

IPO Details	
Opening Date	Mar 02, 2023
Closing Date	Mar 06, 2023
Stock Exchange	NSE SME
Lot Size	1600 Shares
Issue Price	₹ 85 to 90 per share
Issue Size	38,68,800 Equity Shares
Application Amount	₹ 1,44,000

IPO Objective	
Strategic Investment and Acquisitions	
Investment in Subsidiaries	
To Meet Working Capital Requirements	
General Corporate Purposes	
To Meet Issue Expenses	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,05,55,200	97.73%
Public	2,44,800	2.27%

Promoter of the Company	
1	Mr. Nilesh Rathi
2	Mrs. Vinita Rathi

Competitive Strengths	
1	Qualified and Experienced Promoters and Employee base
2	Diversified revenue from multiple geographies
3	Diversified Client base
4	End-to-end solutions and support
5	Strong User Interface (UI)/ User Experience (UX) Design Capabilities and hyper-focus on customer success

Company Background	
○	Company was incorporated in the year 2004 in Madhya Pradesh.
○	Company is engaged in business of providing software solutions that enables companies to design, implement and manage their own customized digital platforms.
○	They provide range of software solution services including like: website development, mobile app development, web3 development, DeFi (Decentralized finance), data engineering, implementation of blockchain, cloud computing, digital marketing etc for companies across sectors such as Financial Services (FinTech), Hospitality, Fantasy Sports, Property Tech etc.
○	As on September 30, 2022, the Company has employed 281 employees including 257 IT developers.

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-21	Mar-22	Sep-22
Total Assets	1,570.66	2,364.19	2,644.25
Net Assets	1,073.07	1,785.16	2,223.53
Total Borrowings	21.50	21.50	-
Total Revenue	2,421.18	3,434.23	2,137.92
Profit After Tax	595.83	712.09	436.18

Tentative Timeline	
Opening Date	Mar 2, 2023
Closing Date	Mar 6, 2023
Basis of Allotment	Mar 10, 2023
Initiation of Refunds	Mar 13, 2023
Credit of Shares to Demat	Mar 14, 2023
Listing Date	Mar 15, 2023

## Table of Contents

1	Company Overview.....
2	Industry Charts.....
3	Investment Overview.....
4	Promoter & Promoters' Profile.....
5	Financial Analysis.....
6	Key Risk Factors.....
7	Track Record of Lead Manager.....
8	Recommendation.....
9	Disclaimer.....

## Company Overview

Company was formed in Madhya Pradesh in the year 2004. Company is engaged in business of providing software solutions that enables companies to design, implement and manage their own customized digital platforms. They provide range of software solution services including like: website development, mobile app development, web3 development, DeFi (Decentralized finance), data engineering, implementation of blockchain, cloud computing, digital marketing etc for companies across sectors such as Financial Services (FinTech), Hospitality, Fantasy Sports, Property Tech etc. As on September 30, 2022, the Company has employed 281 employees including 257 IT developers.

## Analysis

Being in operations since 2004, the company has a decent track record. The company serves in the service industry with majority of its revenue coming from exports. Services offered by the company are as follows-

- a. Full Cycle Product Development
- b. Data Engineering and Machine Learning Services
- c. Web3 and Blockchain Solutions
- d. DevOps
- e. Digital Marketing
- f. Product Architecture and design
- g. Cloud Services

Service wise revenue break up is not provided and so comments on the same cannot be made.

The company has presence in 10 countries including USA, UK & Canada amongst others. Overall geography wise and country wise revenue break-up has been provided in the table below-

Geographical Areas	As of and for the year/period ended (Based on Standalone Financial statement)							
	30-Sep-22	%	31-Mar-22	%	31-Mar-21	%	31-Mar-20	%
Domestic	125.36	5.88%	155.36	5.00%	151.19	6.70%	19.94	1.40%
Export	2,005.61	94.12%	2,951.94	95.00%	2,105.90	93.30%	1,408.51	98.60%
<b>Total</b>	<b>2,130.97</b>	<b>100.00%</b>	<b>3,107.30</b>	<b>100.00%</b>	<b>2,257.09</b>	<b>100.00%</b>	<b>1,428.45</b>	<b>100.00%</b>

The company generates roughly 95% of its revenue from overseas operations.

Geographical Areas	As of and for the year/period ended (Based on Standalone Financial statement)							
	September 30, 2022	%	March 31, 2022	%	March 31, 2021	%	March 31, 2020	%
USA	1458.30	68.43%	2093.99	67.39%	1371.19	60.75%	841.05	58.88%
UK	402.62	18.90%	474.81	15.28%	476.54	21.11%	292.94	20.51%
Canada	113.92	5.35%	236.80	7.62%	237.03	10.50%	108.22	7.58%
Others	156.13	7.32%	301.70	9.71%	172.33	7.63%	186.24	13.03%
<b>Total</b>	<b>2130.97</b>	<b>100.00%</b>	<b>3107.30</b>	<b>100.00%</b>	<b>2257.09</b>	<b>100.00%</b>	<b>1428.45</b>	<b>100.00%</b>

USA is the largest contributor to the company's revenue followed by UK and Canada.

A break up showing the company's client base is depicted in the table below-

Verticals	As of and for the year/period ended (Based on Standalone financial statement)							
	September 30, 2022	%	March 31, 2022	%	March 31, 2021	%	March 31, 2020	%
IT	1139.81	53.49%	989.63	31.85%	732.83	32.47%	492.03	34.44%
Fantasy Sports	197.53	9.27%	493.56	15.88%	310.59	13.76%	259.71	18.18%
FinTech	62.689	2.94%	442.68	14.25%	179.14	7.94%	26.27	1.84%
Hospitality	220.76	10.36%	344.84	11.10%	274.17	12.15%	158.94	11.12%
Others	510.18	23.94%	836.59	26.92%	760.36	33.69%	491.50	34.42%
<b>Total</b>	<b>2130.97</b>	<b>100.00%</b>	<b>3107.30</b>	<b>100.00%</b>	<b>2257.09</b>	<b>100.00%</b>	<b>1428.45</b>	<b>100.00%</b>

There is variation each year in terms of proportions held by each type of client showing versatility in the company's service portfolio and the ability of the company to cater to different needs.

To conclude, the company has a decent track record. There are a lot of big and small players making it a very highly competitive market. However, healthy growth can be seen in the company's revenue. Company offers a wide range of services and seems to have the ability to adapt as per the demands of the projects.

## Industry Charts

Exhibit 1: IT industry market size-India

Market size of IT industry in India (US\$ billion)

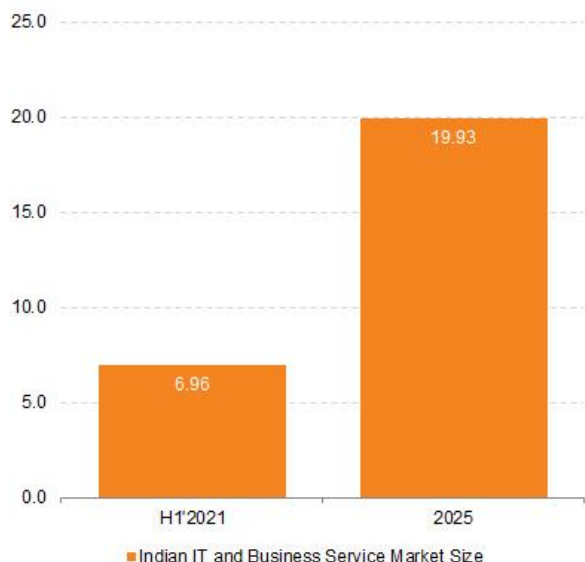


Exhibit 2: Service Sector GVA at basic prices at current prices

Services sector GVA at basic prices at current prices (in US\$ billion)

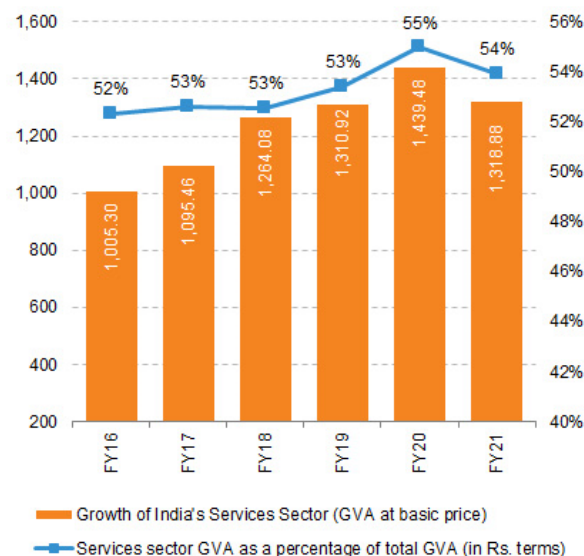
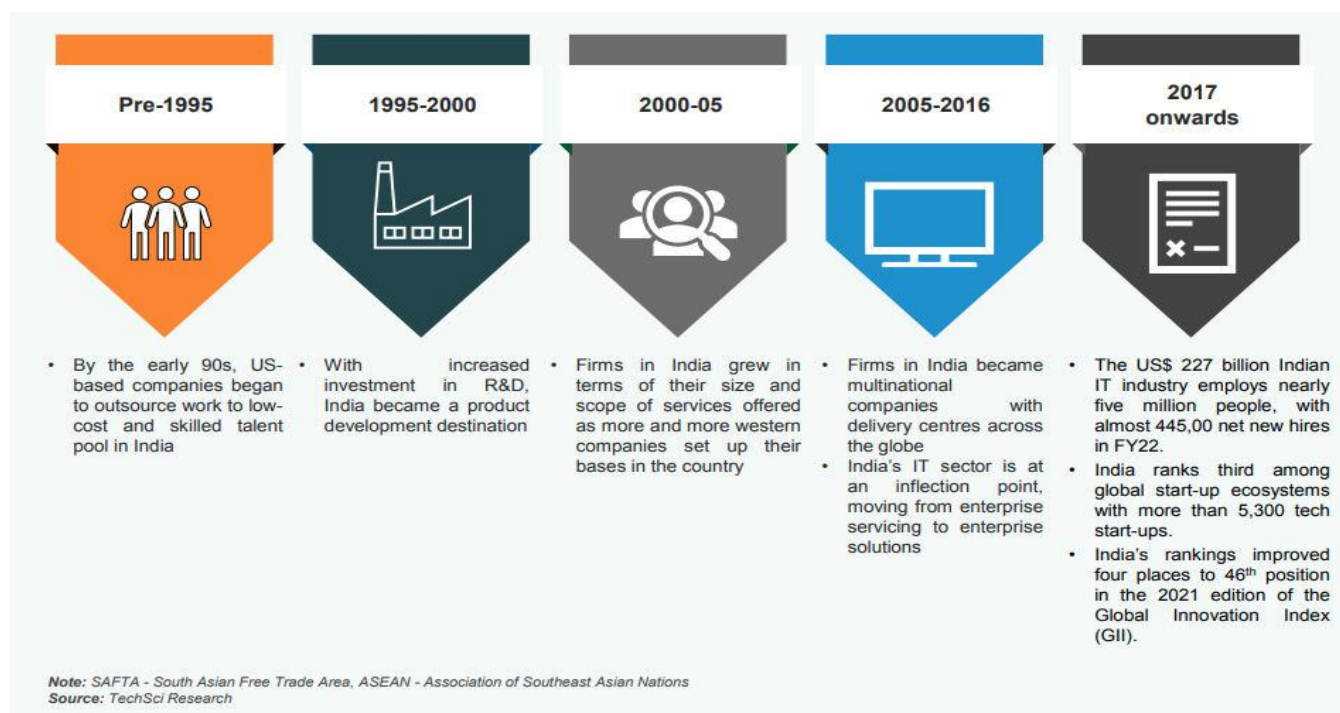


Exhibit 3: Evolution of the Indian IT sector



Source- ibef and prospectus

## Investment Overview

### IT INDUSTRY

In the Industry of Information Technology, a variety of software have been changing the way we look at things from the dawn of its era. We see that almost every other process we have been doing manually is now done and monitored by systems. Software Development is an industry that comes under this parent and is a general term used in developing and deploying software that is in the category of websites and standalone applications. While creating these applications, the minimum hardware requirements given were typically a personal computer with adequate specifications. In the age of software, people who could afford and own a computer were only able to use or utilize it. Till a particular time, people accessed websites only through Cyber Cafes. Now even though many have access to laptops and PC's, the count remained significantly low compared to the population. After mobile phones were introduced, which were typically a hand-held computer, the number of people who started buying mobile phones is significantly higher and the number of people who can get an idea of applications started getting multiplied. Today we can say that irrespective of which age group they belong to, people are learning to use an application in the form of a Mobile App. The App Development Industry has taken advantage of it ever since.

India's IT sector is one of the fastest growing industry, while global economy and multiple industries struggle to stay afloat, India's technology industry has seen tremendous growth of 15.5% (YoY) growth, from US\$196 billion in FY21 to US\$227 billion in FY22. IT sector contributes 51% of relative share in services exports. India has now become largest tech start-up hub in the world with more than 2500+ start-ups and 42 new unicorns. The government of India has taken some major initiatives to promote the IT/ ITeS sector in India. Both central and state governments in India have taken steps toward developing technology bsolutions to enable citizen services. The government continues to focus on areas such as cybersecurity, hyper-scale computing, artificial intelligence and blockchain. Up to 100% FDI is allowed in Data processing, Software development and Computer consultancy services; Software supply services; Business and management consultancy services, Market research services, technical testing and Analysis services, under automatic route.



## **Year End Review 2022: Ministry of Electronics and Information Technology (MeitY)**

1. UIDAI starts 88 Aadhaar Seva Kendras in 72 cities across the country
2. 5.49 lakh Common Services Centres are functional out of which, 4.37 lakh CSCs are functional at Gram Panchayat level.
3. DigiLocker provides a dedicated cloud-based platform as a personal space to residents for storage, sharing, verification of documents & certificates.
4. AarogyaSetu App is now transformed into National Health App, bringing a whole plethora of digital health services powered by Ayushman Bharat Digital.
5. Mission Remarkable growth in digital transactions is seen for FY2018-19, FY 2019-20 & FY20-21 where we have achieved 3134 crore, 4572 crore & 5554 Crore respectively.
6. India has witnessed a big leap in Electronic Manufacturing with schemes like Production Linked Incentives, Promotion of Manufacturing of Electronic Components & Semi-conductors.
7. Domestic production of Electronic Goods has increased substantially from ₹ 3,17,331 crore in 2016-17 to ₹ 6,40,810 crore in 2021-22.

### **Source:**

[https://www.researchgate.net/publication/352490326\\_A\\_Study\\_and\\_Overview\\_of\\_the\\_Mobile\\_App\\_Development\\_Industry](https://www.researchgate.net/publication/352490326_A_Study_and_Overview_of_the_Mobile_App_Development_Industry)

<https://static.investindia.gov.in/s3fs-public/2022-11/ey-doing-business-in-india.pdf>

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1883839>[https://www.meitv.gov.in/writereaddata/files/MeitY\\_AR\\_English\\_2021-22.pdf](https://www.meitv.gov.in/writereaddata/files/MeitY_AR_English_2021-22.pdf)

## **Addressable Market for Systango Technologies Limited**

As on September 30, 2022, the company has presence in over 10 countries across the globe with major presence in USA, UK and Canada. The company has its wholly owned subsidiaries in USA and Canada making the global market accessible for them.

## **Competition**

Company operates in a highly competitive environment. There are many small and unorganised players in the market along with some players having better penetration in some geographical areas in which the company operates. The threat of new entrant is high.

## **Peer Analysis**

The following companies are listed as it peer in the company's prospectus.

<b>Company</b>	<b>Systango Technologies Limited</b>	<b>InfoBeans Technologies Ltd</b>	<b>Innovana Thinklabs Limited</b>
Net Profit (INR Cr)	7.12	27.77	11.38
EBITDA (INR Cr)	7.43	39.79	16.77
Return on Capital Employed	36.17%	15.58%	24.84%
Return on Equity	39.89%	13.67%	19.78%
EPS (INR)	11.72	11.41	11.29
P/E* (Times)	7.44	24.95	60.31

\* PE is calculated on post IPO Basis



## Promoters' Profile and Management Analysis

### Mrs. Vinita Rathi



- Vinita Rathi is one of the Promoters and Managing Director of the Company.
- She has completed her Bachelor of Engineering [B.E.] in Information Technology from Devi Ahilya Vishwa Vidyalyaya, Indore, Madhya Pradesh in 2004.
- X`She has a work experience of around 17 years in the field of technology.
- She is looking after core management of the company and entrepreneur, active and enthusiastic in business activities.
- She is primarily responsible for the performance and supervision of technical, administrative and day-to-day operations of the company.

### Mr. Nilesh Rathi



- Nilesh Rathi is one of the Promoters and the Whole Time Director & Chief Financial Officer (CFO) of the Company.
- He has completed his Bachelor of e-Commerce from Devi Ahilya Vishwavidyalaya, Indore, Madhya Pradesh in 2003.
- He has a work experience of over 15 years in the Information Technology Industry.
- He is responsible for the expansion and overall management of the business of the company.

### **Analysis on the Company's Promoter and Board of Directors**

**Mrs. Vinita Rathi** is one of the Promoters and Managing Director of the Company. She has completed her Bachelor of Engineering [B.E.] in Information Technology from Devi Ahilya Vishwa Vidyalaya, Indore, Madhya Pradesh in 2004. She has a work experience of around 17 years in the field of technology. She is looking after core management of the company and entrepreneur, active and enthusiastic in business activities. She is primarily responsible for the performance and supervision of technical, administrative and day-to-day operations of the Company.

**Mr. Nilesh Rathi** is one of the Promoters and the Whole Time Director & Chief Financial Officer (CFO) of the Company. He has completed his Bachelor of e-Commerce from Devi Ahilya Vishwavidyalaya, Indore, Madhya Pradesh in 2003. He has a work experience of over 15 years in the Information Technology Industry. He is playing vital role in formulating administration and Accounting, Financial, Taxation and Legal operations and effective implementation of the same. He is responsible for the expansion and overall management of the business of the Company.

**Mrs. Sarita Devi Khandelwal** is the Chairman and Non-Executive Director of the Company. She has completed her Master of Arts (M.A). She has over 12 years of experience in agricultural business.

To conclude, the company's individual promoters have decent experience in the industry in which the company belongs to. The independent directors of the company are also well experienced and could be a good driving force for the company.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sept, 2022
Profit and Loss			
Revenue from operations	2,298.96	3,268.80	2,239.39
Other income	122.22	165.43	-101.47
Total Revenue	2,421.18	3,434.23	2,137.92
Expenses	1,671.99	2,525.33	1,597.71
Depreciation and Amortisation Cost	38.09	61.14	24.79
Finance Cost	-	-	-
Total Expenses	1,710.08	2,586.47	1,622.50
PBT	711.10	847.76	515.42
PBT Margin	30.93%	25.93%	23.02%
EBITDA	626.97	743.47	641.68
EBITDA Margin	27.27%	22.74%	28.65%
Net Profit	595.83	712.09	436.18
Net Profit Margin	25.92%	21.78%	19.48%
Balance Sheet			
Total Borrowings	21.50	21.50	-
Net Worth	1,073.07	1,785.16	2,223.53
Fixed Assets	108.72	157.59	171.28
Net Working Capital	975.89	1,647.60	2,049.58
Financial Measures (Annualised)			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	-	143.62	32.32
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	21.15	20.74	36.80
Return on Capital Employed	50.84%	36.17%	33.71%
Return on Equity	55.53%	39.89%	23.84%
Debt-Equity Ratio	0.02	0.01	-

(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 increased from Rs. 626.97 lacs in 2021 to Rs. 743.47 lacs in 2022 and on 30<sup>th</sup> Sept 2022 it was Rs. 641.68 lacs and if we annualise the same it would be around Rs. 1283.36 lacs. The EBITDA on annualised basis has grown at a CAGR of 43.07%. The EBITDA margin in 2021 was 27.27%, 22.74% in 2022 and 28.65% up to 30<sup>th</sup> Sept 2022. CAGR seems healthy along with healthy EBITDA margins.

### **Net Profit**

The net profit of the company has grown from Rs 595.83 lacs in 2021 to Rs. 712.09 lacs in 2022 and as on 30<sup>th</sup> Sept 2022 it was Rs. 436.18 lacs and if we annualise the same it would be around Rs. 872.36 lacs growing at a CAGR of 21.00%. The net profit margin in 2021 was 25.92%, 21.78% in 2022 and 19.48% up to 30<sup>th</sup> Sept 2022. The company has been able to maintain healthy net profit margins.

### **Finance Cost.**

The company's finance cost mainly due to short terms borrowings and long-term borrowings availed by the company. However, the company has debt free in the current year, hence finance cost is zero.

### **Financial Measures/Ratios**

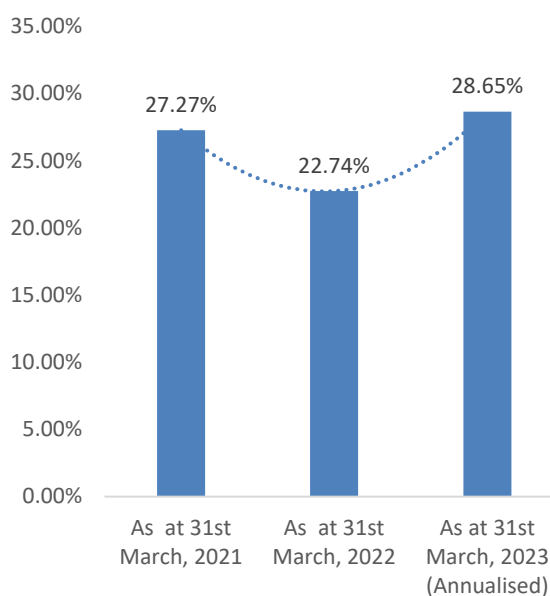
RoCE of the company up to 30<sup>th</sup> Sept 2022 is 26.76% vs 36.17% in 2022 and 50.84% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 33.71%.

ROE of the company in 2021 was 55.53%, 39.89% in 2022 and 19.62% up to Sept 2022, if annualised, ROE would be around 23.84%. The ROE likewise RoCE has seen a decrease. With increase of equity base, the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of -34.48%.

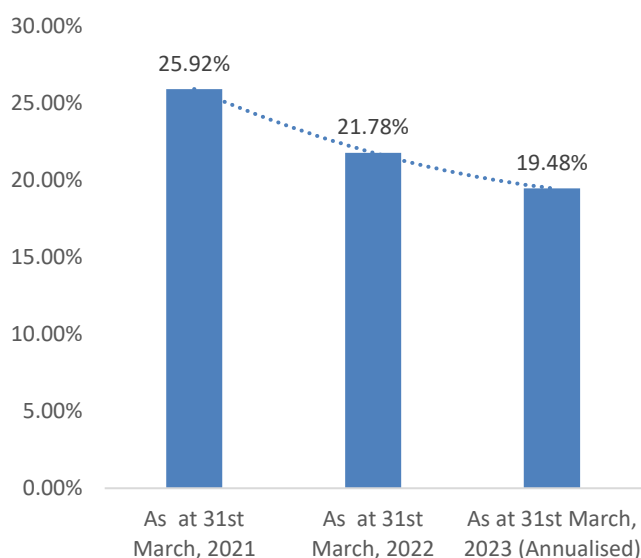
The company has a debt-equity ratio of 0 which shows the company is not leveraged properly. Company should make use of leverage to better structure their business capital structure.

## Financial Charts

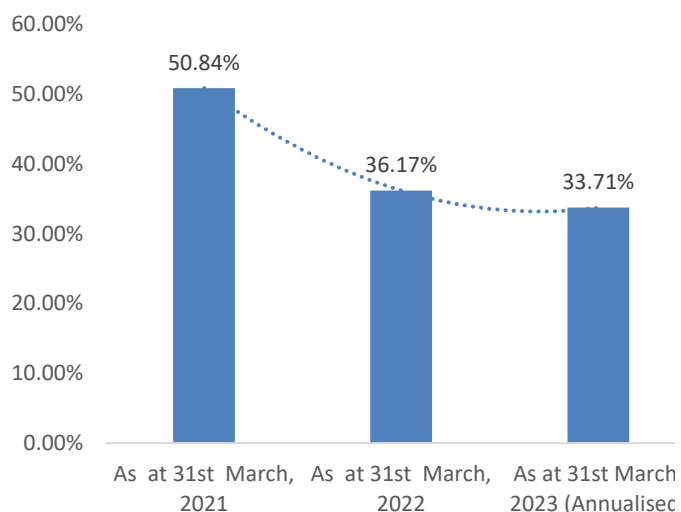
**EBITDA Margin**



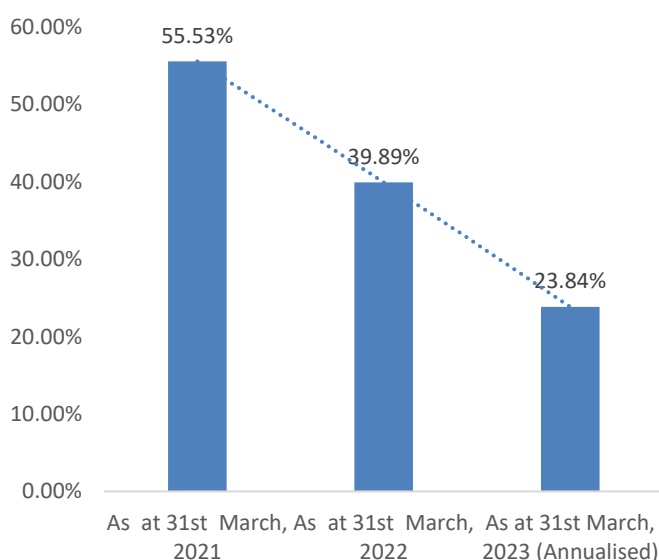
**Net Profit Margin**



**Return on Capital Employed**



**Return on Equity**



## Key Risk Factors

1. Rapidly changing technology is a threat for the company which can affect the company to the extent of it getting obsolete.
2. Company has negative cash flows from their investing activities as well as financing activities during the last three fiscal years.
3. The company has one open unregistered criminal proceeding against it the hearing date of which is on May 27, 2023.
4. Company is involved in criminal proceedings filed by it which are in substantial number all of which are open in the court of law to the extent of 25 lakhs.

## Track Record of Lead Manager

The lead manager to the issue is Hem Securities Limited. 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.	Eighty Jewellers Limited	11.07	41/-	13-04-2022	43.05
2.	Kesar India Limited	15.82	170/-	12-07-2022	133.95
3.	Concord Control Systems Limited	8.32	55/-	10-10-2022	186.00
4.	Lloyds Luxuries Limited	24.00	40/-	11-10-2022	44.00
5.	Silicon Rental Solutions Limited	21.15	78/-	10-10-2022	132.05
6.	Cargosol Logistics Limited	7.56	28/-	10-10-2022	50.00
7.	Vedant Asset Limited	3.00	40/-	12-10-2022	43.00
8.	Cargotrans Maritime Limited	4.86	45/-	10-10-2022	106.90
9.	Baheti Recycling Industries Limited	12.42	45/-	08-12-2022	93.30
10.	Chaman Metallics Limited	24.21	38/-	16-01-2023	46.90
11.	Earthstahl & Alloys Limited	12.96	40/-	08-02-2023	49.30

**CMP is taken as on 28<sup>th</sup> February 2023.**



## Recommendation

The company has been into this industry since 2004 and has a decent track record. This is evident from its growing healthy revenues and presence across the globe with formation of wholly owned subsidiaries in the foreign waters.

Revenue from operations and net profit margins have seen healthy growths in the last 3 fiscal years.

The management outlook of the company is good since its promoters and directors show promising growth.

The company is getting listed at a PE of around 7.44 times on post IPO basis which makes justifies the issue price. The industry PE is 29.76.

In conclusion, the company has shown healthy increasing revenues and net profit margins. Company wants to raise money to further invest in its subsidiaries and expand its growth prospects. The debt-equity pre issue is 0 making it a debt free company. The company could make use of debt to gain leverage and improve its capital structure and gain tax advantages. The company has fared well in recent times and its growth looks promising considering its future prospectus and the industry it is in and so one **Should Apply** to 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.**