92% of the FY26 addition was land, being Rs. 976.69 Lakh of leasehold land at Tapukara and Rs. 1,423.64 Lakh of freehold land at Jhajjar. Plant and machinery additions were only Rs. 119.59 Lakh, so most of the new asset base is not yet earning.
- Long term debt of Rs. 685 Lakh was drawn in FY26 to fund that land, against nil at the end of FY25, taking the debt-equity ratio to 0.21x. Gearing stays conservative.

Cash Flow:

Particulars	FY24	FY25	FY26
Operating Cash Flow	379.42	70.00	1,879.69
Investing Cash Flow	(213.05)	41.37	(2,743.35)
Financing Cash Flow	114.92	89.95	484.77
Net Cash Flow	281.29	201.32	(378.89)

- FY25 operating cash flow collapsed to Rs. 70.00 Lakh against profit before tax of Rs. 1,343.79 Lakh, as inventory and receivables absorbed Rs. 1,009 Lakh.
- FY26 operating cash flow of Rs. 1,879.69 Lakh is a real improvement, but Rs. 289 Lakh of it came from releasing working capital rather than from growth.
- The Rs. 2,743.35 Lakh investing outflow is the land purchase for the two proposed units, funded by Rs. 1,023.57 Lakh of fresh long term borrowing. Closing cash fell to Rs. 179.51 Lakh.

Key Ratios:

Ratio	FY26
Return on Equity	23.10%
Return on Capital Employed	23.86%
Debt-Equity Ratio	0.21x
Current Ratio	3.42x
EPS (Rs.)	8.66
NAV (Rs.)	41.83

Working Capital Cycle	FY24	FY25	FY26
Inventory Days	61	64	68
Trade Receivable Days	38	41	45
Trade Payable Days	18	16	20
Net Cycle	81	89	93

Peer Comparison

There are no listed companies in India that engage in a similar business.

Risk & Concerns

- **Import Dependence:** Imports were 76.65% of FY26 purchases against 61.71% in FY24, exposing margins to currency and trade policy.
- **Concentration:** Top ten customers were 55.59% of FY26 revenue with no binding agreements, and the top supplier 27.10% of purchases.
- **Relocation Risk:** The leased Manesar unit is to be closed and folded into the proposed Jhajjar facility.
- **Governance Flags:** The prior statutory auditor resigned effective 30 September 2025 over an audit fee disagreement.

Name	Designation
Sanket Roge	Research Analyst

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