BONANZA RESEARCH – SME IPO

Bonanza

10 July 2026

Millworks Technologies Limited - SUBSCRIBE

Company Overview

Millworks Technologies Limited is a precision engineering company incorporated in November 2021 and headquartered in Bangalore, Karnataka. The company specialises in high-precision machined components, sheet metal parts, and integrated assemblies catering to mission-critical applications. It operates under two engagement models: Build-to-Print (BTP), wherein manufacturing is carried out on the basis of customer provided drawings and specifications, and Build-to-Spec (BTS), a collaborative manufacturing approach based on functional requirements provided by the customer. Millworks serves a diversified set of end-markets, including the Aerospace, Defence, Railways, Semiconductors, and Springs sectors.

Investment Rationale

- **Strategic Sectoral Tailwinds:** The company plays directly into India's "Atmanirbhar Bharat" and "Make in India" thrusts. The FY26-27 Union Budget allocated Rs. 6.81 Lakh Cr to Defence, and India targets defence manufacturing of Rs. 3 Lakh Cr by FY29. Global A&D market projected to grow from USD 846.94 Bn (2025) to USD 1,185.07 Bn by 2030 (7.1% CAGR).
- **Explosive Growth Trajectory:** Revenue scaled 15.85x from Rs. 938.60 Lakh (FY24) to Rs. 14,876.70 Lakh (FY26), a CAGR of 298%. PAT grew from Rs. 195.41 Lakh to Rs. 3,706.39 Lakh (335% CAGR).
- **Superior Margin Profile:** EBITDA margin expanded from 29.55% to 36.71%; PAT margin from 20.82% to 24.91%, driven by operating leverage and shift to higher-value defense components.
- **Robust Order Book:** Rs. 6,714.06 Lakh as of June 5, 2026, providing near-term revenue visibility.
- **Superior Return Ratios vs. Listed Peers:** RoE of 69.94% and RoNW of 44.83% significantly outshine peers Unimech Aerospace (9.00% RoE) and Azad Engineering (9.14% RoE).
- **Certifications & Capabilities Moat:** AS9100D + ISO 9001:2015 across all four units, 5-axis CNC capability, multi-material processing (Titanium, Aluminum, SS, Brass, and Polycarbonates).
- **Strategic Drone Ecosystem Play:** Rs. 5.75 Cr investment in Quick Pay Private Limited anchors the drone value chain.

Valuation

At the upper band of Rs. 331, Millworks is priced at 10.79x FY26 diluted EPS of Rs. 30.67, a steep discount to the listed peer average P/E of 80x. Backed by a 69.94% ROE, 56.44% ROCE, a lean 0.21x debt-equity, and strong FY26 PAT growth, the pricing looks attractive and leaves meaningful headroom for value creation across its aerospace and defence-led order book. Hence, we recommend **SUBSCRIBE** to this SME IPO.

IPO Details	
Industry	Aerospace & Defense
Issue Open Date	14-Jul-26
Issue Close Date	16-Jul-26
Price Band	Rs. 315-331
Issue Size*	Rs. 16,034 Lakh
Issue Size (Shares)	48,44,000
Bid Lot	400 Shares
Listing Exchanges	BSE SME
Face Value	Rs. 10/-

***At highest price band**

Issue Details	
Fresh Issue*	Rs. 16,034 Lakh
Issue Type	Fresh Capital only
Lead Manager	GYR Capital Advisors
Registrar	Purva Sharegistry
Issue structure	Market Maker: 8.75% QIB: 45.61% NII: 13.70% Retail: 31.94%
Allotment	17-Jul-26
Credit of Shares	20-Jul-26
Listing Date	21-Jul-26

Objective of Issue	
Particular	**Estimated Amt (in Lakh)**
Capex	6,103
Working Capital	8,150
General Corporate Purposes	-

Shareholding Pattern		
Shareholding (%)	**Pre (%)**	**Post (%)**
Promoter	65.08	47.18
Public & Others	34.92	52.82

Business Highlights

Sector Served:

Sector	Key Products
Aerospace	Aero-engine parts, turbochargers, fuel filter components, turbine blades, nozzle components
Defense	Missile airframes, guidance system housings, drone structures (frames, motor housings, rotors), anti-drone systems
Railways	Braking systems, metro door actuators, couplers, pantograph systems
Semiconductors	Machine base frames, alignment plates, chip-handling fixtures
Springs	Tension, torsion, and compression springs (Unit IV)

Sectoral Revenue Mix:

Segment	% of Sales
Defense	69.43%
Aerospace, Railways, Semiconductors, Others	30.57%

Capacity Utilization (FY26):

Unit	Utilization
Unit 1	74.46%
Unit 2	72.90%
Unit 3	75.67%
Unit 4 (Machining)	77.16%
Unit 4 (Springs)	Trial run stage

Financials

Profit & Loss Statement:

Particulars (in Lakh)	FY24	FY25	FY26	CAGR (FY24-26)
Revenue from Operations	939	2,210	14,877	298%
EBITDA	278	789	5,630	350%
EBITDA Margin	29.58%	35.68%	37.85%	
PAT	195	525	3706	336%
PAT Margin	20.82%	23.75%	24.91%	

- Explosive top-line growth driven by Defense sector surge from Rs. 150 Lakh to Rs. 10,326 Lakh in FY26.
- Consistent margin expansion: EBITDA margin +716 bps and PAT margin +409 bps over 2 years.
- Operating leverage kicked in — Employee expenses dropped from 21.77% to 5.79% of revenue.
- EPS jump partly reflects a 1:200 bonus issue completed in December 2025.

Balance Sheet:

Particulars	FY24	FY25	FY26	Particulars	FY24	FY25	FY26
Equity & Liabilities				**Assets**			
Net Worth	233	2,331	8,267	PPE	305	1,487	2,696
Long Term Debt	73	626	787	Inventories	361	751	1,147
Short Term Debt	384	337	915	Trade Rec.	188	681	13,869
Trade Payables	199	437	7,223	Cash	4	195	135

- Massive balance sheet expansion: Total assets 18.8x in 2 years.
- Alarming trade receivables: Rs. 13,868 Lakh are 93.22% of FY26 revenue.
- Debt-to-Equity healthy at 0.21, down from 1.96 in FY24.
- Fixed asset expansion signaling capacity build-up ahead of demand.

Cash Flow:

Particulars	FY24	FY25	FY26
Operating Cash Flow	65.28	(291.89)	(1,076.29)
Investing Cash Flow	(268.81)	(977.14)	(1,627.02)
Financing Cash Flow	199.74	1,327.03	2,717.46
Net Cash Flow	(3.79)	58.00	14.15

- Persistent negative operating cash flow in FY25 & FY26 despite strong reported profits.
- Working capital drag is severe: Trade receivables absorbed Rs. 12,894 Lakh of operating cash in FY26 alone.
- Growth financed by equity and debt: Rs. 2,229 Lakh raised via share issuance in FY26.
- Investment-heavy phase: Capex of Rs. 779 Lakh, strategic investments Rs. 575 Lakh, and acquisitions Rs. 196 Lakh in FY26.
- Company is essentially cash-flow negative at operational level — major red flag despite headline profits.

Key Ratios:

Ratio	FY26
Return on Equity	69.94%
Return on Capital Employed	56.44%
Debt-Equity Ratio	0.21x
Current Ratio	1.43x
EPS (Rs.)	30.67
NAV (Rs.)	64.73

ROE: Signaling strong profitability on a fast-growing net worth.
ROCE: Robust capital efficiency; more than doubled from 23.02% in FY25.
D/E Ratio: Improved from 0.41x in FY25, indicating low reliance on debt.
Current Ratio: Adequate short-term liquidity, moderated from 1.99x in FY25 on higher working-capital deployment.

Peer Comparison

Metrics	Millworks Technologies	Unimech Aerospace	Azad Engineering
Revenue	14,877	24,049	60,298
EBITDA	5,630	12,208	27,097
PAT	3,706	6,328	13,356
EPS (Rs.)	30.67	20.57	12.44
RONW	44.83%	8.74%	8.58%
NAV (Rs.)	64.73	144.99	236.74
P/E Ratio	10.79	57.61	199.36

Risk & Concerns

- **Negative operating cash flow** in FY25 and FY26, despite strong reported profits.
- **Receivables** 93.22% of revenue, indicates poor cash conversion.
- **Customer concentration:** Quick Pay Pvt Ltd are 47.02% of FY26 sales; Top 10 - 92.06%.
- **Supplier concentration:** Top 10 suppliers are 84.31% of purchases; single supplier - 44.05%.
- **Geographical concentration:** All 4 units in Bangalore, Karnataka.
- **Sectoral concentration:** Defense are 69.43% of revenue in FY26, extreme YoY swing.
- **Product liability** exposure in aerospace, defense, and railway sectors.

Name	Designation
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