

IPO Note

14th October 2026

Company Overview

Tonbo Imaging India Limited is an Indian defence-electronics company specializing in the design, development and supply of advanced electro-optical and infrared (EO/IR) imaging systems and electronic solutions for defence and security applications. The company was incorporated on December 18, 2003, initially operating in research and technology development before transitioning into a defence-focused product manufacturing business in 2012. Its customers include global militaries, law enforcement and homeland security agencies, as well as international defence original equipment manufacturers (OEMs). The company's product portfolio is broadly divided into tactical systems and platform systems. Tactical systems primarily comprise electro-optical sights that provide observation and targeting capabilities to dismounted soldiers. Platform systems are designed for integration into surveillance, reconnaissance and targeting platforms. Its solutions are used across applications such as remote weapon stations, missile seekers, situational awareness systems, optical reconnaissance payloads and driver vision enhancement systems for armoured vehicles. The company's products span the electromagnetic spectrum, including visible-light imaging, long-wave infrared imaging and multi-sensor imaging technologies. Tonbo follows a horizontally integrated business model, focusing on proprietary technology, product design and intellectual property while outsourcing manufacturing to external partners. According to the RHP, the company has owned 100% of its intellectual property since FY24, following the acquisition of intellectual property from CEAQ Singapore in March 2024. This model enables the company to focus on technology development and product innovation without relying entirely on an in-house manufacturing infrastructure. The company has an established international presence, having supplied products to 24 countries and deployed over 28,000 systems as of June 30, 2026. Its overseas markets include the United States, the United Arab Emirates, South Korea, Singapore, Australia, Taiwan, Romania, Slovenia, Armenia and Morocco, among others. According to the Frost & Sullivan report cited in the RHP, Tonbo was the largest manufacturer in India, by sales value, of thermal imaging systems supplied to government and defence agencies during FY24–FY26. The report also indicates that the company accounted for 94% of India's thermal imaging system exports by units during the same period.

Objects of the issue

The IPO consists an offer for sale of 852 crores. The company will not receive any proceeds from the offer.

Investment Rationale

Proprietary Technology Ownership and Integrated Defence Intelligence Stack Provides Competitive Advantage

Tonbo Imaging's key competitive advantage lies in its proprietary technology capabilities and end-to-end control over critical defence technology, positioning it as a differentiated player in India's evolving defence electronics and technology ecosystem. The company is among the few Indian defence technology players with complete ownership of its intellectual property (IP) since FY24, following the acquisition of IP from CEAQ Singapore in March 2024, eliminating material dependence on external technology partners and licensing arrangements. Its in-house capabilities span optics, advanced infrared sensors, AI-powered image processing, embedded software, video processing engines and sub-5 μ rad multi-axis gimbal stabilisation. The company's software-led, modular architecture enables it to integrate multiple technologies into customised solutions across thermal imaging, targeting, fire control, missile guidance and surveillance systems. By leveraging AI, computational imaging and sensor fusion, Tonbo develops compact, lightweight and cost-effective systems with lower size, weight and power (SWaP) requirements, while enhancing accuracy and operational efficiency. Furthermore, its vision of developing an integrated battlefield intelligence stack across sensing, understanding, communication and control positions it to capitalise on the growing adoption of autonomous defence platforms, smart munitions and AI-driven weapon systems. Complete IP ownership, modular product architecture and in-house R&D capabilities provide greater control over product development, facilitate faster innovation and strengthen its potential to address the increasing demand for next-generation defence technologies.

Issue Details

Offer Period	15th Oct. 2026 - 19th Oct. 2026
Price Band	Rs. 665 to Rs. 700
Bid Lot	21
Listing	BSE & NSE
Issue Size (no. of shares in Crores)	1.2
Issue Size	852
Face Value	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	JM Financial Ltd., IIFL Capital Services Ltd.
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Registrar	KFin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	18.58%	15.72%
Public	81.42%	84.28%
Total	100.00%	100.00%

(Assuming issue subscribed at higher band)

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Tonbo Imaging India Ltd.

In-house R&D Capabilities and Asset-Light Business Model Driving Operational Scalability

Tonbo Imaging follows an asset-light business model, retaining control over critical product design, engineering and intellectual property while outsourcing manufacturing to specialised Electronics Manufacturing Services (EMS) partners, including Kaynes Technology and Avalon Technology. This structure enables the company to focus its resources on high-value R&D activities while leveraging established manufacturing capabilities, thereby limiting capital intensity and supporting operational scalability. Its R&D centre in Bengaluru employs 130 engineers, representing about 38% of its total workforce as of June 30, 2026, underscoring its strong focus on in-house innovation and product development. These capabilities allow Tonbo to customize solutions based on customer-specific requirements, including terrain adaptability, performance specifications and optimization of size, weight, power and cost. The company is also developing advanced technologies across airborne electro-optical/infrared (EO/IR) systems, multi-spectral infrared seekers, command launcher units and free-space optical communication systems for terrestrial and naval applications. Additionally, its efforts to enhance the sensitivity and resolution of uncooled thermal imaging cameras to meet defence-grade performance standards could enable cost-effective alternatives to conventional cooled thermal imaging systems in long-range surveillance applications. The combination of an engineering-led operating model, a sizeable in-house R&D team and outsourced manufacturing provides operating flexibility, reduces capital requirements and positions the company to scale its product portfolio while responding to the evolving technological requirements of modern defence systems.

Valuation

Tonbo Imaging India Limited is an Indian deep-tech defence electronics OEM designing proprietary electro-optical/infrared (EO/IR) systems, advanced computer vision, and autonomous targeting platforms across land, air, and naval defense. Its business is structured across Tactical Systems (lightweight sights for dismounted infantry) and Platform Systems (stabilized gimbals and payloads for UAVs and armored vehicles), alongside critical OEM components and next-generation directed-energy platforms. The company differentiates itself through complete ownership of unrestricted, non-ITAR intellectual property spanning computational imaging and AI-enabled edge processing. Benefiting from global defense modernization and the Government of India's aggressive indigenisation push under the Defence Acquisition Procedure (DAP), Tonbo operates within an expanding addressable market, though it remains exposed to lumpy government procurement cycles, long trial-to-conversion phases, and overseas component dependencies. Financially, Tonbo has sustained solid operating profitability. Revenue from operations moved from Rs. 428.2 crores in FY24 to Rs. 469.1 crores in FY25, before moderating to Rs. 362.6 crores in FY26 due to West Asia geopolitical disruptions and order deferrals into FY27. Despite top-line lumpiness, operating margins held firm, EBITDA stood at Rs. 112.3 crores (26.2% margin) in FY24, Rs. 139.1 crores (29.7% margin) in FY25, and Rs. 104.6 crores (28.9% margin) in FY26, underpinned by an asset-light contract manufacturing model and disciplined material costs. FY26 Profit Before Tax stood at Rs. 69.9 crores and Net Profit at Rs. 50.9 crores (14.0% margin), supported by a robust net worth of Rs. 553.2 crores and manageable debt levels. **On the valuation front, Tonbo is priced at a P/E multiple of 78.8x based on FY26 diluted EPS of Rs. 8.9 (at Rs. 700 per share), trading in line with domestic defence peers like Data Patterns and Zen Technologies. While extended working capital cycles (517 days in FY26) pose liquidity friction, Tonbo's verified profitability, proprietary non-ITAR IP moat, confirmed order book of Rs. 314.2 crores, and high alignment with the Indian Ministry of Defence's IDDM mandate provide compelling long-term visibility. We assign a "SUBSCRIBE" rating to this issue.**

Tonbo Imaging India Ltd.

Key Risks:

- ⇒ The business is highly cyclical and dependent on government defense budgets, geopolitical developments, and competitive tenders. Unlike annuity-driven commercial models, defense procurement operates on lengthy, non-recurring 6 to 24-month execution cycles. Demand spikes from regional conflicts rely on episodic emergency purchases rather than sustainable recurring orders. This tender lumpiness limits medium-term revenue visibility, strains operating liquidity during contract lulls, and can adversely affect cash flows and capital access.
- ⇒ The company relies heavily on a small group of customers, with its top 10 clients contributing 84.5%, 95.5%, and 77.8% of operating revenues in FY24, FY25, and FY26, respectively. Contracts are primarily tender-driven, short-term, and non-recurring with no committed follow-on orders or annuity revenue. As defence procurements are exposed to government budget shifts, spending reallocations, and unilateral termination clauses, the loss of, or reduction in, orders from any key client would adversely affect operational revenue and cash flows.

Tonbo Imaging India Ltd.

Income Statement (Rs. in Crores)

Particulars	FY24	FY25	FY26
Revenue:			
Revenue from operations	428	469	363
Total revenue	428	469	363
Expenses:			
Cost of Materials Consumed	213	215	166
Changes in Inventories of Finished Goods	7	-11	12
Employee benefit expenses	13	44	50
Other expenses	83	81	31
Total expenses	316	330	258
EBITDA	112	139	105
Depreciation & amortization	13	27	31
EBIT	99	112	73
Finance costs	8	18	11
Other Income	4	5	7
Restated profit before exceptional items and tax	95	100	70
Exceptional items	0	1	0
PBT	95	99	70
Current Tax	21	22	17
MAT Credit	2	0	0
Deferred Tax	3	5	2
Total tax	26	27	19
Net profit	69	73	51
Diluted EPS	13.6	12.7	8.9

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in Crores)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	783	-1,361	-632
Cash flow from/(used in) investing activities	-1,902	-247	-323
Net cash flows (used in) / from financing activities	1,878	1,471	322
Net increase/(decrease) in cash and cash equivalents	760	-137	-633
Cash and cash equivalents at the beginning of the period	397	1,157	1,019
Cash and cash equivalents at the end of the period	1,157	1,019	386

Source: RHP, BP Equities Research

Tonbo Imaging India Ltd.

Balance Sheet (Rs. in Crores)

Particulars	FY24	FY25	FY26
Assets			
Non-Current Assets			
Property, plant and equipment	5	24	25
Right-of-use assets	9	9	8
Intangible Assets	184	165	163
Capital Work-In-Progress	0	1	12
Financial assets			
i) Investments	0	0	0
ii) Other financial assets	14	79	61
Other non-current assets	0	2	3
Total Non Current assets	212	281	271
Current Assets			
Inventories	112	111	219
Financial Assets			
i) Trade receivables	94	210	212
ii) Cash and Bank Balances	86	101	16
iii) Other Bank Balances	30	1	22
iv) Loans	1	0	1
v) Other financial assets	1	1	8
Other current assets	41	21	33
Total current assets	363	446	512
Total Assets	575	726	782
Equity and Liabilities			
Equity Share Capital	0	1	11
Other Equity - attributable to owners of the Company	169	489	542
Instruments entirely equity in nature	61	0	0
Total Equity	230	490	553
Non-Current Liabilities			
Financial Liabilities			
i) Long Term Borrowings	15	0	0
ii) Long Term Lease Liabilities	8	9	7
Deferred Tax Liabilities (net)	3	8	10
Provisions	30	34	19
Total Non-Current Liabilities	57	51	36
Current Liabilities			
Financial Liabilities			
i) Short Term Borrowings	81	78	116
ii) Short Term Lease Liabilities	1	1	2
iii) Trade Payables	20	21	33
iv) Other financial liabilities	0	0	0
Short Term Provisions	16	14	19
Other current liabilities	169	71	24
Total Current Liabilities	287	186	194
Total Liabilities	345	236	229
Total Equity and Liabilities	575	726	782

Source: RHP, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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