Sunday, 24 August 2025

CM RATING **45 /100**

Vikran Engineering

EPC player in power T&D & water space

Has pre-qualifications for government projects in power transmission lines up to 400 kV and substations up to 765 kV.

Vikran Engineering, promoted by Rakesh Ashok Markhedkar, Avinash A Markhedkar and Nakul Markehdkar, provides end-to-end services from conceptualisation, design, supply, installation, testing and commissioning on a turnkey basis and has presence across multiple sectors including power, water, and railway infrastructure.

In the power sector, the company has presence in both: power transmission and power distribution. It undertakes the construction of high-voltage transmission lines up to 765 kV, substations up to 400 kV, both Air Insulated Substations (AIS) and Gas Insulated Substations (GIS)), and power distribution networks.

The company also has experience in Solar EPC of ground mounted solar projects and smart metering. In the solar EPC vertical it is undertaking turnkey projects for solar PV systems up to 100MWp and balance of system projects for solar power plants up to 300MWp. Moreover, it has also executed 30,000 smart metering connections under power vertical.

In the water sector, its projects include underground water distribution and surface water extraction, overhead tanks, and distribution networks. The project scope also includes the supply and laying of ductile iron pipes under multi village scheme under the "Jal Jeevan Mission".

In case of the railway infrastructure business, it undertakes 132 kV traction substation projects and underground EHV cabling projects.

As of June 30, 2025, it completed 45 projects across 14 states, with a total executed contract value of Rs 1919.92 crore. The company was awarded its first project in the water segment in August 2022 at Betul district, Madhya Pradesh, for Rs 246.024 crore as a part of Prime Minister Har Ghar Jal Yojana. It has 12 ongoing projects under the water infrastructure vertical in Uttar Pradesh, Chhattisgarh and Madhya Pradesh.

The company has a diversified project portfolio, with majority revenue from Power T&D, which accounted for 72.90% of revenue in FY25. Water infrastructure and Railway accounted for 26.79% and 0.31%, respectively. In FY24, Power T&D, water and railways accounted for 49.31%, 49.28% and 1.4%, respectively.

The company as of June 30, 2025, is executing 44 projects across 16 states in India, aggregating orders worth Rs 5120.21 crore [Power T&D Rs 3357.179 crore, Water Rs 1693.711 crore, and Railways Rs 69.317 crore].

Of the unexecuted order book (as end of March 2025) of Rs 2044.318 crore, about 60.53% is of power T&D orders, 37.40% is of water infrastructure orders, and 2.07% is of railways. Further, of the order book, about 61.73% are government orders both state & central, 18.41% public sector undertakings and 19.86% private sector orders. Proportion of fixed price contract in the orders book as end of Mar 2025 stood at 35.40%.

The company's clients from the government sector include NTPC, Power Grid Corporation of India, South Bihar Power Distribution Company, North Bihar Power Distribution Company, Transmission Corporation of Telangana, Madhya Pradesh Power Transmission Company, Madhya Pradesh Madhya Kshetra Vidyut Vitran Company, District Water and Sanitation Mission (PHED) and State Water and Sanitation Mission (SWSM).

Further it is also working on certain projects for Assam Power Distribution Company and the Danapur division of the Eastern Central Railway.

Currently, it has developed pre-qualifications in government projects for power transmission lines upto 400 kV, Substations upto 765 kV, and power distribution projects of 33 kV and 11 kV, distribution substations and distribution lines. Additionally, it is also qualified for bidding for energy meter service connection projects.

The Issue, Objects of the Issue

The IPO comprises both fresh issue and offer for sale. Fresh issue comprises issue of equity shares aggregating up to Rs 721 crore and offer for sale up to Rs 51 crore by Rakesh Ashok Markhedkar, one of the promoters of the company.

Of the net proceeds from the fresh issue, the company intends to use Rs 541 crore for funding working capital requirements, and balance for general corporate purposes.

Strengths

The unexecuted order book of the company as end of June 2025 stood at Rs 2442.44 crore, which is 2.7 times of its FY25 revenue, thereby providing strong revenue visibility.

Follows an asset light model by executing more orders with relatively lower investment in fixed assets.

Developed strong pre-qualifications in government contracts especially power T&D space.

In-house technical and engineering capabilities, process control and quality assurance

Weaknesses

Project management and turnkey EPC contracts (including those for power transmission and distribution) have long execution periods and time overruns as well as other associated risks such as delay in getting ROW project, financial closure of PPP projects.

Infrastructure projects are dependent on government policies, political stability, and decisions taken by governmental and regulatory bodies.

Significantly dependent on tenders floated by government authorities/ public sector undertakings and thus any slowdown or delay in tendering or award will impact the operations of the company.

The company is currently facing criminal proceedings based on a charge sheet filed by the Central Bureau of Investigation (CBI). The proceedings are related to an alleged bribery incident involving one of the Railway officers, Abhay Kumar Chaudhary, and certain employees of the company, in connection with a contract awarded to the company by the Railways Electrification (RE) / Ahmedabad Division.

Executive Director/Gati Shakti (Electrical) Railway Board has passed an order dated July 26, 2024, in terms of which CORE/Vigilance has held that the Ministry of Railways should ban the company for a period of two years for breaching code of integrity and involvement in illegal gratification.

The order book for the water infrastructure and railway infrastructure verticals as of March 31, 2025, decreased in comparison to the previous year with lower tenders/bidding in these two segments as well as delayed payments forcing the company to be selective.

Receivables outstanding for a period exceeding 6 months from their respective due dates of payment in FY25 stood at Rs 79.483 crore or 12.19% of total trade receivables of Rs 634.329 crore.

Trade receivables of Rs 634.329 crore as of March 31, 2025, include an amount of Rs 29.29 crore from a customer (Rajasthan Solarpark Development Company (RSDCL)), who invoked a performance guarantee and short-closed a project in April 2023.

Has experienced negative net cash flows from operating activities (Net Cash Generated in Operating Activities) in Fiscals 2025 and 2024.

The order book value attributable to its top 1/5/10 customers is 13.39%/56.15%/82.41%, respectively. The order book with Fixed Price Contract stands at 48.90%.

Delays in the acquisition of private land or rights of way, eviction of encroachments, environmental clearances for the projects or resolution of associated land issues, which are though attributable to customers, may adversely affect timely performance of contracts and lead to disputes and losses.

Certain emphasis of matter are reported in the Restated Financial Information.

Valuation

Revenue (re-stated) for FY25 was up by 17% to Rs 915.85 crore and with the OPM expanding by 50 bps to 17.5%, operating profit was up 20% to Rs 160.24 crore. Hit largely by higher interest cost, the PBT was up by 9% to Rs 110.19 crore. After accounting for higher tax, PAT was eventually higher by 4% to Rs 77.82 crore.

The EPS for FY2025 on expanded equity (on the upper price band) was Rs 3. The PE on upper price band works out to 32.3 times and P/BV stood at 2.1 times.

In comparison, KEC International, Kalpataru Projects, Techno Electric, Transrail and Skipper quotes at a PE of 38.5 times, 37.9 times, 47.5 times, 32.1 times and 40.8 times of their FY25 EPS, respectively. The Bajel Projects quotes at a PE of 157.3 times. SPML Infra quotes on a PE of 44.1 times.

Vikran Engineering: Issue Highlights	
Fresh Issue (in Rs. Crore)	721.00
Offer for sale (in Rs. Crore)	51.00
Price band (Rs.)*	
Upper	97
Lower	92
Post-issue equity (Rs crore)	
Upper	25.79
Lower	26.20
Post-issue promoter (including promoter group) stake (%)	56.17
Minimum Bid (in nos.)	148
Issue Open Date	26-08-2025
Issue Close Date	29-08-2025
Listing	BSE, NSE
Rating	45 /100

Vikran Engineering: Financials			
	2303 (12)	2403 (12)	2503 (12)
Sales	524.31	785.95	915.85
OPM (%)	15.2	17.0	17.5
OP	79.71	133.30	160.24
Other income	4.87	5.49	6.52
PBIDT	84.59	138.78	166.75
Interest	28.22	33.98	53.59
PBDT	56.37	104.81	113.16
Depreciation	3.70	4.05	2.97
PBT before EO	52.67	100.76	110.19
EO Exp	-1.30	0.00	0.00
PBT after EO	53.98	100.76	110.19

Tax	11.14	25.93	32.37	
PAT	42.84	74.83	77.82	
EPS (Rs)**	1.6	2.9	3.0	
** on post issue equity (on upper price band) of Rs 25.79 crore. Face Value: Rs 1				
EPS is calculated after excluding EO and relevant tax				
# EPS can not be annualised due to seasonality in operations				
Figures in Rs crore				
Source: Capitaline Corporate database				