IPO REVIEW

Vans Electroengineerings IPO

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- The company is engaged in the business of manufacturing and supplying components of traction power supply and overhead equipment system for Indian Railways.
- It enjoys “Development Vendor” status from CORE.
- Its order book stood at Rs. 50.62 cr. as of September 05, 2026.
- Based on its recent average financial data, the issue appears aggressively priced.
- However, well-informed investors may park funds for medium to long term.

About the Company

Vans Electroengineerings Ltd. (VEL) is an ISO 9001:2015 certified company, engaged in the business of manufacturing and supplying components of traction power supply and overhead equipment system used in Indian railway electrification infrastructure and metro systems along with renewable energy systems. The aforementioned equipment is mainly supplied to Indian Railways and railway contractors.

The Company possess expertise in manufacture and supplying of traction power supply and overhead equipment system, which assists it in maintaining a product portfolio approved by the Research Designs and Standards Organization ("RDSO") and for use in traction substations, sectioning posts, feeding posts and other railway electrification applications like: -Single Pole Vacuum Circuit Breakers -Double Pole Vacuum Circuit Breakers -Single Pole Vacuum Interrupter -Double Pole Vacuum Interrupter.

VEL currently operate through its registered office and manufacturing facility located at Salem, Tamil Nadu. At the manufacturing facility, it carries out manufacturing of vacuum circuit breakers and vacuum interrupters, which is equipped with various machinery including busbar multi-processing machine, horizontal bandsaw machine and other handling tools along with in-house testing and quality control infrastructure to ensure proper product handling and efficient manufacturing operations. Its manufacturing facility is equipped with in-house testing and quality control equipment that enable it to conduct various tests and inspections throughout the production process.

The machinery and equipment deployed at its facility facilitate efficient manufacturing of products in accordance with customer specifications and applicable quality standards. These testing capabilities support the reliability, performance and safety of products in demanding railway electrification applications. VEL’s quality control capabilities enable it to develop required solutions for Indian railways, metro systems, industrial duty, and special applications while ensuring compliance with

applicable domestic and international standards. As a testament to its commitment towards quality along with in-house testing, it has engaged with Korea Electrotechnology Research Institute (“KERI”), South Korea and Central Power Research Institute (“CPRI”), Bangalore to conduct various tests, ensuring compliance with international standards including IEC 62505-1: 2016, IEC 62271-100/2017-07 among other standards, to offer products and solutions aligned with global benchmarks.

Over the period, the company received various approvals from Central Organization for Railways Electrification (“CORE”) for acting as “Developmental Vendor” for its products and has subsequently been upgraded to “Approved Vendor” status for some products. These approvals enable it to participate in railway procurement processes and supply products that comply with prescribed technical specifications. Further, it has received approvals from the Research Designs and Standards Organization ("RDSO"), Lucknow for the manufacture and supply of Vacuum Circuit Breakers and Vacuum Interrupters in accordance with prescribed technical specifications and standards. Its order book stood at Rs. 50.62 cr. as of September 05, 2026. As of August 31, 2026, it had 33 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 2880000 equity shares of Rs. 10 each to mobilize Rs. 33.98 cr. at the upper cap. The company has announced a price band of Rs. 112 – Rs. 118 per share. The minimum application to be made is for 2400 shares and in multiples of 1200 shares thereon, thereafter. The issue opens for subscription on September 29, 2026 and will close on October 01, 2026. The shares will be listed on BSE SME. The IPO constitute 26.47% of the post-IPO paid-up capital of the company. From the net proceeds of the issue, the company will utilize Rs. 25.00 cr. for working capital, and the rest for general corporate purposes.

The company has reserved 48000 equity shares (worth Rs. 0.57 cr. at the upper cap) for its eligible employees. From the rest, it has allocated 146400 equity shares for the market maker, and not more than 1341600 shares for QIBs, not less than 403200 shares for HNIs, and not less than 940800 shares for Retail investors.

The IPO is solely lead managed by Hem Securities Ltd., while Bigshare Services Pvt. Ltd. is the registrar to the issue. HEM group’s Hem Finlease Pvt. Ltd. is a market maker, and also a syndicate member.

After issuing initial equity capital at par value, the company issued bonus shares in the ratio of 3 for 1 in June 2026. The average cost of the acquisition of shares by the promoters is Rs. NA per share.

Post-IPO, company’s current paid-up equity capital of Rs. 8.00 cr. (8000000 equity shares) will stand enhanced to Rs. 10.88 cr. (10880000 equity shares). Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 128.38 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted total income/ net profit, of Rs. 2.76 cr. / Rs. 0.02 cr. (FY24), Rs. 13.82 cr. / Rs. 1.73 cr. (FY25), Rs. 23.19 cr. / Rs. 5.39 cr. (FY26). The company posted steady growth in its top and bottom lines for the reported periods. The boosted profits for FY26 (Pre-IPO year) appears a window dressing to fetch fancy valuation for IPO. Trade receivables of Rs. 13.14 cr. as of March 31, 2026 raise alarm.

For the last three fiscals, the company has reported an average EPS of Rs. 4.57 and an average RoNW of 44.99%. The issue is priced at a P/BV of 10.30 based on its NAV of Rs. 11.46 per share as of March 31, 2026 , but its post-IPO NAV data is missing from its offer documents.

If we attribute FY26 earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 23.79, and based on FY25 earnings, the P/E stands at 74.21. The issue appears aggressively priced based on its recent average earnings.

The company has posted PAT Margins of 0.83% (FY24), 12.75% (FY25), 23.61% (FY26) and RoCE margins of 2.10%, 53.51%, 63.96%, respectively for referred periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It has adopted a dividend policy in June 2026, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has no listed players to compare with.

Merchant Banker's Track Record

This is the 54th mandate from Hem Securities, in the last three fiscals (including the ongoing one). Out of the last 10 listings, 2 opened at par, and the rest listed with a premium ranging from 3.70% to 90.00% on the listing date.

Conclusion / Investment Strategy

VEL is engaged in the business of manufacturing and supplying components of traction power supply and overhead equipment system for Indian Railways. It enjoys “Development Vendor” status from CORE. Its order book stood at Rs. 50.62 cr. as of September 05, 2026. Based on its recent average financial data, the issue appears aggressively priced. However, well-informed investors may park funds for medium to long term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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