

IPO Details

Opening Date	Sep 28, 2022
Closing Date	Sep 30, 2022
Stock Exchange	BSE SME
Lot Size	1600 Shares
Issue Price	₹ 78 per share
Issue Size	27,12,000 Equity Shares
Application Amount	₹ 1,24,800

IPO Objective

To meet Capital Expenditure requirements relating to IT equipment
 Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company
 General Corporate Purpose
 To meet issue expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	75,43,800	99.79%
Public	16,200	0.21%

Promoter of the Company

- 1 Mr. Sanjay Harish Motiani
- 2 Ms. Kanchan Sanjay Motiani
- 3 Ms. Anushka Sanjay Motiani
- 4 Mr. Nikhil Sanjay Motiani

Competitive Strengths

- 1 Wide range of offerings with capability to provide customized and integrated IT solutions
- 2 Wide presence in domestic Market with diverse base of customers
- 3 Experienced management and operational team
- 4 Long standing relationship with customers
- 5 Proven track record of strong financial performance

Company Background

- Company was incorporated in 2016 in Maharashtra.
- Company is engaged in the business of providing end to end IT equipment on a rental and returnable basis in India.
- Company provides laptops, desktops, printers, servers and other peripherals like CCTV cameras, projectors, storage devices etc. on rental basis mainly to small, medium and large corporate.
- Company has its headquarter in Mumbai and also has its branch offices in Pune, New Delhi and Kolkata.
- Company has 27 employees on its payroll as on 31st July 2022.

Financial Summary

	(In Lacs)		
For the Period Ended	Mar-22	Mar-21	Mar-20
Total Assets	4,172.40	2,236.45	1,762.25
Net Assets	1,698.47	852.93	582.54
Total Borrowings	1,664.95	547.71	361.77
Total Revenue	2,467.91	1,357.65	1,227.84
Profit After Tax	746.54	270.39	215.50

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Company Overview

Company was incorporated in the year 2016 and since then has been engaged in providing end to end IT solutions on rent and returnable basis in India. Company provides laptops, desktops, printers, servers and other peripherals like CCTV cameras, projectors, storage devices etc. on rental basis mainly to small, medium and large corporate

Analysis

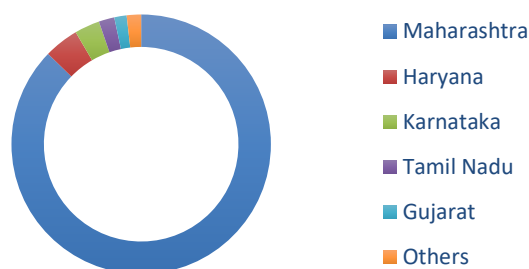
Being in the business from 2016, the track record of the company is not that good. The business model of the company is to understand the client requirements → Design the require IT and Hardware Component → Deliver and Install the Equipment → Provide Regular Service and Support.

The primary revenue source is renting of various IT related services provided to its clients which help the customers to fulfil their customized needs, incur less capital cost, elimination of obsolescence and flexibility of operations.

Company has registered office located at Mumbai and Branch offices at Pune, New Delhi and Kolkata, from where it provides majority of the services & maintenance, however in case any services or maintenance activities are required at any remote location, it has service association with number of IT Vendors and service providers in different parts of the country who can undertake such maintenance and services in such areas. The company in its prospectus claims to have a diversified client base and some of its notable customers are Tata Motors Insurance Broking, Reliance Broadcast Network, Mahindra Integrated Business Solutions, Bewakoof Brands, Grab a Grub, Epicenter Technologies and Sitel India.

The company has established its presence over 16 states and 3 Union Territories in India. The major portion of revenue is contributed from Maharashtra. The other states which are contributing to revenue includes Haryana, Karnataka, Tamil Nadu and Gujarat. Below are the details of the state wise revenue breakup for the fiscal year ending March 2022 (having more than 1% of total revenue) –

State Name	Revenue %
Maharashtra	87.26
Haryana	4.32
Karnataka	3.14
Tamil Nadu	1.95
Gujarat	1.54
Others	1.79



The revenue of the company has increased over the years with a lower growth in 2021 due to pandemic. But in FY 22, the company has been able to post healthy growth in its total revenue. The company generates revenue from rent and selling of used hardware. In FY 22, 92.81% was from rental income and 7.19% was from sell of products.

To conclude, the company has performed well over the years and is in a segment where it can cater to many mid-sized companies with the growing demand for IT hardware and software requirements.

Industry Charts

Exhibit 1: Market Size of Indian IT and BPM Industry

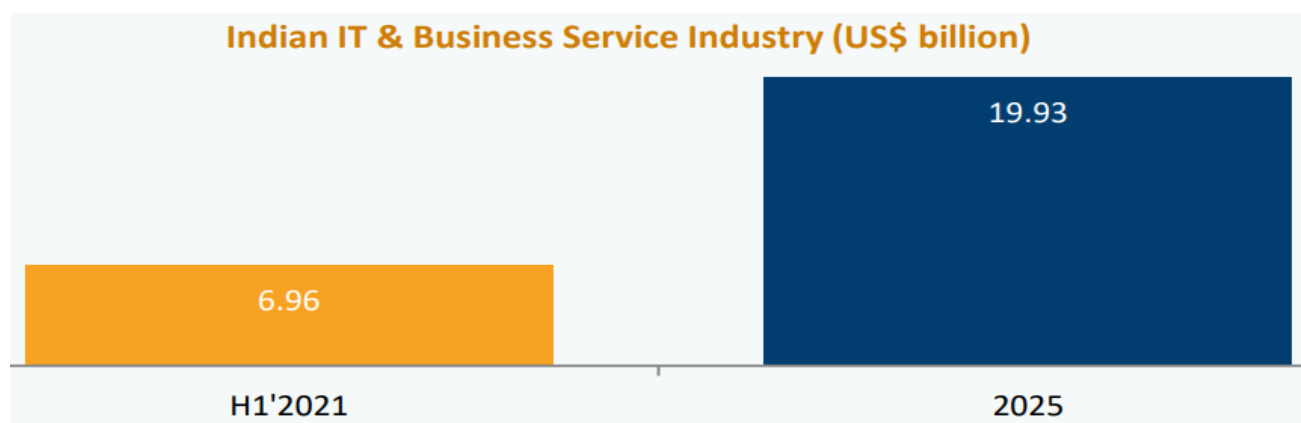


Exhibit 2: Sector Composition of Indian IT and BPM Industry

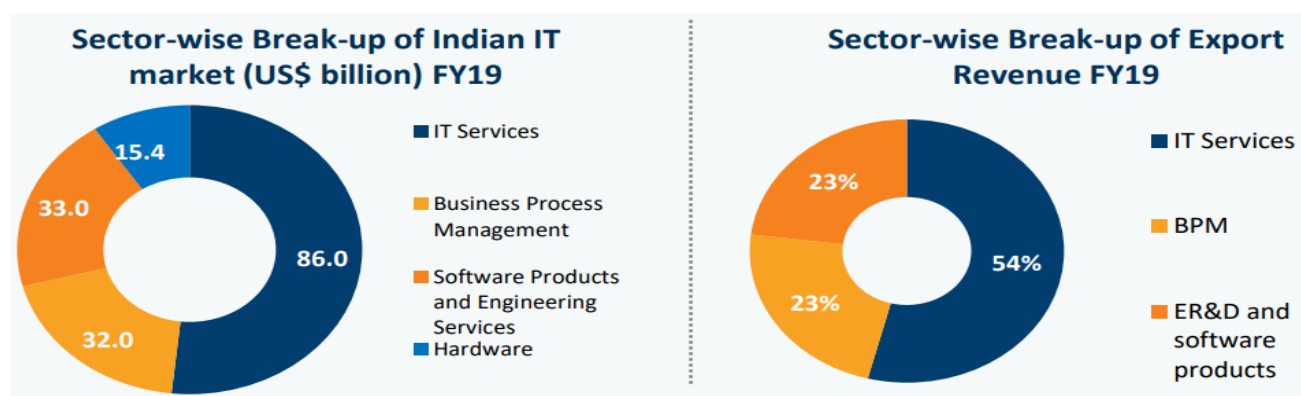
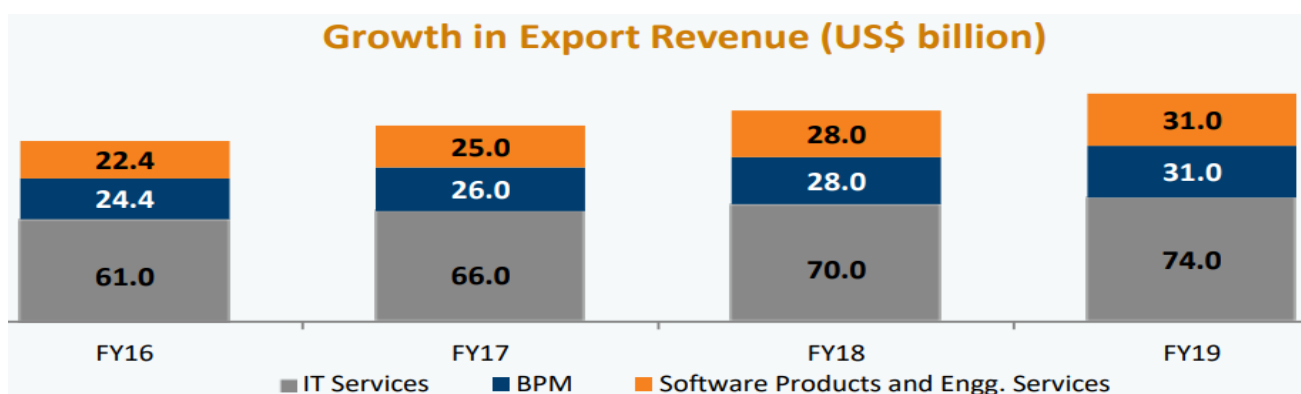


Exhibit 3: Key Trends in Indian IT and BPM Industry



(Source: ibef.org)

Investment Overview

Indian IT and BPM Industry

The IT & BPM sector has become one of the most significant growth catalysts for the Indian economy, contributing significantly to the country's GDP and public welfare. The IT industry accounted for 8% of India's GDP in 2020, and it is expected to contribute 10% to India's GDP by 2025. India's rankings improved four places to the 46th position at the 2021 edition of the Global Innovation Index (GII).

India is the leading sourcing destination across the world, accounting for approximately 55% market share of the US\$ 200-250 billion global services sourcing business in 2019-20.

According to National Association of Software and Service Companies (Nasscom), the Indian IT industry's revenue touched US\$ 227 billion in FY22, a 15.5% YoY growth.

According to Gartner estimates, IT spending in India is expected to increase to US\$ 101.8 billion in 2022 from an estimated US\$ 81.89 billion in 2021.

Indian software product industry is expected to reach US\$ 100 billion by 2025. Indian companies are focusing to invest internationally to expand their global footprint and enhance their global delivery centres.

The data annotation market in India stood at US\$ 250 million in FY20, of which the US market contributed 60% to the overall value. The market is expected to reach US\$ 7 billion by 2030 due to accelerated domestic demand for AI.

Exports from the Indian IT industry stood at US\$ 149 billion in FY21. Export of IT services has been the major contributor, accounting for more than 51% of total IT export (including hardware). BPM and Engineering and R&D (ER&D) and software products export accounted for 20.78% each to total IT exports during FY21. ER&D market is expected to grow to US\$ 42 billion by 2022.

The IT industry added 4.45 lakh new employees in FY22, bringing the total employment in the sector to 50 lakh employees.

(Source: ibef.org)

Addressable Market for Silicon Rental Solutions Limited

The company is primarily providing end to end IT rental services to its clients in India. The major market for the company currently in Maharashtra. In coming times, the company could look to increase its presence more in already catered regions as well as other regions in India.

Competition

The industry is fragmented and has many organised and unorganised players. The threat of new entrant is very low and since the business model is not very unique, the customers are likely to shift frequently if not provided with right price. So the bargaining power of the company is very low.

Peer Analysis

As Mentioned in the prospectus, the company has no listed peers.

Promoters' Profile and Management Analysis

Mr. Sanjay Harish Motiani



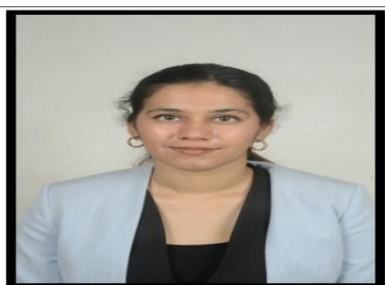
- **Mr. Sanjay Harish Motiani** is the Promoter, Chairman and Managing Director of the Company.
- He has completed diploma in Electronics Engineering.
- He has work experience of around 28 years in the Industry.

Ms. Kanchan Sanjay Motiani



- **Ms. Kanchan Sanjay Motiani** is the Promoter and Whole Time Director of the Company.
- She has completed M.sc in Microbiology.
- She possesses more than 28 years of experience in the industry.

Ms. Anushka Sanjay Motiani



- **Ms. Anushka Sanjay Motiani** is the Promoter and Whole Time Director of the Company.
- She has completed Bachelor of Design in Visual Communication & Strategic Branding.
- She possesses 4 years of experience in the industry

Mr. Nikhil Sanjay Motiani



- **Mr. Nikhil Sanjay Motiani** is the Promoter and Whole Time Director of the company.
- He has completed Bachelor of Engineering (Electronics).
- He has work experience of 1 year in the Industry

Analysis on the Company's Promoter and Board of Directors

Mr. Sanjay Harish Motiani, aged 53 years, is the Promoter, Chairman and Managing Director of the Company. He has been on the Board since incorporation of the Company. He has completed his Diploma in Electronics Engineering (I.T.) from Board of Technical Examination, Maharashtra in 1989. He has work experience of around 28 years in the IT Industry. He primarily looks after the overall business operations of the Company including Purchase, Sales and formulation of policies for the business development.

Ms. Kanchan Sanjay Motiani, aged 52 years, is the Promoter, Whole Time Director & CFO of the Company. She has been on the Board since incorporation of the Company. She has been appointed as Chief Financial Officer of the Company w.e.f August 20, 2022. She has completed Master of Science in Microbiology from the University of Bombay in 1993. She has an experience of around 28 years in the field of accounting and finance. She primarily looks after the accounts and finance function of the Company.

Ms. Anushka Sanjay Motiani, aged 26 years, is the Promoter & Whole Time Director of the Company. She has been on the Board since incorporation of the Company. She has completed Bachelor of Design in Visual Communication & Strategic Branding from University of Mysore in 2018. She is responsible for managing the marketing activities of the Company. She also works as a freelancer in the field of graphic designing. She has an experience of around 4 years in the field of graphic designing and digital marketing.

Mr. Nikhil Sanjay Motiani, aged 24 years, is the Promoter & Non - Executive Director of the Company. He has completed his Bachelors of Electrical engineering from the University of Hong-Kong in 2021. He has an experience of over 1 year in the field of software engineering. He is currently associated with Wizpresso Limited, Hong Kong as a Software Engineer.

To conclude, the company's management forms part of a family. The Managing Director is well educated in the related field and also has good experience in the related industry. Ms Kanchan is the CFO of the company but her education background does not support the roles and responsibilities she handles. Ms. Anushka takes care of the marketing part as related to her educational qualification and is gaining experience in the field. Mr. Nikhil is not wholly related to the operations of the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	1,227.79	1,375.44	2,460.94
Other income	0.05	0.21	6.97
Total Revenue	1,227.84	1,375.65	2,467.91
Expenses	436.36	415.66	527.87
Depreciation and Amortisation Cost	510.99	582.50	901.45
Finance Cost	0.23	11.56	39.17
Total Expenses	947.58	1,009.72	1,468.49
PBT	280.26	365.93	999.42
PBT Margin	22.83%	26.60%	40.61%
EBITDA	791.48	959.99	1,940.04
EBITDA Margin	64.46%	69.80%	78.83%
Net Profit	215.50	270.39	746.54
Net Profit Margin	17.55%	19.66%	30.34%
Balance Sheet			
Total Borrowings	361.77	547.71	1,664.95
Net Worth	582.54	852.93	1,698.47
Fixed Assets	1,090.67	1,427.60	2,629.01
Net Working Capital	-104.52	-6.68	513.05
Financial Measures			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	2.61	3.01	4.37
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	1.13	0.96	0.94
Return on Capital Employed	28.44%	26.57%	33.05%
Return on Equity	36.99%	31.70%	43.95%
Debt-Equity Ratio	0.62	0.64	0.98

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 791.48 lacs in 2020 to Rs. 1,940.04 lacs in 2022 growing at a CAGR of 56.56%. The EBITDA margin in 2020 was 64.46%, 69.80% in 2021 and 78.83% in 2022. The EBITDA has shown good growth in its EBITDA and EBITDA margin. The company is currently operating at a very good EBITDA margin.

Net Profit

The net profit of the company has grown from Rs. 215.50 lacs in 2020 to Rs. 746.54 lacs in 2022 at a CAGR of 86.12%. The net profit margin in 2020 was 17.55%, 19.66% in 2021 and 30.34% in 2022. The net profit seems to have grown little aggressively and the sustainability of such growth is in question.

Finance Cost.

The company has incurred finance cost mainly on the secured short term borrowings and long term loans availed from the banks. The finance cost is expected to drop down with part payment of loans. But looking at the profitability, the company could have decided to kept its loan and keep paying interest cost and use the proceeds for other internal use.

Financial Measures/Ratios

RoCE of the company in 2022 was 33.05% vs 26.57% in 2021 and 28.44% in 2020. The RoCE has increased despite of increase in loans term borrowing is due to substantial growth in the operating profit of the company. With the infusion of new equity capital and repayment of loan, the company is supposed to hold on its current level of RoCE.

ROE of the company in 2022 was 43.95%, 31.70% in 2021 and 36.99% in 2020. The analysis and prediction of the same can be set forth as that of RoCE.

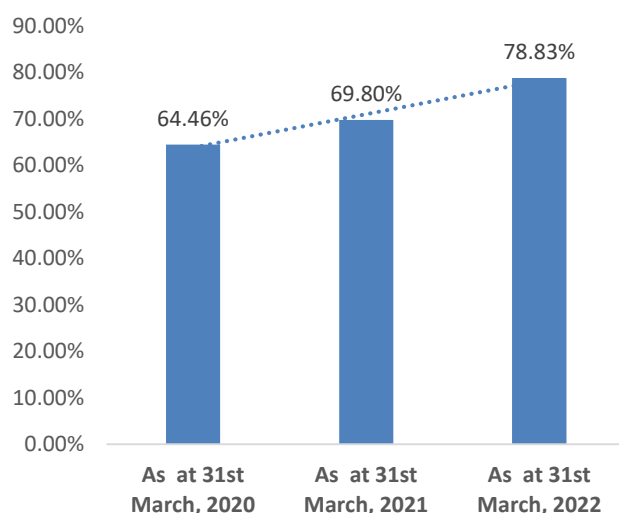
The company does not have any Inventory and Payables in its balance sheet. The company had been maintaining its Receivables effectively over the years.

The company has a debt-equity ratio of 0.98 times in FY 22. The debt-equity is expected to come down due to part payment of loans from issue proceedings. But

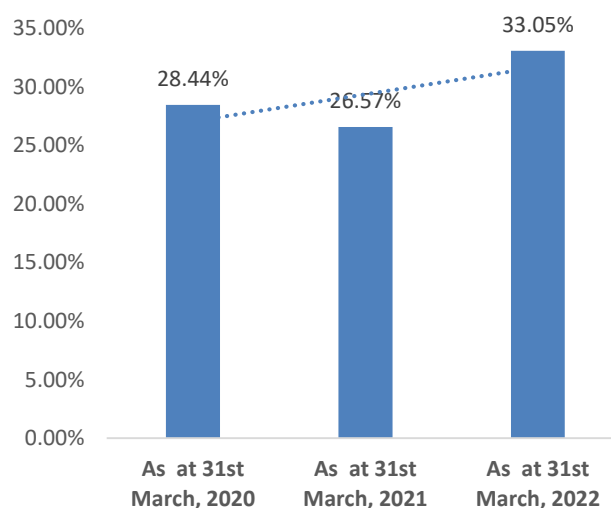
looking at the profitability, the company could have decided to kept its loan and keep paying interest cost and use the proceeds for other internal use.

Financial Charts

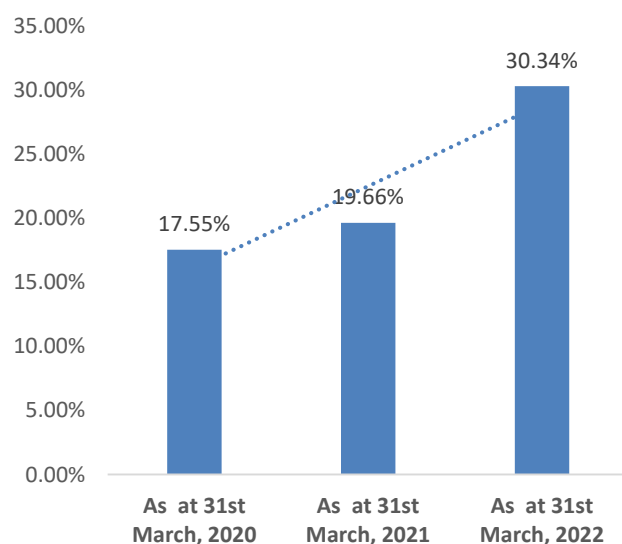
EBITDA Margin



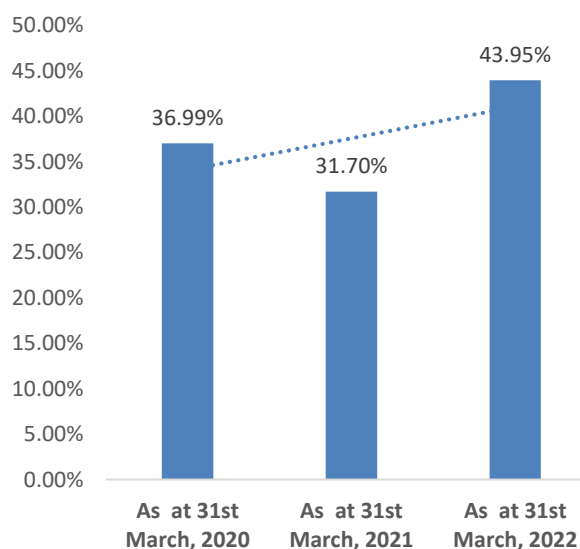
Return on Capital Employed



Net Profit Margin



Return on Equity



Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 806.35 lacs, which if determined against them, can affect financial conditions of the company.
2. Company's top 5 suppliers contribute to around 94% of its purchase.
3. Company's revenue from a single region, Maharashtra, contributes around 87% of its total revenue.
4. The company has a threat of continuous innovation in the IT industry and has a threat of its hardware/software getting obsolete.
5. The company is operating in a very competitive environment.

Track Record of Lead Manager

The lead manager to the issue is Hem Securities and this is the 16th mandate in the last three fiscals. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP#
1.	Suratwwala Business Group Limited	6.90	15/-	13-08-2020	199.00
2.	Knowledge Marine & Engineering Works Limited	10.12	37/-	22-03-2021	658.50
3.	EKI Energy Services Limited	18.60	102/-	07-04-2021	1400.80
4.	DU Digital Technologies Limited	4.485	65/-	26-08-2021	203.50
5.	Prevest Denpro Limited	26.61	84/-	27-09-2021	400.00
6.	Jainam Ferro Alloys (I) Limited	19.61	70/-	08-10-2021	178.90
7.	Shri Venkatesh Refineries Ltd.	11.71	40/-	11-10-2021	178.00
8.	KN Agri Resources Limited	49.38	75/-	28-03-2022	158.45
9.	Krishna Defence and Allied Industries Limited	11.89	39/-	06-04-2022	81.00
10.	Eighty Jewellers Limited	11.07	41/-	13-04-2022	72.00
11.	Kesar India Limited	15.82	170/-	12-07-2022	200.00

#CMP is taken as on 29th September 2022

Out of the last 10 listings, 1 opened at discount and the rest with premiums ranging from 1.47% to 104.87% on the day of listing.

Recommendation

The company was established in the year 2016 and so does not have a good track record of existence and has been operating in the IT industry.

The company has however shown good revenue growth in these years with a slow growth in FY 21 due to the outbreak of Pandemic. The business model is suitable for mid-sized firm.

The management of the company seems to mainly handled by Mr. Sanjay and Ms. Kanchan. Although the education background of Ms. Kanchan does not support the roles and responsibilities she has been handling in the company.

To conclude, the segment is growing but the business model of the company is exposed to a major threat of obscene and his highly competitive. The company however has been able to do well in the past years and also has high profit margins. So it looks like a **good but risky investment** and so **risk takers should only apply** in this IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.