IPO REVIEW

Vivid Electromech IPO

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- The company is engaged in the manufacturing of LV, MV electrical panels and automation systems required by power distribution, load management etc.
- The company marked growth in its top and bottom lines for the reported periods.
- However, quantum jump in its bottom lines from FY24 onwards raise eyebrows and concern over its sustainability going forward.
- Based on its recent financial data with super earnings, the issue appears aggressively priced.
- Only well-informed/cash surplus investors may park moderate funds for medium term.

About the Company

Vivid Electromech Ltd. (VEL) is an ISO 9001:2015 certified manufacturer of Low-Voltage (“LV”) and Medium-Voltage (“MV”) electrical panels and automation systems, with an operational history of over 30 years. It is engaged in panel manufacturing and system integration, offering electrical and automation solutions that cover engineering, design, fabrication, assembly, testing, and commissioning of control and automation systems. Its products are intended for applications in power distribution, load management, process control, and industrial automation across multiple sectors.

VEL manufactures a range of LV electrical panels, including Power Control Centre (PCC) Panels, Intelligent Motor Control Centre (IMCC) Panels, Soft Starter Panels, Motor Control Centre (MCC) Panels, DG Synchronization Panels, Power Distribution Boards and Units, Automatic Power Factor Correction (APFC) Panels, Variable Frequency Drive Panel, PLC Automation system and Outdoor Panels. Its MV electrical panel product range covers 3.3 kV to 33 kV panels and includes specialized products such as 11 kV DG Synchronization Panels, Control and Relay Panels, 11KV/33kV Vacuum Circuit Breaker and Vacuum Contactor Panels, Ring Main Gear Panel and MV Automatic Power Factor Correction (APFC) Panels.

All its products are type-tested in accordance with applicable standards including IEC 61439-1 & 2, IEC 61641, and IEC 62271-200. In addition to its manufacturing operations, the company is engaged in the trading of certain electrical goods, GI Sheet and busducts. It also provides installation, testing and commissioning services tailored to specific customer requirements. Its products cater to sectors such as Data Centre & Technology, Infrastructure, Construction & Real Estate including Metro Projects, Solar & Renewable Energy, Industrial Manufacturing and Machinery etc. The company maintains OEM associations with ABB, Lauritz Knudsen Electrical & Automation (LK), and Schneider Electric. VEL is licensed by ABB India Limited to manufacture and integrate ArTu K low-voltage switchboards using ABB components. For the periods under review, all of the Company’s revenues

were derived from business-to-business (“B2B”) customers.

VEL generates revenue primarily from domestic sales, with limited contribution from exports. Export revenue accounted for 2.58%, 1.44%, 2.79% and 0.70% of total revenue, while domestic revenue accounted for 97.42% 98.56%, 97.21%, 99.30%, for the period ended on September 30, 2025 and for financial years ended March 31, 2025, 2024 and 2023 respectively. During these periods, the company catered to clients in countries such as Kenya, England, Cote D Ivoire, Solomon Islands, United Arab Emirates, Cameroon, Sri Lanka, Indonesia, Tanzania. As of December 31, 2025, it had 239 employees on its payroll and additional 45 contract laborers.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of 2352000 equity shares of Rs. 10 each to mobilize Rs. 130.54 cr. at the upper cap. The IPO consist of 1884000 fresh equity shares worth Rs. 104.56 cr. at the upper cap, and an Offer for Sale of 468000 equity shares worth Rs. 25.97 cr. at the upper cap. The company has announced a price band of Rs. 528 - Rs. 555 per share. The minimum application to be made is for 480 shares and in multiples of 240 shares thereon, thereafter. The issue opens for subscription on March 25, 2026 and will close on March 30, 2026. The shares will be listed on NSE SME Emerge. The IPO constitute 26.46% of the post-IPO paid-up capital of the company. From the net proceeds of the equity issue, it will utilize Rs. 43.84 cr. for capex on setting up of new manufacturing unit, Rs. 9.30 cr. for repayment of certain borrowings, Rs. 36.00 cr. for working capital, and the rest for general corporate purposes.

The IPO is solely lead managed by Hem Securities Ltd., and MUFG Intime India Pvt. Ltd. is the registrar to the issue. HEM groups Hem Finlease Pvt. Ltd. is the market maker as well as a syndicate member.

After issuing initial equity capital at par value, the company converted loan in to equity at a price of Rs. 20.20 (based on Rs. 10 FV) per share in March 2015. It has issued bonus shares in the ratio of 9 for 1 in March 2012, 1 for 2 in February 2016, 1 for 5 in October 2019, 1 for 2 in March 2024, and 1 for 1 in August 2025. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. NIL, Rs. 0.06 and Rs. 0.18 per share.

Post-IPO, company’s current paid-up equity capital of Rs. 7.00 cr. will stand enhanced to Rs. 8.89 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 493.27 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted total income/ net profit, of Rs. 59.63 cr. / Rs. 0.06 cr. (FY23), Rs. 89.55 cr. / Rs. 4.28 cr. (FY24), Rs. 155.77 cr. / Rs. 20.24 cr. (FY25). For H1 of FY26 ended on September 30, 2025, it earned a net profit of Rs. 9.44 cr. on a total income of Rs. 70.89 cr. The boosted profits from FY24 onwards raise eyebrows and concern

over its sustainability going forward.

For the last three fiscals, the company has reported an average EPS of Rs. 16.50 and an average RoNW of 57.76%. The issue is priced at a P/BV of 10.50 based on its NAV of Rs. 52.87 per share as of September 30, 2025, but its post-IPO NAV data is missing from the offer documents.

If we attribute FY26 annualized super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 26.12, and based on FY25 earnings, the P/E stands at 24.36. The issue appears aggressively priced based on its super recent earnings that indicates its outperformance compared to listed peers.

The company has posted PAT Margins of 0.11% (FY23), 4.81% (FY24), 13.04% (FY25), 13.38% (H1-FY26), and RoCE margins of 13.15%, 55.41%, 87.34%, 25.67%, respectively for referred periods.

Dividend Policy

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

Comparison with Listed Peers

As per the offer document, the company has shown Shivalic Power Control, Marine Electrical, as its listed peers. They are currently trading at a P/E of 15.8, and 44.3 (as of March 20, 2026). However, they are not truly comparable on an apple-to-apple basis. This compare is nothing but an eyewash.

Merchant Banker's Track Record

This is the 64th mandate from Hem Securities in the last three fiscals. Out of the last 10 listings, 2 opened at discount, 1 at par, and the rest with premium ranging from 1.00% to 90.00% on the date of listing.

Conclusion / Investment Strategy

VEL is engaged in the manufacturing of LV, MV electrical panels and automation systems required by power distribution, load management etc. It marked growth in its top and bottom lines for the reported periods. However, quantum jump in its bottom lines from FY24 onwards raise eyebrows and concern over its sustainability going forward. Based on its recent financial data with super earnings, the issue appears aggressively priced. Small equity base post-IPO indicates longer gestation for migration to main board. Only well-informed/cash surplus investors may park moderate funds for medium 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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