



| IPO Details | | Company Background | | | | | |
|---|----------------------------|--|-----------------------------|---------------|---------------|---------------|---------------|
| Opening Date | March 26, 2024 | <ul style="list-style-type: none"> ○ Incorporated in 2020 as a partnership firm, Vruddhi Engineering Works Limited has its registered office in Mumbai, Maharashtra, India. ○ The company is in the business of offering mechanical splicing solutions to the real estate, construction and infrastructure industry by designing, engineering and supplying rebar couplers. ○ The company believes that it offers an end-to-end mechanical splicing solution ranging from design, manufacturing, testing, logistics and rebar threading. ○ As of September 30, 2023, the company had a total of 77 employees on its payroll. | | | | | |
| Closing Date | March 28, 2024 | | | | | | |
| Stock Exchange | BSE SME | | | | | | |
| Lot Size | 2,000 Shares | | | | | | |
| Issue Price | ₹66 to ₹70 per share | | | | | | |
| Issue Size | Aggregating up to 4.76 Cr. | | | | | | |
| Fresh Issue | Aggregating up to 4.76 Cr. | | | | | | |
| Offer for Sale | - | | | | | | |
| Application Amount (At upper band) | ₹1,40,000 | | | | | | |
| IPO Objective | | Market Capitalization (In Cr.) | | | | | |
| 1. To meet working capital requirements. | | Pre-Issue | | Post-Issue | | | |
| 2. General corporate purposes. | | ₹ 60 | | ₹ 86 | | | |
| Pre-Issue Shareholding | | Financial Summary (In Lacs.) | | | | | |
| Category | No. of Shares | % of Total Shares | For the Period Ended | Mar-21 | Mar-22 | Mar-23 | Sep-23 |
| Promoter & Promoter Group | 18,18,256 | 98.63 % | Total Assets | 2,095.60 | 3,362.94 | 5,351.89 | 8,071.96 |
| Public | 25,328 | 1.37 % | Net Assets | 200.81 | 478.75 | 1,432.89 | 1,883.90 |
| Promoter of the Company | | Total Borrowing | | 1,275.08 | 1,697.17 | 1,877.88 | 2,862.87 |
| 1. Bindi Kunal Mehta | | Total Revenue | | 5,382.66 | 6,485.80 | 6,532.19 | 4,247.49 |
| Competitive Strengths | | Profit After Tax | | 116.29 | 247.95 | 534.14 | 451.00 |
| 1. Diversified customer base | | Tentative Timeline | | | | | |
| 2. Diversified and established product | | Opening Date | | Mar 26, 2024 | | | |
| 3. Quality Assurance | | Closing Date | | Mar 28, 2024 | | | |
| 4. Experienced Promoter Directors with extensive domain knowledge | | Basis of Allotment | | Apr 01, 2024 | | | |
| | | Initiation of Refunds | | Apr 02, 2024 | | | |
| | | Credit of Shares to Demat | | Apr 02, 2024 | | | |
| | | Listing Date | | Apr 03, 2024 | | | |



Company Background and Analysis

Vruddhi Engineering Works Limited was originally incorporated on October 27, 2020. On January 31, 2023, the running business of the proprietorship concern of our Promoter namely “M/s. Kosmo Ventures” was taken over by the Company. The company is mainly engaged in offering mechanical splicing solutions to the real estate, construction and infrastructure industry by designing, engineering and supplying rebar couplers. The company believes that it offers an end-to-end mechanical splicing solution ranging from design, manufacturing, testing, logistics and rebar threading.

The company supplies and provides its mechanical splicing solutions to construction contractors, real estate developers and infrastructure companies. The Company is an ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certified Company issued by Quality Control Certification accredited by “UASL, England, UK” in compliance with quality management system, Environmental Management System and Occupational Health and Safety Management Systems respectively.

The company’s product portfolio is as follows –

1. Mechanical Splicing - The company is mainly engaged in offering mechanical splicing solutions to construction contractors, real estate developers and the infrastructure industry by designing, engineering and supplying rebar couplers. The company’s offering under this vertical includes (a) supply of rebar couplers as per our customer needs; (b) on-site threading services of the couplers; and (c) trading in threading machines and spares.
2. Trading of Steel Products - With the acquisition of the business of M/s. Kosmo Ventures, our Company has ventured into trading reinforcement bars (TMT bars) and machinery.

Revenue bifurcation as per Industry wise –

(Amt in Lakhs)

| Particulars | Mar-21 | | Mar-22 | | Mar-23 | | Sep-23 | |
|------------------------|-------------|---------------|---------------|---------------|-----------------|---------------|---------------|---------------|
| | Amt | % | Amt | % | Amt | % | Amt | % |
| Construction / Project | - | - | - | - | - | - | - | - |
| Real Estate | 0.44 | 100.00 | 220.65 | 100.00 | 1,299.55 | 99.38 | 931.22 | 99.56 |
| Infrastructure | - | - | - | - | 8.14 | 0.62 | 4.11 | 0.44 |
| Total | 0.44 | 100.00 | 220.65 | 100.00 | 1,307.69 | 100.00 | 935.33 | 100.00 |

Revenue bifurcation as per Geography wise –

(Amt in Lakhs)

| Particulars | Mar-21 | | Mar-22 | | Mar-23 | | Sep-23 | |
|---------------------|-------------|---------------|---------------|---------------|-----------------|---------------|---------------|---------------|
| | Amt | % | Amt | % | Amt | % | Amt | % |
| Mumbai | 0.44 | 100.00 | 175.28 | 79.44 | 1,081.08 | 82.67 | 757.60 | 81.00 |
| Rest of Maharashtra | - | - | 28.66 | 12.99 | 49.00 | 3.75 | 26.15 | 2.80 |
| Other States | - | - | 16.71 | 7.57 | 177.61 | 13.58 | 151.58 | 16.21 |
| Total | 0.44 | 100.00 | 220.65 | 100.00 | 1,307.69 | 100.00 | 935.33 | 100.00 |

To conclude, the company was incorporated in the year 2020 and is relatively very new to the industry. The company is in the business of offering mechanical splicing solutions to the real estate, construction and infrastructure industries by designing, engineering and supplying rebar couplers. The company generates the majority of its revenue from the products of Bars and Industry Real estate.



Business Strategies

1. Increase the Market Share –

The company intends to increase its market share domestically by focusing on cross-selling products by introducing new products and introducing the products in the international markets. The company believes that focusing on export sales will enable it to improve its margins.

2. Focus on Advanced Products –

The company intends to leverage its design and engineering capabilities to increase its focus on advanced products. The company believes that high value-added and technology-driven components will provide them with early-mover advantages and higher profit margins, thus giving them the opportunity to consolidate their position with the customers.

3. Focus on consistently meeting quality standards –

The company intends to focus on adhering to the quality standards of its products and services. The company conducts quality testing from IIT, Kanpur as well as we have started with international testing of our products.



Competitive Scenario and Peer Mapping

Competition

The company faces competition from domestic manufacturers. The competition emerges from small as well as big players in the mechanical splicing industry and from traders and dealers in the Steel Products industry. Further, we also face competition from manufacturers of steel products who have direct access to our customers. The industry in which the company operates has slightly lower barriers to entry. The bargaining power with the suppliers is high and the bargaining power with the consumers is also higher in this industry.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

| Particulars | Vruddhi Engineering Works Limited | Shiv Aum Steels Limited | SRU Steels Limited |
|----------------------------|-----------------------------------|-------------------------|--------------------|
| | 31st Mar 2023 | 31st Mar 2023 | 31st Mar 2023 |
| Net Profit Margin | 6% | 3% | 26% |
| EBITDA Margin | 10% | 5% | 8% |
| Return on Capital Employed | 42% | 23% | 3% |
| Return on Equity | 60% | 15% | 10% |
| EPS (INR) | 15.17 | 10.54 | 0.39 |

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

| Particulars | Vruddhi Engineering Works Limited | Shiv Aum Steels Limited | SRU Steels Limited |
|----------------------------|-----------------------------------|-------------------------|--------------------|
| | 31st Mar 2022 | 31st Mar 2022 | 31st Mar 2022 |
| Net Profit Margin | 4% | 3% | 6% |
| EBITDA Margin | 6% | 5% | 4% |
| Return on Capital Employed | 25% | 23% | 3% |
| Return on Equity | 99% | 15% | 10% |
| EPS (INR) | 5.90 | 9.18 | 0.12 |

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

| Particulars | Vruddhi Engineering Works Limited | Shiv Aum Steels Limited | SRU Steels Limited |
|----------------------------|-----------------------------------|-------------------------|--------------------|
| | 31st Mar 2021 | 31st Mar 2021 | 31st Mar 2021 |
| Net Profit Margin | - | 0.8% | 0.3% |
| EBITDA Margin | - | 2.9% | 3.3% |
| Return on Capital Employed | - | 9.4% | 9.8% |
| Return on Equity | - | 3.1% | 7.3% |
| EPS (INR) | -0.55 | 1.59 | 0.12 |



Industry Overview

Exhibit 1: Market size of Real Estate in India (US\$ bn)

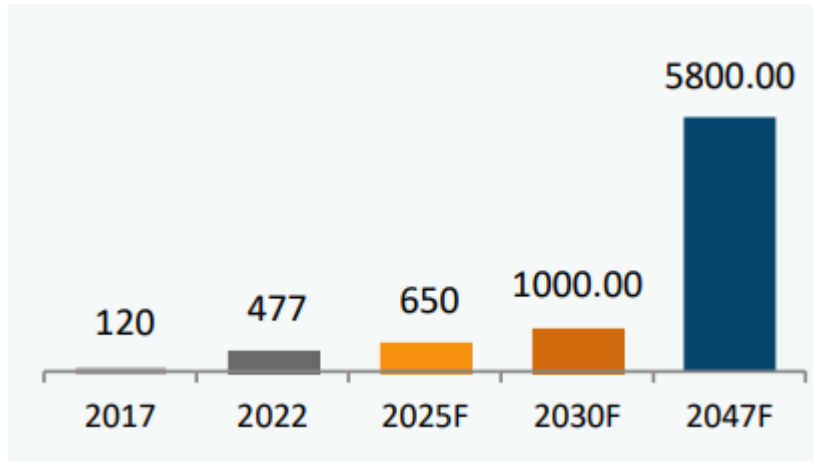
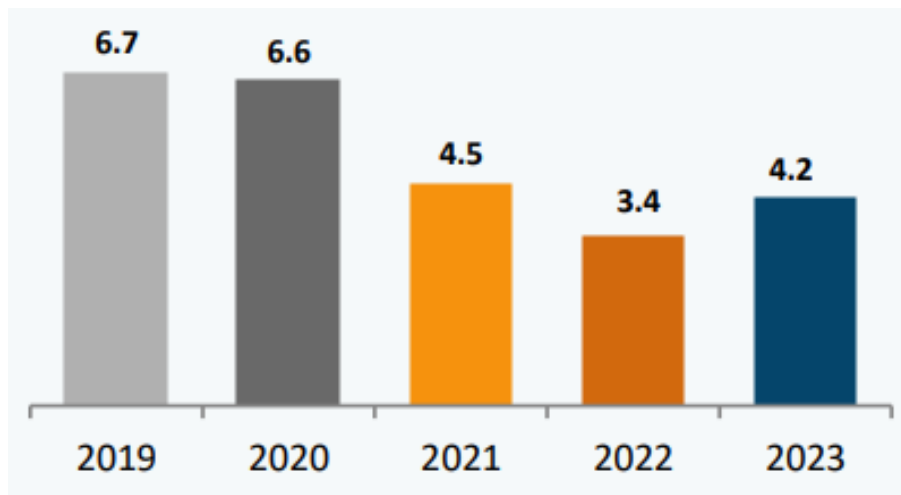


Exhibit 2: PE/VC Investment in Indian real Estate (US\$ billion)



(Source: ibef.org)



Real Estate and Infrastructure Sector -

The real estate sector is one of the most globally recognised sectors. It comprises of four sub-sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth in the corporate environment and the demand for office space as well as urban and semi-urban accommodation. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.

In India, the real estate sector is the second-highest employment generator, after the agriculture sector. It is also expected that this sector will incur more non-resident Indian (NRI) investment, both in the short term and the long term. India's high growth imperative in 2023 and beyond will significantly be driven by major strides in key sectors with infrastructure development being a critical force aiding the progress. Infrastructure is a key enabler in helping India become a US\$ 26 trillion economy.

Investments in building and upgrading physical infrastructure, especially in synergy with the ease of doing business initiatives, remain pivotal to increasing efficiency and costs. Prime Minister Narendra Modi also recently reiterated that infrastructure is a crucial pillar to ensure good governance across sectors. The government's focus on building infrastructure of the future has been evident given the slew of initiatives launched recently. The US\$ 1.3 trillion national master plan for infrastructure, Gati Shakti, has been a forerunner to bring about systemic and effective reforms in the sector, and has already shown a significant headway. Infrastructure support to nation's manufacturers also remains one of the top agendas as it will significantly transform goods and exports movement making freight delivery effective and economical. The "Smart Cities Mission" and "Housing for All" programmes have benefited from these initiatives. Saudi Arabia seeks to spend up to US\$ 100 billion in India in energy, petrochemicals, refinery, infrastructure, agriculture, minerals, and mining.

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Infrastructure sector includes power, bridges, dams, roads, and urban infrastructure development.

In other words, the infrastructure sector acts as a catalyst for India's economic growth as it drives the growth of the allied sectors like townships, housing, built-up infrastructure and construction development projects. In order to meet India's aim of reaching a US\$ 5 trillion economy by 2025, infrastructure development is the need of the hour. The government has launched the National Infrastructure Pipeline (NIP) combined with other initiatives such as 'Make in India' and the production-linked incentives (PLI) scheme to augment the growth of infrastructure sector. Historically, more than 80% of the country's infrastructure spending has gone toward funding for transportation, electricity, and water& irrigation.

(Source: prospectus)



Key Managerial Personnel

Bindhi Kunal Mehta, aged 41 years, is one of the Promoters, Chairman and Managing Director of the Company. She holds degree of Bachelor of Commerce in financial accounting and audit. She has experience of more than 6 years in steel industry.

Vedant Mukesh Mehta, aged 29 years, is the Whole-Time Director of the Company. He holds bachelor of electronic engineering degree, and post graduate diploma in rural management. He has experience of more than 3 years in steel industry.

Varsha Mukesh Mehta, aged 64 years, is the Whole-Time Director of the Company. she has been on the board since December 22, 2022. She has done is undergraduate.

Shivani Kumari Joshi, aged 26 years, is the Non-Executive Independent Director of the Company. She holds Master of Arts degree in Literature, and Bachelor of education degree.

Karan Manoj Doshi, aged 30 years, is the Non-Executive Independent Director of the Company. He holds Bachelor of Technology degree civil degree. He has combined experience of more than 7 years in real estate, interior designing and contracting and plastic industry.

Ankita Rohan Kothari, aged 36 years, is the Non-Executive Independent Director of the Company. She holds Master of Commerce. She has been associated with Kothari Drugs & Chemicals Private Limited as Director since December 07, 2015.

To conclude, the company has 1 promoter, and she has decent experience in the industry in which the company operates. The Directors of the company have good experience in fields which help in the growth of the company.



Financial Snapshot

| Profit and Loss Statement | | | | (In Lacs) |
|---|-----------------|---------------|-----------------|------------------|
| Particulars | FY 21 | FY 22 | FY 23 | Sep-23 |
| Revenue from Operations | 0.44 | 220.65 | 1,307.69 | 935.33 |
| Other Income | | | 1.93 | 0.03 |
| Total Income | 0.44 | 220.65 | 1,309.62 | 935.36 |
| Expenses | | | | |
| Purchase of Stock in Trade | 0.87 | 160.46 | 972.64 | 604.07 |
| Change in inventories of finished goods and work-in-progress | -0.29 | -3.63 | -39.41 | -32.66 |
| Employee benefits expense | 0.17 | 8.18 | 121.25 | 93.29 |
| Finance costs | | 0.1 | 14.04 | 18.93 |
| Depreciation and Amortization expense | | 1.65 | 21.51 | 11.17 |
| Other expenses | 0.57 | 41.31 | 118.15 | 173.33 |
| Total Expenses | 1.32 | 208.07 | 1,208.18 | 868.13 |
| Earnings Before Interest, Taxes, Depreciation & Amortization | -0.88 | 14.33 | 135.06 | 97.30 |
| EBITDA Margin | -200% | 6% | 10% | 10% |
| Profit/(Loss) before tax | -0.88 | 12.58 | 101.44 | 67.23 |
| Tax Expenses: | | | | |
| Current Tax /MAT Payable | | 2.72 | 24.97 | 16.5 |
| Deferred Tax | | 0.44 | 1.14 | 9.73 |
| Total Tax Expense | - | 3.16 | 26.11 | 26.23 |
| Profit/(Loss) for the year | -0.88 | 9.42 | 75.33 | 41.00 |
| Net Profit Margin | -200.00% | 4.27% | 5.75% | 4.38% |

| Balance Sheet | | | | (In Lacs) |
|---|--------------|---------------|---------------|------------------|
| Particulars | FY 21 | FY 22 | FY 23 | Sep-23 |
| EQUITY AND LIABILITIES | | | | |
| 1. Shareholders' funds | | | | |
| Share Capital | 1.00 | 1.00 | 6.33 | 184.36 |
| share application money pending allotment | - | - | 87.23 | - |
| Reserve and Surplus | -0.88 | 8.56 | 118.55 | 68.77 |
| Total Equity | 0.12 | 9.56 | 212.11 | 253.13 |
| 2. Non-current liabilities | | | | |
| Long Term Borrowings | 2.22 | 40.61 | 53.14 | 30.65 |
| Deferred Tax Liabilities (Net) | - | 0.44 | 1.58 | 11.31 |
| Long-term Provisions | - | 0.43 | 3.07 | 4.21 |
| Total Non-current liabilities | 2.22 | 41.48 | 57.79 | 46.17 |
| 3. Current liabilities | | | | |
| Short-term borrowings | - | 6.88 | 270.23 | 271.26 |
| Trade payables | - | - | - | - |
| Due to MSME | - | - | - | - |
| Due to Others | 0.32 | 15.04 | 192.33 | 165.62 |
| Other Current Liabilities | 0.36 | 25.28 | 42.26 | 61.76 |
| Short-term Provisions | - | 1.9 | 7.61 | 10.64 |
| Total Current liabilities | 0.68 | 49.10 | 512.43 | 509.28 |
| Total Liabilities | 2.90 | 90.58 | 570.22 | 555.45 |
| Total Equity and Liabilities | 3.02 | 100.14 | 782.33 | 808.58 |
| ASSETS | | | | |
| 1. Non-current assets | | | | |



| | | | | |
|---------------------------------|-------------|---------------|---------------|---------------|
| Property, Plant and Equipment | - | 31.09 | 137.3 | 170.43 |
| Non-current investments | - | - | 1.3 | 1.3 |
| Total Non-Current assets | - | 31.09 | 138.60 | 171.73 |
| 2. Current assets | | | | |
| Inventories | 0.29 | 3.93 | 43.34 | 76.00 |
| Trade receivables | - | 49.06 | 528.44 | 521.72 |
| Cash and Bank Balances | 1.19 | 10.07 | 37.63 | 26.12 |
| Short-term loans and advances | 1.54 | 5.99 | 33.33 | 11.06 |
| Other Current Assets | - | - | 0.99 | 1.95 |
| Total Current assets | 3.02 | 69.05 | 643.73 | 636.85 |
| Total Assets | 3.02 | 100.14 | 782.33 | 808.58 |

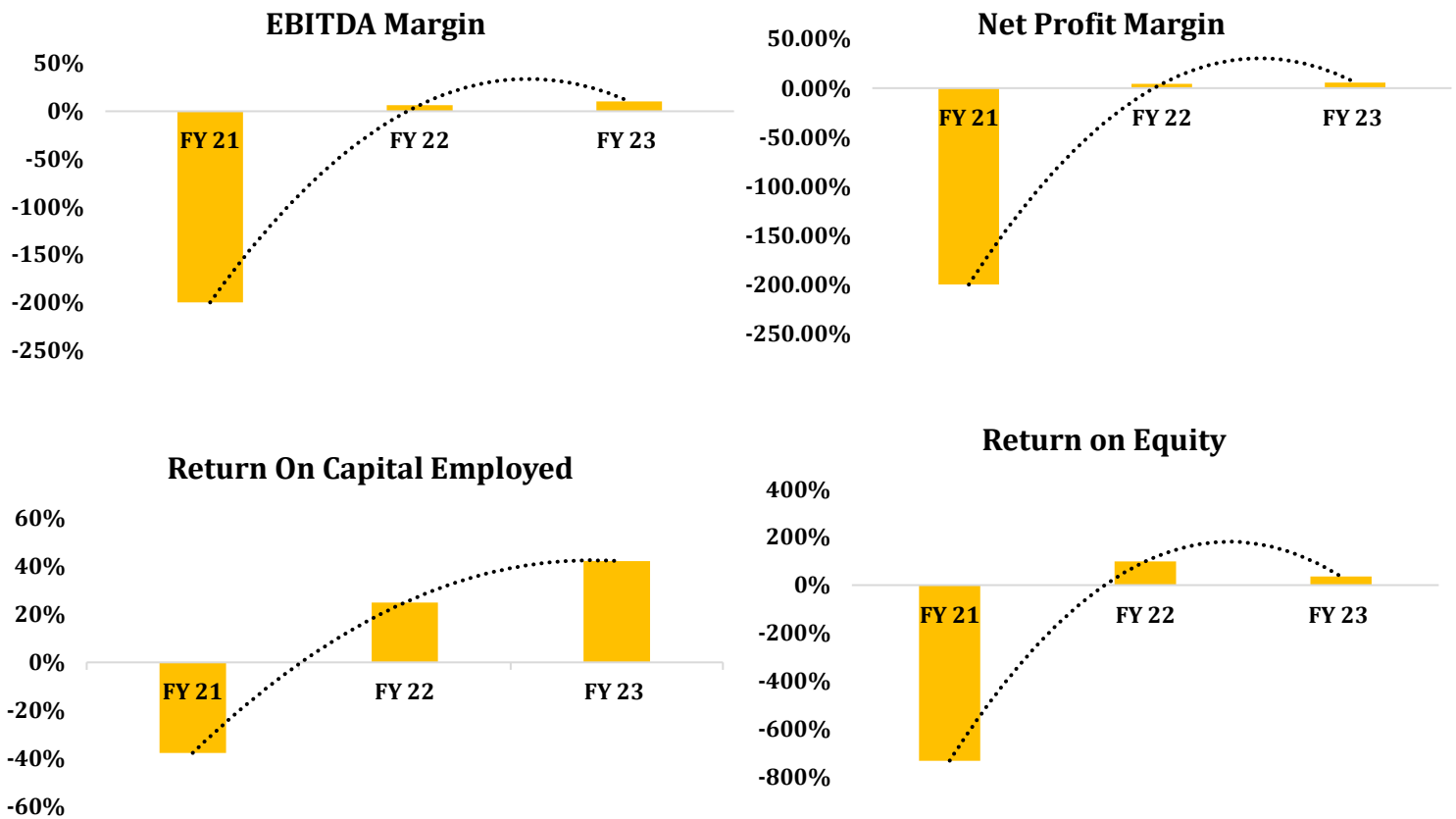
| Cash Flow Statement | | | | |
|---|--------------|--------------|--------------|---------------|
| (In Lacs) | | | | |
| Particulars | FY 21 | FY 22 | FY 23 | Sep-23 |
| Net Cash Flow from Operating Activities | -2.04 | -3.55 | -232.49 | 69.43 |
| Net Cash Flow from Investing Activities | 1.00 | -32.73 | -41.8 | -44.3 |
| Net Cash Flow from Financing Activities | 2.22 | 45.16 | 301.84 | -36.64 |

| Ratio Sheet | | | | |
|-----------------------------|--------------|--------------|--------------|---------------|
| Particulars | FY 21 | FY 22 | FY 23 | Sep-23 |
| Per Share Data | | | | |
| Diluted EPS | -0.55 | 5.9 | 15.17 | 3.99 |
| BV per share | - | 0.38 | 8.41 | 31.26 |
| Operating Ratios | | | | |
| EBITDA Margins | - | 6.49% | 10.33% | 10.40% |
| PAT Margins | - | 4.27% | 5.75% | 5.38% |
| Inventory days | 240.57 | 6.50 | 12.10 | 14.87 |
| Debtor days | - | 81.16 | 147.50 | 102.08 |
| Creditor days | 134.25 | 34.21 | 72.18 | 100.07 |
| Return Ratios | | | | |
| RoCE | - | 25% | 42% | 25% |
| RoE | - | 99% | 36% | 13% |
| Valuation Ratios (x) | | | | |
| EV/EBITDA | - | 3.28 | 3.69 | 3.39 |
| Market Cap / Sales | 4,014.79 | 8.01 | 1.35 | 0.94 |
| P/E | - | 11.86 | 4.61 | 17.56 |
| Price to Book Value | 14,720.91 | 184.78 | 8.33 | 2.24 |
| Solvency Ratios | | | | |
| Debt / Equity | 18.50 | 4.97 | 1.52 | 1.19 |
| Current Ratio | 4.44 | 1.41 | 1.26 | 1.25 |
| Quick Ratio | 4.01 | 1.33 | 1.17 | 1.10 |
| Asset Turnover | 0.15 | 2.20 | 1.67 | 1.16 |
| Interest Coverage Ratio | - | 126.80 | 8.09 | 4.55 |

*Ratio sheet for Sept-23 is annualized.



Financial Charts



Key Risk Factors

1. The company's directors have outstanding legal proceedings amounting to Rs. 1.31 Lakhs. It may adversely affect the business, financial condition and results of operations.
2. The company is highly dependent on our suppliers for uninterrupted procurement and sale of our traded goods. The top 10 suppliers 65.03%, 84.03%, 89.47% and 100.00% for the period ended September 30, 2023, for the Financial Year ended March 31, 2023, Financial Year ended March 31, 2022, and Financial Year ended March 31, 2021, respectively. Any disruption of supply from such entities may affect our business operations.
3. The Company has reported certain negative cash flows from its operating activities for FY ended 2022, and 2023. Sustained negative cash flow could impact our growth and business.
4. The Company has incurred losses during FY 2021.
5. A substantial portion of our revenues has been dependent upon our few customers. For the period ended September 30, 2023, FY ended 2023, 2022 and 2021 the top ten (10) customers accounted for approximately 95.28%, 75.75%, 89.47% and 100% of our total revenue from operations. The loss of any one or more of our major clients would have a material adverse effect on our business operations and profitability.



Track Record of Lead Manager

The lead manager to the issue is Fedex Securities Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Fedex Securities Private Limited -

| Sr. No. | Company Name | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date | CMP* (INR) |
|---------|-------------------------------------|-------------------|----------------------------|-------------------|------------|
| 1. | Mukka Proteins Limited | 224.00 | 28.00 | March 07, 2024 | 36.75 |
| 2. | Deem Roll Tech Limited | 29.26 | 129.00 | February 27, 2024 | 110.60 |
| 3. | Polysil Irrigation Systems Limited | 17.44 | 54.00 | February 16, 2024 | 35.50 |
| 4. | Baweja Studios Limited | 97.20 | 180.00 | February 06, 2024 | 97.60 |
| 5. | Docmode Health Technologies Limited | 6.71 | 79.00 | February 02, 2024 | 223.35 |
| 6. | IBL Finance Limited | 33.41 | 51.00 | January 16, 2024 | 49.75 |
| 7. | KK Shah Hospitals Limited | 8.78 | 45.00 | November 06, 2023 | 52.30 |
| 8. | Committed Cargo Care Limited | 24.98 | 77.00 | October 18, 2023 | 59.00 |
| 9. | Sharp Chucks and Machines Limited | 16.84 | 58.00 | October 12, 2023 | 62.35 |
| 10. | Oneclick Logistics India Limited | 9.91 | 99.00 | October 11, 2023 | 75.4 |

The company has handled 21 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 21st March 2024.

As per the offer document, from the above-mentioned mandates 1 has opened at a discount and the remaining mandates have opened at premiums on the listing day.



Recommendation

The company has been in the industry since 2020 and is very new to the industry. The company's management overview is not very satisfactory with decent experience in the industry. The company has faced losses during FY 21 and has seen a sudden jump in the top line of its financials for FY 23.

The P/E on an annualised and post-IPO basis is 17.56 times which seems to be fairly priced by looking at the performance of the company and the peers. The Sector P/E is 33.1 times.

The industry in which the company operates is competitive. The company is relatively very new to the industry. The company has utilized an inorganic growth strategy for expansion, but due to the company being in an early stage, it is difficult to conclude. The company has also seen a sudden hike in the top line of its financials which may be difficult to sustain going forward but cannot be concluded due to the lack of experience. We believe the company requires a few more years to grow and show potential growth in the industry. Thus, for one, we believe one can **AVOID** applying to this IPO and wait for further updates from the company.



Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.