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IPO Note:

VIKRAN ENGINEERING LIMITED - SUBSCRIBE

Vikran Engineering Ltd. (VEL) is a fast-growing Indian Engineering, Procurement, and Construction (EPC) company in terms of revenue growth for FY23-25, when compared to industry growth estimates and the peer set under consideration. While its revenue from operations is smaller than that of its listed industry rivals, it has grown at a CAGR of 32.17%, according to Restated Financial Information.

It has a diverse project portfolio, with the majority of revenue coming from energy and water infrastructure verticals. The company offers turnkey services ranging from conceptualization to design, supply, installation, testing, and commissioning, and operates in a variety of industries such as power, water, and railway infrastructure. Within the power industry, VEL operates in both power transmission and power distribution. Its water-related projects include subterranean and surface water delivery, overhead tanks, and distribution networks. The company also has experience with solar EPC for ground-mounted solar systems and smart metering.

In addition, as part of railway projects, it works on 132 kV traction substations and underground EHV cabling. Its primary skills include in-house design and engineering, as well as timely project implementation. The organization has successfully completed projects for government agencies, public sector enterprises, and private businesses. Its emphasis on operational excellence and an effective cost structure has allowed it to produce high-value projects that fulfill demanding regulatory and quality criteria. VEL had the greatest operational EBITDA margin of 17.50% for Fiscal 2025, the second highest PAT margin of 8.44%, and the second highest Return on Equity (ROE) among the peers analyzed in Fiscal 2025.

VEL has expertise conducting EPC projects, with several of them completed ahead of schedule or within the contractual time frames. As of June 30, 2025, it had completed 45 projects in 14 states for a total contract value of Rs. 1919.92 Crore. As of June 30, 2025, it has 44 current projects in 16 states, totaling Rs. 5120.21 crore, with an Order Book of Rs. 2442.44 Crore. It participates in competitive bidding processes, primarily through tendering, to secure contracts.

VEL's government clients include NTPC Limited, Power Grid Corporation of India Limited, South Bihar Power Distribution Co. Ltd., North Bihar Power Distribution Co. Ltd., Transmission Corporation of Telangana Limited, Madhya Pradesh Power Transmission Company Limited, Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited, District Water and Sanitation Mission (PHED), and State Water and Sanitation Mission (SWSM). Further it is working on certain projects for Assam Power Distribution Company Limited and the Danapur division of the Eastern Central Railway. Power Transmission and Distribution/Water Infra has lion share in its top lines for the reported periods.

Rakesh Ashok Markhedkar, the Promoter, Chairman, and Managing Director, has 34 years of expertise in the EPC business, having worked at Larsen and Toubro Limited, Voltage Engineering Limited, EMCO Limited, KEI Industries Limited, ERA InfraEngineering Limited, and Bajaj Electricals Limited. He had a key role in the business turnaround of EMCO, KEI, and Bajaj Electricals.

Investment Recommendation and Rationale: -

The Indian Infrastructure and Renewable Energy sectors are expanding rapidly, fueled by increased government investments in water supply, energy transition, railways, and urban development projects. Within this space, Vikrant Engineering has a strong execution track record, having completed 45 projects worth Rs. 1,920 crore and an active order book of Rs.2,442 crore across 16 states. At the upper price band of Rs.97, the issue is valued at a P/E multiple of ~32.12x on its FY25 EPS of Rs. 3.02 post IPO. We give a 'SUBSCRIBE' rating to the issue for the following reasons: -

1. Diversified presence in high-growth sectors like water, rail, solar EPC, and smart metering boosts growth potential and reduces sector risk.
2. Vikran Engineering's excellent order book and execution track record make it an appealing investment opportunity.
3. VEL financial performance has been consistent, with Revenue increasing 17% YoY and Net Profit increasing to Rs.78 crore in FY25 from Rs.75 crore in FY24.

Issue Opens	26th August 2025
Issue Closes	29th August 2025
Type of Issue	Fresh Issue of 7,43,29,896 shares (aggregating up to Rs. 721.00 Crores) Offer for sale of 52,57,731 shares of Rs.1 (aggregating up to Rs. 51.00 Crores)
Issue size	Rs. 772.00 Crores
Price Band	Rs. 92 to Rs. 97 per share
Bid lot/ Bid Size	148 shares/ Rs. 14,356
Issue structure	QIB-50%, HNI- 15%, Retail- 35%
Post issue equity shares	25,79,11,026 shares
Promoters and Promoter Group Public	Pre Issue – 81.78% Post Issue – 56.17% Pre issue –18.22% Post Issue- 43.83%
Post issue implied market cap	Rs. 2,501.63 Crores
BRLMs	Pantomath Capital Advisors Private Limited, Systematix Corporate Services Limited
Registrar to the issue	Bigshare Services Private Limited

Financial Summary (in Rs. million, unless otherwise indicated)

Particulars	Fiscal		
	2025	2024	2023
Revenue from Operations	9,158.47	7,859.48	5,243.05
EBITDA	1,602.35	1,332.95	797.14
EBITDA Margin (%)	17.50	16.96	15.20
PAT	778.19	748.31	428.40
PAT Margin (%)	8.44	9.46	8.10
ROE (%)	16.63	25.69	32.67
ROCE (%)	23.34	30.43	28.04
Net Worth	4,678.73	2,912.80	1,311.35
Debt to Equity Ratio	0.58	0.63	1.18
Fixed Assets Turnover Ratio	101.27	91.00	57.38
Inventory Turnover Ratio	11.64	12.80	10.70
Order Book	20,443.18	21,148.02	20,457.86
Order Book to Revenue from Operations(%)	223.22	269.08	390.19

Source: Red Herring Prospectus (RHP)

The details of each vertical's contribution to revenue from operations are listed below:

Vertical	FY25		FY24		FY23	
	Revenue from operations	% of total Revenue from operations	Revenue from operations	% of total Revenue from operations	Revenue from operations	% of total Revenue from operations
Power Transmission and Distribution	6,676.69	72.90	3,875.83	49.31	2,530.80	48.27
Water Infrastructure	2,453.25	26.79	3,873.37	49.28	2,590.08	49.40
Railway & Infra	28.53	0.31	110.28	1.40	122.17	2.33
Total	9,158.47	100.00	7,859.48	100.00	5,243.05	100.00

(Amount in Rs. million, unless otherwise stated)

Source: Red Herring Prospectus (RHP)

Objects of the issue

Fresh Issue of 7,43,29,896 shares (aggregating up to Rs. 721 Cr).

Offer for sale of 52,57,731 shares of Rs.1 (aggregating up to Rs. 51 Cr).

The Company proposes to utilize the Net Proceeds towards funding the following objects:

1. Funding working capital requirements of the Company.
2. General corporate purposes.

Source: Red Herring Prospectus (RHP)

Shareholding Pattern

Name of the Selling Shareholders	Type	Number of Equity Shares Offered (In Rs. Million)	Weighted Average Cost of Acquisition per Equity Share (in ₹) ^
Rakesh Ashok Markhedkar	PSS	Equity Shares of face value Rs. 1 each aggregating up to Rs. 510 million	Negligible

Peer Comparison

Name of the Company	Revenue from operations Fiscal 2025 (Rs. million)	Closing Price as on August 14, 2025	Face value per equity share (Rs.)	EPS (Rs. per share)	NAV per Equity share on March 2025	P/E Ratio (x)	RoNW (%)
Vikran Engineering Ltd	9,158.47	NA	1.00	4.35	25.49	NA	16.63
Listed Peers							
Bajel Projects Ltd	25,982.37	212.72	2.00	1.34	57.63	158.75	2.32
Kalpataru Projects International Ltd	2,23,157.80	1,232.10	2.00	35.53	378.80	34.68	8.77
Techno Electric & Engineering Company Ltd	22,686.61	1,493.50	2.00	37.19	321.55	40.17	11.31
SPML Infra Ltd	7,706.36	279.95	2.00	7.61	107.43	36.79	6.22
KEC International Ltd	2,18,467.00	778.55	2.00	21.80	200.88	35.71	10.67
Transrail Lighting Ltd	53,077.50	790.40	2.00	25.72	140.11	30.73	17.36

Source: Red Herring Prospectus (RHP)



Competitive Strengths

1. A rapidly expanding engineering, procurement, and construction ("EPC") company specializing in timely implementation of power transmission, distribution, and water infrastructure projects.
2. Diversified Order Book across business verticals and consistent financial performance.
3. Pan India presence with strong supply chain.
4. In-house technical and engineering capabilities, process control and quality assurance.
5. Experienced promoters and management team, having domain knowledge.

Source: Red Herring Prospectus (RHP)

Growth Strategies

1. Continue to improve fundamental expertise in the power transmission and distribution, and water infrastructure sectors.
2. Selectively increasing the geographical footprint globally.
3. Expand EPC portfolio into other EPC sectors.
4. Capitalizing on Government initiatives and policies.

Source: Red Herring Prospectus (RHP)

Key Risks

1. Over 60% of revenue is tied to government authorities and public sector undertakings. Any delays, tender cancellations, or unfavorable policy shifts may significantly impair business operations and financial performance.
2. The business incurs high levels of trade receivables, inventory, and contract assets. Ineffective management of these can strain liquidity, hamper free cash flow, and impact profitability.
3. Although past performance shows timely or early project delivery, inability to sustain this, or manage the increasing scale of operations efficiently, could lead to cost overruns, delays, and jeopardize future contract wins.
4. The EPC space is competitive, with both established and emerging players aggressively bidding for projects. This may pressure margins and margins win rates.
5. A significant portion of operations comes from the power transmission and water infrastructure sectors. Any socio-political, regulatory, or economic downturn in these specific areas could adversely affect the business.

Source: Red Herring Prospectus (RHP)

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For research related queries contact:

Divya Makwana - Research Analyst at research@ajcon.net

CIN: L74140MH1986PLC041941

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Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062