



INDO SMC LIMITED

SMC / FRP & CT-PT Specialist — Powering the Smart-Metering & Distribution Build-Out

BSE SME: 544681 | ISIN: INEOWKY01013 | Sector: Electrical Equipment (Power Distribution)

SECTOR

**ELECTRICAL
EQUIPMENT**

Distribution & Metering

LISTED

JAN 2026

BSE SME Platform

RATING

BUY

High-Risk • Base TGT ₹360

KEY METRICS SNAPSHOT

CMP (Jun-26)	₹280	52W High / Low	₹285 / ₹134
Base-Case Target (12M)	₹360	Implied Upside	+29%
Market Cap (Jun-26)	₹640 Cr	Bull / Bear Range	₹485 / ₹175
FY26 Revenue	₹309.7 Cr	FY26 PAT	₹32.4 Cr
FY26 EBITDA Margin	15.4%	FY26 PAT Margin	10.4%
ROCE (FY26)	47.7%	ROE (FY26, reported)	~74%*
Promoter Holding (Mar-26)	60.25%	Cash & Equiv (Mar-26)	₹53.6 Cr
FY26 Revenue Growth	+124%	Mgmt Guidance	Sustain 35%+ growth

*ROE inflated by a thin pre-IPO equity base; normalises toward ~30% on the enlarged post-IPO equity. Forward P/E on FY27E EPS (₹20.0) ≈ 14x; trailing P/E ≈ 20x.

01

METERING & DISCOM CYCLE

RDSS (~₹3 lakh-Cr) targets ~25 cr smart meters & loss-reduction capex. Indo SMC's CT/PT units & meter enclosures are direct, recurring beneficiaries.

02

CAPACITY + NEW SEGMENTS

IPO-funded plant & machinery, entry into HT Bus-Duct, MSEDCL 11 kV approval and a fresh ~₹110 Cr+ order inflow (Apr-26) underpin the FY27 ramp.

03

HYPER-GROWTH + LEVERAGE

Revenue scaled ₹7 Cr (FY23) → ₹310 Cr (FY26). Operating leverage on a largely fixed cost base is driving disproportionate profit growth.

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INVESTMENT THESIS & EXECUTIVE SUMMARY

Indo SMC Limited (ISMC) is a fast-scaling Ahmedabad-based manufacturer of **Sheet Moulding Compound (SMC)** enclosures, **Fibreglass-Reinforced-Plastic (FRP)** products and **electrical components (CT/PT, distribution boxes, panels, bus-ducts)** for India's power-distribution and smart-metering value chain. Incorporated in 2021 and listed on BSE SME in January 2026, the company has grown revenue from ₹7 Cr (FY23) to ₹310 Cr (FY26). This note is a fundamental deep-dive that also carries a rating, a base-case target and a Bull/Base/Bear scenario frame for educational illustration.

Business in one paragraph

ISMC sells three product families into the same end-customer base — State Electricity Boards / DISCOMs, EPC contractors and OEMs. The high-margin **SMC** division (meter enclosure boxes, sheets, chequered plates) is the legacy cash-generator; the **CT/PT & electrical-component** division (current/potential transformers, LT/HT distribution boxes & panels, and the new HT bus-duct line) is now the largest and fastest-growing segment; **FRP** gratings & mouldings round out the mix. The model is order-driven and tender-led, with a rising share of approved-vendor and repeat business.

Three demand pillars

1

STRUCTURAL DEMAND — RDSS, SMART METERING & DISCOM CAPEX

India's Revamped Distribution Sector Scheme (~₹3 lakh crore outlay) targets the rollout of ~25 crore smart meters and large-scale loss-reduction / feeder-separation capex through the decade. Each metering point and feeder needs enclosures, CT/PTs and distribution boxes — exactly Indo SMC's catalogue. This is a multi-year, government-funded, replacement-plus-greenfield demand wave with low substitution risk for the underlying hardware.

2

CAPACITY INFLECTION + NEW PRODUCT ADJACENCIES

IPO proceeds (₹91.95 Cr fresh issue, Jan-26) are being deployed into plant & machinery and working capital across the Ahmedabad (SMC/FRP) and Nashik (electrical components) facilities. The company has entered the **HT Air-Insulated Bus-Duct** segment and secured an **MSEDCL vendor approval for 11 kV metering**, and reported a cluster of fresh domestic orders (~₹110 Cr+) in April 2026 alone — visibility that underpins the FY27 ramp.

3

HYPER-GROWTH WITH OPERATING LEVERAGE

Revenue compounded from ₹7 Cr (FY23) to ₹28 Cr (FY24) to ₹139 Cr (FY25) to ₹310 Cr (FY26). On a largely fixed manufacturing cost base, incremental volume drops through at attractive contribution margins — EBITDA more than doubled YoY in FY26 (+103%) and H2 FY26 EBITDA margin expanded 379 bps YoY. As the product mix and approved-vendor share mature, management expects margins to hold and gradually improve.

Key events to track

- **Q1 FY27 results (Aug-26)** — first read on whether the ~₹110 Cr Apr-26 order inflow converts into reported revenue and whether operating cash flow turns.
- **Bus-duct & new-product ramp (H2 FY27)** — margin/mix impact of the capital-intensive bus-duct line.
- **Working-capital normalisation** — debtor days (124, FY25) and operating cash conversion are the single most important quality metrics to watch.
- **Potential BSE→NSE mainboard migration** over 12–24 months (peer RMC Switchgears has already applied) — would broaden ownership and liquidity.

SUMMARY OBSERVATION

ISMC is a high-growth, founder-led play on India's distribution & metering capex, with best-in-peer-set EBITDA margins and a recently de-levered balance sheet. The central risks are (i) persistently negative operating cash flow / rising working-capital intensity, (ii) raw-material (resin, copper, steel) price pass-through, and (iii) SME-platform liquidity and a rich trailing multiple. Our BUY rating is explicitly **high-risk** and contingent on execution and cash conversion.

COMPANY OVERVIEW & BUSINESS MODEL

Snapshot

Founded in 2021 (incorporated as Indo SMC Private Limited, Ahmedabad; converted to a public company in Aug-2024), the company manufactures composite (SMC/FRP) and electrical products for the power-distribution chain. It operates the **Ahmedabad facility** (SMC & FRP) and a newer **Nashik, Maharashtra unit** (LTCT / CT-PT electrical components, commissioned in FY25). It listed on BSE SME in January 2026 at ₹149/share, raising ~₹92 Cr (entirely fresh issue) for plant & machinery, working capital and general corporate purposes. The company is an approved vendor with multiple State Electricity Boards, DISCOMs and government utilities.

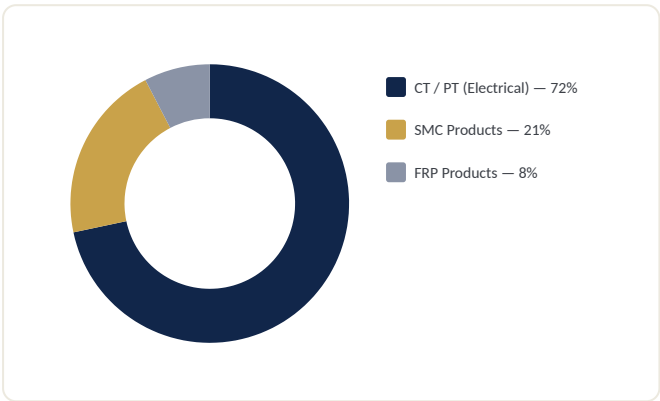
Business model

Indo SMC is a **product manufacturer selling into tender-driven and OEM channels**. Its competitive edge rests on (i) in-house design & tooling enabling tailor-made products, (ii) hi-tech moulding/pultrusion machinery and in-house testing labs, and (iii) a multi-product catalogue that lets it cross-sell enclosures, CT/PTs and panels to the same DISCOM customer. A meaningful share of orders is won through competitive bidding after pre-qualification — so vendor approvals are a real moat, but quoted price matters at the margin.

Products & services

PRODUCT FAMILY	KEY ITEMS	FY26 REV	SEG. MARGIN	POSITIONING
SMC Products	Energy-meter enclosure boxes, SMC sheets, chequered plates	₹64.0 Cr	~25%	Legacy, highest-margin volume product
CT / PT & Electrical	HTCT, HPTT, LTCT, CT-PT units, LT/HT distribution boxes & panels, feeder pillars, bus-ducts	₹222.0 Cr	~12%	Largest & fastest-growing segment
FRP Products	Moulded & pultruded gratings, cable trays, customised industrial mouldings	₹23.7 Cr	~13%	Industrial / infra diversification
Total (FY26)	Three divisions	₹309.7 Cr	15.4% (blended)	—

FY26 revenue mix by segment



CT/PT (electrical) is now ~72% of revenue and the principal growth engine; SMC carries the richest segment margin (~25%).

Key operational stats

Incorporated	2021 (Ahmedabad)
Manufacturing sites	Ahmedabad + Nashik
Listing	BSE SME, Jan-2026
Divisions	SMC · FRP · CT-PT
Customer base	SEBs / DISCOMs / EPC / OEM
Order inflow (Apr-26)	~₹110 Cr+
Promoter holding	60.25%

Corporate structure & strategic initiatives

- Capacity expansion (IPO-funded):** deployment of fresh-issue proceeds into plant & machinery across SMC, FRP and CT/PT lines; FY25 saw installed capacity rise ~117% (SMC) and ~75% (FRP), with a new LTCT/CT-PT unit at Nashik.
- New segment — HT bus-ducts:** entry into HT Air-Insulated Bus-Ducts, a higher-ticket distribution product; first orders already booked in Apr-26.
- Vendor approvals:** MS&EDCL approval for 11 kV metering and approved-vendor status across several DISCOMs — the key to repeat, lower-bid-risk business.

INDUSTRY LANDSCAPE & MACRO BACKDROP

India's power-distribution & metering cycle

Indo SMC sits at the equipment layer of India's distribution-sector modernisation — the part of the grid closest to the consumer and the focus of the largest current public-capex programme. Three convergent forces drive demand for its catalogue:

- **RDSS & smart metering:** the Revamped Distribution Sector Scheme (~₹3 lakh crore outlay) targets ~25 crore prepaid smart meters plus feeder-separation, system-metering and loss-reduction works. Every metering and feeder point requires enclosures, CT/PTs and distribution boxes.
- **DISCOM strengthening & replacement:** ageing distribution infrastructure and AT&C-loss reduction targets are pulling forward retrofit and new-substation spend by SEBs and DISCOMs.
- **Industrial & renewable build-out:** FRP gratings, cable trays and bus-ducts feed industrial capex, solar parks and infrastructure projects — a diversification vector beyond metering.

Industry structure

PLAYER TYPE	EXAMPLES	POSITION
SME composite + electrical specialists	Indo SMC, RMC Switchgears	Closest comparables — SMC/FRP enclosures + CT/PT + distribution gear for DISCOMs.
FRP / composites players	Aeron Composite, Sah Polymers	Overlap in FRP/GRP; different end-mix (pipes, tanks, industrial).
Established switchgear / metering OEMs	Larger listed capital-goods names	Compete in panels, metering & switchgear at scale; broader product suites.
Unorganised / regional fabricators	Numerous small units	Price-competitive on commodity items; lack vendor approvals & testing depth.

Demand levers — three independent vectors

METERING ~25 cr smart meters (RDSS)	SCHEME OUTLAY ₹3 L-Cr RDSS distribution capex	FY26 GROWTH +124% Indo SMC revenue YoY
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Competitive landscape — a note on comparability

The purest listed comparable is **RMC Switchgears** (Jaipur) — same DISCOM customer base and an almost identical product map (SMC/FRP enclosures, distribution boxes, FRP gratings, bus-bars, plus EPC). **Aeron Composite** overlaps on the FRP/composites side but skews toward GRP pipes and industrial composites. Larger switchgear/metering OEMs compete at scale on panels and meters. The structural read: a fragmented field of SME specialists is consolidating share as DISCOM tenders increasingly favour approved, tested, capacity-backed vendors — which advantages players like Indo SMC and RMC that have built vendor approvals and in-house testing.

Macro figures (RDSS outlay, smart-meter targets) are drawn from publicly reported government scheme disclosures and are directional; scheme timelines and disbursement can vary.

MANAGEMENT COMMENTARY & GUIDANCE-vs-DELIVERY

Indo SMC held its **first earnings call as a listed company** alongside Q3 FY26 results (16 February 2026), with MD & CFO **Neel Shah**, Chairman **Nitin Patel** and financial consultant **Dipal Patel** on the line. The May-2026 full-year results press release reinforced the same message. The tone across both was confident and growth-forward — useful, but to be read with the usual caution applied to a newly listed, founder-led SME still building a public track record.

What management emphasised

- **Order-book visibility & a monthly booking system:** management pointed to a structured monthly order-intake process and a healthy pipeline, framing demand as scheme-driven (RDSS / smart metering) rather than one-off.
- **Capacity is the constraint, not demand:** commentary centred on debottlenecking and adding capacity (SMC toward ~120–150 units of throughput; CT/PT toward ~200), implying confidence that incremental output can be sold.
- **Product widening:** explicit mention of newer adjacencies — HT bus-ducts, and exploratory work toward railway / defence / pultrusion applications — as the next leg of growth.
- **"Sustaining the momentum":** the FY26 results release stated management is confident of sustaining the growth trajectory, with capacity additions ongoing.

Why the business can scale quickly

The thesis for fast scaling rests on three mechanics: (i) a **government-funded demand pool** (RDSS) that is large relative to Indo SMC's revenue base, so share gains alone can drive growth; (ii) an **approved-vendor moat** (MSEDCL 11 kV, multiple DISCOMs) that converts one-off tenders into repeat business with lower bid-risk; and (iii) **operating leverage** on a largely fixed manufacturing base, where incremental volume carries high contribution margin. The April-2026 order cluster (~₹110 Cr+ across HT bus-ducts, panels and distribution gear) is the near-term evidence that the pipeline is real.

Guidance vs delivery — early scorecard

MANAGEMENT MESSAGE	WHAT THE NUMBERS SHOW	READ
Strong, scheme-led revenue growth	FY26 revenue +124% YoY to ₹309.7 Cr; H2 stronger than H1.	DELIVERED
Margins holding / improving with scale	FY26 EBITDA margin ~15.4% (vs 16.9% FY25); H2 margin expanded YoY but full-year dipped on mix shift to CT/PT.	MIXED
EBITDA / PAT scaling faster than sales	FY26 EBITDA +103%, PAT +92% YoY — operating leverage visible.	DELIVERED
Healthy order pipeline converting	~₹110 Cr+ fresh orders in Apr-26; conversion into revenue still to be reported.	TRACKING
Balance-sheet discipline post-IPO	D/E down to ~0.30x; net cash ~₹9 Cr at Mar-26 after ₹92 Cr fresh issue.	DELIVERED
(Not yet addressed) cash conversion	Operating cash flow was negative through FY25; FY26 OCF is the key unproven item.	WATCH

The scorecard is our interpretation of public commentary against reported figures; it is illustrative and not a verbatim record of the call. A single post-listing call is a thin basis for judging a management's credibility — the FY27 prints will matter far more.

FINANCIAL ANALYSIS

FY22–FY26 figures are as reported (company disclosures, the IPO/RHP and exchange filings, reconciled with third-party databases). **FY27E is our own illustrative model — H2 FY26 run-rate carried forward against management's growth commentary and the ~₹110 Cr+ April-2026 order inflow.** These are guidance-aligned projections, not recommendation-driven estimates, and are inherently uncertain. Figures in ₹ Cr.

Profit & Loss model — FY22 to FY27E

PARTICULARS (₹ Cr)	FY22	FY23	FY24	FY25	FY26	FY27E
Revenue from Ops	1.4	7.3	28.0	138.8	309.7	440.0
Growth %	—	421%	284%	396%	124%	42%
EBITDA	0.2	1.2	5.0	23.5	47.6	70.4
EBITDA margin %	14.0%	16.4%	17.9%	16.9%	15.4%	16.0%
Depreciation	0.1	0.2	0.4	1.0	2.5	4.5
Finance cost	0.0	0.3	1.0	3.5	5.0	6.0
Profit Before Tax	0.1	0.7	3.6	19.0	40.1	59.9
Tax	0.1	0.2	0.6	2.2	7.7	14.4
Net Profit (PAT)	0.1	0.5	3.0	16.8	32.4	45.5
PAT margin %	3.6%	6.2%	10.7%	12.1%	10.5%	10.3%
EPS (₹, approx)	—	—	—	10.5	18.1	20.0

Note: FY25 PAT reflects company-audited ₹16.8 Cr; an earlier IPO/database figure of ₹15.4 Cr exists — flagged as a restatement / classification gap. EPS for FY25–FY26 is on a pre-IPO weighted share base; FY27E EPS is on ~2.28 Cr post-issue shares.

FY26 quarterly progression

METRIC (₹ Cr)	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	FY26
Revenue	37.6	75.0	101.5	96.4	309.7
EBITDA	4.8	13.0	16.0	13.9	47.6
EBITDA margin %	12.6%	17.3%	15.8%	14.4%	15.4%
Net Profit (PAT)	2.5	9.0	12.0	8.9	32.4

Balance-sheet highlights

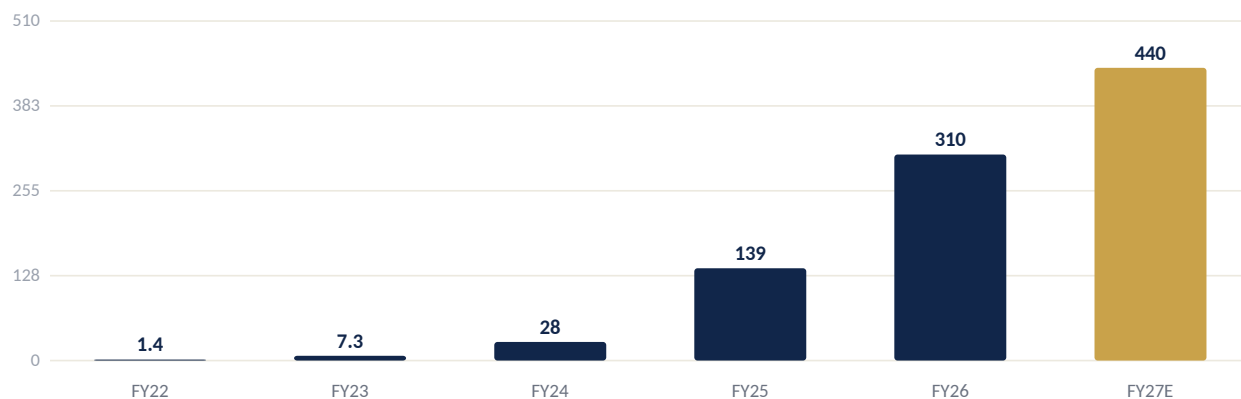
ITEM (₹ Cr)	FY24	FY25	FY26	COMMENT
Net Worth	5.7	36	150	Re-based by the ₹92 Cr fresh issue.
Total Borrowings	18	36	45	Absolute debt up, but small vs equity.
Cash & Equivalents	~2	~3	53.6	IPO proceeds + retained earnings.
Debt-to-Equity	3.2x	1.0x	0.30x	Net cash of ≈ +₹9 Cr at Mar-26.

Note: The IPO de-levered the balance sheet sharply (D/E 3.2x → 0.30x in two years) and moved the company to a small net-cash position — a genuine positive that the earnings quality (cash conversion) must now catch up with.

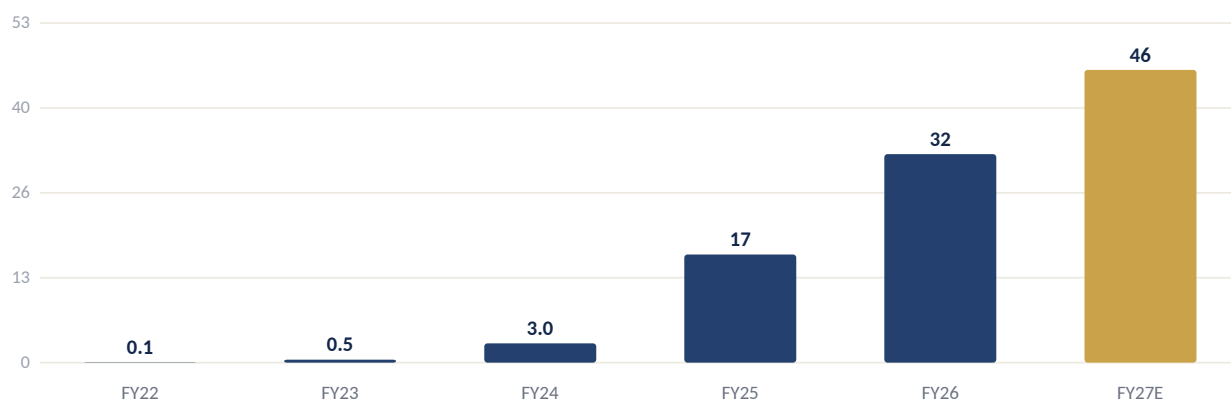
EARNINGS TRAJECTORY

The visual story is one of **compounding at scale**: revenue has roughly doubled or better every year since FY23, profit has scaled with it, and the FY26 quarterly path shows a strong second half as capacity and order execution ramped.

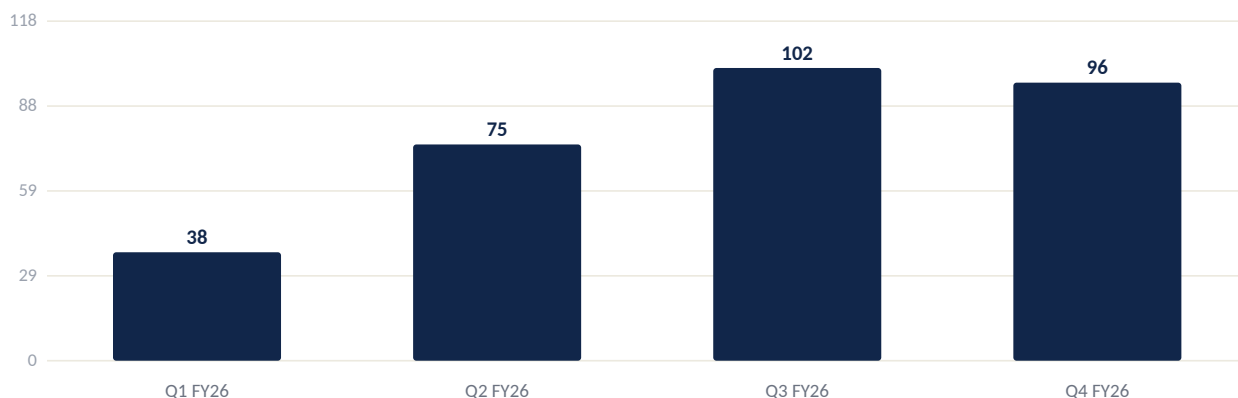
REVENUE TRAJECTORY — FY22 to FY27E (₹ Cr)



NET PROFIT (PAT) — FY22 to FY27E (₹ Cr)



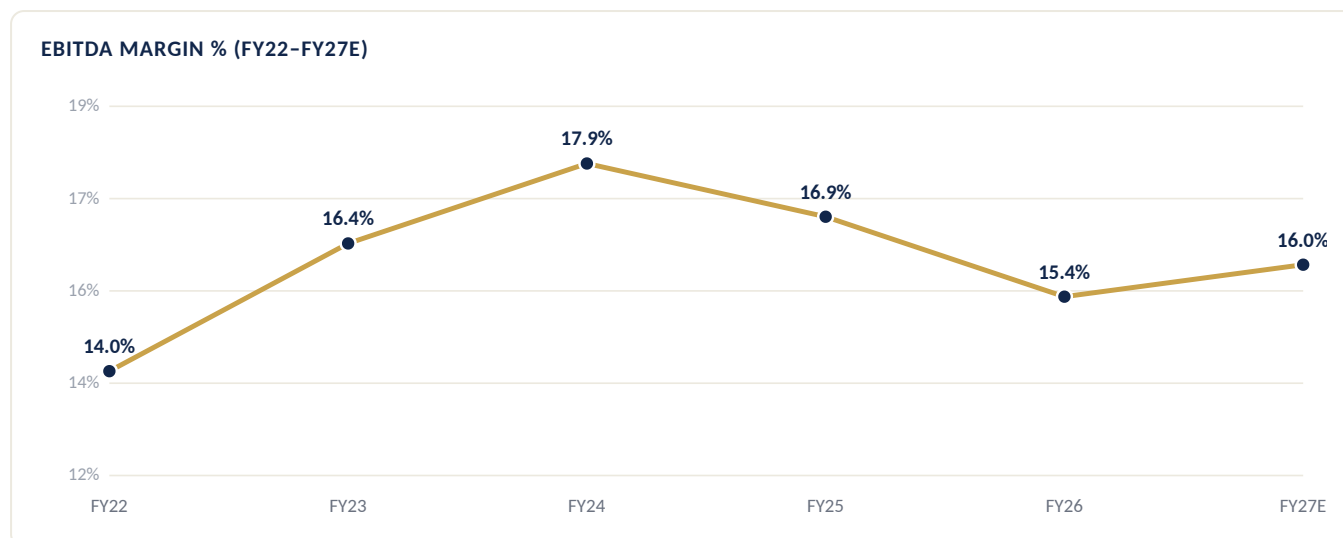
QUARTERLY REVENUE — FY26 (₹ Cr)



FY27E (gold bar) is our illustrative projection, not guidance. Quarterly figures are management-reported and lightly rounded; H2 FY26 (₹197.9 Cr) was materially stronger than H1 (₹112.6 Cr).

MARGINS, RETURNS & WORKING CAPITAL

EBITDA margin trend



Margins sit in a 14–18% band. The FY26 dip to ~15.4% reflects mix shift toward the lower-margin CT/PT and bus-duct lines; the SMC division remains the richest segment (~25%).

DuPont decomposition of ROE

DRIVER	FY24	FY25	FY26	FY27E
Net margin	10.7%	12.1%	10.5%	10.3%
Asset turnover (x)	0.78	1.39	1.26	1.85
Equity multiplier (x)	6.30	2.78	1.63	1.22
ROE (year-end)	53%	47%	22%	23%

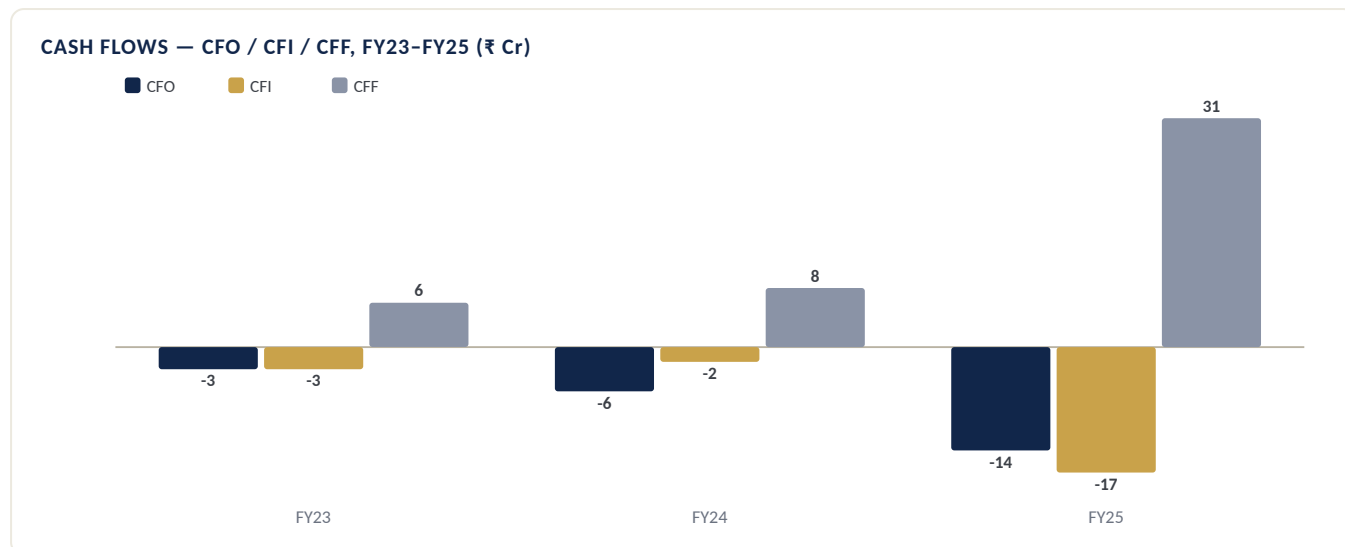
Working-capital cycle (days)

METRIC	FY23	FY24	FY25
Debtor days	70	112	124
Inventory days	423	326	62
Payable days	137	230	72
Cash conversion cycle	356	208	114

Reading the returns: the screener-reported ROE (~74%) is inflated by a very thin pre-IPO equity base and high leverage. As the ₹92 Cr fresh issue dilutes the equity multiplier toward ~1.2x, **normalised ROE settles closer to ~22–25%** — still strong, but a very different number from the headline. On working capital, **debtor days rising to 124 (FY25)** is the key watch item; the early-year inventory and payable spikes are distortions off a tiny revenue base.

CASH FLOW — THE CENTRAL QUALITY TEST

If there is one chart in this report to dwell on, it is this one. *Indo SMC has been profitable on paper while consuming cash in reality.*



What the cash flows say

Across FY23–FY25 the company ran **persistently negative operating cash flow** — CFO of approximately –₹3 Cr, –₹6 Cr and –₹14 Cr — funded by financing inflows (first debt, then equity). Rapid revenue growth has been consuming working capital faster than the business generates operating cash. This is *typical* of a hyper-growth manufacturer building receivables and inventory ahead of collections, but it is also the single most important thing to monitor.

The FY26 IPO (₹91.95 Cr fresh issue) has re-capitalised the balance sheet and left net cash of roughly ₹9 Cr at March-2026. That buys time — but it does not, by itself, fix the underlying conversion. ***Whether FY26/FY27 operating cash flow turns positive is, in our view, the make-or-break quality test for this story.***

THE ONE METRIC TO WATCH

Strong reported profit growth has **not yet been matched by operating cash generation**. A genuine re-rating case requires CFO to turn clearly positive and debtor days to stabilise. Until then, treat the profit trajectory as promising but unproven on cash.

Cash-flow figures are from public databases and rounded; classification between operating, investing and financing can vary by source. Treat directionally.

VALUATION & TARGET PRICE

We value Indo SMC on a **forward P/E** basis applied to our FY27E EPS of ~₹20. At the current market price of **₹280**, the stock trades at ~20x trailing FY26 EPS and ~14x our FY27E EPS. Given hyper-growth, peer-leading margins and a strong (but normalising) ROE — set against SME-platform liquidity and negative operating cash flow — we anchor a base-case multiple of **~18x FY27E**, yielding a base target of **₹360**.

C M P	B A S E T A R G E T	R A T I N G
₹280	₹360	BUY
market price	~18x FY27E · +29%	high-risk / speculative

Method & multiple bridge

STEP	VALUE	BASIS
FY27E EPS	₹20.0	PAT ₹45.5 Cr on ~2.28 Cr post-issue shares
Base-case target P/E	18.0x	Premium to peers (~13x) for faster growth & higher ROE; discount vs large-cap capital goods for SME liquidity / cash-flow risk
Base target price	₹360	18.0x × ₹20.0 — implies ~+29% upside
Implied trailing P/E at target	~20x	On FY26 EPS ₹18.1 — consistent with a high-growth SME

Peer comparison

COMPANY	MCAP (₹Cr)	REVENUE (₹Cr)	EBITDA %	ROE	P/E	EV/EBITDA
Indo SMC*	640	310	15.4%	~74%*	~20x	~13x
RMC Switchgears	411	318	~11%	~38%	~13x	~11x
Aeron Composite	180	224	~8.5%	~14%	~13x	~11x
Peer median (ex-Indo)	—	—	~10%	~25%	~13x	~11x

*Indo SMC ROE shown on reported (pre-dilution) basis; it **normalises toward ~22-25% post-IPO** (see DuPont). Indo SMC screens richer than peers on growth, margin and ROE, which underpins the modest target premium — but it is also the least liquid and the only one with negative operating cash flow. Multiples are approximate and move daily.

SCENARIO ANALYSIS — BULL / BASE / BEAR

A single point target hides the range of outcomes for a young, fast-growing SME. We frame three explicitly probability-weighted scenarios over a 12-month horizon, anchored to the current price of ₹280.



SCENARIO	TARGET	IMPLIED P/E	UPSIDE	PROB.	KEY ASSUMPTION
BULL	₹485	~21x	+73%	25%	FY27 revenue beats (₹480 Cr+), margins hold ~16%, OCF turns positive, re-rating on NSE-migration buzz.
BASE	₹360	~18x	+29%	50%	FY27E ₹440 Cr / EPS ₹20 delivered; multiple holds; gradual cash-flow improvement.
BEAR	₹175	~13x	-38%	25%	Growth slows, margins compress on mix, working capital worsens, SME de-rating to peer multiple.

PROBABILITY-WEIGHTED VIEW

The blended expected value sits modestly above the current price, but the distribution is **wide and skewed by execution risk**. The bull and bear cases hinge on the same two variables — **cash conversion and margin mix**. This is why we frame the BUY as speculative: the upside is real, but so is the left tail.

COMPETITIVE POSITIONING & ECONOMIC MOAT

Indo SMC's edge is real but narrow. Its durable advantages come from **regulatory approvals and switching costs** in the DISCOM channel rather than from technology or brand. We score the moat across five dimensions; the picture is of a credible specialist with a defensible niche, not yet a wide-moat franchise.

DIMENSION	SCORE	ASSESSMENT
Switching costs		DISCOM / SEB vendor approvals (e.g. MSEDCL 11 kV) require product testing and re-qualification; an approved, on-time supplier is sticky and hard to displace mid-tender. This is the strongest pillar.
Regulatory tailwind		RDSS, smart-metering mandates and Make-in-India procurement preferences structurally favour approved domestic vendors. A tailwind rather than a firm-specific moat, but a powerful one.
Technology / IP		In-house SMC/FRP moulding and CT/PT capability with testing depth is above the unorganised fringe, but the products are not proprietary; larger OEMs can replicate at scale.
Brand & track record		Young (incorporated 2021), recently listed, modest revenue base. Reputation is building through approvals and repeat orders rather than brand pull.
Geographic / diversification		Manufacturing concentrated in Gujarat & Maharashtra; domestic-only; customer/tender concentration in DISCOMs. Limited diversification raises cyclicity and single-channel risk.

Where the moat widens — or narrows

Widening factors

- Each new DISCOM / utility approval compounds the switching-cost advantage and adds repeat revenue.
- Capacity additions let it bid larger tenders that sub-scale fabricators cannot service.
- Adjacency expansion (HT bus-ducts, railways, defence) broadens the addressable base.

Narrowing factors

- Commodity-like end products invite price competition once specs are standardised.
- Larger switchgear / metering OEMs can enter on price and scale.
- Concentration (geography, channel, customers) leaves little buffer to a DISCOM capex pause.

MOAT VERDICT

A **narrow, approval-based moat** with a strong regulatory tailwind. The investment case rests on Indo SMC converting today's approvals and capacity into repeat, cash-generative business before larger competitors compress the niche. Defensible for now; not yet durable.

RISK FACTORS

This is a high-risk, recently listed SME. We rank the principal risks by our assessment of severity (likelihood × impact). The first two are, in our view, capable of materially impairing the thesis on their own.

#	RISK	LIKE-LIHOOD	IMPACT	DESCRIPTION & MITIGANT
1	Negative operating cash flow & working-capital intensity	HIGH	HIGH	OCF was negative through FY25 (–₹14 Cr in FY25); growth consumes cash. <i>Mitigant:</i> ₹92 Cr IPO recap, improving CCC (114 days), net-cash balance sheet — but the turn to positive OCF is unproven.
2	Raw-material price volatility & pass-through	HIGH	HIGH	Resin, copper and steel are large cost inputs with no long-term supply contracts; tender pricing can lag input spikes. <i>Mitigant:</i> short order-to-delivery cycles and rising approved-vendor pricing power.
3	Customer / tender concentration & competitive bidding	MED	MED	Heavy dependence on DISCOM/SEB tenders won on competitive bids; a few large customers drive revenue. <i>Mitigant:</i> widening approvals and the EPC/OEM/industrial diversification vector.
4	Margin compression from mix shift	MED	MED	Growth is led by lower-margin CT/PT and bus-ducts (~72% of revenue), diluting the blended margin vs the ~25% SMC line. <i>Mitigant:</i> operating leverage and scale efficiencies.
5	SME-platform liquidity & volatility	MED	MED	BSE SME listing → thin trading, wide spreads, large lot sizes and sharp price swings; exit can be difficult. <i>Mitigant:</i> potential mainboard migration over 12–24 months.
6	Governance / hyper-growth execution / short track record	MED	MED	Founder-led, <6 months listed, no dividend, legal proceedings disclosed in the RHP, and rapid scaling strains controls. <i>Mitigant:</i> promoter holding 60.25% (no pledge), IPO proceeds deployed to plan.

Severity map

Risks 1 & 2 (cash conversion and input costs) are the binding constraints — they can break the thesis even if demand stays strong. Risks 3–6 are manageable and largely priced into the speculative rating, but compound quickly if growth stalls. A bear case typically begins with working capital deteriorating *and* input costs rising into a tender book that cannot reprice fast enough.

RISK POSTURE

We classify Indo SMC as **suitable only for risk-tolerant investors** who can withstand high volatility and potential illiquidity. Position sizing should reflect SME risk; the speculative BUY is a function of growth optionality, not balance-sheet safety.

MANAGEMENT & GOVERNANCE

Key management & promoters

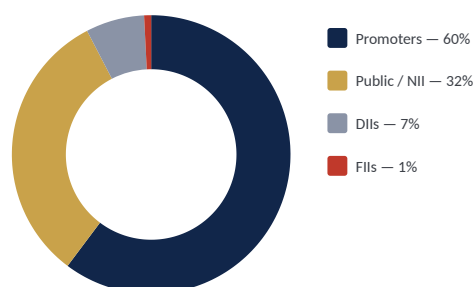
NAME	ROLE	NOTE
Nitin Jasvantbhai Patel	Chairman & Promoter (Non-Executive Director)	Founding promoter; sets strategy and customer relationships.
Neel Niteshbhai Shah	Managing Director & CFO	Executive lead on the earnings call; combined MD+CFO role concentrates authority — a governance watch-point.
Riktabahen Sonawala	Director	Board member.
Chaitanya Patel	Director / Promoter group	Promoter-group representation.
Rachit Jain	Director	Board member.
Dipal Patel	Financial Consultant	Advises on finance/IR; not a board officer.

Shareholding pattern (Mar-2026)

HOLDER	% HOLDING
Promoters & promoter group	60.25%
Public / NII / retail	32.14%
Domestic institutions (DII)	6.79%
Foreign institutions (FII)	0.82%
Total (~944 shareholders)	100%

Promoter holding diluted from ~82.3% at IPO to 60.25% post-issue; no disclosed promoter pledge. Early institutional interest (DII ~6.8%) is a mild positive for an SME this young.

SHAREHOLDING — MAR 2026



Governance scorecard

- ✓ **Promoter alignment:** 60.25% promoter holding with no disclosed pledge — skin in the game and no overhang from pledged shares.
- ✓ **IPO capital discipline:** entirely fresh issue (₹91.95 Cr); proceeds earmarked for plant & machinery and working capital, deployment tracking to plan.
- ✓ **De-levered balance sheet:** D/E reduced to ~0.30x with a net-cash position at Mar-2026.
- ! **Negative operating cash flow:** the headline governance/quality flag — profits have not yet converted to operating cash.
- ! **No dividend & combined MD/CFO role:** appropriate for a growth-phase company, but concentrates financial authority; worth monitoring as the board matures.
- ! **Short public track record & RHP legal proceedings:** <6 months listed and outstanding legal matters disclosed in the offer document; limited history on which to judge controls.

IMPORTANT DISCLOSURES & DISCLAIMER

1. Nature & purpose. This document has been prepared by Indraprastha Capital ("the author") for **informational and educational purposes only**. It is an independent research note intended to illustrate a fundamental analysis framework. It is **not** investment advice, not a research report issued under any regulatory mandate, and not a solicitation, offer or recommendation to buy, sell or subscribe to any security.

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ABOUT THE AUTHOR & CONTACT

Indraprastha Capital is an independent equity-research initiative focused on fundamental, bottom-up analysis of Indian listed companies — with particular attention to emerging small- and mid-cap and SME-platform businesses. Notes are published for educational purposes to share a structured way of thinking about valuation, quality and risk.

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How to read this note

- Start with the **Investment Thesis** (p.2) for the one-page case, then the **Financial Analysis** (p.6–7) for the numbers behind it.
- The **Valuation** (p.8) shows the method and the Bull/Base/Bear frame — treat the targets as illustrative ranges, not predictions.
- The **Risk Factors** (p.10) are integral, not boilerplate: risks 1 & 2 can break the thesis on their own.
- Always finish with the **Disclaimer** (p.12).

A NOTE ON METHOD

This report deliberately pairs an optimistic growth narrative with an explicit, severity-ranked risk framework and a normalised (rather than headline) view of ROE and cash flow. The aim is balance: to show why the business *can* compound quickly while being honest about what would make it fail. Good analysis holds both at once.

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