BONANZA RESEARCH – SME IPO

30 May 2026

Merritronix Limited - SUBSCRIBE

Company Overview

Merritronix Ltd, incorporated in 1988 and headquartered in Hyderabad, is an Electronics Systems Design and Manufacturing (ESDM) company specialising in high-reliability, mission-critical electronic assemblies for the defence, aerospace and industrial electronics sectors. The Company operates on a B2B contract manufacturing model, offering services across PCB assembly, system integration, testing, box-build solutions and obsolescence management for legacy defence platforms.

Investment Rationale

- **Strong Tailwinds from "Atmanirbhar Bharat" & Defence Indigenisation:** India's push for defence self-reliance and the global "China Plus One" trend offer a multi-year growth opportunity. With nearly 98% of its sourcing done within India, Merritronix is well-placed to benefit from this shift.
- **Niche, High-Barrier Business:** The Company works in a specialised low-volume, high-mix manufacturing space where new vendors typically take 18–24 months to get qualified. This creates strong entry barriers and sticky customer relationships, reflected in a high repeat customer rate of 86.08%.
- **Unique "Obsolescence Engineering" Edge:** Very few peers offer reverse engineering of older defence systems, a service in growing demand as the Indian armed forces look to extend the life of legacy platforms.
- **Strong Financial Track Record:** Over FY24–FY26, revenue grew at a CAGR of 34.9%, EBITDA margin expanded sharply from 7.85% to 17.46%, and PAT scaled more than five-fold from Rs. 305 Lakh to Rs. 1,610 Lakh. RoE has consistently stayed above 40%, reflecting strong operating leverage and improved earnings quality.
- **Healthy Order Book:** Order book of Rs. 9,664.91 Lakh as of April 30, 2026, providing revenue visibility of around 7–8 months.
- **Premium Certifications:** Holds key certifications like EN 9100:2018 (Aerospace) and IPC-A-610 Class 3, which are essential to qualify for mission-critical defence programmes.

Valuation

At the upper price band of Rs. 149, Merritronix is offered at a P/E of 10.7x on FY26 EPS of Rs. 13.92, which is sharply lower than the industry peer average of 71.29x. With strong revenue growth of 34.9% CAGR, expanding margins, ROE above 40%, and a niche position in defence and aerospace electronics, the issue appears attractively priced and offers meaningful headroom for re-rating post-listing. Hence, we recommend **SUBSCRIBE** to this SME IPO.

IPO Details	
Industry	Industrial Products
Issue Open Date	01-Jun-26
Issue Close Date	03-Jun-26
Price Band	Rs. 141-149
Issue Size*	Rs. 7,003 Lakh
Issue Size (Shares)	47,00,000
Bid Lot	1,000 Shares
Listing Exchanges	BSE SME
Face Value	Rs. 10/-

*At highest price band

Issue Details	
Fresh Issue*	Rs. 6,651 Lakh
Issue Type	Fresh capital only
Lead Manager	GYR Capital Advisors
Registrar	Bigshare Services
Issue structure	Market Maker: 5.02% QIB: 47.40% NII: 14.30% Retail: 33.28%
Allotment	04-Jun-26
Credit of Shares	05-Jun-26
Listing Date	08-Jun-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
Capex	2,136
Repayment	1,272
Working Capital	2,195
General Corporate Purposes	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	85.17	62.27
Public & Others	14.83	37.72

Business Highlights

Strength	Details
Niche A&D Specialization	97.81% revenue from Aerospace & Defence, a high-margin, high-barrier sector
Sticky Customer Base	86.08% repeat customers; Top 10 89.36% of revenue
Order Book Visibility	Rs. 96.6 Cr as of April 30, 2026
Advanced Tech Capabilities	SMT, THT, 3D AOI, X-ray inspection for BGA, full box-build
Premium Certifications	EN 9100:2018, IPC-A-610 Class 3, ESD-controlled zones
Margin Expansion	EBITDA margin: 7.85% in FY24 to 17.46% in FY26
Diversification Plans	EVs, UAVs, missile systems, industrial automation
Experienced Leadership	30+ years of industry experience; IIT-Madras alum at the helm
Domestic Supply Chain	98% materials sourced from India

Financials

Income Statement:

Particulars (in Lakh)	FY24	FY25	FY26	CAGR (FY24-26)
Revenue from Operations	8,570	11,356	15,590	35%
EBITDA	673	1,518	2,722	101%
EBITDA Margin	7.85%	13.37%	17.46%	
PAT	305	866	1,610	130%
PAT Margin	3.56%	7.63%	10.33%	

- Revenue grew at 34.9% CAGR over FY24–FY26, a strong trajectory.
- EBITDA margin expanded 9.6 percentage points from 7.85% to 17.46%, exceptional operating leverage; reflects shift to higher margin defence work.
- PAT grew 5x in 2 years, a hyper growth story.
- Finance costs rose 87% from FY24 to FY26, due to increased working capital borrowings.
- Changes in Inventories each year confirms continuous WIP/FG build-up, capital intensive.

Balance Sheet:

Particulars	FY2024	FY2025	FY2026	Particulars	FY2024	FY2025	FY2026
Equity & Liabilities				**Assets**			
Net Worth	818	1,684	5,313	PPE	409	374	586
Long Term Debt	590	481	530	Inventories	3,350	3,969	7,131
Short Term Debt	991	1,376	3,790	Trade Rec.	1,119	2,036	3,655
Trade Payables	3,929	1,465	2,427	Cash	391	242	2,570

- Equity capital expanded sharply in FY26 from Rs. 145 Lakh to Rs. 1,278 Lakh, due to bonus issue/share split.
- Inventory more than doubled in FY26 from Rs. 3,969 Lakh to Rs. 7,131 Lakh, major WC strain.
- Trade Receivables almost doubled in FY26 from Rs. 2,036 Lakh to Rs. 3,655 Lakh, stretching cash conversion.
- Short-term borrowings jumped 175% from Rs. 1,376 Lakh to Rs. 3,790 Lakh, funded by debt + fresh equity.
- Net worth grew 3x in FY26 vs FY25.

Cash Flow:

Particulars	FY 2024	FY 2025	FY 2026
Operating Cash Flow	453.24	(664.33)	(2,338.21)
Investing Cash Flow	(223.09)	447.94	(258.54)
Financing Cash Flow	27.48	74.15	4,114.73
Net Cash Flow	257.63	(142.24)	1,517.98

- Negative CFO in FY25 and FY26, a serious red flag despite high reported profits.
- The disconnect between PAT Rs. 1,610 Lakh and CFO Rs. 2,338 Lakh in FY26 is driven entirely by working capital absorption, particularly inventory build-up of Rs. 3,162 Lakh and receivables increase of Rs. 1,619 Lakh.
- The business is not currently self-funding, IPO proceeds critical to deleverage.

Key Ratios:

Ratio	FY26
Return on Equity	46.03%
Return on Capital Employed	45.26%
Debt-Equity Ratio	0.81x
Current Ratio	1.56x
EPS (Rs.)	13.92
NAV (Rs.)	41.56

- ROE: Strong profitability on equity, though optically lower than FY25's 69.21% due to the pre-IPO equity infusion expanding the net worth base.
- ROCE: Healthy capital efficiency, reflecting an asset-light, leased-facility model with modest fixed-asset deployment relative to earnings.
- D/E: Leverage has improved sharply from 1.93x in FY24, aided by internal accruals and pre-IPO equity, indicating a comfortable solvency position.

Peer Comparison

Metrics	Merritronix	Centum Electronics	Vinyas Innovative Tech.
Revenue	15,590	95,032	39,664
EBITDA	2,722	15,126	4,436
PAT	1,610	(5,181)	1,942
EPS (Rs.)	13.92	-	15.43
RONW	30.66%	(15.09%)	13.22%
NAV (Rs.)	41.56	233.36	116.77
P/E Ratio	10.70x	-	71.29x

Risk & Concerns

- **Extreme Customer Concentration**: Top 10 customers 89.36% of FY26 revenue. Loss of even 1-2 anchor clients could be devastating.
- **Sector Concentration:** 97.81% revenue from A&D, vulnerable to defence budget cycles, procurement policy shifts, or delays in MoD orders.
- **Geographic Concentration:** 98% plus revenue from Telangana, exposing to state-level risks.
- **Negative Operating Cash Flows:** Rs. -664 Lakh in FY25 and Rs. -2,338 Lakh in FY26, profits not translating to cash.
- **Working Capital Intensity:** Cash Conversion Cycle of 150 days, further deterioration projected for FY27.
- **Supplier Concentration:** Top 10 suppliers +90% of purchases; critical components imported from USA, UK, Taiwan, China.
- **Related-Party Exposure:** Promoter operates a competing entity Sunrise Telecom in similar business
- **Competitive Bidding:** Most contracts via competitive tenders.

Name	Designation	SANKET GAJANAN ROGE	Digitally signed by SANKET GAJANAN ROGE DN: cn=SANKET GAJANAN ROGE c=IN o=Personal ou=Personal Reason: I am the author of this document Location: Date: 2026-05-30 14:50+05:30
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