



I P O R E S E A R C H D E S K

RESEARCH REPORT DATED 28 AUGUST 2026

Annu Projects Limited

Mainboard IPO — Research Note

ISSUE DATES	25 August 2026 – 28 August 2026
PRICE BAND	₹94 – ₹99 per equity share (face value ₹10)
LOT SIZE	151 shares · ₹14,949 at the upper band
ISSUE SIZE	₹175.06 Cr · 1,76,83,000 shares · 100% fresh issue
LISTING	BSE & NSE · 2 September 2026 (tentative)
DATA CUT	Day-3 close, 27 August 2026, 17:00 IST

SECTOR Utilities Infrastructure EPC — Telecom, Sewerage & Gas Pipeline	FINANCIALS FY26 Rev ₹241.3 Cr · PAT ₹33.0 Cr · 2Y Rev CAGR 25% · Operating cash flow negative
VALUATIONS P/E 19.6x post-issue · P/B ~2.0x · EV/EBITDA ~14x · in line, not cheap	DEMAND 0.88x overall at Day-3 close · No anchor book · QIB capped at 10%
GMP ₹2–₹4 over ₹99 (~2–4%) · 27 Aug 2026 · indicative only	RECOMMENDATION AVOID

I P O R E S E A R C H D E S K

2. Executive Summary

Annu Projects is a utilities EPC contractor. It lays telecom cable and towers, builds sewerage networks and treatment plants, and puts down gas pipelines — mostly for state government bodies in eastern and central India. FY26 revenue from operations was ₹241.3 Cr, up 34% on the year, with PAT of ₹33.0 Cr and an EBITDA margin of 20.8%. On the printed numbers this is a well-run small-cap infra contractor: two-year revenue CAGR of 25%, ROE of 21.3%, D/E of 0.34, an unexecuted order book of ₹1,005 Cr covering roughly four years of revenue, and a clean audit opinion. Nothing in the P&L looks broken.

The trouble is everywhere else. Cumulative operating cash flow across FY24–FY26 is negative ₹27.4 Cr against cumulative reported profit of ₹71.5 Cr — the earnings are real on paper and absent in cash. Trade receivables of ₹156.8 Cr plus unbilled revenue of ₹76.8 Cr equal 97% of a full year's revenue. Receivable days went from 163 to 237 in a single year. And ₹115 Cr of the ₹175 Cr raise — 66% of gross proceeds — goes straight into working capital. Read plainly, this is a funding round for a receivable book, dressed as a growth capex issue. The structure reinforces it: QIB has been capped at 10% of the offer, there was no anchor round at all, and the sole book-runner has managed exactly one mainboard issue in seven years. The market has already voted. At Day-3 close the book stood at 0.88x — below the 90% minimum-subscription threshold, with QIB the only category above 1x on a bucket worth ₹17.5 Cr.

AVOID. Be precise about what that means. We are not forecasting a negative listing — an undersubscribed issue with a real order book and expanding margins can list either side of ₹99, and issues in this shape have printed green before. AVOID is a statement about participation, not direction: on the demand, cash-conversion and structural evidence in front of us, we cannot underwrite the outcome in either direction with a leveraged bHNI ticket, and a GMP of ₹2–4 does not pay for taking that uncertainty. Add a live minimum-subscription question under Regulation 45 and there is nothing here we are willing to fund. We sit this one out.

Recommendation	Listing-Day View	Momentum View (T+2 - T+5)
AVOID	Two-way. Direction not underwritten — we take no position either way	No tradable momentum thesis; thin register, no institutional bid to lean on

Data cut: Day-3 close, 27 August 2026, 17:00 IST. The issue remained open on 28 August at the time of writing.

3. Company Overview & Business Model

Annu Projects has been building utility infrastructure since 2003. The model is straightforward contracting: it bids for tenders, wins them on price, executes with its own fleet and a layer of subcontractors, and bills against certified milestones. There is no product, no IP, no recurring revenue. Every rupee of next year's revenue has to be won again in a tender room.

Three verticals carry the business. Sewerage — pipelines, pumping stations and treatment plants — was 52.7% of FY26 revenue. Telecom — cable laying and tower infrastructure, largely BharatNet-linked — was 41.5%. Gas pipeline, the MDPE laying and last-mile connection work, is small at 4.0%. A railway signalling contract has recently been added, which the company frames as diversification and which we would call a fourth learning curve.

The vertical mix is not stable. Telecom was 52.8% of revenue in FY24, fell to 33.8% in FY25, and came back to 41.5% in FY26. Sewerage did the mirror image. That is what a tender-led business looks like: the mix is an output of which bids happened to land, not a strategy. It also means the historical margin series is a blend of shifting work types rather than a like-for-like trend, which makes the FY26 margin expansion harder to extrapolate than the KPI table suggests.

Where the money comes from is worth being precise about. Roughly 57% of FY26 revenue came from government entities, and 20 of the 23 live contracts as of 30 June 2026 are government awards. Government counterparties do not default — they delay. That distinction is the whole story of this balance sheet and we return to it in Section 7.

The promoters are Sanjay Kumar Sarraf, Chairman and Managing Director, a commerce graduate with an MBA and 23-plus years with the business since inception, and Krishna Ranjan, Whole-Time Director, an engineer with a comparable tenure running telecom infrastructure and project delivery. Combined pre-issue holding is 87.64%, dropping to roughly 65% post-issue. Their weighted average cost of acquisition is ₹1.53–₹1.55 a share against an issue price of ₹99. That gap is normal for a founder-built contractor and is not by itself an objection — but it is the context for reading a 100% fresh issue. They are not selling. They are raising.

What breaks the model: a stretched collection cycle that outruns the working capital line, a bank guarantee invocation on a delayed project, or a single large client — GR Infraprojects on the BharatNet sub-contract, or one of the state urban development corporations — slowing payment for two quarters.

4. Market Position & Client Base

Annu is a small contractor in a fragmented trade. It discloses no market share and there is no meaningful share to claim — utilities EPC at this size is a bidding business where the moat, such as it is, comes from pre-qualification credentials, an owned equipment fleet, and a track record with specific state agencies. Annu has all three in modest measure: a fleet of roughly 558 owned heavy machines, which reduces mobilisation risk and hire costs, and repeat credentials with BUIDCO in Bihar, JUIDCO in Jharkhand, MPUDC in Madhya Pradesh and SIDC in Goa.

Client concentration is the number that stops you. The top ten customers accounted for 97.96% of FY26 revenue, 98.25% in FY25 and 95.90% in FY24. This is not a business with a customer list; it is a business with a handful of contracts. The RHP does not break out top-one or top-five share, and we have not been able to source it — which is itself worth noting, because in a book this concentrated the top-one number is the number that matters most.

On the telecom side the counterparties are BSNL, BBNL and GR Infraprojects, the last as principal on a BharatNet Phase-III sub-contract in Kerala. Reported values for that award diverge across sources between roughly ₹747 Cr and ₹919 Cr, and we could not reconcile them at source; either way it is the single largest exposure in the book. Sewerage runs through the state urban development corporations named above. Gas work is with GAIL, IGL and Gujarat Gas.

The honest read on the moat: there isn't one that survives a price war. What Annu has is credentials and a fleet, both of which lower its cost of bidding rather than protect its pricing. In a trade where the low bid wins, that is a real but shallow advantage. The order book of ₹1,005 Cr against FY26 revenue of ₹241.3 Cr — a book-to-revenue of 4.2x — is genuine visibility and the strongest single fact in the company's favour. It tells you the next three to four years of revenue are largely contracted. It tells you nothing about whether that revenue gets collected.

5. Geographic Distribution & Revenue Model

Five states — Bihar, Jharkhand, Goa, West Bengal and Madhya Pradesh — contribute more than 70% of revenue from operations. Live projects run across eight states and one union territory: Sikkim, West Bengal, Odisha, Jharkhand, Bihar, Madhya Pradesh, Kerala, Goa and the Andaman & Nicobar Islands. The RHP does not publish a state-wise revenue table and we have not sourced one, so the concentration can be bounded but not decomposed.

The geography is not incidental. Eastern India urban infrastructure is where the central schemes have put the money — AMRUT, the Namami Gange tributary works, BharatNet — and it is also where payment cycles on state contracts are longest. Annu's collection profile is not an execution failure. It is the arithmetic of who its customers are and where they sit.

Revenue recognition is percentage-of-completion against certified milestones, which is standard for the trade and also the mechanism that produces the ₹76.8 Cr of unbilled revenue on the FY26 balance sheet: work done, value recognised, invoice not yet raised because certification hasn't come through. All revenue is domestic and rupee-denominated. There is no export book, no currency exposure and no hedging requirement. Commodity exposure runs through steel, cement, HDPE and MDPE pipe and cable, partly covered by price-variation clauses in the government contracts and not covered at all in the private ones.

Revenue by Vertical (₹ Cr)	FY2024	FY2025	FY2026	FY26 Share
Sewerage infrastructure	59.35	110.32	127.08	52.7%
Telecom infrastructure	81.27	60.87	100.12	41.5%
Gas pipeline	7.06	3.61	9.72	4.0%
Others	6.31	5.27	4.34	1.8%
Revenue from Operations	153.98	180.07	241.25	100.0%

Source: RHP. Converted from ₹ million. Telecom and sewerage together were 94.2% of FY26 revenue.

6. IPO Structure & Use of Proceeds

Particulars	Amount (₹ Cr)	% of Total
Fresh Issue	175.06	100.0%
Offer for Sale (OFS)	Nil	0.0%
Total Issue Size	175.06	100.0%

1,76,83,000 equity shares at the ₹99 upper band. No employee reservation and no employee discount.

OFS is nil. In a market where a majority of mid-cap issues are half or more secondary sale, a 100% primary raise deserves to be said plainly: no promoter and no pre-IPO investor is taking money off the table. That is the single cleanest fact in this issue, and we are not going to bury it. It removes the exit-signal objection entirely. It does not, unfortunately, fix anything else.

Use of Proceeds

Objective	Amount (₹ Cr)	% of Gross Proceeds
Working capital requirements	115.00	65.7%
Capital expenditure — plant & machinery	15.41	8.8%
General corporate purposes	Balance*	up to 25%
Total named objects	130.41	74.5%

*The RHP carries a placeholder for general corporate purposes and net proceeds; the figure is fixed only in the final Prospectus. GCP is capped at 25% of gross proceeds, with issue expenses absorbing the residual.

Two-thirds of the money funds working capital. That is the structural fact of this issue and it deserves to be stated without euphemism: the raise is being used to finance a receivable and unbilled-revenue book that has grown faster than the business can collect it. ₹115 Cr against a combined receivable-plus-unbilled position of ₹233.6 Cr means the IPO covers roughly half the gap. It does not close it, and it does not change the collection cycle that created it. Whether the company is back for more capital in three years depends entirely on whether receivable days come down from 237 — and nothing in the objects addresses that.

The ₹15.41 Cr of machinery capex is sensible and small. Growth capex is not what this issue is about.

Offer Allocation

Category	Shares	% of Issue	Value at ₹99 (₹ Cr)
QIB (ex-anchor)	17,68,300	10.0%	17.51
NII — bHNI (> ₹10 L)	47,16,056	26.7%	46.69

Category	Shares	% of Issue	Value at ₹99 (₹ Cr)
NII — sHNI (₹2–10 L)	23,57,144	13.3%	23.34
Retail (RII)	88,41,500	50.0%	87.53
Anchor Investors	Nil	0.0%	Nil
Total	1,76,83,000	100.0%	175.06

The allocation is legal and it is unusual. Under ICDR Regulation 32, an issuer on the profitability route may allot up to 50% to QIBs — a ceiling, not a floor — so 10% clears the rule. But almost nobody uses that latitude, and the reason issuers don't is that the QIB book is where price gets validated. Capping it at 10% and running no anchor round means ₹17.5 Cr of the ₹175 Cr raise was ever exposed to institutional pricing discipline. Ninety percent of this issue was sold to retail and HNI investors on a prospectus and a GMP.

The book-running lead manager is Mefcom Capital Markets. The registrar is KFin Technologies. There is one lead manager, not a syndicate — which for a ₹175 Cr mainboard issue is thin distribution, and shows in the subscription tape.

7. Financial Performance Analysis

Profit & Loss (₹ Cr)	FY2024	FY2025	FY2026	2Y CAGR
Revenue from Operations	153.98	180.07	241.25	25.2%
EBITDA	28.50	32.19	50.19	32.7%
EBITDA Margin (%)	18.51%	17.88%	20.81%	+230 bps
Profit After Tax	17.39	21.10	33.03	37.8%
PAT Margin (%)	11.29%	11.72%	13.69%	+240 bps
EPS — Basic (₹)	4.07	4.65	6.91	—

Restated financial information. FY26 total income of ₹244.59 Cr includes other income.

Balance Sheet & Cash Flow (₹ Cr)	FY2024	FY2025	FY2026	Direction
Net Worth	68.93	122.06	155.26	Rising
Total Borrowings	19.69	22.27	52.54	Up 136% in FY26
Debt / Equity	0.29	0.18	0.34	Rising
Cash Flow from Operations	8.21	(35.38)	(0.25)	Negative 2 years
Cash Flow — Investing	(3.92)	(1.41)	(23.44)	—
Cash Flow — Financing	(3.99)	34.28	26.11	Funding the gap
Trade Receivables	n/a	n/a	156.77	—
Receivable Days	n/a	163	237	Deteriorating
ROE (%)	25.23%	17.29%	21.27%	—
ROCE (%)	29.95%	20.59%	22.66%	—
NAV per share (₹)	16.13	25.53	32.48	—

Cash and equivalents, inventories and FY24–FY25 receivable balances are not disclosed in the abridged prospectus and could not be sourced from the restated financials section.

Start with what worked. Revenue compounded at 25% over two years and FY26 alone grew 34%, driven by execution on the sewerage book and a telecom recovery as BharatNet Phase-III volumes landed. EBITDA margin expanded 230 basis points to 20.8% and PAT margin 240 basis points to 13.7%. Against a peer set where Likhitha's operating margin has collapsed from 22% to 13% over the same window, that margin print is genuinely good. ROCE of 22.7% on a contracting business is respectable. Leverage is low in absolute terms at 0.34x. None of this is manufactured and we are not going to pretend otherwise.

Now the cash. Operating cash flow was positive ₹8.2 Cr in FY24, negative ₹35.4 Cr in FY25, and negative ₹0.25 Cr in FY26. Sum the three years: cumulative CFO of negative ₹27.4 Cr against cumulative reported PAT of ₹71.5 Cr. Over the entire disclosed history, this company has reported ₹71.5 Cr of profit and consumed ₹27.4 Cr of cash. FY26 in isolation is the cleanest illustration — ₹33.0 Cr of PAT, the best year on record, converted to essentially zero operating cash.

The mechanism is visible in two lines. Trade receivables closed FY26 at ₹156.8 Cr and unbilled revenue at ₹76.8 Cr; together ₹233.6 Cr against revenue of ₹241.3 Cr. That is 97% of a year's turnover sitting in the collection cycle — roughly 353 days of revenue between receivables and unbilled work. Receivable days alone went from 163 to 237 in twelve months. Growth here is not being funded by the business; it is being funded by borrowings, which rose 136% in FY26, and now by public equity.

On screen, the print looks fine. Under the hood, three years of accounting profit have produced negative operating cash, and the fix on offer is ₹115 Cr of IPO money into working capital. That covers half the receivable pile. It does not shorten the collection cycle by a single day.

Two things to be fair about. First, the receivable profile is a function of who the customers are. State urban development corporations pay slowly and pay eventually; this is not a book full of doubtful private debtors, and the credit risk is genuinely lower than the days figure implies. Second, negative operating cash during a 34% revenue year is arithmetically normal for a working-capital-intensive contractor — the drag is growth, not distress. Neither point changes the conclusion. Slow-paying government receivables are still capital you cannot deploy, and a business that needs external funding every time it grows is a business whose growth is worth less per rupee than the P&L suggests.

Contingent liabilities are flagged as a risk factor in the RHP. One secondary source puts the quantum at ₹100.87 Cr, or roughly 65% of net worth, driven by performance guarantees and disputed tax demands. We could not verify that figure at source and we are not going to treat it as established — but at that order of magnitude it is the most important unverified number in this file, and a bHNI committing capital should treat it as an open question rather than a settled one. What we can confirm: outstanding litigation against the company, its promoters and directors aggregates about ₹2.1 Cr, which is immaterial, and the auditors have recorded no qualifications, reservations or emphasis of matter on the restated financials.

8. Valuation

Company	P/E	P/B	ROE %	FY26 Rev (₹ Cr)	FY26 PAT
Annu Projects (at ₹99)	19.6x	~2.0x	21.3%	241.3	33.0
Likhitha Infrastructure	24.7x	2.0x	10.2%	457	40
Bondada Engineering	14.3x	4.5x	35.7%	2,843	211
EMS Limited	31.1x	2.0x	8.9%	733	91
Peer Median	24.7x	2.0x	10.2%	—	—

Annu P/E on FY26 post-issue EPS of ₹5.04; P/B on estimated post-issue book value. Peer quotes as of late August 2026. Pre-issue P/E is 14.3x on EPS of ₹6.91.

At ₹99 the company is asking 19.6x FY26 post-issue earnings against a peer median near 24.7x. On the headline number this issue is not expensive, and any note that calls it overvalued on P/E alone is not reading the table. EV/EBITDA works out near 14x on trailing FY26 EBITDA of ₹50.2 Cr before adjusting for issue proceeds. ROE of 21.3% is comfortably ahead of Likhitha at 10.2% and EMS at 8.9%. On a screen, this clears.

We still don't get comfort, for two reasons. The first is what the multiple is being paid for. A P/E is a price on earnings, and these earnings do not convert to cash — three years, ₹71.5 Cr of cumulative profit, negative ₹27.4 Cr of cumulative operating cash flow. A 19.6x multiple on accrual profit that arrives as receivables is not the same instrument as 19.6x on cash profit, and the discount to the peer median is not wide enough to compensate for that difference. On a normalised basis, adjusting for the capital the business absorbs to produce each rupee of reported earnings, we would want this closer to 12–14x before the price does any work.

The second is the state of the comparable set. Likhitha's trailing profit is down 49% and the stock is off 14% over a year. EMS has lost 31% of its market capitalisation with trailing profit down 63%. Bondada is down 31% despite a 35.7% ROE. The peer median that makes Annu look reasonable is itself a de-rating median, marked on companies the market has been actively selling. Anchoring to a falling comp set is how issues get priced into a market that has already moved on — and the 0.88x subscription is the market telling you it noticed.

Our position: the price is fair for the P&L and wrong for the cash flow. That is not a valuation you can trade a listing on.

9. Demand, Application-Wise Breakup, Anchor Quality & BRLM Track Record

9.1 Subscription Trajectory

Category	Day 1 (25 Aug)	Day 2 (26 Aug)	Day 3 (27 Aug)	Reserved (%)
QIB	0.57x	0.58x	1.16x	10%
NII — bHNI (> ₹10 L)	0.33x	0.34x	0.99x	26.7%
NII — sHNI (₹2–10 L)	0.41x	0.50x	0.71x	13.3%
NII — total	0.36x	0.39x	0.90x	40%
Retail (RII)	0.28x	0.51x	0.81x	50%
Overall	0.34x	0.47x	0.88x	100%

Day-3 figures as at 17:00 IST, 27 August 2026. 1,55,25,367 shares bid against 1,76,83,000 offered. The issue was still open on 28 August at the time of writing; final-day figures are not available.

Three days, and the book never cleared its own offer. Day 1 closed at 0.34x, Day 2 at 0.47x, Day 3 at 0.88x — a trajectory that looks like it is building until you notice where it is building from. Indian issues take the bulk of retail and HNI bids in the final session, so the shape is normal; the level is not. At 0.88x going into the last day, this book needs the closing session simply to reach the statutory minimum, not to generate the oversubscription that produces a listing print.

QIB at 1.16x is the only category above one, and the number flatters. The bucket is 10% of the issue — ₹17.5 Cr. At 1.16x that is roughly ₹20 Cr of institutional money in a ₹175 Cr raise. bHNI closed Day 3 at 0.99x, sHNI at 0.71x, retail at 0.81x. There is no category in this book with genuine excess demand.

9.2 Subscription & Application-Wise Breakup (Approximate)

Category	Shares Offered	Approx. No. of Applications	Day-3 Subscription (x)
Retail (RII)	88,41,500	~32,000 – 47,400	0.81x
NII — sHNI (₹2–10 L)	23,57,144	~790	0.71x
NII — bHNI (> ₹10 L)	47,16,056	~300 – 460	0.99x
QIB	17,68,300	Not disclosed	1.16x
Overall	1,76,83,000	~33,000 – 48,700	0.88x

Application counts are derived from Day-3 cut-off bidding data against minimum ticket sizes (retail 151 shares; sHNI 2,114 shares; bHNI 10,117 shares) and are indicative and approximate only. Exact counts are confirmed at the basis of allotment.

The application counts are what stand out. The bHNI bucket drew roughly 300 to 460 applications across a ₹46.7 Cr portion, and the sHNI bucket under 800. Retail, at an estimated 32,000 to 47,400 applications against a ₹87.5 Cr half of the issue, is thin for a ₹175 Cr mainboard raise — comparable issues in this size band routinely draw six-figure retail application counts. Whichever end of the estimated range is correct, the participant base behind this book is narrow.

Two things follow for a desk that reads application data. First, the register that lists on 2 September will be a small one, held by a limited set of holders, which has implications for how the stock trades in its first sessions regardless of which way it opens. Second, a leveraged bHNI ticket funded through a loan-against-securities line carries a real cost across the roughly seven-day blocking window, and a 2–4% indicated premium is a thin cushion for that cost. These are observations about the shape of the book, not a forecast of the listing print.

9.3 Grey Market Premium

GMP stood at ₹2–₹4 over the ₹99 upper band on 27 August, implying an indicated listing near ₹101–₹103, or 2–4%. It was reported at nil on the opening day and has traded in a ₹0–₹7 band across the issue period. The dispersion across sources is itself informative: a well-bid issue produces a tight, consistently quoted premium, and this one has not.

We use GMP the way we always use it — as a sentiment read from an unregulated, thinly traded, entirely unofficial market, with no settlement guarantee and no obligation on anyone quoting it. It is not a price forecast and it has been wrong in both directions often enough that no position should rest on it. What a 2–4% GMP does tell you is that the grey market is not paying up for this paper either. When the official book cannot clear 1x and the unofficial market offers three rupees, the two are saying the same thing.

9.4 Anchor Book

There is no anchor book. No anchor bid date appears on the RHP cover, the allocation paragraph contains no anchor provision and no net-QIB construct, and the reservation tables carry the full 17,68,300 QIB shares with nothing carved out. We searched for an anchor allocation circular in the usual 22–24 August window and found none.

Economically it follows from the structure. Anchors are carved out of the QIB portion, capped at 60% of it. With QIB at 10% of a ₹175 Cr issue, the maximum anchor book available was about ₹10.5 Cr — too small to be worth the process, and too small to attract a name that would mean anything. The decision was made when QIB was capped at 10%, not on anchor day.

The consequence is what concerns us. The desk's anchor backtest covers 688 mainboard anchors over seven years, and its whole purpose is to tell you whether the institutions in a book have a record of buying issues like this one at multiples like this one, and what happened when they did. On this issue there is nothing to run it against. No anchor participated, so no institution with a published track

record put its name and its money behind ₹99 before the public book opened. For an issue whose cash-flow profile needs exactly that kind of validation, its complete absence is not a neutral fact.

9.5 BRLM Track Record

Lead Manager	IPOs (7Y)	Positive	Hit Rate	Avg Listing-Day Gain
Mefcom Capital Markets Ltd.	1	1	100%	33.0%

IPO Research Desk 7-year lead manager base, 2020–2026, 77 mainboard book-runners. Mefcom's single issue was managed in 2020.

Mefcom Capital Markets shows a 100% hit rate and a 33.0% average listing-day gain in our base file. Both numbers come from one issue, managed in 2020. There has been no mainboard activity in 2021, 2022, 2023, 2024, 2025 or 2026 until this one. A hit rate computed on a single observation is not a track record; it is a coin that landed heads once, six years ago.

Set against the base, this is one of the thinnest lead-manager profiles we score. Of 77 book-runners in the file, 35 have managed three or fewer mainboard issues over seven years, and within that group the outcomes scatter from negative 15% to positive 114% average listing gains — which is the point. Small-sample book-runners have no predictive signal in either direction, and treating Mefcom's 33% as an expectation for this issue would be a straightforward misuse of the data.

What we can say with more confidence is structural rather than statistical. This is a single-book-runner mandate on a ₹175 Cr mainboard issue with no syndicate, from a house with no mainboard placement in six years. Distribution reach and institutional relationships are precisely what a lead manager is paid for, and the subscription tape — 0.88x at Day-3 close, a book that could not fill its retail half — is what thin distribution looks like in practice. We would weight the tape over the file.

Strong anchor participation and a good BRLM track record reduce listing risk; they do not eliminate it. This issue has neither, and the absence of both is exactly what the subscription tape has been pricing all week.

10. Risk Factors

Ten risks, ordered by what would actually cost a bHNI money in the next fortnight rather than by RHP sequence.



[PRIMARY CONCERN] 1. Minimum subscription and withdrawal risk.

At Day-3 close the issue stood at 0.88x — below the 90% minimum subscription that Regulation 45 of SEBI ICDR requires an issuer to receive. If the final session does not carry the book past that threshold, the issue must be withdrawn in full and every rupee of application money refunded. Indian issues do take the bulk of their bids on the closing afternoon, so a close above 90% is entirely plausible; the point is that at the time of writing it is not assured, and no other risk in this list is live in the next twenty-four hours.

For a leveraged bHNI application this is a pure cost with no offsetting outcome. Funds are blocked, the LAS line accrues, and a withdrawal returns the principal with nothing on it. Applying into a book that may not clear its own statutory floor is not an asymmetric bet; it is a fee paid for the chance to own something the market has already declined.



2. Earnings that do not convert to cash.

Cumulative operating cash flow across FY24–FY26 is negative ₹27.4 Cr against cumulative reported PAT of ₹71.5 Cr. FY26, the strongest year on record at ₹33.0 Cr of profit, produced essentially zero operating cash. Every valuation multiple in Section 8 is computed on earnings that have never arrived as cash. This is the risk that outlives the listing window and it is the reason we would not hold the name at any horizon.



3. Receivable and unbilled revenue intensity.

Trade receivables of ₹156.8 Cr plus unbilled revenue of ₹76.8 Cr total ₹233.6 Cr against FY26 revenue of ₹241.3 Cr — 97% of a full year's turnover in the collection cycle, roughly 353 days. Receivable days alone moved from 163 to 237 in twelve months. Borrowings rose 136% in FY26 to fund the gap. A further deterioration would consume the ₹115 Cr working capital allocation before the money has done any growth work at all.



4. No institutional price validation.

QIB is capped at 10% of the offer and no anchor round was conducted. Roughly ₹20 Cr of institutional money at Day-3 subscription levels sits behind a ₹175 Cr raise, and no institution with a track record committed to ₹99 before the public book opened. Ninety percent of this issue was placed with retail and HNI investors without an institutional price check. Our 688-anchor backtest has nothing to score here — not a weak signal, but no signal at all.

 5. Contingent liabilities of a material order.

Contingent liabilities are flagged as an RHP risk factor. One secondary source puts the quantum at ₹100.87 Cr, or approximately 65% of FY26 net worth, arising from performance guarantees and disputed tax demands. We could not verify this at source and do not present it as established. At that magnitude, however, it is the largest single unquantified exposure in the file, and crystallisation of even a fraction would be material against a ₹155 Cr net worth.

6. Customer concentration. The top ten customers were 97.96% of FY26 revenue, 98.25% in FY25 and 95.90% in FY24. The RHP does not disclose top-one or top-five share and we could not source it, which in a book this concentrated is the more important omission. A single contract dispute, a payment freeze at one state corporation, or the loss of the BharatNet Phase-III sub-contract would move the revenue line by a visible double-digit percentage.

7. Vertical and geographic concentration. Telecom and sewerage together were 94.2% of FY26 revenue, and five states — Bihar, Jharkhand, Goa, West Bengal and Madhya Pradesh — account for more than 70%. The vertical mix has also been unstable, with telecom swinging from 52.8% to 33.8% and back to 41.5% across three years, which makes the margin trend harder to read as a like-for-like series than the KPI table implies.

8. Tender dependence with no repeat-award assurance. Roughly 57% of FY26 revenue and 20 of 23 live contracts come from government entities won through competitive bidding. There are no framework agreements and no exclusivity. Every rupee of future revenue has to be re-won on price, and liquidated damages have already been paid in each of the last four disclosed years, ranging from ₹0.19 Cr to ₹4.21 Cr. Bank and performance guarantees are outstanding and subject to invocation on breach; the aggregate quantum is not disclosed.

9. Proceeds fund the balance sheet, not growth. ₹115 Cr of ₹175 Cr — 66% of gross proceeds — goes to working capital, against only ₹15.4 Cr of machinery capex. The raise finances the receivable cycle rather than expanding capacity. It covers roughly half the existing receivable-plus-unbilled position and does nothing to shorten the collection period that created it, which leaves a credible path back to the market for capital within three years.

 10. Listing Volatility.

Volatility here runs both ways and we are not claiming to know the direction. A thin register with a narrow holder base and no institutional holder of size can gap in either direction on light volume — an undersubscribed issue with a real order book can open well above the band just as easily as it can open below it, and the first-session tape on issues of this shape has done both. What a thin book removes is not the possibility of an upside print; it is the depth that would let anyone hold a position through the T+2 to T+5 window with confidence in the price. The comparable set — Likhitha, EMS and Bondada, all down 14% to 31% over the past year — is not a supportive backdrop, but it is not a forecast either. We do not consider this a risk-free recommendation, and we do not consider a negative listing a certainty.

11. Investment Strengths & Positive Indicators

The case against this issue is a listing-and-momentum case, and it should not be confused with a case that the business is bad. Several things here are genuinely good and a fair note says so.

- 1. Zero offer for sale.** The entire ₹175.06 Cr is a fresh issue. No promoter share and no pre-IPO investor holding is being sold. In a market where OFS-heavy structures routinely tell you what existing holders think of the price, this issue carries no exit signal at all — the promoters are diluting from 87.6% to roughly 65% and putting every rupee into the company. This is the strongest fact in the file.
- 2. Order book of ₹1,005 Cr.** The unexecuted book as of 30 June 2026 covers about 4.2x FY26 revenue across 23 live projects, including a BharatNet Phase-III sub-contract. That is three to four years of contracted revenue visibility, which is more than most contractors of this size can show and materially de-risks the top line.
- 3. Margin expansion against a de-rating peer set.** EBITDA margin improved 230 basis points to 20.8% and PAT margin 240 basis points to 13.7% in FY26. Over the same period Likhitha's operating margin fell from 22% to 13%. Annu is widening margins in a trade where the listed comparables are losing them.
- 4. Capital efficiency ahead of listed peers.** ROE of 21.3% and ROCE of 22.7% compare with 10.2% and 14.0% at Likhitha and 8.9% and 12.5% at EMS. Only Bondada, at a different scale, does better. Whatever the cash-conversion problem, the returns on capital deployed are real.
- 5. Government counterparties carry low credit risk.** Slow payment and bad debt are different problems. BSNL, BBNL and the state urban development corporations delay; they do not default. The receivable book is long-dated rather than doubtful, and the eventual recovery rate on this kind of exposure is high.
- 6. Owned equipment fleet.** Roughly 558 owned heavy machines reduce mobilisation time, hire costs and dependence on third-party equipment availability — a genuine operational advantage in a trade where execution delay is the usual source of liquidated damages.
- 7. Modest absolute leverage and a clean audit.** D/E of 0.34 leaves borrowing headroom even after the FY26 increase. The auditors have recorded no qualifications, reservations or emphasis of matter on the restated financials, and aggregate litigation against the company, promoters and directors is about ₹2.1 Cr — immaterial against a ₹155 Cr net worth.
- 8. Sectoral tailwind is real.** BharatNet Phase-III, AMRUT-linked sewerage work and city gas distribution rollouts are funded central programmes with multi-year visibility. The demand side of this business is not the question.

None of the above is a reason to apply. A good business at a fair price with no demand and no institutional validation is still a bad listing trade — and a listing trade is the only thing this desk underwrites. If the register settles and the collection cycle turns, this becomes a name worth

looking at on the screen. Not in the book.

12. Final Recommendation & Conclusion

R E C O M M E N D A T I O N

AVOID

Run the five pillars and four of them come back negative. Financial quality: revenue and margins are good, cash conversion is not — three years of ₹71.5 Cr cumulative profit against negative ₹27.4 Cr of cumulative operating cash, with receivables and unbilled revenue at 97% of annual turnover. Valuation: 19.6x post-issue looks reasonable against a 24.7x peer median until you notice the peers are themselves down 14% to 31% over a year, and that the multiple prices accrual earnings we have never seen arrive in cash. GMP: ₹2–4, indicative only, on an issue that opened at nil. Demand: 0.88x at Day-3 close, no category with genuine excess bidding, and QIB's 1.16x flattering a ₹17.5 Cr bucket. OFS: nil, and that one is a clean positive we have credited in full.

The structural read is what settles it. QIB was capped at 10%, no anchor round was run, and the sole book-runner has placed one mainboard issue in seven years. That combination means this paper reached the market without an institutional price check, and the public book has spent three days declining to supply one. Our seven-year backtest across 688 anchors and 77 book-runners has almost nothing to score here — and an absence of signal, in an issue whose cash flows need validation most, is itself the finding.

We want to be exact about what AVOID means here, because it is easy to misread. It is not a forecast that the stock lists below ₹99. This issue can list either side of the band — it has a ₹1,005 Cr order book, margins that are widening while its listed comparables lose theirs, and no promoter selling a single share, and undersubscribed issues with those attributes have opened green often enough that anyone claiming to know the direction is guessing. AVOID is a decision about whether to commit capital, not a prediction about the print. On the evidence in this note we cannot form a view on the listing outcome in either direction with enough confidence to fund a leveraged BHNI ticket across PANs — and a 2–4% indicated premium is not payment for carrying that uncertainty through a seven-day blocking window, with a minimum-subscription question still open on top of it. When we cannot underwrite the outcome, we do not participate. That is the whole of the call.

This is not a risk-free recommendation. An issue can close strongly on its final session, clear the statutory floor, and list above the band on a thin register — undersubscribed issues have delivered positive prints before, and this one has a real order book and real margins behind it. A strong anchor book does not guarantee listing gains, and equally the absence of one does not guarantee a weak listing. What we can say is that the probability-weighted setup does not favour the applicant, the cost of being wrong is a blocked and funded application, and the reward on offer is three rupees.

BHNI Guidance

Investor Category	Guidance	Allocation Approach	Exit Window
BHNI	AVOID	Avoiding 100%. No application at any ticket size.	Not applicable — no position taken

IPO Research Desk is a BHNI-only advisory. The desk trades the listing print and the T+2 to T+5 momentum window; it does not carry a long-term view on any issue.

13. Standard Disclaimer

The analysis presented herein is based on publicly available information and data as of the date of publication. Investors should conduct their own due diligence before making investment decisions. Past performance is not indicative of future results. The author does not guarantee the accuracy, completeness, or timeliness of the information provided. Investment in IPOs and equity markets involves substantial risk, including the risk of loss of principal. Market conditions, company performance, regulatory changes, and macroeconomic factors can significantly impact investment outcomes.

Data cut for this note is the Day-3 close of 27 August 2026 at 17:00 IST. The issue remained open on 28 August 2026 at the time of writing and final-day subscription figures were not available. Figures described in this note as unverified — notably the contingent liability quantum — are drawn from secondary sources and could not be confirmed against the offer document.

Past performance is not indicative of future returns.