

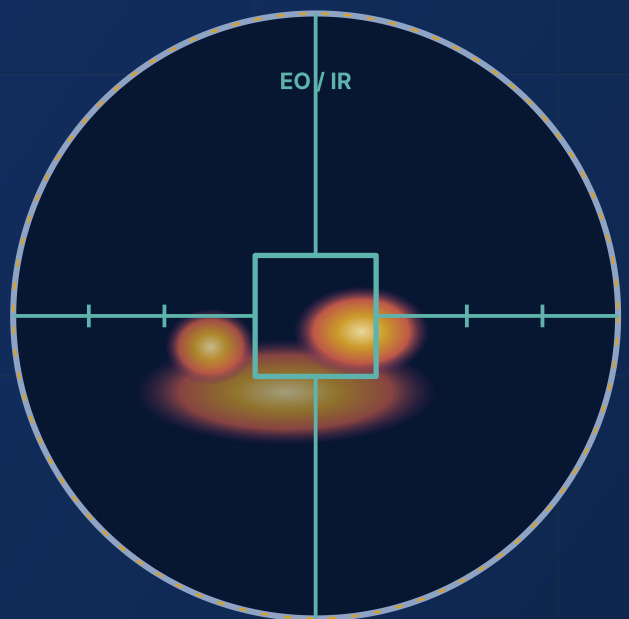
DEFENCE · ELECTRONICS & EO/IR

Tonbo Imaging

Thermal imaging · AI · Indigenous defence tech

**Strong technology.
Financial consistency unproven.**

A niche leader in thermal imaging — but FY26 revenue fell 22.7%, operating cash flow was negative and working capital reached 517 days. And the IPO is 100% OFS.



Thermal imaging · seekers · fire control

THE REAL QUESTION

Beyond the defence narrative — can Tonbo deliver revenue recovery and cash conversion?

FY26 AT A GLANCE

₹3,626 mn

Revenue, -22.7% YoY

28.9%

EBITDA margin (₹1,046 mn)

517 days

Working capital, from 280

94.3%

India thermal-imaging export share (units)

TONBO IMAGING · IPO NOTE

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10 August 2026
DRHP dated 4 August 2026

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THE NOTE IN 60 SECONDS

Strong niche, weak FY26 numbers

- Niche leader:** 94.3% of India's thermal-imaging exports by units (FY24-26); ITAR-free, own EO/IR IP.
- FY26 slipped:** revenue -22.7%, PAT -30.1%; ROE 20.20% → 9.75%; exports 65.5% → 5.6% of revenue.
- Cash lags profit:** working capital 152 → 280 → 517 days; CFO negative in FY25 and FY26.
- 100% OFS:** 18.09 mn shares; related party CEAQ India is the largest seller. Complaints remain an overhang.

₹1,046 mn

FY26 EBITDA, 28.9% margin

7.13%

R&D / revenue (₹258.56 mn)

₹0

Fresh capital to the company

84.84x

Industry average P/E (DRHP peers)

THE ISSUE

Offer for Sale	≤ 18.09 mn shares
Fresh Issue	Nil
Largest seller	CEAQ India (~10.16 mn)
Price band	Not yet announced

Key question: is FY26 an execution blip — or does the growth story need reassessing?

Reading notes. Figures in ₹ million (mn) as in the DRHP dated 4 August 2026 (available on the company's website); consolidated unless stated. FY = year ending March 31. The price band has not been announced, so valuation and a final view will follow separately. Figures marked "derived" or "Alpha Room calc." are analyst calculations. New to IPOs? Read the [2-minute IPO guide](#).

Tonbo Imaging

KEY ISSUE DATA

Stance	Not rated
Issue type	100% OFS
OFS size	≤ 18.09 mn sh
Fresh Issue	Nil
CEAQ India	~10.16 mn sh
CEAQ Singapore	~4.9 mn sh
Price band	Not announced
Industry P/E	84.84x
DRHP date	04-Aug-2026

COMPANY SNAPSHOT

Incorporated	2003
Headquarters	Bengaluru
Model	Design/IP; outsourced mfg
Subsidiaries	Australia, Armenia
Export share (units)*	94.3%

*India's thermal-imaging exports, FY24–26.

FINANCIALS (₹ MN)

Year	FY24	FY25	FY26
Revenue	–	~4,691	3,626
EBITDA	–	–	1,046
PAT	–	728	509
ROE	52.7%	20.20%	9.75%
ROCE	–	27.41%	14.54%
WC days	152	280	517

FY25 revenue derived from –22.7% growth.

“–”: not in source material.

Strong technology and positioning; the recent numbers need scrutiny

Tonbo Imaging sits at the intersection of **defence, thermal imaging, AI and indigenous technology**. It builds the “eyes and sensing systems” of defence platforms — thermal cores, weapon sights, seekers and fire-control systems — and claims **94.3% of India's thermal-imaging exports by units**.

But FY26 revenue **fell 22.7% to ₹3,626 mn**, PAT fell 30.1% to ₹509 mn, operating cash flow was negative, and working capital reached **517 days**.

Order delays — or something more?

Management attributes the decline mainly to delayed international orders and deferment of anticipated orders into FY27. Exports fell from 65.5% to 5.6% of revenue.

Returns have compressed sharply

ROE fell from 52.7% (FY24) to 20.20% (FY25) and 9.75% (FY26); ROCE from 27.41% to 14.54%. The EBITDA margin of 28.9% remains healthy.

No fresh capital; governance overhang

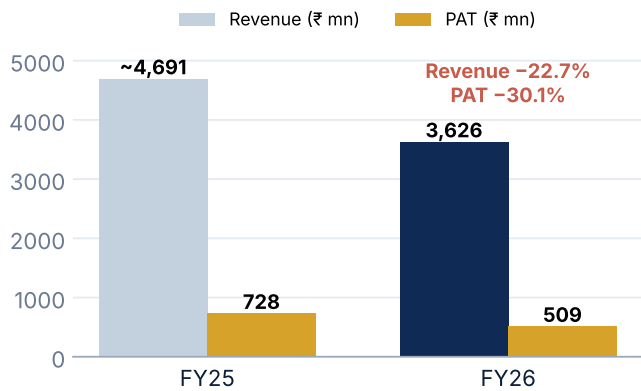
The IPO is a 100% OFS — Tonbo receives nothing. Related party CEAQ India is the largest seller, and the DRHP discloses complaints the company has denied.

Key question: can Tonbo turn its technology lead into consistent revenue and cash conversion?

Valuation and a final view will follow once the price band is announced.

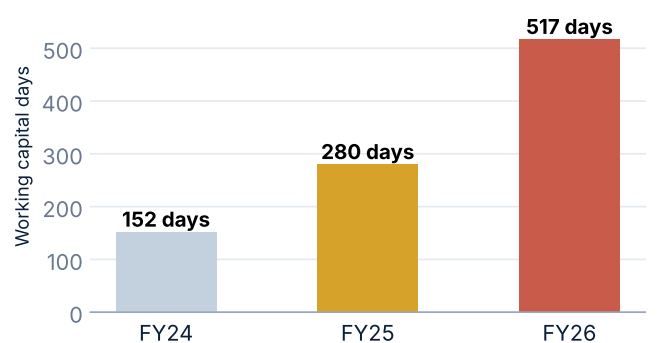
STORY IN CHARTS

Exhibit 1 FY26: revenue and PAT both fell (₹ mn)



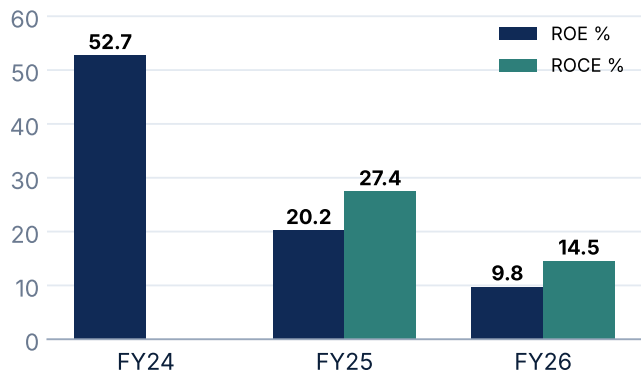
FY25 revenue derived. Source: DRHP

Exhibit 2 Working capital days more than tripled



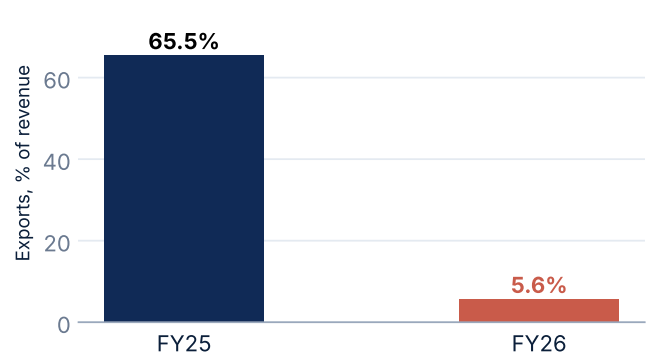
Source: DRHP

Exhibit 3 Return ratios compressed sharply



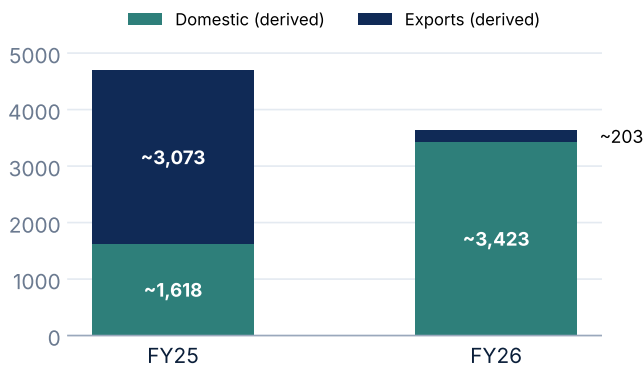
FY24 ROCE not in source material. Source: DRHP

Exhibit 4 Exports collapsed as a share of revenue



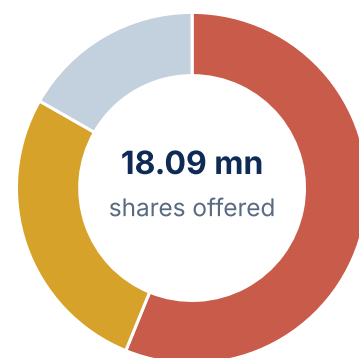
Source: DRHP

Exhibit 5 Domestic up, exports down (₹ mn, derived)



Alpha Room calc. from revenue and export shares. Source: DRHP

Exhibit 6 Who is selling in the OFS



- CEAQ India ~10.16 mn (~56%)
- CEAQ Singapore ~4.9 mn (~27%)
- Others ~3.03 mn (~17%*)

*Derived residual. Source: DRHP

01 Business at a glance

Tonbo Imaging is a defence electronics OEM. In simple terms, it builds the “eyes and sensing systems” used by defence platforms — and is moving from individual tactical products toward integrated autonomous platform systems combining hardware and software.

Exhibit 7 Product portfolio

Category	Products
Imaging & optics	Thermal imaging cores, thermal binoculars
Soldier systems	Weapon sights, targeting systems
Guided systems	Missile seekers, missile guidance
Platform systems	Fire-control systems; integrated autonomous platforms

Source: DRHP

2003

Incorporated

Bengaluru

Headquarters

20+ yrs

Operating history

Horizontal

Owns design & IP; outsources manufacturing

02 Industry overview — defence electronics

India is pushing toward greater defence indigenisation, while modern warfare increasingly depends on **sensors, thermal imaging, AI, autonomous systems, surveillance, targeting and counter-drone technology** — Tonbo's core territory.

Exhibit 8 Tailwinds vs the nature of the market

Structural tailwinds	But defence is not a normal market
Indigenisation and IDDM preference	Orders are tender-driven
Sensor- and AI-heavy modern warfare	Government-dependent demand
Counter-drone and autonomous systems	Orders can be delayed or deferred
Export opportunity for ITAR-free products	Revenue can be lumpy year to year

Source: DRHP, Alpha Room Research

That is exactly what showed up in FY26: revenue fell 22.7%, mainly due to delays in international orders and deferment of anticipated orders into FY27.

03 Competitive position

Strengths

- 94.3% share of India's thermal-imaging exports by units (FY24–26)
- Largest manufacturer by sales value of thermal imaging systems to Indian government and defence agencies
- Products deployed across multiple global markets
- Proprietary EO/IR and embedded-vision capabilities
- ITAR-free portfolio — more export flexibility
- R&D up to ₹258.56 mn (7.13% of revenue) in FY26

Exhibit 9 Competitive landscape

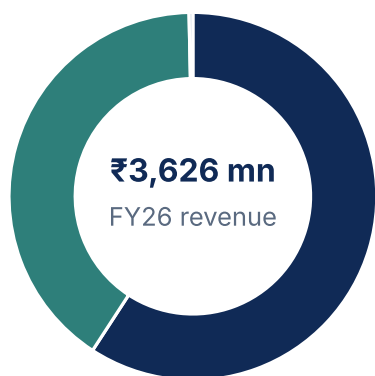
Arena	Competitors
India	Paras Defence, Data Patterns, Astra Microwave, Zen Technologies, Bharat Electronics, Tata Advanced Systems
Global	Teledyne FLIR, Theon, Hensoldt, Controp

Source: DRHP

The model is the difference. Most large global players are vertically integrated. Tonbo is horizontal — it owns design and IP and outsources manufacturing. More capital-efficient, but dependent on manufacturing partners.

04 Business quality

Exhibit 10 FY26 revenue mix



- Tactical ₹2,117 mn
- Platform ₹1,448 mn
- Others ₹12 mn

Segment figures as disclosed (sum ₹3,577 mn). Source: DRHP

Platform is growing in importance

Platform revenue of ₹1,448 mn (~40% of revenue) potentially moves Tonbo toward higher-value integrated systems.

But the export mix flipped

Exports fell from 65.5% of revenue in FY25 to 5.6% in FY26. On our arithmetic, domestic revenue roughly doubled while export revenue fell ~93% — something to understand better.

Where the moat comes from

EO/IR technology, embedded systems, AI-enabled imaging, defence engineering, field validation, proprietary IP and customer relationships — not manufacturing.

EO/IR IP → Field-validated products → Tactical → Platform → Orders → Cash conversion?

05 Key financial picture

Tonbo's financial profile has changed materially: lower revenue, lower profit, sharply lower returns — while the EBITDA margin stays healthy at 28.9%.

Exhibit 11 Summary financials (₹ mn)

Year to March	FY24	FY25	FY26
Revenue	–	~4,691	3,626
Revenue growth	–	–	(22.7%)
EBITDA	–	–	1,046
EBITDA margin	–	–	28.9%
PAT	–	728	509
PAT growth	–	–	(30.1%)
ROE	52.7%	20.20%	9.75%
ROCE	–	27.41%	14.54%
Working capital days	152	280	517
Operating cash flow	–	Negative	Negative
R&D (% of revenue)	–	–	7.13%

FY25 revenue derived. "–": not in source material. Source: DRHP

–22.7%

FY26 revenue

–30.1%

FY26 PAT

–1,045bp

ROE change, FY25→26

28.9%

FY26 EBITDA margin

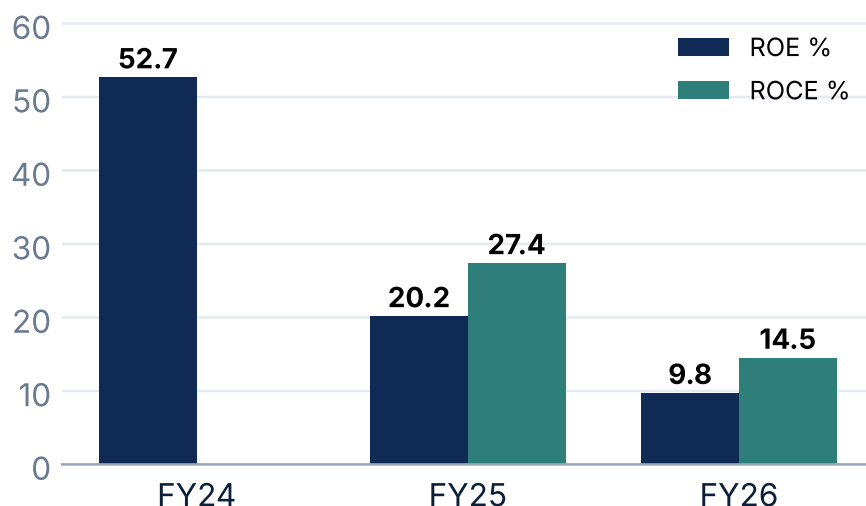
Margins held; scale did not

A 28.9% EBITDA margin on lower revenue suggests the business economics are intact — the question is volume and timing of orders.

Returns tell the bigger story

ROE has fallen from 52.7% to 9.75% in two years, as profits fell and capital — much of it in working capital — rose.

Exhibit 12 Return ratios (%)

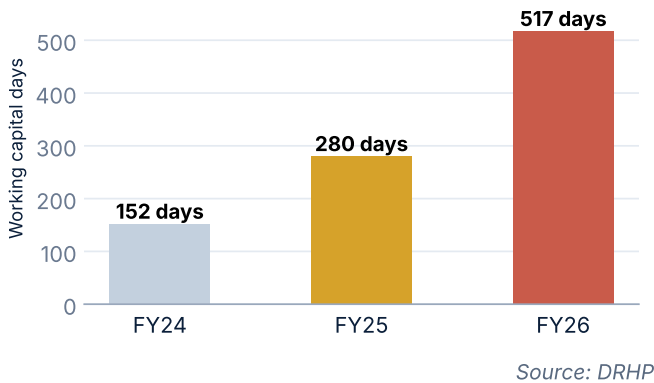


Source: DRHP

06 Are the numbers real? Cash & working capital

The biggest red flag is working capital: 152 → 280 → 517 days in three years. Operating cash flow was negative in both FY25 and FY26 despite reported profits — so PAT alone is not enough.

Exhibit 13 Working capital days



Why 517 days matters

- At 517 days, working capital is tied up for **~1.4 years of revenue** (Alpha Room calc.).
- Profits that stay in receivables or inventory are **not yet cash**.
- Government-dependent defence customers can be slow payers; deferred orders can leave inventory stranded.
- A 100% OFS means the IPO brings **no cash** to fund this working capital.

Exhibit 14 Earnings and cash quality scorecard

Test	Evidence	Signal	Why it matters
Profitability	PAT ₹509 mn; EBITDA margin 28.9%	OK	Economics intact at margin level
Growth	Revenue -22.7%	Weak	Order delays and deferments
Cash conversion	CFO negative FY25 and FY26	Weak	Profits not reaching cash
Working capital	517 days (from 152)	Weak	Capital locked up
Returns	ROE 9.75%; ROCE 14.54%	Watch	Down sharply from FY24-25
Revenue mix	Exports 65.5% → 5.6%	Watch	Concentration shifted to domestic

Source: DRHP, Alpha Room Research

The test is not PAT growth — it is working-capital days normalising from 517 and operating cash flow turning positive.

07 Management & governance

An experienced founding team — but insider selling, related-party links with CEAQ entities and disclosed complaints all deserve attention.

Exhibit 15 People and structure

Item	Detail
Promoters	Arvind Kondangi Lakshmikumar, Ankit Kumar, Cecilia D'Souza
CFO	Tiruvidaimarudhur Srivatsan Sivashankar — also a selling shareholder
Subsidiaries	Australia, Armenia
Group companies	CEAQ India, CEAQ Singapore, UAB Tonbo Imaging, HBL Engineering

Source: DRHP

Related parties: CEAQ

FY26 related-party disclosures show transactions with CEAQ entities, including **purchases of project material/equipment and intangible assets**. CEAQ Singapore also appears as a supplier and former IP owner/transferor.

Not a governance failure on disclosure alone — but not something to ignore, especially as CEAQ entities are the two largest OFS sellers.

Regulatory history — the biggest governance overhang

Exhibit 16 Complaints disclosed in the DRHP

Complaint area	Why it matters for a defence supplier	Status
Chinese OEM sourcing	Supply-chain trust and eligibility	Denied by Tonbo; responses submitted. Not proven.
IDDM compliance	Indigenous-content qualification	
CEAQ Singapore	Related-party / IP ownership questions	
IP disclosures	Ownership of core technology	
Revenue sustainability	Quality of reported growth	
Alleged predatory pricing	Procurement fairness	
Product repairs / failures	Field reliability	

Allegations are reproduced as disclosed and are not treated as proven. Source: DRHP

Our read: given Tonbo's exposure to government defence procurement, any further regulatory action or legal development on these complaints is a key monitoring point.

Exhibit 17 Questions we would put to management

Topic	Question
CEAQ purchases	What did Tonbo buy from CEAQ entities, and how were prices benchmarked?
IP ownership	Is all core EO/IR IP now fully owned by Tonbo after the CEAQ Singapore transfer?
Sourcing & IDDM	What share of components is imported, and from where?
Manufacturing partners	How concentrated is outsourced manufacturing?
Insider selling	Why are the CFO, promoters and related parties selling now?

Source: Alpha Room Research

08 The offer: 100% OFS

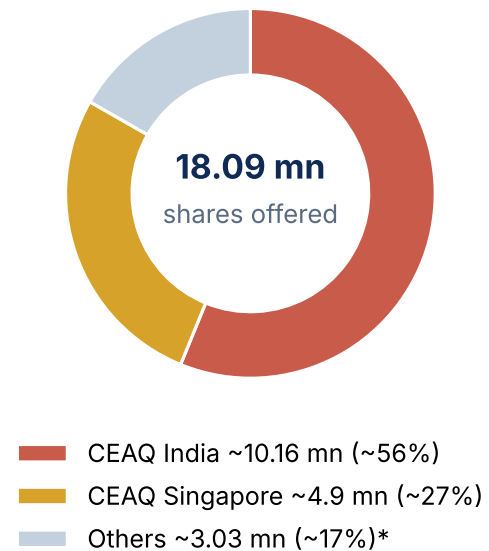
Up to 18.09 mn shares offered for sale. Tonbo receives ₹0 — every rupee raised goes to the selling shareholders.

Exhibit 18 Offer structure

Component	Size
Offer for Sale	Up to 18.09 mn shares
Fresh Issue	Nil
Proceeds to Tonbo	₹0
CEAQ Technologies Pvt Ltd (India)	~10.16 mn shares
CEAQ Technologies Pte Ltd (Singapore)	~4.9 mn shares
Promoters, promoter group, investors, CFO	Remainder
Price band	Not yet announced

Source: DRHP

Exhibit 19 OFS composition



Shares; others derived as residual. Source: DRHP

What it means

No growth capital. The IPO does not fund R&D, working capital or the platform push.

Related-party exits. CEAQ entities account for ~83% of shares offered (Alpha Room calc.).

Insiders selling. Promoters and the CFO are among sellers — why monetise now?

Valuation context

84.84x

Industry average P/E
(DRHP peer group)

9.75%

Tonbo FY26 ROE

A strong defence story does not justify paying any price. With FY26 profit down 30% and returns compressed, the price band will need to be judged against normalised — not peak — earnings.

Exhibit 20 Who is selling — and what to look for

Seller group	Link to Tonbo	Watch for
CEAQ Technologies (India)	Related party; largest seller	Residual stake and ongoing transactions
CEAQ Technologies (Singapore)	Supplier; former IP owner	Post-IPO supply and IP arrangements
Promoters & promoter group	Founders	Post-issue holding; lock-ins
CFO	Key managerial personnel	Retention and alignment
Investors	Financial shareholders	Exit pricing vs IPO price

Source: DRHP, Alpha Room Research

09 Things we're watching

01

Can revenue recover?

FY26 revenue fell 22.7%. If FY27 shows a strong recovery as deferred orders land, FY26 was an execution issue. If not, the growth story needs reassessing.

02

Can cash conversion improve?

More important than PAT growth: working capital normalising from 517 days and operating cash flow turning positive.

03

Regulatory developments?

Any further regulatory action or legal development on the complaints — especially given government defence procurement.

Exhibit 21 Monitoring dashboard

Metric	Latest	What would improve the case
Revenue growth	-22.7% (FY26)	FY27 recovery as deferred orders convert
Export share	5.6% (from 65.5%)	International orders return
Working capital days	517	Clear move back toward FY24's 152
Operating cash flow	Negative (FY25, FY26)	Sustainably positive CFO
ROE / ROCE	9.75% / 14.54%	Recovery toward FY25 levels
Complaints	Denied; responses filed	Closure without adverse action
CEAQ transactions	Material, equipment, intangibles	Declining reliance; arm's-length evidence

Source: DRHP, Alpha Room Research

Exhibit 22 How FY27 could read — a scenario frame (qualitative)

Scenario	What we would see	Implication
Recovery	Deferred orders convert; exports return; WC days fall; CFO positive	FY26 was an execution blip
Muddle	Revenue recovers but WC stays high; CFO still weak	Growth without cash
Reset	Revenue flat or lower; complaints escalate	Growth story needs reassessing

Illustrative framework, not a forecast. Source: Alpha Room Research

10 Bull case vs bear case

THE BULL CASE

1. Niche leadership

Strong position in thermal imaging.

2. Export dominance

94.3% of India's thermal-imaging exports by units.

3. Proprietary technology

EO/IR and embedded-vision IP.

4. ITAR-free

Flexibility in export markets.

5. Growing platform business

₹1,448 mn in FY26 — toward integrated systems.

6. Rising R&D

₹258.56 mn, 7.13% of revenue.

7. Indigenisation tailwind

Structural defence opportunity.

8. Asset-light model

Can support capital efficiency.

THE BEAR CASE

1. Revenue fell

–22.7% in FY26.

2. Profit fell

PAT ₹728 mn → ₹509 mn.

3. Returns collapsed

ROE 52.7% (FY24) → 9.8% (FY26).

4. Working capital

517 days.

5. Negative CFO

Two consecutive years.

6. Government dependence

Defence procurement drives demand.

7. CEAQ related parties

Transactions need monitoring.

8. Regulatory overhang

Complaints unresolved.

9. No fresh capital

100% OFS.

Exhibit 23 Balance of evidence

Debate	Bull reading	Bear reading	Decider
Moat	94.3% export share; own IP	Complaints on IP and sourcing	Regulatory outcome
Growth	Orders deferred, not lost	Revenue –22.7%	FY27 revenue
Cash	Asset-light model	517 WC days; CFO negative	CFO
Alignment	Experienced founders	Insiders and CEAQ selling	Post-IPO holdings

Source: Alpha Room Research

If Tonbo combines its technology advantage with consistent revenue growth and better cash conversion, the business can become very interesting.

11 Investment thesis & our view

"The technology story is interesting. The financial consistency still needs to be proven."

Exhibit 24 Three pillars of the thesis

Pillar	Today	What would make the case stronger
Moat	Thermal-imaging leadership, EO/IR IP, entry barriers	Platform wins; export recovery
Consistency	Revenue, PAT, ROE and ROCE all down in FY26	FY27 recovery
Cash	517 WC days; negative CFO	Profits converting to cash
Valuation	Price band not announced; peers 84.84x	Priced on normalised earnings

Source: DRHP, Alpha Room Research

Our view — key questions before a final call

- Is the IPO valuation reasonable?
- Can revenue recover in FY27?
- Can working capital normalise?
- Can operating cash flow turn positive?
- How much of recent growth is repeatable?
- What is the final regulatory position?
- Why are promoters, investors and others selling now?

We reserve a final view until the price band is announced. Right now, cash conversion, revenue recovery and valuation matter more than the defence narrative.

12 What's next

Once the IPO price band is announced, a follow-up will cover: **financial analysis · peer comparison · valuation framework · key assumptions and considerations** — educational and based solely on publicly available information.

Technology lead → Revenue recovery → Working-capital normalisation → Cash conversion

Sources, methodology & important disclosures

Source

Tonbo Imaging Draft Red Herring Prospectus dated August 4, 2026, available on the company's website. This note was published on 10 August 2026, before the announcement of the IPO price band; valuation and a final view will be covered separately.

Methodology & definitions

- Figures in ₹ million (mn) as presented in the DRHP; consolidated unless stated. FY = fiscal year ending March 31.
- Analyst calculations (labelled "derived" or "Alpha Room calc.") include: FY25 revenue back-solved from the -22.7% growth rate; domestic and export revenue from stated export shares; the ROE change in basis points; OFS shares from other sellers (residual) and the CEAQ share of the OFS; and working capital expressed as years of revenue.
- Segment revenue figures (tactical, platform, others) are as disclosed and sum to ₹3,577 mn versus total revenue of ₹3,626 mn.
- Market-share claims are as stated in the DRHP. Complaints are reproduced as disclosed; Tonbo has denied the allegations.

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