

IPO NOTE | INITIATING COVERAGE (SME IPO)

Core4 Engineers Limited

Sector: Integrated Engineering, Procurement, and Construction (EPC / EPCC) & Electrical Manufacturing

Price Band: ₹ 88 – ₹ 93 per share | Lot Size 1,200 Shares

FINAL VIEW

**MAY SUBSCRIBE FOR LONG TERM
SUBSCRIBE FOR LISTING GAINS**
(For High-Risk Appetite Investors only)

FY26 REVENUE

₹ 91.34 Cr

Up from ₹33.45 Cr in FY24, representing a ~2.73x expansion; Q1 FY27 Revenue at ₹45.65 Cr

FY26 PAT / NET MARGIN

₹ 12.37 Cr

13.54% Net Margin | Avg. ROE: 49.70% | Q1 FY27 PAT: ₹6.17 Cr

ACTIVE ORDER BOOK

₹ 285.83 Cr

Standalone unexecuted order book as of RHP date, providing 3.13x FY26 revenue visibility

1. ISSUE STRUCTURE & BUSINESS PROFILE

IPO Key Parameters

Price Band	₹ 88 – ₹ 93 per share
Face Value	₹ 10 per share
Issue Period	Friday, Oct 23, 2026 – Tuesday, Oct 27, 2026
Listing Date	Friday, Oct 30, 2026
Anchor Bidding	Thursday, October 22, 2026
Bid Lot	1,200 Equity Shares (Minimum Retail/Individual Bid: 2 Lots = 2,400 Shares)
Fresh Issue	58,94,400 Equity Shares (₹54.82 Upper Cap)
Offer for Sale (OFS)	Nil (100% Fresh Issue)
Pre / Post Issue	1,47,88,845 / 2,06,83,245 Equity
Implied Market Cap	₹ 192.35 Cr (at Upper Cap)
Issue Allocation	QIB: ≤50% (Up to 60% of QIB for Anchor) NII: ≥15% Retail: ≥35% Market Maker: 7,20,000 shares
Lead Manager / Reg.	Socradamus Capital Private Limit Sharegistry (India) Private Limited
Listing	At BSE SME Platform

Company Profile & Business Verticals

Core4 Engineers Limited (originally formed as a partnership firm "Core4 Engineers" in June 2014 in Mysuru, Karnataka; converted into a private limited company in February 2022 and into a public limited company in April 2025) is an integrated Engineering, Procurement, and Construction (EPC / EPCC) and electrical manufacturing company. It specializes in turnkey water and wastewater treatment infrastructure (with Zero Liquid Discharge capabilities), railway electrification and station redevelopment, Extra High Tension (EHT) up to 220kV transmission & distribution works, and in-house manufacturing of CPRI type-tested HT/LT power distribution panels, compact substations (CSS), and SCADA-based automation systems. Panels account for ~20% of project value in service contracts, and in-house manufacturing (including through WOS Core4 Energy Pvt. Ltd.) alongside recent 2026 direct order wins from KPTCL (₹26.15 Cr), CESC Mysuru GIS (₹26.62 Cr), and RVNL (₹14.32 Cr) strengthens execution visibility across 40 ongoing projects.

Core Vertical	FY26 Share	Focus Area
Water & Wastewater Treatment EPCC	67.65 %	Turnkey Sewage Treatment Plants (STPs), Drinking Water Treatment Plants (DWTPs), Effluent Treatment Plants (ETPs) with Zero Liquid Discharge (ZLD), pumping stations, and pipeline networks.
Railway Electrification & Infrastructure	27.99 %	25kV AC Overhead Equipment, Traction Substations, signalling & telecom, Foot Over Bridges, coach watering systems, and station upgrades under the Amrit Bharat Station Scheme.
Automation & SCADA Systems and EHT Transmission & Distribution	4.36 %	Design, PLC/RTU programming, HMI, cloud dashboards, and deployment of Supervisory Control and Data Acquisition systems for water networks, power grids, and industrial automation. Extra High Tension (220kV/110kV/66kV/27kV/11kV) transmission lines, substations, and HT/LT electrical distribution works for state utilities (KPTCL, BESCOM) and private industrial clients.

2. RESTATED CONSOLIDATED FINANCIAL PERFORMANCE & RATIONALE

Financial Parameter	FY24 (₹ Cr)	FY25 (₹ Cr)	FY26 (₹ Cr)	Analytical Commentary
Revenue from Operations	33.45	34.16	91.34	Strong revenue scaling (~2.73x over two years; +167.41% YoY in FY26) driven by securing larger turnkey EPCC orders across water & wastewater treatment (67.65% of FY26 service revenue) and railway electrification & infrastructure (27.99%)
EBITDA	4.96	6.71	18.30	Absolute EBITDA increased ~3.48x as the project base expanded; EBITDA margin improved from 16.49% in FY24 to a healthy ~21.04% in FY26 (21.05% in FY25), supported by backward integration into CPRI-tested HT/LT panels, compact substations, and SCADA systems.
Profit After Tax (PAT)	2.89	3.81	12.37	Robust earnings expansion (~4.29x over two years) delivering a strong 13.54% net profit margin in FY26 (up from 8.63% in FY24 and 11.15% in FY25).
Net Worth	6.43	18.70	31.07	Significant balance sheet expansion (~4.83x over two years) supported by internal profit accruals and a pre-IPO private equity placement of ₹8.46 Cr during FY25.
Return on Equity (ROE / RoNW)	57.81%	30.31%	49.70	Consistently high return profile; moderated in FY25 due to equity base expansion from the private placement before rebounding to 49.70% in FY26; ROCE stood strong at 38.71% in FY26.
Debt-to-Equity Ratio	2.60x	0.99x	1.02x	Leverage moderated from 2.60x in FY24 down to 0.99x in FY25 and 1.02x in FY26 following equity infusion and reserve accretion, though total fund-based debt rose to ₹31.58 Cr in FY26 to support working capital.
Cash Flow from Operations (CFO)	-13.36	-8.59	-10.81	Significant working capital intensity typical of rapid EPC scale-up; capital remains heavily locked in FY26 trade receivables (₹75.45 Cr; rising to ₹101.54 Cr in Q1 FY27) and inventory (₹14.49 Cr), with the net working capital cycle standing at 240 days (receivable days at 223 days) in FY26.

3. SWOT MATRIX ANALYSIS [Strategic Evaluation]

• STRENGTHS • Strong Order Book Visibility: Standalone unexecuted order book of ₹285.83 Cr provides 3.13x coverage over FY26 revenue. • High Operating Margins & Return Ratios: Consistent ~20.4%–21.0% EBITDA margins, 13.5% PAT margins, and 49.70% Avg. ROE in FY26. • In-House Panel & SCADA Manufacturing: CPRI type-tested HT/LT panel, CSS, and SCADA fabrication supports faster turnkey execution.	• WEAKNESSES • Chronic Operating Cash Burn & Bloated Debtors: Negative CFO in FY24 (-₹13.36 Cr), FY25 (-₹8.59 Cr), FY26 (-₹10.81 Cr), and Q1 FY27 (-₹8.32 Cr), with trade receivables surging to ₹101.54 Cr. • Extreme Geographic & Client Concentration: 85.65% of FY26 and 95.01% of Q1 FY27 revenue from Karnataka; Top-5 clients account for 66.22% (FY26) and 85.49% (Q1 FY27) of revenue.
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• IPO Priced Below Pre-IPO Placement: Upper band of ₹93 is at a ~13.2% discount to the FY25 private placement effective price of ₹107.20/share (post 4:1 bonus).	• High Sub-Contracting Dependence: 67.67% of FY26 and 88.59% of Q1 FY27 revenue came as a sub-contractor to private EPC players. • Audit & Compliance Lapses: Large bank stock/debtor statement discrepancies (CARO), past qualified audit opinions (FY23–FY24), and Sec 42(6) private placement non-compliance.
• OPPORTUNITIES • Water & ZLD Capex Wave: Rising state/central allocations under AMRUT 2.0, urban STPs/DWTPs, and industrial Zero Liquid Discharge mandates. • Proposed Manufacturing Expansion: Acquisition of land and building from IPO proceeds to expand CPRI-tested electrical panel and CSS capacity. • Working Capital Infusion: Deployment of ₹40.48 Cr from IPO Net Proceeds toward FY27 working capital to ease borrowing pressure and support direct bidding.	• THREATS • Counterparty Default & Delay Risk: ₹21.05 Cr of receivables are overdue >6 months (including ₹15.27 Cr >1 year); any default by main private contractors will hit earnings. • Contract Terminations & Arbitrations: Two Southern Railway contracts were pre-terminated, resulting in ₹18.58 Cr of pending arbitration claims. • Intense Tender Competition & Input Volatility: Fluctuations in copper, steel, and transformer prices under fixed-price EPC contracts.

4. INVESTMENT DRIVERS & FUTURE TRIGGERS

What Investors Can Like

- ✓ **3.13x Order Book Coverage:** Standalone unexecuted order book of ₹285.83 Crore as of RHP date offers multi-year revenue visibility.
- ✓ **Attractive Headline Valuation & Pre-IPO Discount:** Priced at 15.56x FY26 Post-Issue P/E (11.12x Pre-Issue P/E; 7.80x Annualized Q1 FY27 Post-Issue P/E) and ~13.2% below the FY25 pre-IPO placement price (₹107.20 bonus-adjusted).
- ✓ **Superior Margin Profile:** 21.04% EBITDA margin and 13.54% PAT margin in FY26, supported by integrated SCADA and HT/LT panel manufacturing.
- ✓ **Growth Inflection:** Revenue jumped 2.67x in FY26 to ₹91.34 Cr, with Q1 FY27 already clocking ₹45.65 Cr Revenue and ₹6.17 Cr PAT.

Key Catalysts & What to Watch

- **Debtor Realization & Cash Flow Turnaround:** Collection of the massive ₹101.54 Cr trade receivables pile (especially ₹15.27 Cr aged >1 year) to turn Operating Cash Flow positive.
- **Direct vs. Sub-Contract Mix:** Ability to leverage post-IPO net worth (~₹88–92 Cr) and ₹40.48 Cr working capital infusion to bid directly for primary tenders rather than relying on sub-contracting (88.59% in Q1 FY27).
- **New Facility Commissioning:** Timely completion of land/building acquisition (₹4.27 Cr capital commitment) and ramp-up of the new manufacturing facility.
- **Resolution of Railway Arbitrations & RoC Adjudication:** Outcome of the ₹18.58 Cr Southern Railway arbitration claims and Section 42(6) RoC adjudication.

5. VALUATION & INVESTMENT RECOMMENDATION

At the upper price band of ₹ 93 per share, Core4 Engineers Limited commands an implied post-issue market cap of ₹ 192.35 Crore (₹ 182.01 Crore at ₹ 88). Based on restated consolidated FY26 PAT of ₹ 12.37 Cr (post-issue EPS of ₹ 5.98 on 2,06,83,245 shares), the issue is priced at a post-issue P/E of 15.56x (pre-issue P/E of 11.12x on EPS of ₹ 8.36) and an annualized Q1 FY27 post-issue P/E of 7.80x (Q1 PAT of ₹ 6.17 Cr; annualized EPS of ₹ 11.93). On a P/B basis, it is valued at 3.69x pre-issue BVPS (₹ 25.18 as of June 30, 2026) and ~2.15x post-issue BVPS.

Furthermore, the IPO price band of ₹ 88 – ₹ 93 offers a 13.2% to 17.9% discount to the FY25 pre-IPO placement price of ₹ 107.20 per share (adjusted for the 4:1 bonus on 1,57,769 shares issued at ₹ 536/share to raise ₹ 8.46 Cr), leaving headline valuation comfort on the table.

However, headline valuation comfort is counterbalanced by serious working capital and governance risks:

1. **Acute Receivable Lock-in & Cash Burn:** Trade receivables surged to ₹ 101.54 Cr as of June 30, 2026 (exceeding full-year FY26 revenue of ₹ 91.34 Cr), driving four consecutive periods of negative operating cash flows (cumulative -₹ 41.08 Cr).
2. **Sub-Contracting & Concentration Risk:** Private sub-contracting drove 88.59% of Q1 FY27 revenue (67.67% in FY26), Karnataka accounted for 95.01% (85.65% in FY26), and Top-5 clients contributed 85.49% of Q1 FY27 revenue (Top-1 at 42.31% in FY26).
3. **Internal Control & Compliance Red Flags:** Auditors flagged large discrepancies between bank stock/debtor statements (SBI and Bank of Baroda) and books of account across FY25–Q1 FY27 (e.g., ₹ 72.62 Cr debtor variance with SBI in June 2026), alongside past qualified opinions (FY23–FY24) for mingling partnership firm transactions and pending Section 42(6) adjudication.

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6. Positive Rationale

- ✓ **Strong Order Book Visibility:** Unexecuted standalone order book of ₹ 285.83 Crore (3.13x FY26 revenue) provides healthy medium-term revenue visibility.
- ✓ **Reasonable Valuation & Discount to Pre-IPO Round:** Post-issue FY26 P/E of 15.56x (7.80x annualized Q1 FY27 P/E) and priced ~13.2% below the bonus-adjusted pre-IPO placement price of ₹ 107.20/share.
- ✓ **High Profitability & Return Metrics:** Industry-leading EBITDA margins (~20.4%–21.0%), PAT margins (~13.5%), and FY26 Average ROE of 49.70% (ROCE of 37.78%).
- ✓ **Integrated Manufacturing Capabilities:** In-house fabrication of CPRI type-tested HT/LT panels, Compact Substations (CSS), and SCADA automation panels reduces external vendor dependency.
- ✓ **100% Fresh Issue Infusing Growth Capital:** Entire IPO proceeds (up to ₹ 54.82 Cr) go into the company—primarily ₹ 40.48 Cr for working capital and capex for a new owned manufacturing facility & corporate office—which will strengthen the balance sheet and reduce borrowing costs.

7. Negative Rationale

- ✗ **Chronic Operating Cash Burn & Bloated Receivables:** Persistent negative operating cash flows (–₹ 13.36 Cr in FY24, –₹ 8.59 Cr in FY25, –₹ 10.81 Cr in FY26, and –₹ 8.32 Cr in Q1 FY27) driven by trade receivables swelling to ₹ 101.54 Cr as of June 2026 (with ₹ 21.05 Cr overdue >6 months and ₹ 15.27 Cr overdue >1 year).
- ✗ **Heavy Sub-Contracting & Counterparty Risk:** Sub-contracting for private main contractors jumped to 67.67% of revenue in FY26 and 88.59% in Q1 FY27, exposing the company to back-to-back payment delays and lower bargaining power.
- ✗ **Severe Geographic, Sectoral & Client Concentration:** Karnataka accounts for 85.65% (FY26) and 95.01% (Q1 FY27) of revenue; Water/Wastewater accounts for 87.07% of Q1 FY27 service revenue; Top-1 client accounts for 42.31% of FY26 revenue and Top-5 clients account for 85.49% of Q1 FY27 revenue.
- ✗ **CARO Bank Statement Discrepancies:** Statutory auditors flagged massive variances between quarterly stock/debtor statements submitted to SBI and Bank of Baroda and actual books of accounts across FY25, FY26, and Q1 FY27 (up to ₹ 72.62 Cr–₹ 82.21 Cr debtor variance in June 2026).
- ✗ **Past Qualified Audit Opinions & Auditor Resignation:** Previous statutory auditors (who resigned in Jan 2025) issued Qualified Opinions in FY23 and FY24 as transactions, assets, and liabilities of the erstwhile partnership firm continued to be mingled with the company post-conversion.
- ✗ **Premature Termination of Railway Contracts:** Two Southern Railway contracts were terminated by authorities due to execution/site delays, leading to pending arbitration claims of ₹ 18.58 Crore.
- ✗ **Statutory & RoC Compliance Lapses:** Non-compliance with Section 42(6) of the Companies Act during the FY25 private placement (pending adjudication), failure to file consolidated financials (Form AOC-4-CFS) for FY24, 31+ delayed RoC filings (up to 1,244 days), and repeated delays in GST, EPFO, ESIC, and TDS filings.
- ✗ **Promoter Cost Disparity:** Promoters' weighted average cost of acquisition is just ₹ 2.00 – ₹ 2.54 per share (and Nil for Ms. Anala) compared to the upper issue price of ₹ 93 per share.

8. SEBI STATUTORY DISCLOSURES & COMPLIANCE DECLARATIONS

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