

285 cr

MARKET CAP.

20%

ROE

19%

ROCE

10

FACE VALUE

16

BOOK VALUE



ABOUT THE COMPANY

Virtuoso Optoelectronics Limited (VOEPL) was incorporated as Private Limited in September 2015 and was subsequently converted to a Public Company in March 2021. The company got listed on the BSE-SME exchange on 15th September 2022. The company manufactures consumer durable goods and assembles a wide array of products and provides end-to-end product solutions. It serves under both original equipment manufacturer (“OEM”) and original design manufacturer (“ODM”) business models. Under the OEM model, it manufactures and supplies products based on designs developed by their customers, who then further distribute these products under their own brands. Under the ODM model, in addition to manufacturing, the company conceptualises and designs the products which are then marketed to its customers’ prospective customers under their brands. The company has developed ODM capabilities with respect to lighting products and small appliances.

INVESTMENT THESIS

1. TO FOCUS ON ODM MODEL
2. APPROVED FOR PLI SCHEME
3. CAPACITY RAMP UP
4. CONTINUE TO STRIVE FOR COST LEADERSHIP
5. AIMING EXPORTS

1. TO FOCUS ON ODM MODEL

While OEM sales continue to be a significant source of the company's revenue, they plan to expand their share of the ODM model of manufacturing gradually. As an ODM, they control the entire manufacturing cycle of a product from the initial stage of design. They are responsible for all aspects of manufacturing, including planning and sourcing raw materials and components. The ODM model of business requires additional investment in R&D and working capital but provides higher margins than the OEM model. This also helps in improving overall profitability as they can control all aspects of the manufacturing cycle. The company believes there is a trend in certain product verticals wherein regional and private labels have been gaining market share.

2. APPROVED FOR PLI SCHEME

The Company has been approved for a PLI for white goods (air conditioner and LEDs) manufacturing which provides a revenue subsidy of 4-6% on the incremental revenue from FY 2022-23, subject to an incremental investment of ₹ 1000 Lakhs every year for next 5 years starting FY 2021-22. They expect these incentives to contribute to the profitability of their diversification initiatives into new industries and service offerings.

3. CAPACITY RAMP UP

In FY19, they had 50 lacs units annual capacity with 70% utilisation for LED/EMS which has been increasing to 100 lacs units p.a. with capacity utilisation of 60% in FY21. They forayed into AC with 3 lacs units p.a. capacity with the utilisation of 6% in FY20. Just in 1 year, they doubled their capacity of AC to 6 lacs p.a. with increasing utilisation of 42% in FY21. They aim to expand their product range & total production capacity from the proceeds of the IPO.

4. CONTINUE TO STRIVE FOR COST LEADERSHIP

The company intends to continue to be the most cost-efficient player in each product vertical they will enter. This cost leadership will be achieved through initiatives like having large manufacturing capacities, backward integration and being a sizable player in the industry in that particular vertical. Economies of scale will also enable them to continuously improve operational efficiencies. One of the strategies that the company has adopted in the past is flexibility in manufacturing lines for different product verticals thereby giving them higher utilisation levels despite lower capital investments.

4. AIMING EXPORTS

With the 'Make in India' initiative of GoI and the growing advantage of domestic manufacturers compared to import markets due to lower lead time and working capital cycle, greater flexibility to adjust with market trends and improving cost competitiveness, The company believes that they are well poised to grow its domestic and export sales. It also seeks to expand its global reach through increased customer acceptance of our products in international markets

MANUFACTURING FACILITIES



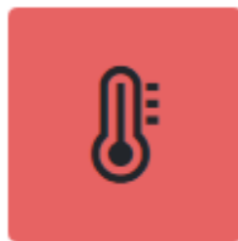
EMS
Solutions

End to end Electronic
Manufacturing Services
for a large variety of
products.



Air
Conditioners
Manufacturing

Manufacturing of IDU and ODU for Split Air Conditioners



Water Heater Manufacturing

Production of Storage and Instant type Water Heaters



LED Manufacturing

A complete range of LED
Lighting for Indoor and
Outdoor Application

PRODUCT PORTFOLIO



PROFIT & LOSS ACCOUNT

Particulars	Mar-19	Mar-20	Mar-21	Mar-22
Sales	55	68	115	200
Expenses	52	60	103	180
Other Income	0	0	0	0
Interest	2	5	7	9
Depreciation	0	1	2	5
Profit before Tax	1	2	3	6
Tax %	39%	27%	28%	31%
Net Profit	1	1	2	4
EPS (in Rs.)	3.6	8.47	12.5	2.63

BALANCE SHEET

Particulars	Mar-19	Mar-20	Mar-21	Mar-22
Share Capital	2	2	2	15
Reserves	3	10	15	6
Borrowings	17	39	51	68
Other Liabilities	5	7	12	36
TOTAL LIABILITIES	26	57	80	126
Fixed Assets	5	11	18	50
CWIP	0	8	9	0
Investments	0	0	0	0
Other Assets	21	38	53	75
TOTAL ASSETS	26	57	80	126

CASH FLOW STATEMENT

Particulars	Mar-19	Mar-20	Mar-21	Mar-22
Cash from Operating Activity	2	-6	1	21
Cash from Investing Activity	-5	-16	-10	-29
Cash from Financing Activity	3	21	8	9
Net Cash Flow	1	-1	0	1



VALUATION

Virtuoso Optoelectronics Limited manufactures consumer durable goods and assembles a wide array of products and provides end-to-end product solutions. With triggers such as planning to expand their share of the ODM model of manufacturing gradually, doubling of their capacity of AC with increasing utilisation and achieving cost leadership through initiatives like having large manufacturing capacities, backward integration and being a sizable player in the industry, we expect an upside of nearly 100% from here on with a target price of Rs. 280.



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