BONANZA RESEARCH – SME IPO

Bonanza

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Paluck Technologies Limited – NEUTRAL

Company Overview

Paluck Technologies Limited, incorporated in 2010 and based in Gurgaon, is a diversified engineering and infrastructure support company. It operates across automobile and engineering services, telecom engineering, and logistics and construction equipment rental, running a fleet of 92 transit mixers, 13 concrete pumps and 23 logistics trucks.

Investment Rationale

- **Deleveraging and margin gain are genuine:** Total debt is down from Rs. 4,001 Lakh in FY23 to Rs. 1,317 Lakh, debt to equity from 2.66x to 0.29x and interest cover from 3.74x to 8.90x. EBITDA margin has widened from 16.06% to 22.79%.
- **The topline has barely moved:** Revenue compounded at only 5.6% over FY23 to FY25 while PAT rose 4.4x. The profit expansion is a balance sheet outcome rather than a demand outcome.
- **Earnings rest on a wasting asset base:** Gross block of Rs. 5,924 Lakh is 84.5% depreciated and net block is down to Rs. 920 Lakh. Capex across the last three periods totals Rs. 122 Lakh, and depreciation has fallen from Rs. 802 Lakh to Rs. 283 Lakh.
- **Cash conversion is weakening:** Operating cash flow has fallen from Rs. 1,190 Lakh in FY24 to Rs. 690 Lakh in the stub period against reported PAT of Rs. 1,384 Lakh. The working capital cycle has stretched from 112 days to 160 days.
- **Order visibility is thin:** The auditor certified order book of Rs. 20.89 Cr is close to two months of annualised revenue, and the Rs. 1,000 Lakh RMC capex is under a fifth of the existing gross block.

Valuation

At the upper price of Rs. 48, the company is valued at Rs. 9,995 Lakh, which works out to 10.37x post issue FY25 earnings of 4.63 and 1.3x post issue book value. The price looks cheap on paper. But most of the profit jump came from lower interest and lower depreciation, not from higher sales, which have barely grown. The fleet is almost fully written off, so replacement spending will pull earnings back down. Cash generation has also slipped. Hence, we have **NEUTRAL** stance to this SME IPO.

IPO Details	
Industry	Diversified
Issue Open Date	28-Aug-26
Issue Close Date	01-Sep-26
Price Band	Rs. 46 – 48
Issue Size*	Rs. 3,300 Lakh
Issue Size (Shares)	68,76,000
Bid Lot	3,000 Shares
Listing Exchanges	BSE SME
Face Value	Rs. 10/-

*At highest price band

Issue Details	
Fresh Issue*	Rs. 3,300 Lakh
Issue Type	Fresh Capital
Lead Manager	Horizon Management
Registrar	Bigshare Services
Issue structure	Market Maker: 5.02% QIB: 47.47% NII: 14.27% Retail: 33.25%
Allotment	02-Sep-26
Credit of Shares	03-Sep-26
Listing Date	04-Sep-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
RMC Machinery & DG Sets	1,000
Repayment	310
Working Capital	1,000
General Corporate Purposes	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	86.55	57.97
Public & Others	13.45	42.03

Business Highlights

- **Business Mix (11M FY26):** Automobile and Engineering Services contributed 51.00% of revenue and Logistics and Equipment Rental Services 49.00%. The first covers telecom engineering for OEMs, DG set servicing and dealerships for commercial vehicles and two wheelers. The second covers concrete transportation, equipment rental and RMC plant setup.
- **Geographic Concentration (11M FY26):** Haryana 54.46%, Uttar Pradesh 9.42%, Delhi 6.73%, Tamil Nadu 5.48%, Uttarakhand 5.02%. The Delhi NCR belt accounts for roughly 71% of revenue and there is no export revenue.
- **Customer Base:** Top 1 customer 8.29%, top 5 customers 26.98% and top 10 customers 44.73% of 11-month revenue. This is a materially better spread than FY25, when the top 5 were 52.32% and the top 10 were 59.59%.
- **Regulatory Angle:** The NGT restriction on older DG sets in Delhi NCR supports demand for dual fuel conversion kits and retrofit emission control devices. The company sizes the addressable base at over 80,000 DG sets in the region.

Financials

Profit & Loss Statement:

Particulars (in Lakh)	FY23	FY24	FY25	11MFY26	CAGR (FY23-25)
Revenue from Operations	9,225.57	10,073.54	10,281.00	10,501.58	5.60%
EBITDA	1,481.55	1,326.59	1,899.48	2,392.98	13.20%
EBITDA Margin	16.06%	13.17%	18.48%	22.79%	-
PAT	217.83	343.33	963.38	1,383.70	110.30%
PAT Margin	2.36%	3.41%	9.37%	13.18%	-

- Revenue grew at a 5.6% CAGR over FY23 to FY25 while PAT rose 4.4x. Around 58% of the increase in profit before tax came from lower depreciation and interest rather than from operations.
- Depreciation fell from Rs. 802.49 Lakh in FY23 to Rs. 436.59 Lakh in FY25 and Rs. 283.24 Lakh in the 11-month period as the fleet approached full write down.
- Finance cost more than halved from Rs. 396.26 Lakh in FY23 to Rs. 187.05 Lakh in FY25 on debt repayment, and Rs. 526.08 Lakh of the remaining borrowings are interest free promoter loans.

Balance Sheet:

Particulars	FY24	FY25	11MFY26	Particulars	FY24	FY25	11MFY26
Equity & Liabilities				**Assets**			
Net Worth	1,847.85	3,181.87	4,565.58	PPE	1,630.92	1,200.03	920.17
Long Term Debt	1,372.70	619.28	386.84	Inventories	1,731.31	2,879.75	2,999.03
Short Term Debt	1,632.32	1,129.47	930.22	Trade Rec.	1,579.71	2,248.80	2,752.90
Trade Payables	82.2	1,255.86	231.14	Cash	97.63	112.55	100.63

- Net worth has grown from Rs. 1,847.85 Lakh to Rs. 4,565.58 Lakh almost entirely from retained earnings, the only fresh equity being a Rs. 370.65 Lakh private placement in January 2025 at Rs. 216 per share.
- Net block has shrunk every year from Rs. 2,292.86 Lakh in FY23 to Rs. 920.17 Lakh. Gross block of Rs. 5,924.08 Lakh carries accumulated depreciation of Rs. 5,003.91 Lakh, leaving the asset base 84.5% written down and trucks 87% written down.
- Total debt has fallen from Rs. 3,005.02 Lakh in FY24 to Rs. 1,317.06 Lakh. Of this, Rs. 526.08 Lakh is interest free unsecured loans from three promoter directors with no fixed tenure.
- Inventories and receivables together have risen from Rs. 3,311.02 Lakh in FY24 to Rs. 5,751.93 Lakh, absorbing most of the cash released by the capex holiday.
- Trade payables swung from Rs. 1,255.86 Lakh at FY25 to Rs. 231.14 Lakh, a working capital outflow of Rs. 1,024.72 Lakh in the 11-month period.

Cash Flow:

Particulars	FY24	FY25	11MFY26
Operating Cash Flow	1,189.79	1,085.05	689.75
Investing Cash Flow	86.90	2.17	(0.79)
Financing Cash Flow	(1,280.05)	(1,072.67)	(700.68)
Net Cash Flow	(3.36)	14.55	(11.72)

- Operating cash flow has declined in every period even as reported PAT rose from Rs. 343.33 Lakh to Rs. 1,383.70 Lakh. Stub period cash conversion is roughly half of reported profit.
- Investing cash flow is close to nil because capex has effectively stopped. Additions were Rs. 112.69 Lakh in FY24, Rs. 5.70 Lakh in FY25 and Rs. 3.38 Lakh in the 11 months to February 2026.
- Financing outflows reflect debt repayment and finance cost, which is the source of the reported earnings improvement rather than any rerating of the operating business.
- Closing cash in the cash flow statement is Rs. 9.83 Lakh against Rs. 100.63 Lakh shown as cash and cash equivalents on the balance sheet, the difference being bank deposits.

Key Ratios:

Particular	FY25
Return on Equity	38.31%
Return on Capital Employed	37.09%
Debt-Equity Ratio	0.55x
Current Ratio	1.94
EPS (Rs.)	31.51
NAV (Rs.)	104.07

Working Capital Cycle:

Particulars	FY23	FY24	FY25	11MFY26
Inventory Days	69	63	102	95
Debtor Days	58	57	80	88
Creditor Days	15	4	59	23
Net Working Capital Cycle	**112**	**116**	**123**	**160**

Peer Comparison

There are no listed companies that engage in the same line of business.

Risk & Concerns

- **Reinvestment Risk:** The fleet is 84.5% depreciated with capex of only Rs. 122 Lakh across three periods. Replacement spend will compress the falling depreciation charge that has driven reported earnings growth.
- **Stub Period Reporting:** The latest audited period is 11 months to 28-Feb-26, so there is no comparable FY26 and no audited full year available alongside the issue.
- **Working Capital:** The cycle has stretched to 160 days and the company projects 163 days for FY27. Only Rs. 1,000 Lakh of an estimated Rs. 6,285 Lakh FY27 requirement is funded by the issue.
- **Concentration:** Haryana alone is 54.46% of 11-month revenue and the Delhi NCR belt is roughly 71%, with no export revenue and an order book of only Rs. 20.89 Cr.
- **Compliance History:** Delays in filing statutory forms with the Registrar of Companies regularised through compounding applications, together with delays in GST returns and in EPF and ESI filings.
- **Premises and Promoter Funding:** No premises are owned, all offices are leased or on rental agreements, and Rs. 526.08 Lakh of borrowings are interest free promoter loans that carry no fixed tenure.

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