



## IPO Note

# Vdeal System Limited

Recommendation: **APPLY!**

### Company Background -

- Vdeal System Limited was originally formed and incorporated on Dec 10, 2009. The registered office is located at Orissa, India.
- The Company is an Integrated Electrical and Automation solution provider dealing in comprehensive electrical solutions across industries.
- The company providing solutions in Smart Low Voltage (LV) panels, Smart Medium Voltage (MV) panels, Smart Variable Frequency Drive (VFD) panels, Medium Voltage (MV) Soft Starter, Energy Management System (EMS) and Smart Programmable Logic Controller (PLC) panels, and etc.
- The company had 65 permanent employees as of August 20, 2024.

### Objects of the Issue -

- To meet the Working Capital Requirements.
- Prepayment and repayment of all or a portion of certain secured and unsecured loan availed by the company.
- General Corporate Purposes.
- To meet the Offer Expenses.

### Promoters Name -

Dhiraj Kochar, Tapaswini Panda, Brahmananda Patra and Reveal AI Technologies Private Limited

### Rationale for recommendation -

- ✓ The top line of the financials has seen a sustainable increase over the years
- ✓ The management overview is satisfactory
- ✓ The company has seen a good increase in its geographical footprint
- ✓ The company has a good strategy
- ✓ The company is planning to launch new products indicating a diversification of its products.
- ✓ Performed better compared to Peers
- ✓ The Company's P/E is slightly low compared to Industry Average

### IPO Details

Opening Date	Aug 27, 2024
Closing Date	Aug 29, 2024
Allotment Date	Aug 30, 2024
Listing Date	Sep 03, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹112
Issue Size	18.08 Cr.
Fresh Issue	18.08 Cr.
Offer for Sale	-
Application Amt	₹ 1,34,400 (1,200 shares)

### INDUSTRY - Electrical and Automation P/E Average - 57.4

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	1,618.48	2,072.40	2,622.48
EBITDA	147.98	247.69	553.49
Net Profit	23.10	110.10	311.39
RoCE	22.82%	50.92%	53.23%
ROE	9.97%	32.21%	49.53%
P/E	160.00	33.33	11.79

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.97%	66.97%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	9.50	6.37
BVPS	19.19	49.82
P/E	11.79	17.59
P/BV	5.84	2.25
Mkt Cap (In Cr)	36.70	54.77

### Lead Managers -

Affinity Global Capital Market Private Limited

### Registrar -

Cameo Corporate Services Limited

**Business Overview -**

Vdeal System Limited is a certified solution provider in Smart Low Voltage (LV) panels, Smart Medium Voltage (MV) panels, Smart Variable Frequency Drive (VFD) panels, Medium Voltage (MV) Soft Starter, Energy Management System (EMS) and Smart Programmable Logic Controller (PLC) panels, Air-insulated & Sandwich bus ducts.

The company operates an Integrated Electrical and Automation solution provider dealing in comprehensive electrical solutions across industries with a significant presence in multiple Industry segments. The products are supplied to industry players through a business-to-business model and is planning to expand into Business to business-to-customer model details of which are provided in the business strategy section of this report.

The company provides its services through 3 different models –

**Manufacturing** – The company manufacturer & supplier of Electrical Control Panels, and other electrical products. It has its manufacturing plant in Janla, Orissa. The products category can be divided into LV Electrical Control Panels, MV Electrical Control Panels, Automation Panels, and Spares and Services.

**Trading** – The trading business of the company includes the product portfolio of Variable Frequency Drive (VFD), switchgear and other spare parts. Its process involves sourcing, distributing, and selling electrical equipment such as VFDs, switchgear and other components to B2B customers.

**Value-Added Services** – These services include Turnkey Solutions, Annual Maintenance Contracts, Installation and Commissioning, Real-Time Deployment and Data Analytic Analyze.

**Revenue Bifurcation for the Period ended FY 2022, 2023, and 2024 are as follows –**

*(Amt in Lakhs)*

Business Model	FY 2022	%	FY 2023	%	FY 2024	%
Manufacturing Sales	813.25	50.25	1,224.20	59.07	1,557.83	59.40
Trading Sales	805.23	49.75	848.20	40.93	1,064.66	40.60
<b>Total</b>	<b>1,618.48</b>	<b>100.00</b>	<b>2,072.40</b>	<b>100.00</b>	<b>2,622.49</b>	<b>100.00</b>

**Product Portfolio –**



**LV Panel**



**MV Panel**



**Automation Panels**



**Bus Ducts**

**Applications** – The company’s products are used across various business segments such as Manufacturing, Industrial, Energy, Utilities, Building Automation, Transportation, Telecommunications, Healthcare, Data Centers, Retail and Hospitality.

### Future Business Plan -

In order to leverage Smart Technologies company is proposing to launch following products such as

- Facility Management System (Saas Based Platform using IOT Sensors such as Energy Usage, Temperature Control, Lighting and etc.)
- Smart Active Harmonic Filters (help to mitigate harmonic distortion in electrical systems.)
- Smart Wireless BusBar Temperature Monitoring Sensor & Controller (measure temperature and vibration of Electrical Control Panel bus bar, Low & high voltage switchgear and Air insulated & Sandwich Busduct)
- Smart Gas sensors (designed for smart homes, industrial settings, and wearable devices, by providing crucial information about the surrounding environment)

### Competition -

**Market Competition:** The industry is highly competitive, with competition primarily based on pricing, quality of services, customer satisfaction, and marketing.

**Geographic Competition:** The company faces competition on regional, national, and potentially international levels, which adds to the complexity of the market landscape.

**Barriers to entry:** Low barriers to entry.

**Bargaining Power of Suppliers:** The bargaining power is high with the suppliers.

**Bargaining Power of Buyers:** The bargaining power is high with the customers.

### Risk Factors -

The company's top 10 suppliers contributed 80.10%, 78.68%, and 76.94% for FY 2022, 2023 and 2024 respectively. Loss of any of the key suppliers may materially and adversely affect the business and financial performance.

The company and its directors are parties to certain legal proceedings amounting to Rs. 66.7 lakhs. Any adverse decision in such proceedings may have a material adverse effect on the business.

The company has had negative operating cash flow for FY 2022.

The company generates 75.49%, 61.09%, and 82.01% of its revenue from the state of Odisha for the FY ended 2022, 2023, and 2024 respectively.

The company has contingent liabilities amounting to Rs. 41.16 lakhs for FY 2024.

### PEER ANALYSIS

Particulars	Vdeal System Limited			Akanksha Power and Infrastructure Limited			Saakshi Medtech and Panel Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.4%	5.3%	11.9%	4.6%	6.3%	4.9%	10.2%	10.1%	9.2%
EBITDA Margin	9%	12%	21%	10%	12%	-35%	17%	17%	17%
RoCE	23%	51%	53%	22%	22%	-38%	37%	34%	15%
ROE	10%	32%	50%	1%	1%	1%	11%	11%	8%
EPS (INR)	0.70	3.36	9.50	1.66	2.00	1.82	36.08	47.65	6.41
P/E	160.00	33.33	11.79	0.00	-	42.55	-	-	34.99

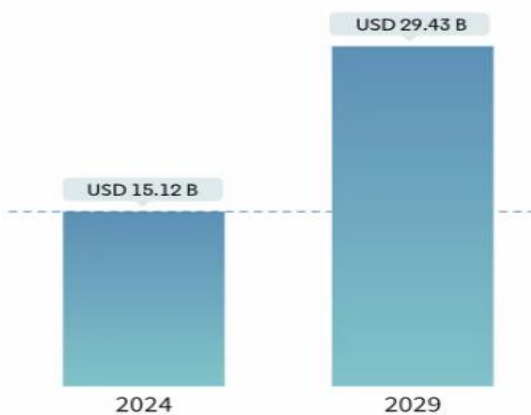
**Indian Industrial Automation Industry -**

**Market Size -**

The market size of industrial automation in India is anticipated to expand significantly, driven by advancements in technologies such as the Industrial Internet of Things and Industry 4.0. These technologies are central to the evolution and management of smart factory automation, where machinery and devices are interconnected via the internet.

The adoption of automated equipment is also expected to grow in the healthcare industry due to the expansion of manufacturing sectors. However, the high installation and acquisition costs of automation systems, as well as frequent changes in technology, are factors that may hinder the growth of this market. Furthermore, the COVID-19 pandemic and the associated lockdown restrictions have posed significant challenges to industrial activities, such as labor shortages and supply chain disruptions, which could impact the market's expansion.

**India Industrial Automation Market**  
Market Size in USD Billion  
CAGR 14.26%



(source:Mordor Intelligence )

**Market Analysis -**

The India Industrial Automation Market size is estimated at USD 15.12 billion in 2024, and is expected to reach USD 29.43 billion by 2029, growing at a CAGR of 14.26% during the forecast period (2024-2029).

Industrial automation refers to using control systems, like robots, computers, and information technologies, to handle several processes and machinery in an industry to replace human beings. It is the second step past mechanization in the scope of industrialization.

**Electrical Equipment Market -**

The India - electrical equipment market is projected to reach a value of USD 52.98 billion at a CAGR of 11.68% between 2022 and 2027. The India electrical equipment market is experiencing significant growth due to rapid urbanization and infrastructural development. The market includes various segments such as power distribution equipment, transmission equipment, and generation equipment. India's government initiatives like Make in India have encouraged domestic manufacturing and boosted the electrical equipment sector.



(source:maximizemarketresearch.com)

**The Future of Internet of Things in India -**

Given the huge unsaturated market for the automotive industry, industrial manufacturing, healthcare, etc., and with favorable policy changes by the Indian government in the past couple of years, India is deemed to become the global industrial hub. With 1.4 billion strong consumers, consumer IoT, automotive IoT, and healthcare IoT are also bound to grow strong in upcoming years. By 2028, the Indian IoT market is expected to reach 59.99 billion USD, of which 21.78 billion USD would account for industrial IoT and 21.26 billion USD for automotive IoT. The consumer IoT is also expected to reach 5.55 billion USD.

The Internet of Things market in India is witnessing a rapid growth rate, CAGR of 17.05% between 2023-2028 which is more than the global IoT CAGR of 16%. Indians are tech savvy and with the world's largest country by population, mostly young, India is the best bet in IoT developments and IoT-led industrial, medical, supply chain and manufacturing, retail, and smart city development and IoT promotions as well.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Dhiraj Kochar</b>
<b>Age</b>	47
<b>Designation and No. of years of experience</b>	Promoter, Chairman, Managing Director and Executive Officer, 16 Years of experience in providing automation solutions in Electrical Control Panels, Industrial Automation, and Process Automation including system integration through Artificial Intelligence (AI), Machine Learning (ML) and Industrial IoT.
<b>Qualification</b>	Bachelor's degree in electrical and Electronics Engineering
<b>Roles and Responsibility</b>	Implementation and managing the overall business affairs.
<b>Other Directorships</b>	Reveal AI Technologies Private Limited
<b>Key Management Persons Name -</b>	<b>Tapaswini Panda</b>
<b>Age</b>	37
<b>Designation and No. of years of experience</b>	Promoter, Whole-time Director & Chief Financial Officer (CFO), 15 years in Administration, Finance, Production and Negotiation.
<b>Qualification</b>	Diploma in Electrical Engineering
<b>Roles and Responsibility</b>	Overseeing and optimizing the day-to-day operations
<b>Other Directorships</b>	Reveal AI Technologies Private Limited
<b>Key Management Persons Name -</b>	<b>Brahmananda Patra</b>
<b>Age</b>	37
<b>Designation and No. of years of experience</b>	Promoter and Executive Director, 11 years of experience in Software Project Management and Software testing.
<b>Qualification</b>	Master's degree in computer application
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-
<b>Key Management Persons Name -</b>	<b>Shyamal Ghosh Roy</b>
<b>Age</b>	64
<b>Designation and No. of years of experience</b>	Non-Executive and Independent Director, 35 years of experience in Banking like Corporate Credit, MSME Credit, Retail Credit, Treasury Operations.
<b>Qualification</b>	Master's degree in arts (English), Diploma in Management, Certified Associate of Indian Institute of Bankers (CAIIB)
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Balaji Solutions Limited, Eastern Polycraft Industries Limited
<b>Key Management Persons Name -</b>	<b>Pashupati Nath Kundu</b>
<b>Age</b>	52
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 26 years of experience in various markets in India and South Asia.
<b>Qualification</b>	Bachelor's degree in science, Post Graduation Diploma in Management
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Business Coach and Consultant
<b>Key Management Persons Name -</b>	<b>Pranay Agarwal</b>
<b>Age</b>	52
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 26 years of experience in Information Technology industry
<b>Qualification</b>	Bachelor's degree in commerce
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Founder of Alfatech, a Proprietorship Concern



**FINANCIAL SNAPSHOT****Statement of Profit and Loss****Amt in Lakhs.**

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	1,618.48	2,072.40	2,622.48
Other Income	5.48	3.01	2.60
<b>Total Income</b>	<b>1,623.96</b>	<b>2,075.41</b>	<b>2,625.08</b>
<b>Expenses</b>			
Cost of Materials Consumed	1,365.64	1,644.51	1,904.45
Changes in Inventories of finished goods, WIP	-147.51	-115.70	-221.68
Employee Benefit Expenses	159.45	197.56	222.12
Finance Cost	74.63	83.35	109.62
Depreciation and Amortisation	47.62	18.57	20.12
Other expenses	92.92	98.34	164.10
<b>Total Expenses</b>	<b>1,592.75</b>	<b>1,926.63</b>	<b>2,198.73</b>
<b>EBITDA</b>	<b>147.98</b>	<b>247.69</b>	<b>553.49</b>
<b>EBITDA Margin</b>	<b>9.14%</b>	<b>11.95%</b>	<b>21.11%</b>
<b>Profit/(Loss) before tax</b>	<b>31.21</b>	<b>148.78</b>	<b>426.35</b>
<b>Tax Expense</b>			
Current tax	9.16	33.32	114.78
Deferred Tax	-1.05	5.36	0.18
<b>Total Tax</b>	<b>8.11</b>	<b>38.68</b>	<b>114.96</b>
<b>Profit/(Loss) for the year</b>	<b>23.10</b>	<b>110.10</b>	<b>311.39</b>
<b>Net Profit Margin</b>	<b>1.43%</b>	<b>5.31%</b>	<b>11.87%</b>

**Statement of Assets and Liabilities****Amt in Lakhs.**

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	29.79	29.79	327.65
Reserves and surplus	201.95	312.04	301.10
<b>Total Equity</b>	<b>231.74</b>	<b>341.83</b>	<b>628.75</b>
<b>2. Non-current liabilities</b>			
Long-term borrowings	206.79	101.50	360.42
Deferred Tax Liabilities (Net)	1.31	6.67	12.76
<b>Total Non-current liabilities</b>	<b>208.10</b>	<b>108.17</b>	<b>373.18</b>
<b>3. Current liabilities</b>			
Short-term borrowings	432.72	519.52	577.25
Trade Payables	239.74	489.07	930.17
Other Current Liabilities	20.88	52.53	112.66
Short-term provisions	9.15	33.32	105.92
<b>Total Current liabilities</b>	<b>702.49</b>	<b>1,094.44</b>	<b>1,726.00</b>
<b>Total Liabilities</b>	<b>910.59</b>	<b>1,202.61</b>	<b>2,099.18</b>
<b>Total Equity and Liabilities</b>	<b>1,142.33</b>	<b>1,544.44</b>	<b>2,727.93</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	269.05	276.03	261.89
Intangible Assets	2.53	7.30	14.84
Other Non-current Assets	11.93	11.64	345.25
<b>Total Non-Current assets</b>	<b>283.51</b>	<b>294.97</b>	<b>621.98</b>
<b>2. Current assets</b>			
Inventories	462.72	578.42	800.09
Trade Receivables	336.72	597.90	1,254.61
Cash & Cash equivalents	27.64	37.07	33.09
Short term loans and advances	31.74	36.08	18.16
<b>Total Current assets</b>	<b>858.82</b>	<b>1,249.47</b>	<b>2,105.95</b>
<b>Total Assets</b>	<b>1,142.33</b>	<b>1,544.44</b>	<b>2,727.93</b>

**Cash Flow Statement****Amt in Lakhs.**

<b>Particulars</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>
Net Cash Flow from Operating Activities	-12.33	111.98	134.61
Net Cash Flow from Investing Activities	-10.55	-8.47	-363.08
Net Cash Flow from Financing Activities	-53.10	-94.08	224.49

**Key Ratios**

<b>Per Share Data</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>Valuation Ratios (x)</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>
Diluted EPS	0.70	3.36	9.5	EV/EBITDA	5.70	3.74	2.77
BV per share	7.07	10.43	19.19	Market Cap / Sales	3.38	2.64	2.09
<b>Operating Ratios</b>				P/E	160.00	33.33	11.79
EBITDA Margins	9.14%	11.95%	21.11%	Price to Book Value	15.84	10.74	5.84
PAT Margins	1.43%	5.31%	11.87%	<b>Solvency Ratios</b>			
Inventory days	104.35	101.87	111.36	Debt / Equity	2.76	1.82	1.49
Debtor days	75.94	105.30	174.62	Current Ratio	1.22	1.14	1.22
Creditor days	64.08	108.55	178.27	Quick Ratio	0.56	0.61	0.76
<b>Return Ratios</b>				Asset Turnover	1.42	1.34	0.96
RoCE	22.82%	50.92%	53.23%	Interest Coverage Ratio	1.34	2.75	4.87
RoE	9.97%	32.21%	49.53%				

### LEAD MANAGER TRACK RECORD -

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

#### Affinity Global Capital Market Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Atmastco Limited	56.25	77.00	Feb 23, 2024	249.90
2.	Jiwanram Sheoduttrai Industries Limited	17.07	23.00	Sep 18, 2023	15.05
3.	Auro Impex & Chemicals Limited	27.07	78.00	May 23, 2023	74.90

The company has handled 3 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 26<sup>th</sup> Aug 2024.

As per the offer document, from the above-mentioned mandates Auro Impex & Chemicals Limited has opened at a discount and the remaining all have opened at a premium on the listing day.



## Recommendation -

Vdeal System Limited has been in the industry since 2009 and has vast experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 17.59 times which makes it fairly priced by looking at the performance of the company and sector. The industry average P/E is 68.06 times.

The company has demonstrated consistent top-line growth over the years. The company has seen a notable but sustainable increase in profit margins. Looking ahead, the company plans to venture into the renewable energy segment by implementing IoT sensors, a strategic move expected to drive further revenue growth. Additionally, the company is transitioning from a purely B2B model to include B2C, which is anticipated to generate further expansion opportunities.

Geographic diversification has also contributed to a broader client base, enhancing overall market reach. Furthermore, the company has outperformed its peers. With the current strategy and growth plans we expect the company to be sustainable. Thus, one can **APPLY** to this IPO for long-term investment.

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