# BONANZA RESEARCH – SME IPO

22 April 2026

# Leapfrog Engineering Services Limited - NEUTRAL

## Company Overview

Leapfrog Engineering Services Limited (LESL) is a Bengaluru-headquartered integrated Engineering, Procurement, Construction & Commissioning (EPCC) Company with over 20 years of operational experience. Incorporated on May 9, 2005, as "Leapfrog Informatics Private Limited," it was rebranded to its current identity in 2009 and converted to a public limited company in June 2024.

## Investment Rationale

- India is the world's 6th largest economy and the Union Budget FY26 has allocated Rs. 11.21 Lakh Cr as total capital expenditure across all infrastructure sectors. This strong push is powering the electrical equipment market in India is projected to grow by USD 52.98 Bn between 2022 and 2027, at a CAGR of 11.68%. The engineering sector contributes 12% of India's manufacturing output and recorded exports of USD 109.31 Bn in FY24. Government initiatives like Make in India, PM Vishwakarma, and Atmanirbhar Bharat are creating excellent opportunities for integrated EPCC players.
- The company is an integrated EPCC specialist with niche expertise in high-voltage 220 kV electrical, instrumentation, and automation systems. It has built a strong Middle East presence with over 14 executed projects in Kuwait, including repeat orders for JPF3 expansion, JPF4, and JPF5 that have created sticky client relationships
- It follows an asset-light model by leasing local equipment, which keeps capex and maintenance costs low while ensuring the latest machinery is deployed on site. The company has strategically shifted towards high-margin services, driving service revenue from Rs. 667.37 Lakh in FY24 to Rs. 6,015.72 Lakh in FY25 a nearly 9x jump.
- This focus has delivered superior profitability, with FY25 RoNW at 30.47%, well above Engineers India Ltd (17.76%) and Konstelec (4.34%). The robust order book of Rs. 42,055 Lakh provides strong revenue visibility for the coming years.
- To support growth, the company is setting up a new assembly unit in Bengaluru with Rs. 2,700 Lakh capex to boost in-house integration and margins. IPO proceeds are being used to strengthen working capital for early vendor payments and secure trade discounts, while ERP implementation and digital transformation are enhancing project control and efficiency.
- The company's excellence has been recognised with FKCCI awards for Best Merchant Exporter in 2023 and 2024, and Best Services Exporter in 2025.

## Valuation

At Rs. 23, the IPO is priced at 14.7x FY25 EPS of Rs. 1.57 and 4.6x P/BV, a meaningful discount to the sector average P/E of 17.3x. This appears attractive given a superior RoNW of 30.47% and a Rs. 42,055 Lakh order book providing 3x revenue coverage. However, the discount is warranted. Persistent negative operating cash flows, a near 9x receivables surge, and extreme client concentration undermine earnings quality. The valuation looks cheap on paper but expensive on cash adjusted metrics. Fair value contingent on receivables conversion, current pricing offers limited margin of safety. Thus, we maintain a **NEUTRAL** recommendation on this SME IPO.

| IPO Details | |
|---|---|
| Industry | Construction |
| Issue Open Date | 23-Apr-26 |
| Issue Close Date | 27-Apr-26 |
| Price Band | Rs. 21-23 |
| Issue Size* | Rs. 8,851 Lakh |
| Issue Size (Shares) | 3,84,84,000 |
| Bid Lot | 6,000 Shares |
| Listing Exchanges | BSE SME |
| Face Value | Rs. 1/- |

*At highest price band

| Issue Details | |
|---|---|
| Fresh Issue* | Rs. 7,517 Lakh |
| Issue Type | Fresh capital cum OFS |
| Lead Manager | Finshore Management Services |
| Registrar | Integrated Registry Management Services |
| Issue structure | Market Maker: 5.00%<br>QIB: 4.74%<br>NII: 42.70%<br>Retail: 47.55% |
| Allotment | 28-Apr-26 |
| Credit of Shares | 29-Apr-26 |
| Listing Date | 30-Apr-26 |

**Objective of Issue**

| Particular | Estimated Amt (in Lakh) |
|---|---|
| Capex | 2,700 |
| Working Capital | 3,605 |
| Issue Related Expenses | - |
| Corporate Purpose | - |

**Shareholding Pattern**

| Shareholding (%) | Pre (%) | Post (%) |
|---|---|---|
| Promoter | 92.59 | 67.27 |
| Public & Others | 7.41 | 32.73 |

## Business Highlights

➢ **The company operates across five core service lines:**

- **Electrical Solutions:** Class I Electrical Contractor License, substations up to 220 kV, MV/LV switchgears (IEC/UL); turnkey EPC.
- **Instrumentation & Industrial Automation:** SCADA, DCS/PLC panels, field instruments, industrial robotics, digital transformation.
- **Modular Substation Solutions (E-Houses):** Pre-fabricated, trailer-mounted / blast-rated units; Battery Energy Storage Solutions (BESS).
- **Fire Protection & Safety:** Addressable alarm systems, water/gas suppression, structural steel fire protection.
- **Building Automation & Enterprise Solutions:** HVAC controls, biometric access, video analytics, workflow software.

➢ **Industries & Geographies Served**

- **Industry mix:** Oil & Gas 65.77%, Infrastructure 17.57%, Metals & Minerals 11.69%, Others (Pharma, Food Processing, Power, Chemicals, Renewable Energy).
- **Geography:** Export revenues consistently 65% of turnover; deep footprint in Kuwait, Bahrain, UAE, Oman, Nigeria and Canada.

## Financials

### Financial Performance:

| Particulars (in Lakh) | FY23 | FY24 | FY25 | 9MFY26 | CAGR (FY23-25) |
|---|---|---|---|---|---|
| Revenue from Operations | 10,418 | 15,785 | 13,466 | 10,101 | 14% |
| EBITDA | 101 | 1,973 | 2,157 | 2,018 | 363% |
| EBITDA Margin | 0.96% | 12.50% | 16.01% | 19.98% | |
| PAT | 28 | 1,639 | 1,622 | 1,418 | 657% |
| PAT Margin | 0.27% | 10.38% | 12.05% | 14.04% | |

- **Dramatic turnaround:** PAT jumped from Rs. 28.30 Lakh (FY23) to Rs. 1,639.27 Lakh (FY24) a 58x increase, driven by a pivot toward high-margin exports and elimination of one-off consultancy expenses.
- **FY25 revenue dip (-14.7%)** is offset by margin expansion, EBITDA margin rose from 12.50% to 16.01%, confirming that the strategic shift to services is working.
- **9M FY26 showing strongest margins** ever (EBITDA 19.98%, PAT 14.04%), confirms successful execution of the service-led growth playbook.

### Balance Sheet:

| Particulars | FY2023 | FY2024 | FY2025 | 9MFY26 | Particulars | FY2023 | FY2024 | FY2025 | 9MFY26 |
|---|---|---|---|---|---|---|---|---|---|
| **Equity & Liabilities** | | | | | **Assets** | | | | |
| Net Worth | 532 | 2,171 | 5,326 | 6,744 | PPE | 59 | 113 | 90 | 78 |
| Long Term Debt | 102 | 59 | 25 | 73 | Inventories | 362 | 860 | 425 | 1,154 |
| Short Term Debt | 1,203 | 1,318 | 1,985 | 3,149 | Trade Rec. | 1,485 | 1,237 | 10,820 | 9,524 |
| Trade Payables | 376 | 873 | 5,859 | 4,740 | Cash | 887 | 730 | 829 | 872 |

- **Net Worth grew** 10x from Rs. 531.76 Lakh to Rs. 5,325.66 Lakh, aided by a Rs. 1,532 Lakh private placement in FY25.
- **Trade Receivables:** Nearly 9x jump and the single biggest red flag; receivables alone represent >70% of total assets at FY25 end.
- **Trade Payables** rose from Rs. 376 Lakh to Rs. 5,859 Lakh, a nearly 16x surge.

**Cash Flow:**

| Particulars | FY 2023 | FY 2024 | FY 2025 | 9M FY 2026 |
|---|---|---|---|---|
| Operating Cash Flow | 1,264.52 | (115.78) | (1,714.85) | (752.22) |
| Investing Cash Flow | (240.11) | 0.69 | (255.69) | (11.84) |
| Financing Cash Flow | (815.97) | (106.36) | 1,971.43 | 762.22 |
| Net Cash Flow | 208.44 | (221.45) | 0.89 | (1.84) |

- CFO Negative in FY24 and FY25: Profits are accounting-led, NOT cash-led. Working capital drains are consuming all operating earnings.
- The Rs. 9,583 Lakh increase in receivables in FY25 is the single biggest cash drain in LESL's history.
- FY25 cash position sustained only by Rs. 1,532 Lakh equity infusion (private placement) without this, the company would have faced a liquidity crisis.

**Key Ratios:**

| Ratio | FY25 |
|---|---|
| Return on Equity | 30.47% |
| Return on Capital Employed | 32.45% |
| Debt-Equity Ratio | 0.38x |
| Current Ratio | 1.50x |
| EPS (Rs) | 1.57 |
| NAV (Rs) | 4.97 |

- RoE improved from 5.32% (FY23) to 75.51% (FY24) before normalising at a still-healthy 30.47% in FY25, reflecting strong profitability improvement.
- RoCE improved sharply to 68.10% in FY24 and remained robust at 32.45% in FY25, indicating highly efficient use of capital.
- Significant deleveraging from 2.45x (FY23) to 0.38x (FY25), resulting in a much stronger and conservative balance sheet.
- Liquidity strengthened and stayed comfortable at 1.50x in FY25 vs. 1.04x in FY23, showing solid short-term financial health.

## Peer Comparison

| Metrics (FY25) | Leapfrog Engineering | Engineers India Ltd | Konstelec Engineers Ltd |
|---|---|---|---|
| Revenue | 13,466 | 3,02,835 | 19,371 |
| EBITDA | 2,156 | 48,872 | 1,315 |
| PAT | 1,622 | 46,524 | 428 |
| EPS | 1.57 | 8.28 | 2.83 |
| RONW | 30.47% | 17.76% | 4.34% |
| NAV | 4.97 | 46.62 | 65.34 |
| P/E Ratio | 14.64 | 26.21 | 14.82 |

## Risk & Concerns

- **Extreme Customer Concentration:** Top 10 clients 91.37% of revenue. Loss of 1–2 key clients could be catastrophic.
- **Supplier Concentration:** Top 10 suppliers 83.54% of purchases.
- **Geographic Concentration:** Kuwait alone drives majority of exports; geopolitical shocks are direct risks.
- **Oil & Gas Dependency:** 65.77% of revenue from a single cyclical industry.
- **Technology Obsolescence:** Automation/robotics segment requires constant capex to stay relevant.
- **Negative Operating Cash Flows** in FY24 & FY25 despite strong reported profits, the biggest single concern.
- **Material Litigation:** Mega Power Solutions has filed a claim of Rs. 8.99 Cr against LESL, and LESL has filed a counter-claim of Rs. 10 Cr. The matter is sub judice before the Karnataka High Court.
- **Tax Disputes:** Pending GST and Income Tax demands aggregating Rs. 1,000 Lakh.
- **Lease Risk:** Both registered office and assembly unit are on leased premises.
- **Promoter Asset Pledging:** Debt secured by personal residential flats of promoters in Bengaluru.
- **Competitive Bidding Pressure:** EPCC is a price sensitive industry; fluctuations in steel, copper, natural gas could squeeze margins.

| Name | Designation | |
|---|---|---|
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