



Vilas Transcore Limited

IPO Note

Recco – **APPLY**



IPO Details	
Opening Date	May 27, 2024
Closing Date	May 29, 2024
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price	₹139 to ₹147 per share
Issue Size	Aggregating up to ₹95.26 Cr.
Fresh Issue	Aggregating up to ₹95.26 Cr.
Offer for Sale	-
Application Amount	₹1,47,000

IPO Objective	
○ To meet the issue of expenses.	
○ Funding capital expenditure towards the construction of factory buildings.	
○ Funding capital expenditure towards acquiring and installing additional plant and machinery.	
○ Funding for strategic investment and acquisitions.	
○ General Corporate Purpose	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,79,11,820	99.51%
Public	88,180	0.49%

Promoter of the Company	
1.	Mr. Nilesh Jitubhai Patel
2.	Mr. Natasha Nilesh Patel

Competitive Strengths	
1.	Established player in manufacturing of transformer component and power equipment sector
2.	Strong manufacturing capabilities
3.	Longstanding relationships with customers
4.	Skilled and experienced promoter and management team
5.	Strong financial position with robust financial performance

Company Background	
○ Incorporated in 2006, Vilas Transcore Limited has its registered office in Vadodara, Gujarat. The Company operates from 2 manufacturing facilities located in Baroda and Vadodara in Gujarat.	
○ The Company's manufacturing facility has been certified for conforming to standards of quality management systems i.e., ISO 9001:2015. It has been approved for sourcing toroidal cores for current transformers (CT) up to 400 KV class for Power Grid projects.	
○ The Company manufactures and supplies power distribution and transmission components, primarily to transformer and other power equipment manufacturers in India and abroad.	
○ The Company's product line includes CRGO laminated Core, transformer core, Insulation Craft Paper, CRGO Electrical Steel in Coils, Dry Transformers, Scrap and others.	
○ As of December 31, 2023, the Company had employed 268 employees on its payroll.	

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 265	₹360

Financial Summary (In Cr.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
Total Assets	142.66	172.66	188.80	208.21
Net Assets	100.29	117.51	137.04	153.31
Total Borrowings	7.58	3.47	4.90	1.05
Total Revenue	134.85	235.18	284.78	238.30
Profit After Tax	5.23	17.92	20.22	16.79

Tentative Timeline	
Opening Date	May 27, 2024
Closing Date	May 29, 2024
Basis of Allotment	May 30, 2024
Initiation of Refunds	May 31, 2024
Credit of Shares to Demat	May 31, 2024
Listing Date	June 03, 2024

**Company Background and Analysis**

Incorporated in 2006, Vilas Transcore Limited has one of its manufacturing facilities in Vadodara, Gujarat is being used as their registered office too. The Company is engaged in the manufacturing and supply of components used in the power distribution and transmission sector, primarily to transformer and other power equipment manufacturer in India and abroad. The Company majorly caters to the power distribution and power engineering industry. The Company operates from 2 manufacturing facilities located in Baroda and Vadodara in Gujarat. Their manufacturing facility has been certified for conforming to the standards of quality management systems i.e., ISO 9001:2015 and has been approved for sourcing toroidal core for current transformers (CT) up to 400 KV class for Power Grid projects.

The Company also undertakes job work activities like cutting and slitting materials received from customers according to their needs. As of December 31, 2023, the Company had employed 268 employees on its payroll.

The Products include:

- CRGO Transformer Lamination:** A critical component of the power and distribution transformer. Grain-oriented electrical steel CRGO is a must for the production of energy-saving electrical equipment.
- CRGO stacked assembled core/Coil-Core Assembly:** Readily used for insertion of LV and HV coils for distribution and power transformers for a capacity of up to 10 MVA.
- Wound core/ toroidal core:** single-phase and three-phase wound cores for transformer manufacturers and high-grade CRGO steel having low core loss is used for making circular cores.
- Yoke shunt/tank shield:** Tank Shield/Yoke Shunt are strips of CRGO coils, which are slit and cut from the coils in different widths and lengths.
- CRGO slit coils:** CRGO slit coils are produced to meet the customer's specifications from the required grade of materials.

The Company had export revenue of Rs.2.76 Cr, Rs.0.4 Cr, Rs.0.7 Cr, and Rs.2.01 Cr. in comparison to domestic revenue of Rs. 232.97 Cr, Rs. 282.20 Cr, Rs.232.32 Cr, Rs.130.63 Cr. as on Dec 23, and for FY23, FY22, and FY21, respectively.

Revenue bifurcation for FY 21, 22, 23, and Dec-23 is as follows -

Particulars	Mar-21		Mar-22		Mar-23		31-Dec-23	
	Amt in Cr.	%	Amt in Cr.	%	Amt in Cr.	%	Amt in Cr.	%
CRGO Electrical Lamination	100.54	75.79	181.39	77.84	233.45	82.61	204.80	86.87
Transformer Core	9.65	7.28	10.74	4.61	13.61	4.82	14.14	6.00
Insulation Craft Paper	0.56	0.42	0.41	0.17	0.77	0.27	1.44	0.61
CRGO Electrical Steel in Coils	18.99	14.32	36.85	15.81	27.10	9.59	9.58	4.06
Scrap and Others	1.38	1.04	3.65	1.56	7.67	2.72	5.78	2.45
Dry Transformers	1.53	1.15	-	-	-	-	-	-
Total	132.65	100	233.03	100	282.61	100	235.75	100

To conclude, since the Company was founded in 2006, it has vast experience in the field. The Company is raising total proceeds of Rs. 95.26 Cr out of which Rs. 45 Cr and Rs. 20 Cr is going to be used for funding capital expenditure towards acquisition and installation of additional plant and machinery and towards construction of factory and building, respectively. From fiscal 2021 to fiscal 2023, revenues from customers have grown at a CAGR of 45.96 % along with repeated orders from top customers over the years.



Business Strategies

1. Continue to focus on high growth business verticals and sectors in India and overseas -

The Company intends to take advantage of outsourcing trend that has led to an increase in dependency on suppliers that are capable of managing complex component production while maintaining high quality standards and the Company intends to focus in particular on increasing revenue from the sale of CRGO laminations and CRGO cores and on geographical expansion of product with certain customers with whom the Company has long standing relationships.

2. Continually seeking new customers to expand customer base-

The Company strives to maintain good relations with the existing customers and expand market share by attracting new customers by maintaining the quality standards and requirements and add new customers to grow and diversify customer base into new verticals and geographical locations.

3. Enhance engineering, innovation and design competence-

The Company seeks to improve in-house value engineering, testing and designing capabilities through human resource and technical development and work closely with key customers to upgrade and customize products.

4. Focus on operational efficiencies to improve returns-

The Company has taken up key initiatives of carrying out most manufacturing processes in-house. This allows to respond efficiently to customer requirements and need not depend on external vendors. To increase operational efficiency, the Company has planned inventory management, streamline people and material movement, streamline manufacturing processes, and energy costs reduction through efficient power sourcing and reduction in consumption. The Company implemented preventive maintenance initiatives across manufacturing locations to reduce losses and rejections through preventive maintenance measures.

Competitive Scenario and Peer Mapping

Competition

The precision components manufacturing industry is extremely competitive. Although, there are no specific legal or regulatory entry barriers in the industry, but the Company believes that precision components manufacturing being a capital-intensive business and involving complex technology, machinery and systems acts as barriers for new firms to entry into the market.

Peer Analysis

There are no listed companies in India that are engaged in the business line similar to that of Vilas Transcore Limited, thus it is not possible to provide an industry comparison in relation to the Company.



Industry Overview

World Power Industry-

World electricity demand remained resilient in 2022 amid the global energy crisis triggered by Russia's invasion of Ukraine. Demand rose by almost 2% compared with the 2.4% average growth rate seen over the period 2015-2019. The electrification of the transport and heating sectors continued to accelerate globally, with record numbers of electric vehicles and heat pumps sold in 2022 contributing to growth.

Asia Power Industry-

Electricity demand in India and the United States rose, while Covid restrictions affected China's growth.

Market size-

- Power is crucial for economic growth and welfare.
- India: 3rd largest producer and consumer of electricity globally.
- A total of 185.21 GW of capacity from non-fossil fuel sources has been installed in the country as of July 31, 2023.
- In the Union Budget 2023-24, the government allocated US\$ 885 million (Rs. 7,327 crore) for the solar power sector including grid, off-grid, and PM-KUSUM projects.
- India's power generation witnessed its highest growth rate in over 30 years in FY23. Power generation in India increased by 8.87% to 1,624.15 billion kilowatt-hours (kWh) in FY23.

Investments/Developments

- Total FDI inflows: US\$16.57 billion (April 2000-December 2022).
- Potential to attract over US\$20 billion in renewables in 2023.
- Major players like NTPC, Tata Power, and Adani Group investing heavily.
- Recent projects include solar, hydro, and hydrogen energy ventures.
- Investment in renewable energy sector grew over 125% YoY in FY22.

Government Initiatives-

- Allocated US\$885 million for the solar power sector in the Union Budget 2022-23.
- Introduced sovereign green bonds and conferred infrastructure status to energy storage systems.
- Green Energy Corridor projects to facilitate renewable power evacuation.
- National Portal for rooftop solar applications.
- Production Linked Incentive Scheme (Tranche II) for solar PV modules.
- Distribution of energy-efficient appliances under various schemes.
- Replacement of coal with renewable energy in thermal units.
- Support for rural electrification through DDUGJY, UDAY, and IPDS schemes.
- Plans for 75 textile hubs and a mega handloom cluster in Manipur.

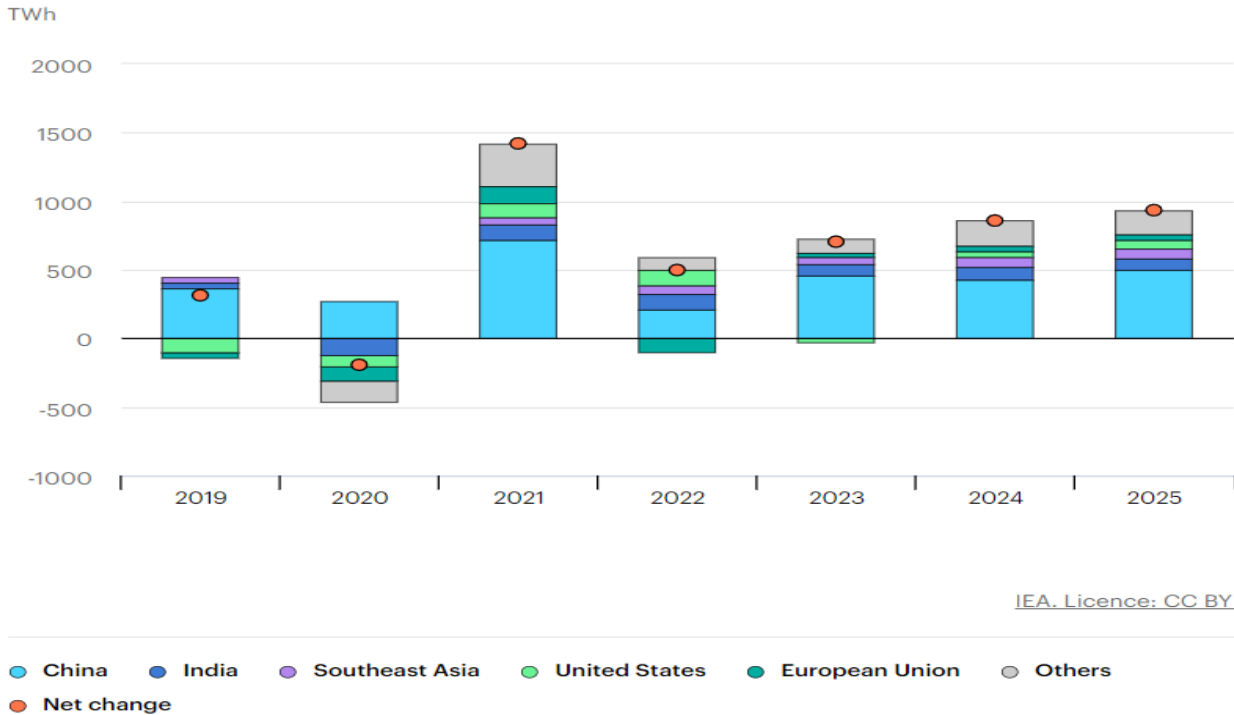
Road Ahead-

The Indian power sector is poised for significant growth and transformation in the coming years. With the government's ambitious target of 500 GW renewable energy capacity by 2030 and ongoing investments in transmission and distribution networks, opportunities abound for both public and private players. As the



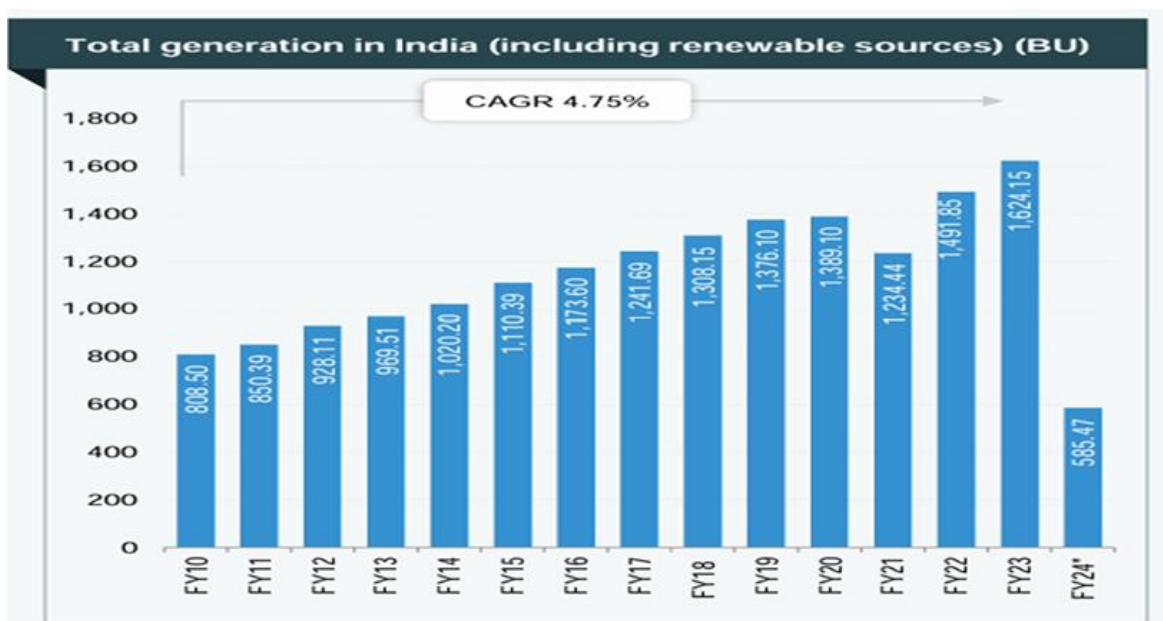
country experiences continued economic development and urbanization, demand for electricity is expected to rise further, positioning the power sector as a key driver of India's growth story. Additionally, the government's focus on universal access, clean energy transition, and reduced reliance on fossil fuels suggests a bright future for the sector.

Exhibit 1: YoY change in electricity demand by region, 2019-2025:



(Source: prospectus)

Exhibit 2: Total generation in India (including renewable sources):



(Source: prospectus)



Key Managerial Personnel

Mr. Nilesh Jitubhai Patel, aged 50 years, is one of the Promoters, Chairman and Managing Director of the Company. Prior to starting the Company, he was running a proprietorship firm in the name M/s Vilas Transcore. He holds a certificate of diploma in electrical dated in 1992. He has an experience of more than 27 years in the manufacturing and processing of laminated cores, transformer components and sheets for the transformer and power industry. His role and responsibilities include material procurement, sales, marketing & distribution and overall business development of the Company. He is also responsible for new business planning and strategies.

Miss Natasha Nilesh Patel, aged 22 years, is one of the Promoters and the Non-Executive Director of the Company. She was originally appointed to the board on June 09, 2020. She has completed her International Bachelor of Business Administration with Honours. She has a work experience of 3 years in the field of Manufacturing Industry.

Mr. Vipul Kumar Patel, aged 44 years, is the Whole Time Director and Chief Financial Officer of the Company. He completed his Bachelor of Commerce in 1999 and Bachelors of Education in 2007. He has a total work experience of around 16 years in the field of Accounts and Finance. He has been entrusted with the responsibility of looking after the Accounts and Finance department & Admin & HR department of the Company.

Mr. Hemang Harshadbhai Shah, aged 35 years, is the Non-Executive Independent Director of the Company. He is a qualified Company Secretary from the Institute of Company Secretaries of India. He has been working as a Practicing Company Secretary since 2016. He has 7 years of post-qualification experience in the field of secretarial matters.

Sandeep Ambalal Patel, aged 55 years, is the Non-Executive Independent Director of the Company. He has completed his Diploma in Electronics. He holds a post-qualification work experience of around 35 years.

To conclude, one of the promoters has vast experience in the industry as well as in his respective field. Whereas his daughter who is also one of the Promoters is particularly new in the industry but has a relevant degree to help in the growth of the business. The Non-Executive Directors have good experience and knowledge which can help the Company derive good growth and sustainability in the market. They all bring in their perspective and vast knowledge of different sectors to drive the growth of the Company.



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Financial Snapshot

Profit and Loss Statement				(In Cr.)
Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	132.65	233.03	282.61	235.75
Other Income	2.20	2.15	2.18	2.55
Total Income	134.85	235.18	284.78	238.30
Expenses	-	-	-	-
Cost of Materials Consumed	117.98	211.84	224.26	175.84
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-5.67	-30.86	12.82	23.46
Employee Benefit Expenses	6.69	8.49	9.39	7.77
Finance Costs	1.63	2.56	1.96	1.11
Depreciation and amortisation expenses	2.24	2.27	2.32	1.73
Other expenses	4.94	16.83	6.83	6.07
Total Expenses	127.81	211.13	257.57	215.97
Earnings Before Interest, Taxes, Depreciation & Amortization	8.71	26.73	29.31	22.61
EBITDA Margin	6.57%	11.47%	10.37%	9.59%
Profit/(Loss) before tax	7.04	24.05	27.21	22.32
Tax Expense				
Current Tax	2.13	6.46	7.34	5.80
Deferred Tax Expense	-0.32	-0.32	-0.35	-0.27
Total Tax Expense	1.81	6.14	6.99	5.53
Profit/(Loss) for the year	5.23	17.92	20.22	16.79
Net Profit Margin	3.88%	7.62%	7.10%	7.05%

Balance Sheet				(In Cr.)
Particulars	FY 21	FY 22	FY 23	Dec-23
ASSETS	-			
Non-Current Assets				
Property, Plant and Equipment				
a) Tangible Assets	37.87	37.07	34.49	33.43
b) Intangible Assets	0.02	0.01	0.01	0.01
Capital work-in-progress	0.23	0.05	-	-
Other non-current assets	0.24	0.26	1.26	1.41
Total Non-Current assets	38.36	37.39	35.75	34.85
Current Assets				
Current Investments	0.13	0.00	10.69	45.88
Inventories	20.33	51.18	53.29	29.80
(ii) Trade Receivables	42.64	22.13	42.39	50.08
(iii) Cash and Cash Equivalents	33.12	37.54	39.56	40.96
Short-term loans and advances	8.10	24.42	6.42	6.18
Other current assets	-	-	0.70	0.45
Total Current assets	104.30	135.27	153.04	173.35
Total Assets	142.66	172.66	188.80	208.21
EQUITY AND LIABILITIES				
Equity				
Share Capital	3.00	3.00	3.00	18.00
Reserves and Surplus	97.29	114.51	134.04	135.31
Total Equity	100.29	117.51	137.04	153.31
Liabilities				



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Balance Sheet				(In Cr.)
Non-current liabilities				
Long term borrowings	6.5323	3.4672	0.0532	0.0475
Deferred Tax liability	4.1891	3.8697	3.5219	3.2501
Total Non-current liabilities	10.72	7.34	3.58	3.30
Current liabilities				
(i) Short term borrowings	1.05	-	4.84	4.95
(iii) Trade Payables	-	-	-	-
-total outstanding dues of micro enterprises and small enterprises	0.36	0.33	0.14	0.58
-total outstanding dues of creditors other than micro enterprises and small enterprises	27.40	40.06	34.33	39.24
Other current liabilities	0.59	0.82	1.36	0.90
Short term provisions	2.25	6.59	7.50	5.92
Total Current liabilities	31.65	47.81	48.18	51.59
Total Liabilities	42.37	55.14	51.76	54.89
Total Equity and Liabilities	142.66	172.66	188.80	208.21

Cash Flow Statement				(In Cr.)
Particulars	FY 21	FY 22	FY 23	Dec-23
Net Cash Flow from Operating Activities	19.76	12.91	13.19	38.39
Net Cash Flow from Investing Activities	-0.49	-1.82	-10.64	-35.99
Net Cash Flow from Financing Activities	-1.23	-6.67	-0.53	-1.00

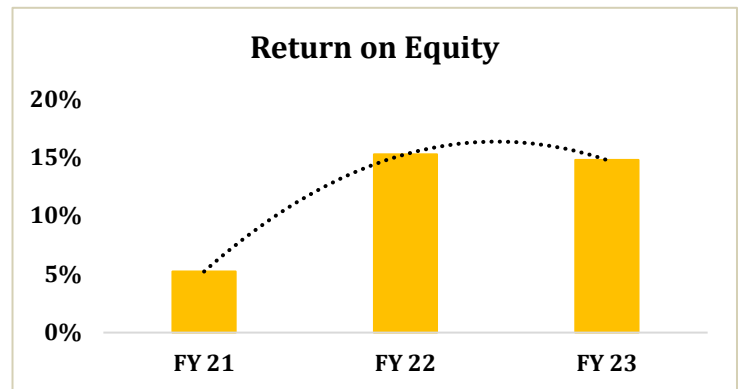
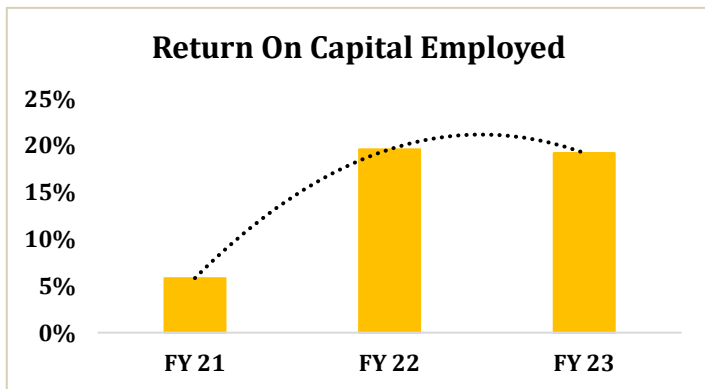
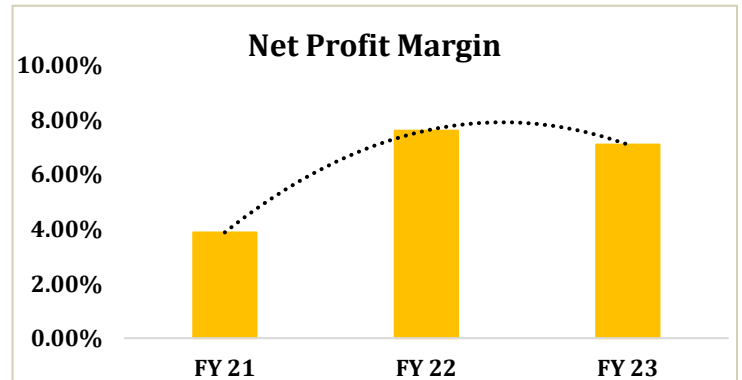
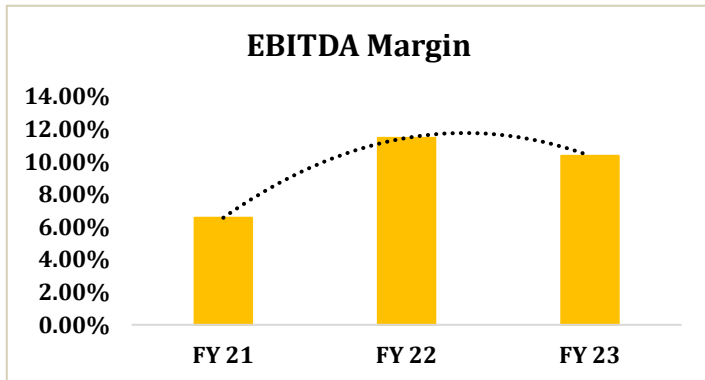
Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	2.91	9.95	11.24	9.90
BV per share	40.97	48.00	55.98	110.92
Operating Ratios				
EBITDA Margins	6.57%	11.47%	10.37%	9.59%
PAT Margins	3.88%	7.62%	7.10%	7.63%
Inventory days	55.93	80.16	68.83	34.76
Debtor days	117.32	34.66	54.74	58.42
Creditor days	53.10	61.61	59.38	92.75
Return Ratios				
RoCE	5.83%	19.59%	19.20%	10.25%
RoE	5.22%	15.25%	14.76%	8.93%
Valuation Ratios (x)*				
EV/EBITDA	8.58	3.12	3.49	7.81
Market Cap / Sales	2.71	1.54	1.27	1.14
P/E	50.52	14.77	13.08	14.85
Price to Book Value	3.59	3.06	2.63	1.33
Solvency Ratios				
Debt / Equity	0.08	0.03	0.04	0.02
Current Ratio	3.30	2.83	3.18	3.36
Quick Ratio	3.30	2.83	3.18	3.36
Asset Turnover	0.93	1.35	1.50	1.13
Interest Coverage Ratio	3.97	9.56	13.81	18.86

*Annualized Figures

*Valuation Ratios are calculated using the current Issue Price.



Financial Charts



Key Risk Factors

- There are outstanding legal proceedings involving the Company and Promoter amounting to Rs 13.38 Cr. Any adverse decision in such proceedings may have a material adverse effect on business.
- The company is generating almost 42% of revenue from sale of products for the period ended Dec 23 from one single customer, i.e., Voltamp Transformers Limited. Top 5 customers accounted for 78.03%, 74.34%, 65.00%, and 66.96% of revenues from sale of products in fiscals 2021, 2022, 2023 and December 31, 2023. The loss of any such customers or a significant reduction in the sales made to such customers, could materially adversely affect the business, results of operations and financial condition.
- The Company has certain contingent liabilities that have not been provided for in financial statements, amounting to Rs. 0.73 Cr. for the period ended 31st December 2023, which, if they materialize, may adversely affect the financial condition of the business.
- The Group Company named SMT Packaging Private Limited has incurred losses amounting to Rs. 0.88 Cr. for the period Dec 23 and any operating losses in the future could adversely affect the results of operations and financial conditions of the group company.



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Track Record of Lead Manager

The lead manager to the issue is Hem Securities Pvt Ltd. 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 –

Hem Securities Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Premier Roadlines Limited	40.36	67	May 17, 2024	93.85
2.	Aztec Fluids & Machinery Limited	24.12	67	May 17, 2024	79.93
3.	Energy-Mission Machineries (India) Limited	41.15	138	May 16, 2024	389.05
4.	TGIF Agribusiness Limited	6.39	93	May 15, 2024	110.29
5.	Amkay Products Limited	12.61	55	May 08, 2024	80.16
6.	Blue Pebble Limited	18.14	168	Apr 03, 2024	237.70
7.	Aspire & Innovative Advertising Limited	21.97	54	Apr 03, 2024	102.75
8.	Enfuse Solutions Limited	22.44	96	Mar 22, 2024	113.65
9.	Sona Machinery Limited	51.82	143	Mar 13, 2024	151.10
10.	Megatherm Induction Limited	53.91	108	Feb 05, 2024	302.85

*CMP for the above-mentioned companies is taken as of 22nd May 2024.

As per the offer document, from the above-mentioned mandates, only Sona Machinery Limited opened at a discount and the remaining mandates have opened at premiums on the listing date.

The Company has had 43 mandates in the past three years including the current Year.



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Recommendation

The Company has been in the industry since 2006 and has vast experience in the industry. The management overview of the Company is also good.

The P/E on a post-IPO and annualised basis is around 14.85 times and the Industry P/E is 24.0 times which makes it fairly priced in the industry. The Company's debt-to-equity Ratio is 0.02.

The Company is raising total proceeds of Rs. 95.26 Cr out of which Rs. 45 Cr and Rs. 20 Cr. is going to be used for funding capital expenditure towards acquisition and installation of additional plant and machinery and towards construction of factory and building, respectively.

The Company operates in a competitive environment and has a scalable business model. The Company has shown consistent increases in the revenue from operations and net profit since FY21 and also has positive operating cash flows for the periods ended Dec 24 and FY23.

Thus, we recommend **APPLY** to this IPO.



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