

IPO Details	
<b>Opening Date</b>	Nov 07, 2023
<b>Closing Date</b>	Nov 09, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	1,600 Shares
<b>Issue Price</b>	₹ 80 to ₹ 83 per share
<b>Issue Size</b>	Aggregating up to 54.49 Cr.
<b>Fresh Issue</b>	Aggregating up to 49.95 Cr.
<b>Offer for Sale</b>	Aggregating up to 4.54 Cr.
<b>Application Amount</b>	₹ 1,32,800

IPO Objective	
Funding Capital Expenditure – Setting up Network Operations Centre and Security Operations Centre, Chennai Medical Automation, and Global Software Delivery Centre.	
Funding the working capital requirements.	
General Corporate Expenses.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,40,08,042	83.29%
Public	28,10,708	16.71%

Promoter of the Company	
1	Jim Rakesh
2	Sukanya Rakesh

Competitive Strengths	
1	Agile engineering and delivery.
2	Scalable business model.
3	Exclusive agreement for certain domains.
4	Experienced Promoters.
5	Marque Clientele.
6	Significant product development and innovation through R&D.

Company Background	
○	ROX Hi-Tech Limited was originally incorporated in the year 2002 and has its registered office in Chennai, Tamil Nadu.
○	The company is a customer-centric IT solutions provider with a vision of being committed to excellence.
○	The Company offers a comprehensive range of distributed IT solutions, including consulting, enterprise and end-user computing, managed print, etc.
○	As of 31 <sup>st</sup> July 2023, the Company had 110 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 140	₹ 190

Financial Summary (In Lacs)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Jul-23
<b>Total Assets</b>	3,887.59	3,866.71	6,103.26	8,010.88
<b>Net Assets</b>	730.75	882.06	2,415.03	3,090.93
<b>Total Borrowings</b>	1,135.32	1,794.59	2,258.36	2,838.79
<b>Total Revenue</b>	6,547.94	10,297.25	13,398.85	5,001.20
<b>Profit After Tax</b>	66.14	151.30	1,532.96	675.90

Tentative Timeline	
<b>Opening Date</b>	Nov 07, 2023
<b>Closing Date</b>	Nov 09, 2023
<b>Basis of Allotment</b>	Nov 15, 2023
<b>Initiation of Refunds</b>	Nov 16, 2023
<b>Credit of Shares to Demat</b>	Nov 17, 2023
<b>Listing Date</b>	Nov 20, 2023

## Company Background and Analysis

The Company was originally incorporated on March 13, 2002. The company is a customer-centric IT solutions provider with a vision of being committed to excellence. The company offers a comprehensive range of distributed IT solutions, including consulting, enterprise and end-user computing, managed print, and network services. We are in the business of providing end-to-end IT solution provider.

The offerings comprise of –

1. Digital Transformation Solution (Software services, AL, RPA & ML) - The company offers Intelligent and Sustainable Transformation with ROX's Solutions, with SAP partnership, elevating them to Gold Partner status, epitomizing the robust capabilities in S/4 HANA, RISE with SAP & Integrations. With SAP Public and Private Cloud, the Company frames an intelligent, sustainable enterprise progression.
2. Network and Collaboration - The company provide clients with Network Experience with ROX's Active and Passive Networking solutions. As a solution partner, they offer seamless implementation and consulting, ensuring the clients achieve their business goals.
3. Data Centre Solutions (On-premises and Cloud) – The company bring the potency of cutting-edge cloud technologies, enabling analytics, Artificial Intelligence (AI), and Modern High-Performance Computing (HPC).
4. IT and OT Security – The company help the clients elevate their Hybrid Cloud with ROX's Opensource Solutions by enabling the clients to attain cohesion through a flexible operating system standardizing clients' hybrid cloud sphere.
5. IoT, SMART and Media – The company enable the clients to undertake professional Video Capturing, Editing, Graphics and live Streaming, and reap benefits from Content Creation, Authoring, and Secure hosting.

Below is a brief of the agreements the company has –

Name of the Partner	Agreement Valid till	Brief description of the partnership	Area Coverage
SAP	Dec, 2026	SAP Gold Partner – Implementation services on S/4 Hana, Private and Public Edition, License and AMS	Global
Cisco	Dec, 2026	Premier Partner for Datacenter, Networking, Collaboration and Security	India & South Asia
IBM	Dec, 2026	Platinum Partner for IBM Power Server Solution	India & South Asia
Google	Dec, 2026	Google Cloud Partner and Google Workspace Partner	India
Lenovo	Sep, 2027	Platinum Partner for Datacenter and Endpoints	India & South Asia

To conclude, the company was incorporated in the year 2002. The company is a customer-centric IT solutions provider. The company has partnerships with SAP, Cisco, IBM, Google and Lenovo adding to its revenue generation. The company is raising total gross proceeds of Rs. 5,449 lakhs.

## **Business Strategies**

The company's strategic objective is to improve and consolidate its position as one of the leading end-to-end IT implementation companies with a continuous growth philosophy and to enter into value services. Below are the points the company has implemented -

### **1. Expanding and augmenting the product portfolio -**

One notable advancement in medical automation is the integration of AI algorithms in diagnostics. AI systems can analyse vast amounts of medical data, including patient histories, test results, and imaging scans, to derive accurate and rapid diagnoses.

### **2. Centre of Excellence (COE) for Medical Automation -**

ROX is committed to establishing a Centre of Excellence (COE) focused on medical automation, specifically to create an assist system for surgeons using deep learning and AI. These COEs are designed to unite interdisciplinary teams comprising clinicians, researchers, engineers, and data scientists.

### **3. Revolutionizing Cancer Treatment - CyberKnife System with LINAC Technology -**

In the field of cancer treatment, an advancement has emerged in the form of the CyberKnife System with Linear Accelerator (LINAC) Technology. This innovation is reshaping the landscape of radiation therapy, offering unmatched precision in targeting tumours while sparing healthy tissue.

### **4. Acquire new clients and deepen key account relationships -**

The company uses next-generation technologies, including AI, to help its customers transform areas ranging from technical IT processes to complex business processes. Leveraging the creative and engineering capabilities.

### **5. Enhance customer base by entering new geographies -**

The company intends to expand its geographical footprint, by creating the presence to greater geographical proximity with some of its key clients. The company also aims to acquire new strategic clients in the industries and focuses on and strengthens the capabilities in specific areas.

### **6. Attract, develop and retain highly-skilled employees -**

The company focuses on the quality and level of service that the employees deliver by investing in recruitment, development, retention and n, and maintenance of a culture of innovation and by creating both a challenging and rewarding work environment.

## Competitive Scenario and Peer Mapping

### Competition

The company faces significant competition in this Industry. The company operates in an intensely competitive industry that experiences rapid technological developments, changes in industry standards, and changes in customer requirements. The company's competitors include large IT consulting firms, captive divisions of large multinational technology firms, large Indian IT services firms, etc. The company has low entry barriers. The bargaining power with the customers is moderate 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	ROX Hi-Tech Limited	Dynacons Systems Solutions Limited
	31st Mar 2023	31st Mar 2023
Net Profit Margin	11.50%	4.10%
EBITDA Margin	17.26%	6.84%
Return on Capital Employed	81.80%	42.86%
Return on Equity	63.48%	31.43%
EPS (INR)	9.11	26.30

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

Particulars	ROX Hi-Tech Limited	Dynacons Systems Solutions Limited
	31st Mar 2022	31st Mar 2022
Net Profit Margin	1.47%	2.45%
EBITDA Margin	4.03%	4.74%
Return on Capital Employed	29.52%	35.71%
Return on Equity	17.15%	23.88%
EPS (INR)	0.90	14.59

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

Particulars	ROX Hi-Tech Limited	Dynacons Systems Solutions Limited
	31st Mar 2021	31st Mar 2021
Net Profit Margin	1.03%	2.06%
EBITDA Margin	0.23%	4.36%
Return on Capital Employed	-0.03%	31.03%
Return on Equity	9.05%	18.37%
EPS (INR)	0.39	9.10

Based on the above analysis, the company has performed better than its peer in terms of Profitability margins, RoCE, ROE and EPS for the FY 2023. The company has performed lower for the FY 2021, 2022 when compared to its peers.

## Industry Overview

Exhibit 1: Indian IT & Business Service Industry (US\$ billion)

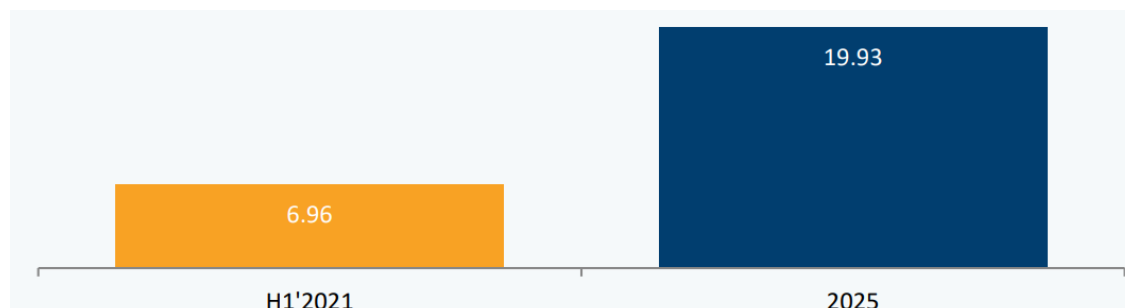


Exhibit 2: Sector-wise Break-up of the Indian IT market (US\$ billion) FY19.

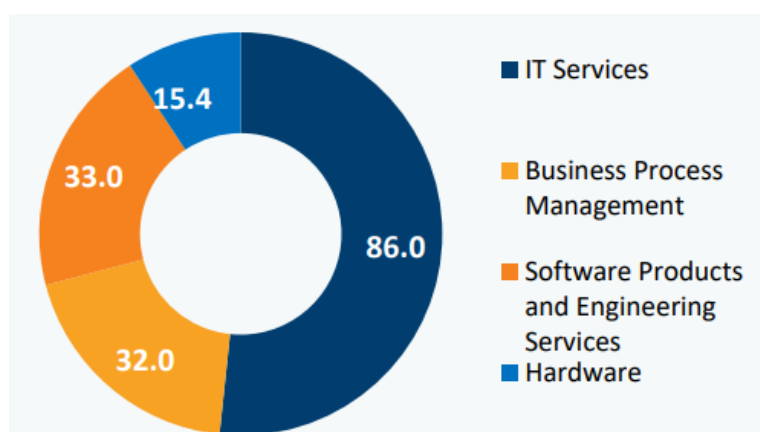
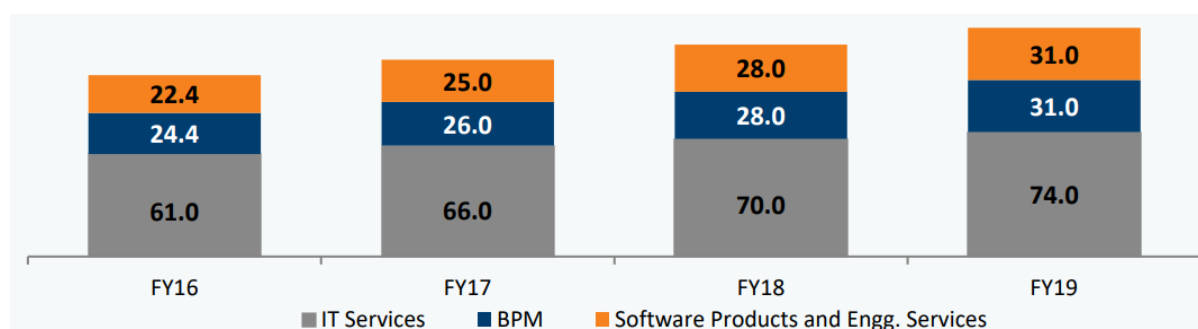


Exhibit 3: Growth in Export Revenue (US\$ billion)



(Source: ibef.org)

**Global IT Industry -**

The global information technology market grew from \$8179.48 billion in 2022 to \$8852.41 billion in 2023 at a compound annual growth rate (CAGR) of 8.2%. The Russia-Ukraine war disrupted the chances of global economic recovery from the COVID-19 pandemic, at least in the short term. The war between these two countries has led to economic sanctions on multiple countries, a surge in commodity prices, and supply chain disruptions, causing inflation across goods and services and affecting many markets across the globe.

The information technology market is expected to grow to \$11995.97 billion in 2027 at a CAGR of 7.9%. The information technology (IT) market consists of revenues earned by entities by providing IT services such as computer networking, broadcasting, systems design services and information distribution technologies like television and telephones and other equipment used during the process. The market value includes the value of related goods sold by the service provider or included within the service offering.

**Indian IT 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 7.4% of India's GDP in FY22, and it is expected to contribute 10% to India's GDP by 2025. As innovative digital applications permeate sector after sector, India is now prepared for the next phase of growth in its IT revolution. India is viewed by the rest of the world as having one of the largest Internet user bases and the cheapest Internet rates, with 76 crore citizens now having access to the internet.

The current emphasis is on the production of significant economic value and citizen empowerment, thanks to a solid foundation of digital infrastructure and enhanced digital access provided by the Digital India Programme. India is one of the countries with the quickest pace of digital adoption.

This was accomplished through a mix of government action, commercial innovation and investment, and new digital applications that are already improving and permeating a variety of activities and different forms of work, thus having a positive impact on the daily lives of citizens. India's rankings improved six places to the 40th position in the 2022 edition of the Global Innovation Index (GII).

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 on investing 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. The ER&D market is expected to grow to US\$ 42 billion by 2022.

(Source: prospectus)



## Key Managerial Personnel

**Jim Rakesh**, aged 47, is one of the Promoters, Chairman and Managing Director of the company. He holds a bachelor's degree in technology in Computer Science. He is having more than 25 years of experience in the IT and system Integration space and effectively translates it to his customers. He handles day to day operations of the Company. He has been associated with the Company since its inception.

**Sukanya Rakesh**, aged 47, is one of the Promoters, a Whole-Time Director, and Chief Financial Officer of the company. She has done an MS in Information Technology. She is having more than 20 years in IT implementation and System Integration, administration, finance and HR-related matters. She handles the finance, HR and Admin departments in the company.

**Munusamy Murgan Senthil Kumar**, aged 41, is the Whole-Time Director of the company. He specializes in transforming and optimizing IT investments for maximum efficiency.

**Jeyasimmon Kenny Robert**, aged 34, is the Non-Executive and Non-Independent Director of the company. He is a Surgical Oncologist with more than 8 years of complex surgical and advanced laparoscopic experience. He has been a national faculty for NEET PG/ FMGE/ NEET SS since 2016.

**Rajagopalan Alagar**, aged 72, is the Independent Director of the company. He is a Commerce Graduate and a Fellow Member of the Institute of Company Secretaries of India. He is having a rich knowledge of more than 35 years in corporate law and governance.

**C D Balaji**, aged 43, is the Independent Director of the company. He has a Bachelor of Engineering in Electronic and Electrical. He has accomplished with over 20 years of experience as a Sales Professional in consulting and enterprise business, specializing in strategic business planning, IBM Linux One / IBM Systems, and hybrid cloud services.

**Ethirajulu Bandaru**, aged 67, is the Independent Director of the company. He is a fellow member of the Institute of Chartered Accountants of India. He is having more than 35 years of experience in Finance, Accounts and Administration.

To conclude, the company has 2 promoters, and they have vast experience in the fields directly linked to the operations and in the fields which help in the growth of the business. The Remaining Directors of the company have good knowledge and experience in their respective fields which helps in the overall growth of the company.

## Financial Snapshot

<b>Profit and Loss Statements</b>				
	<b>(In Lacs)</b>			
Particulars	FY 21	FY 22	FY 23	Jul-23
Revenue from Operations	6,407.18	10,286.22	13,332.79	4,995.96
Other Income	140.76	11.03	66.06	5.24
<b>Total Income</b>	<b>6,547.94</b>	<b>10,297.25</b>	<b>13,398.85</b>	<b>5,001.20</b>
<b>Expenses</b>				
cost of materials consumed	5,847.06	9,192.71	10,351.27	3,759.92
Employee benefits expense	251.05	340.27	394.95	137.47
Finance costs	143.06	196.10	297.03	102.37
Depreciation and Amortization expense	14.86	21.55	23.39	10.36
Other expenses	201.88	338.59	284.72	84.91
<b>Total Expenses</b>	<b>6,457.91</b>	<b>10,089.22</b>	<b>11,351.36</b>	<b>4,095.03</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>14.53</b>	<b>414.65</b>	<b>2,301.85</b>	<b>307.03</b>
<b>EBITDA Margin</b>	<b>0.23%</b>	<b>4.03%</b>	<b>17.26%</b>	<b>6.15%</b>
<b>Profit/(Loss) before tax</b>	<b>90.03</b>	<b>208.03</b>	<b>2,047.49</b>	<b>906.17</b>
Tax Expense				
Current Tax	28.61	58.25	515.77	230.91
Deferred Tax	(4.72)	(1.52)	(1.24)	(0.64)
Total Tax Expense	23.89	56.73	514.53	230.27
<b>Profit/(Loss) for the period</b>	<b>66.14</b>	<b>151.30</b>	<b>1,532.96</b>	<b>675.90</b>
<b>Net Profit Margin</b>	<b>1.01%</b>	<b>1.47%</b>	<b>11.44%</b>	<b>13.51%</b>

<b>Balance Sheet</b>				
	<b>(In Lacs)</b>			
Particulars	FY 21	FY 22	FY 23	Jul-23
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share Capital	325.00	747.50	747.50	1,681.88
Reserves and Surplus	405.75	134.56	1,667.53	1,409.05
<b>Total Equity</b>	<b>730.75</b>	<b>882.06</b>	<b>2,415.03</b>	<b>3,090.93</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long Term Borrowings	514.60	422.71	338.32	289.62
Long Term Provisions	23.25	26.95	32.17	33.13
<b>Total Non-current liabilities</b>	<b>537.85</b>	<b>449.66</b>	<b>370.49</b>	<b>322.75</b>
<b>Current liabilities</b>				
Short Term Borrowings	620.72	1,371.88	1,920.04	2,549.17
Trade Payables				
i) Due to micro and small enterprises	505.83	132.71	114.85	209.89
ii) Due to other than micro and small enterprises	1,442.30	952.33	733.66	1,020.89
Other Current Liabilities	21.54	19.82	33.41	70.58
Short-term provisions	28.61	58.25	515.77	746.68
<b>Total Current liabilities</b>	<b>2,619.00</b>	<b>2,534.99</b>	<b>3,317.73</b>	<b>4,597.21</b>
<b>Total Liabilities</b>	<b>3,156.85</b>	<b>2,984.65</b>	<b>3,688.22</b>	<b>4,919.96</b>
<b>Total Equity and Liabilities</b>	<b>3,887.60</b>	<b>3,866.71</b>	<b>6,103.25</b>	<b>8,010.89</b>
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Tangible Assets	391.38	385.26	425.27	415.58
Intangible Assets	1.82	1.39	0.52	0.38
Deferred Tax Assets	11.84	13.35	14.60	15.24
Other Non-Current Assets	178.36	534.26	613.37	575.82
<b>Total Non-Current assets</b>	<b>583.40</b>	<b>934.26</b>	<b>1,053.76</b>	<b>1,007.02</b>
<b>Current Assets</b>				



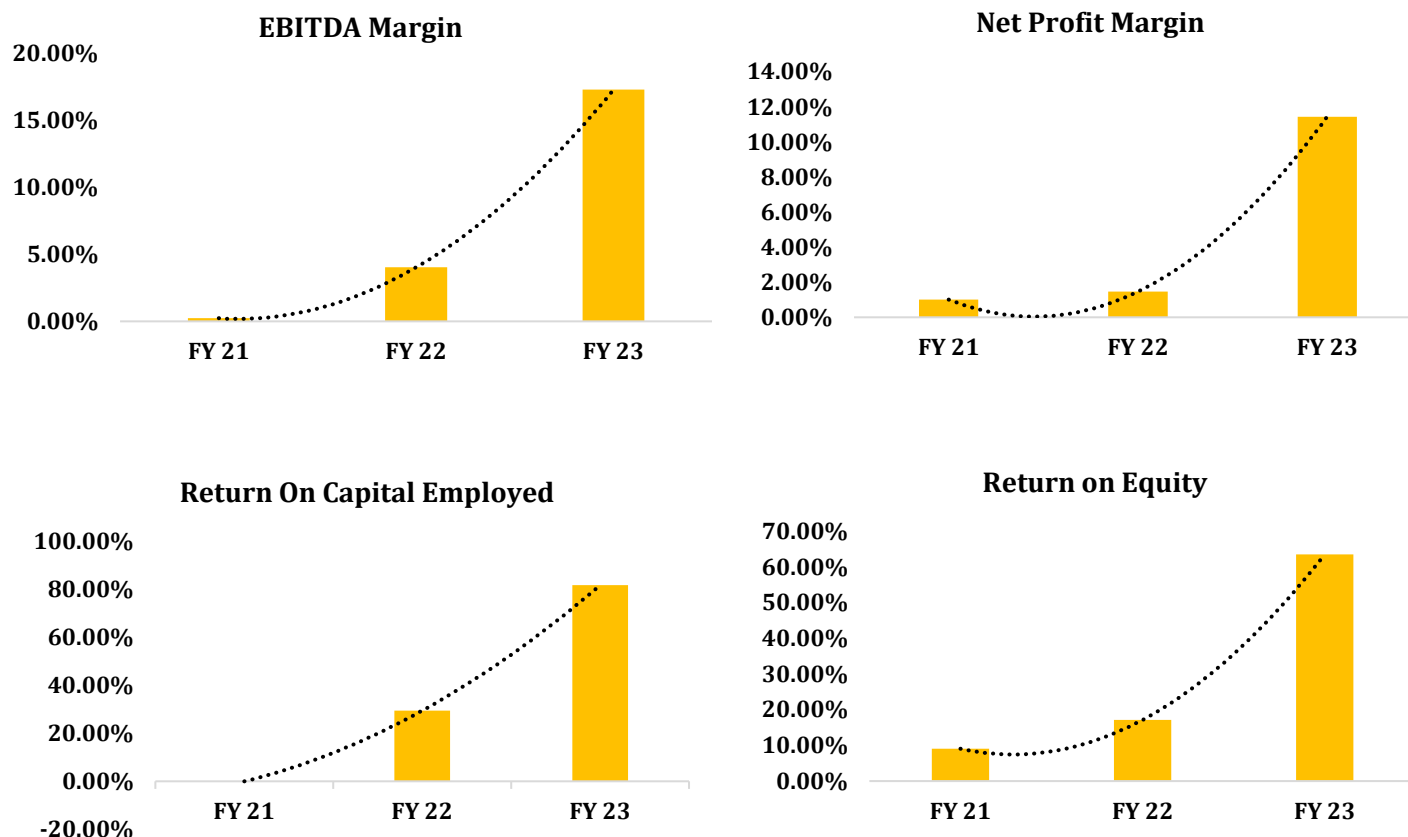
<b>Balance Sheet</b> (In Lacs)				
Inventories	995.72	996.76	3,005.96	3,856.36
Trade Receivables	1,672.46	1,677.16	1,843.52	2,869.39
Cash and Cash Balances	337.37	149.49	1.12	0.21
Other Current Assets	298.64	109.04	198.90	277.90
<b>Total Current assets</b>	<b>3,304.19</b>	<b>2,932.45</b>	<b>5,049.50</b>	<b>7,003.86</b>
<b>Total Assets</b>	<b>3,887.59</b>	<b>3,866.71</b>	<b>6,103.26</b>	<b>8,010.88</b>

<b>Cash Flow Statement</b> (In Lacs)				
Particulars	FY 21	FY 22	FY 23	Jul-23
Net Cash Flow from Operating Activities	315.04	(486.95)	373.14	108.48
Net Cash Flow from Investing Activities	(125.75)	(12.14)	(140.09)	41.68
Net Cash Flow from Financing Activities	(104.96)	311.21	(381.42)	(151.07)

<b>Ratio Sheet</b>				
Particulars	FY 21	FY 22	FY 23	Jul-23*
<b>Per Share Data</b>				
Diluted EPS	0.39	0.90	9.11	8.91
BV per share	3.20	3.86	10.58	45.45
<b>Operating Ratios (%)</b>				
EBITDA Margins	0.23%	4.03%	17.26%	6.15%
PAT Margins	1.01%	1.47%	11.44%	13.51%
Inventory days	56.72	35.37	82.29	94.17
Debtor days	95.28	59.51	50.47	70.07
Creditor days	119.50	43.08	25.06	32.57
<b>Return Ratios (%)</b>				
RoCE	-0.03%	29.52%	81.80%	20.12%
RoE	9.05%	17.15%	63.48%	19.60%
<b>Valuation Ratios (x)</b>				
EV/EBITDA	105.21	6.09	2.03	4.92
Market Cap / Sales	2.96	1.84	1.42	1.26
P/E	212.82	92.22	9.11	9.32
Price to Book Value	25.94	21.49	7.85	1.83
<b>Solvency Ratios</b>				
Debt / Equity	1.55	2.03	0.94	0.44
Current Ratio	1.26	1.16	1.52	1.52
Quick Ratio	0.88	0.76	0.62	0.68
Asset Turnover	1.65	2.66	2.18	1.87
Interest Coverage Ratio	-	2.00	7.67	9.80

\*Ratio sheet for July-23 is annualized.

## Financial Charts



## Key Risk Factors

1. The company is dependent on its long-term relationship with the customers. The top 5 customers contributed 31.15%, 39.26%, 41.45%, and 12.50% for the FY ended 2021, 2022, 2023, and the period ended July 2023 respectively.
2. There are outstanding litigations involving the Company amounting to Rs. 359.39 lakhs, which, if determined adversely, may affect the business and financial condition.
3. The company have certain contingent liabilities amounting to Rs. 359.39 lakhs and the financial condition and profitability may be adversely affected if any of these contingent liabilities materialize.

**Track Record of Lead Manager**

The lead manager to the issue is Swaraj Shares and Securities Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

**Swaraj Shares and Securities Limited -**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Sunita Tools Limited	22.04	145.00	October 11, 2023	177.00

\*CMP for the above-mentioned companies is taken as of 6<sup>th</sup> November 2023.

As per the offer document, Swaraj Shares and Securities Limited has had 1 mandate in the last three fiscal years. Swaraj Shares and Securities Limited's above-mentioned mandate opened at a premium on the listing day.

### Recommendation

The company has been in the industry since 2002 and has good experience in the industry. The company has seen consistency in the increase of its top-line financials but has seen a sudden surge in the bottom line. The company faces significant competition, and the management outlook of the company is good.

The P/E on a post-IPO basis is 12.36 times which seems to be highly priced by looking at the performance of the company. The Sector P/E is 37.2 times.

The company operates in the IT industry and the services provided by the company are in demand which helps in the growth of the business. The company's financial outlook is satisfactory. The company has a huge scope in the market and with the business strategies mentioned being implemented, it can see an expansion thus leading to good revenues for the future years. Thus, we recommend **APPLY** for this IPO as a long-term investment.

### **Disclaimer**

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