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IPO Note

Vision Infra Equipment Solutions Limited

Recommendation: **APPLY!**



IPO Details

Opening Date	Sep 06, 2024
Closing Date	Sep 10, 2024
Allotment Date	Sep 11, 2024
Listing Date	Sep 13, 2024
Stock Exchange	NSE SME
Lot Size	800 Shares
Issue Price Per Share	₹155 to ₹163
Issue Size	106.21 Cr.
Fresh Issue	106.21 Cr.
Offer for Sale	-
Application Amt	₹ 1,30,400 (800 shares)

Company Background -

- Vision Infra Equipment Solutions Limited was originally formed and incorporated as a partnership firm under the name "M/s Vision Infra" on Oct 28, 2015. The registered office is located at Pune, Maharashtra.
- The company is a solution provider in the equipment space. The portfolio of services includes – renting of road construction equipment and trading and refurbishment of the equipment.
- The company had 51 permanent employees as of March 31, 2024.

Objects of the Issue -

- Funding Capital expenditure towards purchase of additional equipment
- Funding of Working Capital Requirements
- General Corporate Purposes

Promoters Name -

Sachin Vinod Gandhi, Chetan Vinod Gandhi and Sameer Sanjay Gandhi

Rationale for recommendation -

- ✓ The company's top line is sustainable going forward.
- ✓ The company has good objective
- ✓ The management overview is good
- ✓ The company has an advantage of first movers in the market.
- ✓ The company has P/E of 15 times Post IPO basis.
- ✓ The company has good order book

INDUSTRY - Infrastructure, Road, and Construction

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	29,457.43	35,980.81	33,274.58
EBITDA	3,449.25	5,596.56	8,237.36
Net Profit	927.74	918.43	2,668.51
RoCE	11.68%	18.20%	19.58%
ROE	36.90%	30.61%	113.73%
P/E	30.41	30.70	10.56

Promoter Share Holding Pattern

Pre-Issue	Post Issue
95.44%	70.20%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	15.43	10.83
BVPS	12.94	52.62
P/E	10.56	15.05
P/BV	12.59	3.10
Mkt Cap (In Cr)	295.46	401.67

Lead Managers -

Hem Securities Limited

Registrar -

Link Intime India Private Limited

Business Overview -

The company is a solution provider in the equipment space. The portfolio of services includes – renting of road construction equipment and trading and refurbishment of the equipment.

Clientele -

The company have large no. of fleet of major OEM’s like Wirtgen, Case, Luigong, Dynapac, Komatsu, Atlas Copco, Ashok Leyland, Bharat Benz, Eicher Motors, Volvo, Terex Power Screen, Caterpillar, Metro, BOMAG etc which is rented out to infra companies like: Larsen & Toubro, Ashoka Buildcon Ltd, Afcons Infrastructure Ltd, NCC Ltd, GMR Infraprojects Ltd, Shapoorji Pallonji, Dilip Buildcon Ltd, Tata Projects Ltd, ITD Cementation India Limited, HG Infra Engineering Ltd , IRB Infra developers Ltd, GR Infra Projects Ltd, etc

Future Plan -

The company intends to establish its new refurbishment unit at Gat No 185 and 186, Ambi, Taluka - Maval District- Pune, Maharashtra 410507 for which they have already executed the leave and license agreement for a period of 5 years.

Order Book - As of June 15, 2024, the Order Book includes (i) 17 work orders under Crushing Services aggregating to Rs. 12,038.28 Lakhs (ii) 24 work orders under Milling services aggregating to Rs. 1,290.38 Lakhs. These orders are spread across 13 states in India.

Product Portfolio -

1. Rental of Road Construction Equipment -

- i) Time-Based Pricing - rental business for construction equipment involves the provision of heavy machinery, tools, and equipment to construction companies, contractors, and individuals on a temporary basis.
- ii) Output-Based Pricing – **Milling Activity** - Milling in road construction refers to the process of removing a layer of the existing pavement surface from a roadway. **Crushing Activity** - Crushing in road construction refers to the process of reducing larger-sized materials into smaller particles that can be used as aggregates in various construction activities, including road building.

2. Trading and Refurbishment of Road Construction Equipment -

The company is involved in the business of Trading in second-hand road construction equipment which involves buying, refurbishing if necessary, and reselling used machinery for road construction activities.

FLEET OF ROAD CONSTRUCTION EQUIPMENTS

Tandem Roller

Excavator

Grader



FLEET OF TRADING AND REFURBISHED EQUIPMENT



As of March 31, 2024, company owns a fleet of 395 road construction equipment

Equipment Age	As of March 31, 2024
less than 1-year older equipment	153
less than 3 years older equipment	40
More than 3 years older equipment	202
Total	395

Competition -

- 1. Market Competition and Geographic Landscape:** Competition varies by project type, location, and value. Larger projects may attract well-resourced competitors, requiring the company to maintain high standards of technical capability and fleet readiness.
- 2. Barriers to entry:** Low barriers to entry. New entrants with more flexibility may respond faster to market changes
- 3. Threat of Substitutes:** Moderate. Competitors offering similar services, both organized and unorganized, present substitution threats.
Bargaining Power of Buyers: High, price remains the deciding factor. Increasing buyer power.
- 4. Bargaining Power of Suppliers:** High, Equipment availability and skilled labour are critical to project success. Supplier constraints could impact costs.

Business Strategies -

- The company intends to expand its business operations to other regions of the country and also expand the export sales. The company plans to continue the strategy of diversifying and expanding the presence in these regions for the growth of the business.
- The company usually purchase new machinery and after using the same for a limited number of two to three years and dispose of the same. The company continues to focus on building young fleet of equipment with quick equipment turnover.
- The company intends to achieve cost efficiency through h long-term partnerships with suppliers who offer competitive pricing without compromising quality.
- The company intends to focus on timely fulfilment of orders.

PEER ANALYSIS

The company believes they do not have any listed peers for comparison as per the RHP.

Risk Factors -

The top 10 customers contributed to 84.02%, 81.07%, and 62.21% for the FY 2022, 2023, and 2024 respectively. The loss of any one or more of the major clients would have a material adverse effect on the business operations and profitability.

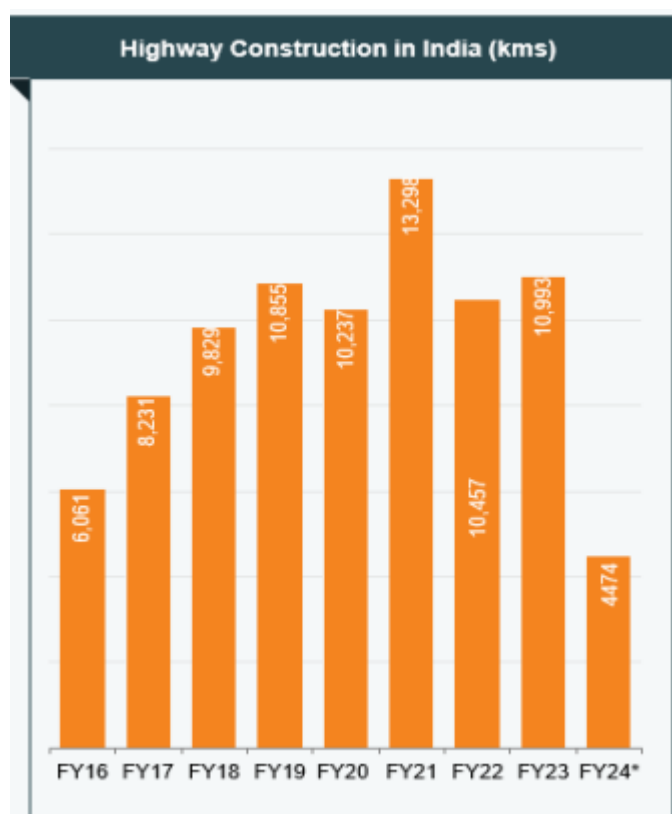
There are outstanding legal proceedings involving the company amounting to Rs. 797.63 lakhs which may adversely affect the business, financial conditions, and results of operations.

The company have contingent liabilities amounting to Rs. 387.52 lakhs, if realized, could adversely affect the financial condition.

Road Industry -

India has the second-largest road network in the world, spanning over 6.3 million kms. Over 64.5% of all goods in the country are transported through roads, while 90% of the total passenger traffic uses road network to commute. Under the Union Budget 2023- 24, the Government of India allocated Rs. 2.7 lakh crore (US\$ 33 billion) to the Ministry of Road Transport and Highways.

The Roads sector is expected to account for 18% capital expenditure over FY19-FY25. In FY22 (until November 2021) private sector invested Rs. 15,164 crore (US\$ 1.98 billion) in roads. India's road network has grown 59% to become the second-largest in the world in the last nine years. India has nearly 64 lakh km of total road network and the National Highways network alone stood at 145,240 km in 2022-23 compared to 91,287 km in 2013-14.



(Source: rhp)

Construction -

The Construction industry in India consists of the Real estate as well as the Urban development segment. The Real estate segment covers residential, office, retail, hotels and leisure parks, among others. While Urban development segment broadly consists of sub-segments such as Water supply, Sanitation, Urban transport, Schools, and Healthcare.

- United Nations projects India’s population to be 1.64 Bn by 2047, an estimated 51% of India’s population is likely to be living in urban centres.
- One of the leading recipients of FDI in the country; construction development sector inflows \$32 Bn (Apr 2000-Sept 2023).

Infrastructure -

In Budget 2023-24, capital investment outlay for infrastructure is being increased by 33% to Rs.10 lakh crore (US\$ 122 billion), which would be 3.3 per cent of GDP.

Infrastructure Finance Secretariat is established to enhance opportunities for private investment in infrastructure that will assist all stakeholders for more private investment in infrastructure.

The Indian government has introduced various formats in order to attract private investments, especially in roads and highways, airports, industrial parks and higher education and skill development sectors. Private Equity-Venture Capital firms invested US\$ 3.5 billion (across 71 deals) in Indian companies in May 2023.

India’s logistics market is estimated to be US\$ 435.43 billion in 2023 and is expected to reach US\$ 650.52 billion by 2028, growing at a CAGR of 8.3%. The Ministry of Commerce and Industry, states that the logistics sector accounts for 5% of India's GDP and provides jobs for nearly 2.2 crore Indians.

Key Management -

Key Management Persons Name -	Sachin Vinod Gandhi
Age	41
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 19 years in the renting of road construction equipment and trading and refurbishment of the equipment.
Qualification	B.com
Responsibility	Responsible for the overall management of the Company
Other Directorships	Canrod India Private Limited
Key Management Persons Name -	Chetan Vinod Gandhi
Age	37
Designation and No. of years of experience	Promoter and Whole-Time Director, 14 years in the renting of road construction equipment and trading and refurbishment of the equipment.
Qualification	Master's in business administration with a specialization in Marketing Management.
Responsibility	Manages refurbishment activities, spearheads sales strategies, and provides leadership
Other Directorship	Canrod India Private Limited
Key Management Persons Name -	Sameer Sanjay Gandhi
Age	33
Designation and No. of years of Experience	Promoter and Whole-Time Director, 13 years in renting, trading, and refurbishing road construction equipment, with comprehensive expertise in equipment sourcing, and maintenance
Qualification	B.com
Responsibility	Responsible for renting and sales planning.
Other Directorships	Vision Infra Equipments Private Limited
Key Management Persons Name -	Kamlesh Popatlal Bhandari
Age	39
Designation and No. of years of experience	Non-Executive Director, 20 years in trading and sourcing of sugar, dry coconut powder and construction materials.
Qualification	Secondary school
Other Directorships	-
Key Management Persons Name -	Akash Manohar Phatak
Age	55
Designation and No. of years of experience	Independent Director, 30 years in the chemical industry.
Qualification	Bachelor of Chemical Engineering
Other Directorships	Markolines Pavement Technologies Limited
Key Management Persons Name -	Anjali Vikas Sapkal
Age	48
Designation and No. of years of experience	Independent Director, 20 years in the field of Quality Management System specializing in designing, and implementing management systems
Qualification	Postgraduate program in Financial Management
Other Ventures	G M Polyplast Limited, Markolines Pavement Technologies Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	29,457.43	35,980.81	33,274.58
Other Income	1,052.73	908.73	1,691.00
Total Income	30,510.16	36,889.54	34,965.58
Expenses			
Cost of Materials Consumed	22,107.55	23,489.13	17,669.21
Cost of Services Provided	3,149.00	4,076.00	5,313.00
Changes in Inventories of finished goods, work-in-progress	-812.55	622.50	-1,603.14
Employee Benefit Expenses	836.56	1,423.03	1,695.93
Finance Cost	1,093.80	1,502.53	1,747.17
Depreciation and Amortisation	2,194.92	3,365.37	4,236.10
Other expenses	727.62	773.59	1,962.22
Total Expenses	29,296.90	35,252.15	31,020.49
EBITDA	3,449.25	5,596.56	8,237.36
EBITDA Margin	11.71%	15.55%	24.76%
Profit/(Loss) before tax	1,213.26	1,637.39	3,945.09
Tax Expense			
Current tax	334.12	606.74	1,250.86
Deferred Tax	-48.60	112.22	25.72
Total Tax	285.52	718.96	1,276.58
Profit/(Loss) for the year	927.74	918.43	2,668.51
Net Profit Margin	3.15%	2.55%	8.02%

Statement of Assets and Liabilities			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	2,514.12	3,000.37	1,730.00
Reserves and surplus	-	-	616.31
Total Shareholder's Fund	2,514.12	3,000.37	2,346.31
2. Minority Interest			
	-	-	7.54
Total Equity	2,514.12	3,000.37	2,353.85
3. Non-current liabilities			
Long-term borrowings	8,202.20	9,203.61	18,008.77
Deferred Tax Liabilities (Net)	-	19.86	45.57
Long term provision	20.55	32.70	27.91
Total Non-current liabilities	8,222.75	9,256.17	18,082.25
4. Current liabilities			
Short -term borrowings	4,879.89	5,942.09	8,418.89
Trade Payables			
(i) Total outstanding dues of MSME	1,430.57	1,694.48	808.61
(ii) Total outstanding dues of creditors other than MSME	1,246.46	853.35	2,530.54
Other Current Liabilities	2,421.45	3,618.21	2,981.51
Short-term provisions	133.54	379.20	959.09
Total Current liabilities	10,111.91	12,487.33	15,698.64
Total Liabilities	18,334.66	21,743.50	33,780.89
Total Equity and Liabilities	20,848.78	24,743.87	36,134.74
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	10,081.89	16,112.45	19,673.59
Intangible Assets	14.35	10.90	8.08
Capital Work-In-Progress	1,694.14	500.00	27.00
Deferred Tax Assets (Net)	92.36	-	-
Long term loans and advances	182.06	168.08	134.05
Other Non- current Assets	31.09	93.34	0.05

Recommendation: **APPLY**

Particulars	FY 22	FY 23	FY 24
Total Non-Current assets	12,095.89	16,884.77	19,842.77
2. Current assets			
Inventories	1,741.84	992.53	2,926.13
Trade Receivables	4,431.88	4,439.92	9,585.84
Cash & Cash equivalents	173.69	395.30	1,051.27
Short term loans and advances	829.74	1,111.43	1,459.77
Other Current Assets	1,575.73	919.90	1,268.97
Total Current assets	8,752.88	7,859.08	16,291.98
Total Assets	20,848.77	24,743.85	36,134.75

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	1,749.83	7,614.56	181.60
Net Cash Flow from Investing Activities	-4,762.80	-7,571.42	-6,079.43
Net Cash Flow from Financing Activities	2,705.10	128.48	6,211.86

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	5.36	5.31	15.43	EV/EBITDA	4.47	3.17	3.37
BV per share	13.87	16.55	12.94	Market Cap / Sales	1.36	1.12	1.21
<u>Operating Ratios</u>				P/E	30.41	30.70	10.56
EBITDA Margins	11.71%	15.55%	24.76%	Price to Book Value	11.75	9.85	12.59
PAT Margins	3.15%	2.55%	8.02%	<u>Solvency Ratios</u>			
Inventory days	21.58	10.07	32.10	Debt / Equity	5.20	5.05	11.26
Debtor days	54.91	45.04	105.15	Current Ratio	0.87	0.63	1.04
Creditor days	43.64	39.81	67.71	Quick Ratio	0.69	0.55	0.85
<u>Return Ratios</u>				Asset Turnover	1.41	1.45	0.92
RoCE	11.68%	18.20%	19.58%	Interest Coverage Ratio	1.15	1.48	2.29
RoE	36.90%	30.61%	113.73%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Hem Securities 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 –

Hem Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Sunlite Recycling Industries Limited	30.24	105.00	Aug 20, 2024	159.30
2.	Aprameya Engineering Limited	29.23	58.00	Aug 01, 2024	64.85
3.	Chetana Education Limited	45.90	85.00	July 31, 2024	100.90
4.	Ganesh Green Bharat Limited	125.23	190.00	July 12, 2024	427.55
5.	Aimtron Electronics Limited	87.02	161.00	June 06, 2024	478.65
6.	Vilas Transcore Limited	95.26	147.00	June 03, 2024	442.40
7.	Aztec Fluids & Machinery Limited	24.12	67.00	May 17, 2024	108.45
8.	Premier Roadlines Limited	40.36	67.00	May 17, 2024	127.55
9.	Energy-Mission Machineries (India) Limited	41.15	138.00	May 16, 2024	429.50
10.	TGIF Agribusiness Limited	6.39	93.00	May 15, 2024	91.38

The company has handled 49 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 4th Sep 2024.

As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

Vision Infra Equipment Solutions Limited has been in the industry since 2015 and has good experience in the industry. The management overview of the company is satisfactory

The P/E on a post-IPO basis is around 15.05 times which makes it fairly priced based on the performance of the company.

The company operates in a fragmented segment. The company has seen a sustainable increase in revenue over the years. The company with a good track record has performed well. The company's business model is efficient and sustainable. The company is utilising its net proceeds for the purchase of new equipment which we believe may impact the growth in the revenue in the near future. The company also has a good order book which will play a vital role in the growth of the business.

The company also has its own disadvantages such as the sudden growth in the bottom line and has high D/E ratio. But, based on the management, years of experience, and the good order book we believe the company can achieve good growth in the future and thus be sustainable.

Thus, one can **APPLY** to this IPO.

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