

IPO Details		Company Background				
Opening Date	Sept 27, 2023		<ul style="list-style-type: none">Vinyas Innovative Technologies Limited was originally incorporated in the year 2001 and has its registered office in Mysore.The Company is a provider of design, engineering and electronics manufacturing services catering to global Original Equipment Manufacturers and Original Design Manufacturers in the Electronic Industry.The company offers services such as Built-to-Print and Built-to-Specification.As of 21st September 2023, the Company has 382 Employees on its payroll.			
Closing Date	Oct 03, 2023					
Stock Exchange	NSE SME					
Lot Size	800 Shares					
Issue Price	₹ 162 to ₹ 165 per share					
Issue Size	Aggregating up to 54.66 Cr.					
Fresh Issue	Aggregating up to 54.66 Cr.					
Offer for Sale	-					
Application Amount	₹ 1,32,000					
IPO Objective			Market Capitalization (In Cr.)			
Capital Expenditure of the Company.			Pre-Issue	Post-Issue		
General Corporate Purpose.			₹ 153	₹ 208		
To meet the Issue Expenses.			Financial Summary (In Lacs)			
Pre-Issue Shareholding			For the Period Ended	Mar-21	Mar-22	Mar-23
Category	No. of Shares	% of Total Shares	Total Assets	18,458.96	22,149.04	21,598.65
Promoter & Promoter Group	36,96,802	39.87%	Net Assets	3,069.37	3,144.74	4,552.99
Public	55,75,124	60.13%	Total Borrowings	9,365.89	9,542.58	8,571.01
Promoter of the Company			Total Revenue	20,780.50	21,216.30	23,885.42
1	Narendra Narayanan		Profit After Tax	123.15	100.88	734.35
2	Meera Narendra		Tentative Timeline			
3	Sumukh Narendra		Opening Date	Sept 27, 2023		
Competitive Strengths			Closing Date	Oct 03, 2023		
1	Technology enabled and scalable end-to-end capabilities.		Basis of Allotment	Oct 06, 2023		
2	Business model with visibility of cash flows and ability to mitigate operational and technology risk.		Initiation of Refunds	Oct 09, 2023		
3	Track record of consistent financial performance.		Credit of Shares to Demat	Oct 10, 2023		
4	Experienced and Qualified management.		Listing Date	Oct 11, 2023		
5	Market Leadership Position.					
6	Strong Market Recognition.					
7	Indian Partners for the defence and aerospace industry.					

Company Background and Analysis

The Company was originally incorporated in the year 2001. The company is a provider of design, engineering and electronics manufacturing services catering to global Original Equipment Manufacturers and Original Design Manufacturers in the Electronic Industry. The Company offers a broad range of products and services across multiple industry segments for about 20 years. The Company is identified as a game changer in the EMS industry for its innovative and in-house path-breaking solutions to complex manufacturing processes. The company's manufacturing facility is in Mysore, India.

The company offers the following services –

1. Engineering Services
2. Manufacturing Service in PCB Assembly
3. Build to Specification
4. After Sale Support

Build-to-print (B2P) – The design for the project is provided to them by the client, and the product is based on the provided design and according to the customer's specifications.

Build-to-specification (B2S) - The client provides the company with its requirements and specifications for the product or project, which the Promoter's design team designs and proceeds to develop based on such requirements and specifications.

TARGET SEGMENTS

Aerospace & Defence - The Company has been partnering with the world's best OEMs of the aerospace & defence industry for over two decades and is successfully catering to the mission-critical electronics manufacturing requirements as well as military supply chain needs in land, sea, and air.

The products include - Ground Handling Equipment, Display Systems, Navigation Systems, Communication Systems, Surveillance Systems, Control Systems, Imaging Systems.

Medical – The company caters to the Build-to-Specification requirements by offering tailored services specific to the customer's business needs.

The products include - Patient Monitoring Systems, ICU Equipment, Surgical Devices, Diagnostic Devices, Health Tracking and wearables, Syringe and Infusion Pumps, Ventilators, Hemo-Dialysis Machines, Laboratory Specimen Analysis Equipment, Hospital Management Sensors, Digital Stethoscope.

Industrial - The company has adapted from low volume-low mix to high volume-high mix by scaling up its manufacturing capabilities.

The products include - Power and Energy Management, Industrial Automation, Controllers, Interface Devices, Monitoring Systems

Telecommunication - The communication industry is one of the fastest evolving market segments and demands constant technology upgradation, which is responsive, accessible, and programmable to the next-generation networks.

Products include - Telecom Infrastructure Systems, Modems, Routers and switches, Network Security Systems, RF Equipment, Microwave Equipment.

Automotive – The Company offers a comprehensive end-to-end automotive system development solution to its global customers.

The products include - Instrument Clusters, Maintenance Equipment, Vehicle Tracking Systems, Sensor Modules, Lighting Systems, Climate Control, Security Systems, Fuel Efficiency Systems, Monitoring Devices

Consumer – The company focuses on the latest trends and new technologies to create ideal and innovative solutions which are tailor-made, defect-free, cost-efficient, and suitable to the business preferences of customers worldwide.

The products include - Water Purifying Systems, Kids Toys, Fitness Bands, Smart Mirror.

Revenue generation as per the key industries for Fiscal year ended 2021, 2022, and 2023 is given below-

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
Defence and Aerospace	19,303.94	82.31	17,984.69	86.57	13,596.06	66.31
Industrial	2,326.24	9.92	1,352.83	6.51	668.43	3.26
Medical	292.63	1.25	236.45	1.14	415.14	2.02
Telecom	96.86	0.41	281.67	1.36	4,559.17	22.24
Others	1,432.73	6.11	918.12	4.42	1,264.11	6.17
Total	23,452.40	100.00	20,773.76	100.00	20,502.91	100.00

To conclude, the company was originally incorporated in the year 2001. The company is a provider of design, engineering, and electronics manufacturing services. The company's majority of the revenue is generated from one key industry which is Defence and Aerospace. Telecom has seen a significant increase for FY 2023. The company is raising gross proceeds of Rs. 54.66 Cr.

Business Strategies

1. Strengthen the system integration operations and further expand the PCB assembly and system integration business.

The company intends to expand the existing PCB assembly and system integration operations to better serve the requirements of global customers. The company intends to expand the existing operations in the telecom, medical, power, industrial and automotive, amongst others as they result in high volume business along with high EBITDA and profit after tax margins.

2. Strengthen relationships with existing customers and expand customer base.

The company plans to continue to focus on strengthening the existing relationships with the customers with a view of entering more sophisticated, higher-value projects with them. The company intends to acquire customers that can provide higher value contracts, and increase the wallet share.

Competitive Scenario and Peer Mapping

Competition

The company operates in a competitive segment. The barrier to entry in such a sector is high. The bargaining power with the suppliers is high and the bargaining power with the customers is relatively low in the sector in which the company operates.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	Vinyas Innovative Technologies Limited	Cyient DLM Limited	Centum Electronics Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	3.13%	3.85%	0.76%
EBITDA Margin	8.77%	10.58%	8.23%
Return on Capital Employed	27.89%	19.16%	9.82%
Return on Equity	16.13%	16.16%	3.32%
EPS (INR)	19.62	6.00	7.62

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	Vinyas Innovative Technologies Limited	Cyient DLM Limited	Centum Electronics Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.49%	5.55%	-6.79%
EBITDA Margin	5.72%	11.65%	8.97%
Return on Capital Employed	17.07%	24.88%	8.08%
Return on Equity	3.21%	51.95%	-25.98%
EPS (INR)	2.70	291.15	(23.70)

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Vinyas Innovative Technologies Limited	Cyient DLM Limited	Centum Electronics Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.60%	1.91%	1.47%
EBITDA Margin	5.15%	7.32%	10.77%
Return on Capital Employed	17.35%	17.96%	10.54%
Return on Equity	4.01%	32.43%	5.38%
EPS (INR)	3.29	86.39	13.32

Based on the above analysis, the company has performed better than its peer companies as per the profitability margins including EBITDA margin, and Net Profit Margin for 2023. The company has performed better in aspects of ROE, and less in aspects of RoCE for 2023. The EPS of the company is higher when compared to the peer companies for FY 2023.

Industry Overview

Exhibit 1: Segmentation of ESDM Market (FY 19)

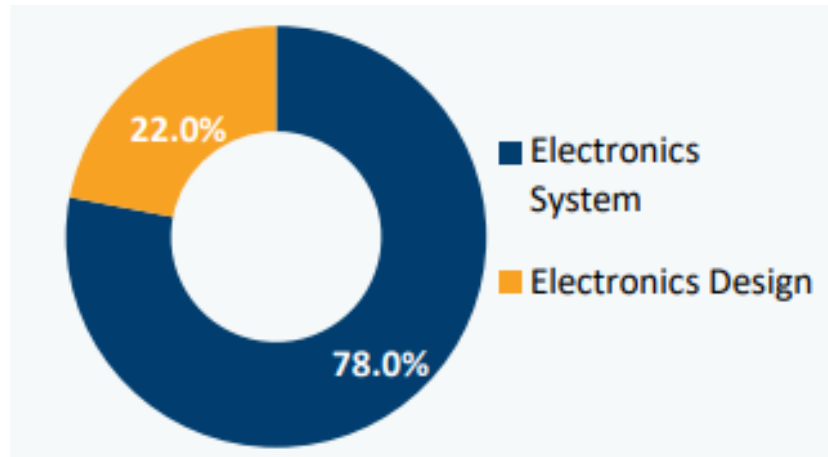
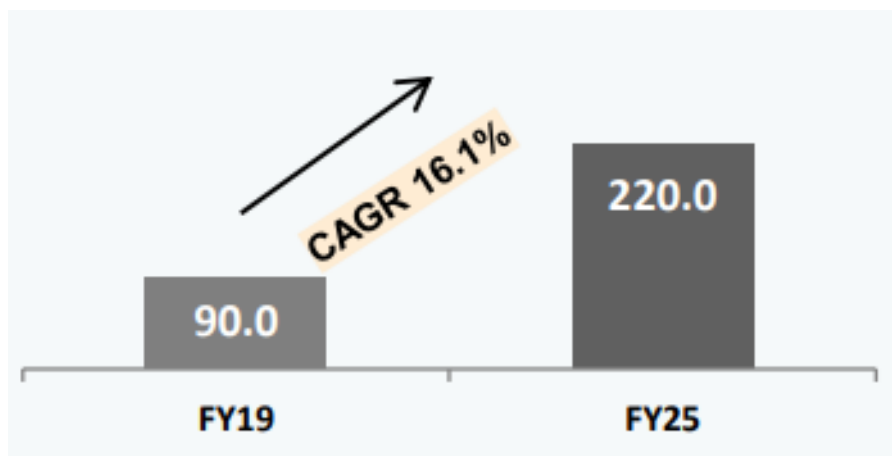


Exhibit 2: Electronics System Design and Manufacturing (ESDM) in India (US\$ billion)



(Source: ibef.com)

Indian strategic Electronics Industry -

India has the second largest armed force in the world and is considered the seventh largest aerospace and defence (A&D) market globally with a sizeable budget to cover the needs of the country's Army, Navy and Air Force. The large-scale modernization of the defence forces and the drive to manufacture locally have become focus areas of the government. Emerging technologies are going to reshape modern day warfare and will harness the power of electronics to do so. This will make the Indian strategic electronics (SE) sector, mainly comprising aerospace and defence, a vibrant industry over the next decade.

India's defence manufacturing sector has been witnessing a CAGR of 3.9% between 2016 and 2020. The Indian government has set the defence production target at US\$ 25.00 billion by 2025 (including US\$ 5 billion from exports by 2025). Defence exports in India were estimated to be at US\$ 1.29 billion in 2019-20. India's defence import value stood at US\$ 463 million for FY20 and is expected to be at US\$ 469.5 million in FY21. Defence exports in the country witnessed strong growth in the last two years.

India targets to export military hardware worth US\$ 5 billion (Rs. 35,000 crore) in the next 5 years. As of 2019, India ranked 19th in the list of top defence exporters in the world by exporting defence products to 42 countries. Defence production in India is gradually heading towards private sector participation. As per the 'India's Defence Market Outlook 2019-2025' report, published by Market Research, between 2015-16 and now, out of 188 contracts, 121 have been signed with Indian vendors including DPSUs (defence PSUs), PSUs, OFBs (Ordinance Factory Boards) and private vendors to procure defence equipment.

Strategic Electronics -

Strategic Electronics is the primary capability driver in modern warfare systems with value contribution being more than 40% across leading platforms. The global market for strategic electronics is expected to be USD 256 bn in 2018 and estimated to grow at a CAGR of 4% to reach USD 422 bn by 2032 with US occupying the largest market share.

The electronics system design community in India, one of the largest globally are working on cutting edge technologies which have direct impact on the strategic electronics need of the country, be it design of nano satellites, robots that can roam in moon & Mars or swarm robots for defence applications, AI enabled intelligent electronics systems for intrusion detection, software defined radios for building secured communication network, wearable devices for soldiers etc. History shows that Government supported strategic electronics outsourcing has built the strong ESDM ecosystem & global MNCs in Electronics in countries like USA and Israel.

(Source: prospectus)

Key Managerial Personnel

Narendra Narayan, aged 64, is one of the Promoters, and Managing Director of the company. He holds a degree in Electrical & Electronics Engineering. He has also taken on roles as Chairman and advisor for various domestic enterprises around the world.

Sumukh Narendra, aged 33, is one of the Promoters, and Whole-Time Director of the company. He obtained his bachelor's degree in Electronics & Communication Engineering, and Master of Science in Engineering with a specialization in Embedded Systems. He has an experience of more than 8 years in the industry.

Meera Narendra is one of the Promoters of the company. She has completed her M.Sc. in Organic Chemistry and holds a Diploma in Psychology & Counselling. She is a part of the Strategic Human Resource initiatives as well as the CSR activities at the Company.

T R Srinivasan, aged 55, is the Whole-Time Director of the company. He holds a degree in Diploma in Mechanical Engineering. He has experience of more than 2 decades in the industry. He has been instrumental in establishing and cultivating a world-class manufacturing solutions team.

Pradeep Vithoba Desai, aged 60, is the Independent Director of the company. He has completed a post-doctoral degree in Symbolic Data Analysis and Neural Nets, He holds a PhD in Computer Science and Engineering, an MBA in Computer Applications, a Master's in Electronics, as well as a Bachelor's in Electronics and Communication.

Deepa Prakash, aged 45, is the Independent Director of the company. She is an educator for MSc. students in the Nutrition Biology Integrated MSc-PhD program.

B S Ramakrishna Mudre, aged 68, is the Independent Director of the company. He has been with the Company since July 28, 2023. He was a medical sales representative in 1977. Two years later, in 1979, he joined Punjab National Bank.

To conclude, the company has 3 promoters, and 2 of them have good experience in the fields in which the company operates and the other one has good experience in the fields which help in the growth of the business. The remaining directors have good knowledge and experience in the fields which help in the growth of the business. The responsibilities of the management are not disclosed accurately.

Financial Snapshot

Profit and Loss Statement			
	(In Lacs)		
Particulars	FY 21	FY 22	FY 23
Revenue from Operations	20,502.91	20,773.76	23,452.40
Other Income	277.59	442.54	433.02
Total Income	20,780.50	21,216.30	23,885.42
Expenses			
Cost of material consumed	16,804.57	15,054.28	17,947.23
Purchase of stock-in-trade	-	-	-
Change in Inventories of finished goods, stock in process & stock in trade	691.21	2,165.02	1,162.34
Employee benefits expense	1,342.22	1,513.85	1,640.77
Finance costs	861.53	1,119.71	1,260.32
Depreciation and Amortization expense	299.56	259.38	221.14
Other expenses	609.29	852.41	644.66
Total Expenses	20,608.38	20,964.65	22,876.46
Earnings Before Interest, Taxes, Depreciation & Amortization	1,055.62	1,188.20	2,057.40
EBITDA Margin	5%	6%	9%
Profit/(Loss) before tax	172.12	251.65	1,008.96
Tax Expense			
Current Tax	82.70	127.86	275.79
Tax for earlier years		47.25	21.01
Deferred tax (net)	(33.73)	(24.34)	(22.19)
Total Tax Expense	48.97	150.77	274.61
Profit/(Loss) for the year	123.15	100.88	734.35
Net Profit Margin	0.59%	0.48%	3.07%

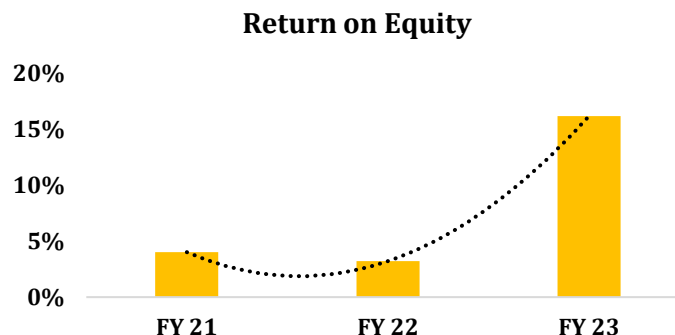
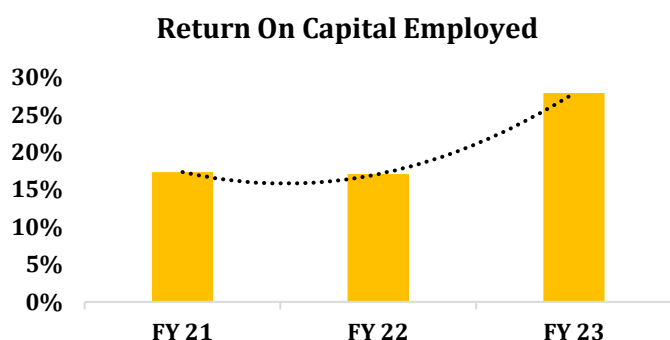
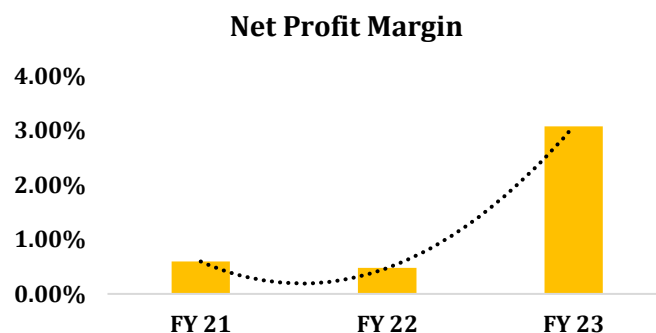
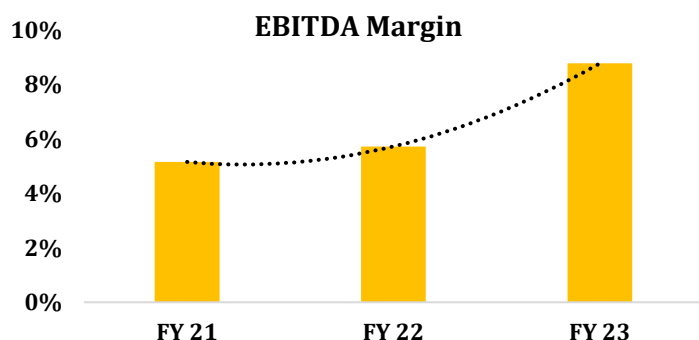
Balance Sheet			
	(In Lacs)		
Particulars	FY 21	FY 22	FY 23
EQUITY AND LIABILITIES			
Equity			
Share Capital	374.20	374.20	374.20
Other Equity	2,695.17	2,770.54	4,178.79
Total Equity	3,069.37	3,144.74	4,552.99
Liabilities			
Non-current liabilities			
Borrowings	1,224.74	2,179.49	1,894.06
Lease Liabilities	20.37	37.84	25.87
Other Financial Liabilities	-	-	-
Long Term Provisions	43.52	77.61	109.85
Other non-current liabilities	-	-	-
Total Non-current liabilities	1,288.63	2,294.94	2,029.78
Current liabilities			
Short Term Borrowings	8,141.15	7,363.09	6,676.95
Lease Liabilities	-	-	-
Trade Payables			
i) Due to micro and small enterprises	37.48	4.75	18.11
ii) Due to other than micro and small enterprises	3,790.66	5,945.90	4,391.89
Other Financial Liabilities	109.31	233.32	231.77
Other Current Liabilities	1,458.57	2,948.20	3,312.85
Short-Term Provisions	563.77	214.10	384.30
Total Current liabilities	14,100.94	16,709.36	15,015.87

Balance Sheet	(In Lacs)		
Total Liabilities	15,389.57	19,004.30	17,045.65
Total Equity and Liabilities	18,458.94	22,149.04	21,598.64
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	1,637.67	1,458.83	1,296.87
Right-of-use-assets	20.09	36.09	23.34
Goodwill	-	-	-
Other intangible assets	-	-	-
Capital Work in Progress	-	-	305.32
Investments	15.10	16.71	10.08
Loans	22.75	34.50	37.64
Other financial assets	2,206.39	2,268.79	2,269.90
Deferred Tax Assets (Net)	44.73	69.08	91.27
Other non-current assets	-	-	-
Total Non-Current assets	3,946.73	3,884.00	4,034.42
Current Assets			
Inventories	9,800.11	11,259.99	10,679.92
Investments	-	-	-
Trade Receivables	2,907.79	5,707.18	2,095.11
Cash and Cash Equivalents	494.93	656.56	66.61
Bank balances other than above	-	-	379.17
Other financial assets	93.15	43.38	9.52
Current tax assets (net)	-	-	-
Other Current Assets	1,216.25	597.93	4,333.90
Total Current assets	14,512.23	18,265.04	17,564.23
Total Assets	18,458.96	22,149.04	21,598.65

Cash Flow Statement	(In Lacs)		
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	(2,464.59)	1,181.70	1,683.24
Net Cash Flow from Investing Activities	(246.79)	(94.51)	(342.86)
Net Cash Flow from Financing Activities	2,602.33	(925.56)	(1,551.17)

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	3.29	2.7	19.62
BV per share	24.39	24.99	36.18
Operating Ratios (%)			
EBITDA Margins	5%	6%	9%
PAT Margins	1%	0%	3%
Inventory days	174.46	197.84	166.22
Debtor days	51.77	100.28	32.61
Creditor days	106.83	118.06	88.24
Return Ratios (%)			
RoCE	17%	17%	28%
RoE	4%	3%	16%
Valuation Ratios (x)			
EV/EBITDA	11.31	10.13	6.35
Market Cap / Sales	1.01	1.00	0.89
P/E	50.15	61.11	8.41
Price to Book Value	6.77	6.60	4.56
Solvency Ratios			
Debt / Equity	3.05	3.03	1.88
Current Ratio	1.03	1.09	1.17
Quick Ratio	0.33	0.42	0.46
Asset Turnover	1.11	0.94	1.09
Interest Coverage Ratio	0.88	0.83	1.46

Financial Charts



Key Risk Factors

1. The Company's top 10 Customers for the Financial Year ended 2023, 2022, and 2021 contributed to 92.28%, 94.06%, and 93.58% respectively. Any loss of business from such customer may adversely affect the company's revenues and profitability.
2. There are certain outstanding litigations involving the Company amounting to Rs. 705 lakhs and any adverse outcome in any of these proceedings may adversely affect the profitability and reputation.
3. The company has negative cash flows from the Operating activities, Investing activities as well and financing activities in some of the previous years. The company has negative cash flow from operating for FY 2021.

Track Record of Lead Manager

The lead manager to the issue is Sarthi Capital Advisors 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 –

Sarthi Capital Advisors Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Spectrum Talent Management Limited	105.14	173.00	June 22, 2023	137.00
2.	Homesfy Realty Limited	15.86	197.00	January 02, 2023	430.00
3.	Frog Cellsat Limited	41.57	102.00	October 13, 2022	240.00
4.	P.E Analytics Limited	31.60	114.00	April 04, 2022	221.40
5.	Vivo Collaboration Solutions Limited	4.40	82.00	December 31, 2021	113.00

*CMP for the above-mentioned companies is taken as of 25th September 2023.

As per the offer document, Sarthi Capital Advisors Private Limited has had 5 mandates in the last three years. For Sarthi Capital Advisors Private Limited, all the above-mentioned have opened at premiums on the listing date.

Recommendation

The company has been in the industry since 2001 and has vast experience in the industry. The company has seen a slight increase in the top line of its financials and has seen a sudden surge in the bottom line of its financials for FY 2023 which might not sustain going forward.

The PE on an annualised and post-IPO basis is 28.28 times which seems to be fairly priced by looking at the performance of the company. The sector P/E is 67.7.

The company operates in a competitive segment. The management outlook of the company is satisfactory. The financial outlook of the company is good. With the rising demand in the industry, the company can look at good growth in the future. Thus, one can **APPLY** to this IPO.



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