

IPO Details		Company Background					
Opening Date	Jan 25, 2024	<ul style="list-style-type: none"> Delaplex Limited was originally incorporated in the year 2004 and had its registered office in Nagpur, Maharashtra, India. The company is a technology and software development solution and consulting provider, helping client companies to achieve deriving growth, revenue and marketplace value. The company offers various tech solutions encompassing software-defined data centres, integrated infrastructure, cloud technologies, DevOps, security solutions, data analytics, and artificial intelligence. The Company is a global technology partner in Supply Chain Consulting, Custom Software Development, Cloud Services, and Data Science. As of 30th November 2023, the Company had 300 employees on its payroll. 					
Closing Date	Jan 30, 2024						
Stock Exchange	NSE SME						
Lot Size	600 Shares						
Issue Price	₹ 186 to ₹ 192 per share						
Issue Size	Aggregating up to 46.08 Cr.						
Fresh Issue	Aggregating up to 34.56 Cr.						
Offer for Sale	Aggregating up to 11.52 Cr.						
Application Amount	₹ 1,15,200						
IPO Objective							
APAC – Advertisement, Sales and Marketing expenses towards enhancing awareness							
Funding working capital requirements							
Funding of Capital expenditure requirements towards the purchase of Office Laptops							
General corporate purposes.							
Pre-Issue Shareholding			Market Capitalization (In Cr.)				
Category	No. of Shares	% of Total Shares	Pre-Issue	Post-Issue			
Promoter & Promoter Group	73,10,000	100.00 %	₹ 140	₹ 175			
Public	-	-					
Promoter of the Company			Financial Summary (In Lacs)				
1	Nitin Sachdeva		For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
2	Preeti Sachdeva		Total Assets	1,100.77	1,790.89	2,638.33	3,185.45
3	Manish Iqbalchand Sachdeva		Net Assets	947.45	1,559.32	2,350.05	2,775.58
4	Mark T River		Total Borrowings	-	-	-	-
5	DelaPlex INC		Total Revenue	3,633.30	5,034.06	5,521.81	2,814.28
Competitive Strengths			Profit After Tax	404.00	611.86	790.72	425.53
1	Software products and solutions for supply chain management		Tentative Timeline				
2	Tailored tech solutions		Opening Date	Jan 25, 2024			
3	Client in the international market		Closing Date	Jan 30, 2024			
4	Service portfolio		Basis of Allotment	Jan 31, 2024			
5	Experienced promoters and senior management team		Initiation of Refunds	Jan 31, 2024			
			Credit of Shares to Demat	Feb 01, 2024			
			Listing Date	Feb 02, 2024			

Company Background and Analysis

Delaplex Limited was originally incorporated on February 12, 2004. The company is a technology and software development solution and consulting provider, helping client companies achieve deriving growth, revenue and marketplace value. The company has developed expertise and partnerships with various industry players that provide the latest technology, tools, and software development solutions. The Company is a global technology partner in Supply Chain Consulting, Custom Software Development, Cloud Services, and Data Science

The company offers various tech solutions encompassing software-defined data centres, integrated infrastructure, cloud technologies, DevOps, security solutions, data analytics, and artificial intelligence. The company create next-gen solutions to address IT problems.

delaplex Limited (dpl) is a subsidiary of delaplex INC., a U.S.-based enterprise, where delaplex INC. holds 51% of the company's shares.

The company's services and revenue bifurcation for the same are as follows –

1. Development Services - offers a full range of custom software development services including Product Development, Quality Assurance, DevOps, Code Rescue, and Technology Consulting.
2. Supply Chain – COE – The company modernizes supply chain technology that makes business solutions more responsive, accurate, and tailored, giving a competitive edge. It includes Warehouse Management, Workforce Management, and Store Inventory Management.
3. Cloud Services – The Company's full-stack cloud service provider across all domains, delivered through the Cloud Services team. It includes Cloud Migration Services, Cloud Engineering Services, Cloud Consulting, Cloud Optimization Services, and Cloud Managed Services.
4. Data Science - The Company offers a complete suite of data science services to help unleash process improvements, anticipate customer sentiments and forecast market changes faster. It includes Data Engineering Services, Predictive Analytics Services, Business intelligence services, Data Monetization Services, Data Modernization Services, AI/ML Services, and DataOps Services.

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Supply Chain COE	656.38	18.12	1,329.15	26.72	2,112.66	39.12	1,007.67	36.17
Development Services	2,305.28	63.64	2,060.88	41.43	956.96	17.72	520.43	18.68
Cloud Services	366.95	10.13	901.85	18.13	1,303.13	24.13	642.37	23.06
Data Science	293.78	8.11	682.48	13.72	1,027.71	19.03	615.37	22.09
Total (A+B)	3,622.39	100.00	4,974.36	100.00	5,400.46	100.00	2,785.84	100.00

To conclude, the company has good experience in the industry in which it operates. The company generates the majority of its revenue from export sales impacting the foreign currency fluctuations. The company also operates in a very concentrated market. The company generates major revenue from the development, and supply chain services when compared to the overall services provided.

Business Strategies

1. Strategic Acquisition and Alliances –

The company intends to explore and evaluate strategic acquisition and technology alliance opportunities to gain access to new clients and sectors and add new technology capabilities to the offerings that drive synergies with the existing business ventures.

2. Expansion of the Existing Service Portfolio –

The company intends to widen its reach by increasing its international presence and entering into new geographies for providing software services.

3. Continue to focus on Providing Customer Centric Services and offerings –

The company plans to increase the breadth of its software products and services by expanding beyond supply chain management in other functions of a business as well like marketing & sales, finance etc through software development for the new enterprise product range. The company intends to enhance the existing product range to create customized solutions for its customers, based on customers' needs.

4. Continue to Maintain Good Relationships with the Customers –

The company will continue to focus on timely and accurate delivery of quality services which will help in forging strong relationships with the customers and gaining increased business from them.

5. Brand Image –

The company intends to have the brand building exercise by providing quality services to the satisfaction of the customers.

Competitive Scenario and Peer Mapping

Competition

The industry in which the company operates is fairly competitive. The company faces fair competition from both organized and unorganized players in the market. The domestic segment to which the company caters is fragmented and fairly competitive. The company competes primarily based on quality of services, customer satisfaction and marketing. The company has fewer barriers to entry. The bargaining power with the customers is high 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	DelaPlex Limited	Ksolves India Limited	Micropro Software Solutions Limited	Sigma Solve Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	15%	32%	27%	27%
EBITDA Margin	18%	43%	41%	40%
Return on Capital Employed	37%	138%	45%	40%
Return on Equity	34%	109%	36%	44%
EPS (INR)	30.51	20.98	-	9.63

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

Particulars	DelaPlex Limited	Ksolves India Limited	Micropro Software Solutions Limited	Sigma Solve Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	12.30%	33.33%	15.31%	34.15%
EBITDA Margin	16%	44%	24%	37%
Return on Capital Employed	43%	118%	27%	43%
Return on Equity	39%	94%	25%	61%
EPS (INR)	154.73	13.02	-	8.70

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

Particulars	DelaPlex Limited	Ksolves India Limited	Micropro Software Solutions Limited	Sigma Solve Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	11.15%	33.3%	9.4%	23.8%
EBITDA Margin	15.8%	45.8%	16.6%	33.3%
Return on Capital Employed	47.0%	84.6%	21.5%	33.3%
Return on Equity	42.6%	66.7%	16.5%	35.7%
EPS (INR)	203.49	6.64	-	3.03

Industry Overview

Exhibit 1: Growth in Export Revenue (US\$ billion)

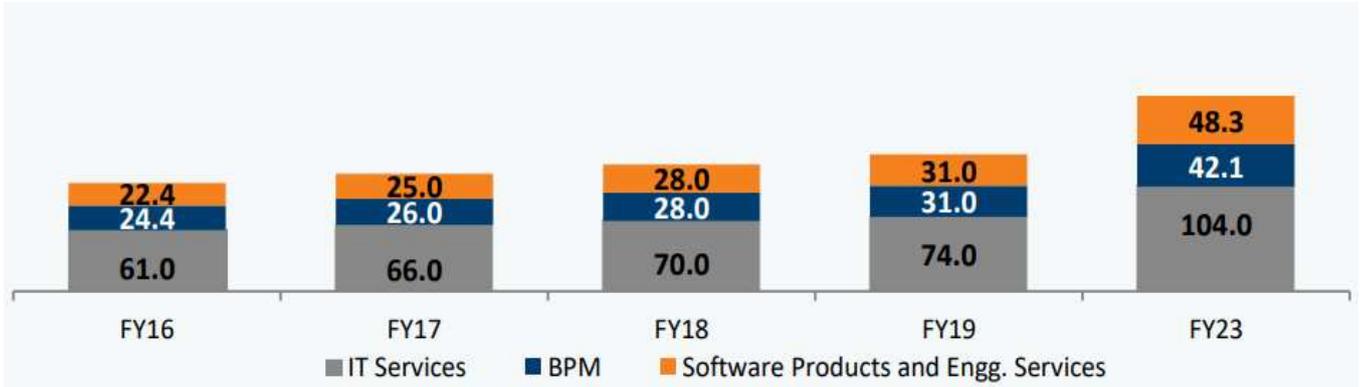
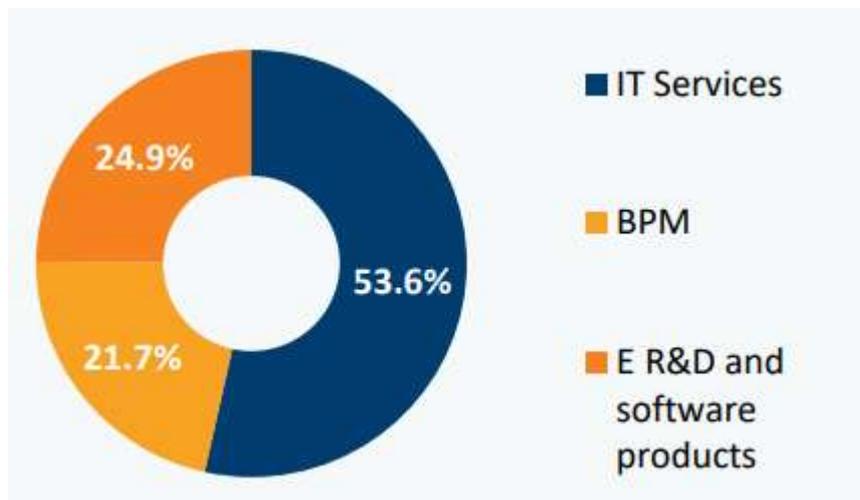


Exhibit 2: Sector-wise Break-up of Export Revenue FY23



(Source: ibef.org)

Indian IT Industry -

In the face of a global economic slowdown marked by recession, trade wars, and geopolitical tensions, the Indian IT industry is facing an uncertain demand environment, which is also visible with the changes in headcount numbers of leading IT companies. However, while the cutback in discretionary spending in client sectors presents challenges, it also points to more outsourcing opportunities that the industry can tap.

While the leading IT firms have seen double-digit/high single-digit growth in numbers, they admit to an uncertain demand environment. India's largest IT firm TCS reported a y-o-y increase in net profits by 16.8%. It experienced the slowest sequential growth in the previous 12 quarters, growing by 0.4%. Wipro's net profit on the other hand increased by 12% yoy. In order to create a more agile organisation, the company is investing in people and technology. HCL Tech's profit also increased by nearly 8% y-o-y. However, its net profit fell by 11% sequentially.

The company's revenue and personnel strength have sequentially moderated in line with the demand environment, with headcount falling by 2,506. Infosys reported an 11% increase in net profit yoy, even as it cut its annual revenue guidance to 1-3.5 % from 4-7%. Clients, particularly those in the financial services, telecommunications, and retail sectors, are cutting back on discretionary spending. Its headcount also declined by 6,940, the second consecutive decline in sequential terms. TCS added 523 employees in the quarter as compared to 14,126 additions over the same quarter last year. Wipro also saw a fall in headcount additions by 8,812 employees.

Global Software Industry -

When it comes to the Software market, the digital transformation of companies and cloud-based software are significant drivers of investments. There is currently a high demand for software that focuses on process automation and data analytics to gain more business insights and increase efficiency. Recovering from a slight decline in 2020, which was brought about by the COVID-19 pandemic, the global software market generated a revenue of nearly US\$600 billion in 2022. The Software-as-a-Service (SaaS) model is becoming increasingly popular both for private users and for companies that are looking for ways to account for increasingly complex and costly integrated application environments while also shrinking implementation cycles. This development is driving the demand for enterprise software, and the corresponding segment is the market's largest segment in terms of revenue shares.

It is estimated that more than 50% of enterprise software application usage will be via cloud-based software deployment by 2025. The COVID-19 pandemic had a slightly negative impact on the global Software market. Even so, the demand for collaboration software and the deployment of Software-as-a-Service played an important role during the COVID-19 pandemic. The increase in the number of people working from home during this time led to a huge rise in the use of collaboration software. Furthermore, companies that develop collaboration tools, such as Zoom, the video conferencing software provider, and Microsoft, with its Teams application, are benefiting from the growing demand for collaboration software. The software market goes through a transitional cycle of several years. During this time companies focus on investing in technology in order to support their existing systems to remain competitive. The global software market is expected to grow at a stable rate as more companies upgrade their core functions.

(Source: prospectus)

Key Managerial Personnel

Nitin Sachdeva, aged 47 years, is one of the Promoters, Chairman and Managing Director of the Company. He has completed his Bachelor of Commerce. He has passed the Final Examination conducted by the Institute of Chartered Accountants of India. He holds various certificates which include the 2nd Doctoral Research Conclave Certificate, Exin Certificate, Certified Fraud Examiner Certificate, Information System Audit Certificate, etc. He has over 20 years of experience in the industry in which the company operates. He is responsible for crafting and implementing the overall strategy of the company.

Preeti N Sachdeva, aged 46 years, is one of the Promoters, and Whole-Time Director of the Company. She has completed her Higher Secondary Examination. She is responsible for the management of Human Resources and Administration of the company. She has over 10 years of experience in the Human Resources and Administration department.

Manish Iqbalchand Sachdeva, aged 50 years, is one of the Promoters, and Non-Executive Director of the Company. He holds a degree of bachelor's in engineering (Computer Technology), and a Master of Engineering Degree. He has more than 22 years of experience in the industry in which the company operates.

Mark T River, aged 63 years, is one of the Promoters of the Company. He has more than 15 years of experience in the industry in which they operate. His specialisation includes domains and Verticals like Broadcast technology, software development, product management, product marketing, digital media, digital asset management, strategic partnerships, contract negotiation, and business development.

Himanshu V Bajaj, aged 38 years, is the Non-Executive Independent Director of the Company. He holds an MBA Degree, holds an NISM Series V-A: Mutual Fund Distributors Continuing Professional Education Program certificate. He has around more than 10 years of experience in the Insurance Sector.

Manish Tarachand Pande, aged 36 years, is the Non-Executive Independent Director of the Company. He has completed his Bachelor of Commerce. He has passed the professional competence examination conducted by The Institute of Company Secretary of India. He is an Associate member of the Institute of Company Secretaries of India. He has an experience of over 8 years in the field of Secretarial and Legal Compliance, Corporate Governance, Listing and Securities compliance.

To conclude, the company has 5 promoters, out of which 4 of them are individual promoters and three of them are involved in the operations of the business they have vast experience in the industry in which the company operates and in the fields which help in the growth of the business. The Directors of the company have good experience in fields which help in the growth of the company.

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
Revenue from Operations	3,622.38	4,974.37	5,400.46	2,785.84
Other Income	10.92	59.69	121.35	28.44
Total Income	3,633.30	5,034.06	5,521.81	2,814.28
Expenses				
Purchase of Stock in Trade	-	47.11	12.13	-
Employee benefits expense	2,688.91	3,682.99	3,870.87	1,868.15
Finance costs	-	-	-	-
Depreciation and Amortization expense	66.79	60.61	48.01	14.49
Other expenses	362.47	441.56	529.87	355.56
Total Expenses	3,118.17	4,232.27	4,460.88	2,238.20
Earnings Before Interest, Taxes, Depreciation & Amortization	571.00	802.71	987.59	562.13
EBITDA Margin	16%	16%	18%	20%
Profit/(Loss) before tax	515.13	801.79	1,060.93	576.08
Tax Expense				
Current Tax	138.67	215.82	277.28	160.80
Deferred Tax	-27.54	-25.89	-7.07	-10.25
Total Tax Expense	111.13	189.93	270.21	150.55
Profit/(Loss) for the year	404.00	611.86	790.72	425.53
Net Profit Margin	11%	12%	14%	15%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	1.00	1.00	1.00	1.00
Reserve and Surplus	946.45	1,558.32	2,349.05	2,774.58
Total Equity	947.45	1,559.32	2,350.05	2,775.58
2. non-current liabilities				
Long term provisions	125.46	158.31	182.68	229.31
Total non-current liabilities	125.46	158.31	182.68	229.31
3. Current liabilities				
Financial Liabilities				
Short-term borrowings	-	-	-	-
Trade payables				
Due to MSME				
Due to Others	7.07	0.18	0.03	4.52
Other Current Liabilities	10.33	39.06	87.72	73.29
Short-term Provisions	10.46	34.02	17.86	102.75
Total Current liabilities	27.86	73.26	105.61	180.56
Total Liabilities	153.32	231.57	288.29	409.87
Total Equity and Liabilities	1,100.77	1,790.89	2,638.34	3,185.45
ASSETS				
1. non-current assets				
Property, Plant and Equipment				
Tangible Assets	69.69	73.37	49.55	61.27
Long-term loans and advances	42.37	41.24	47.53	54.65

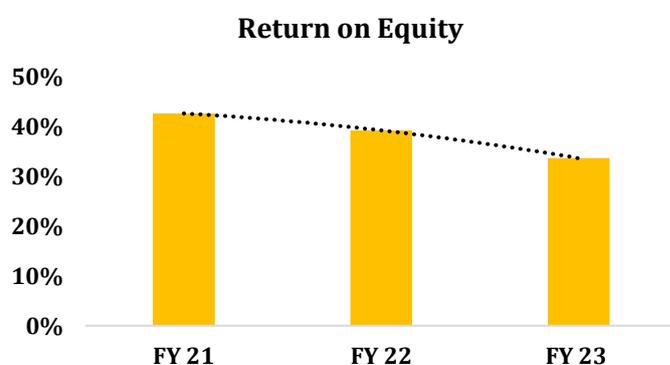
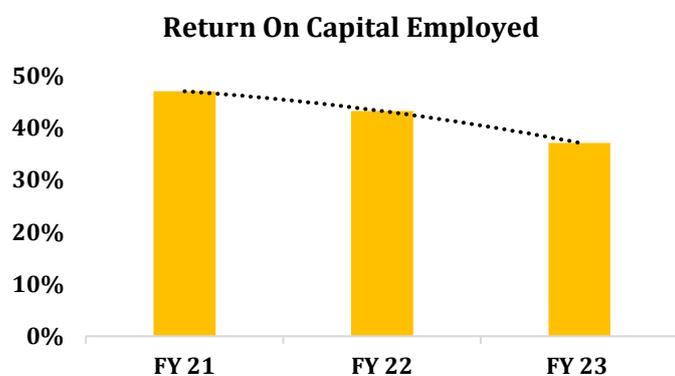
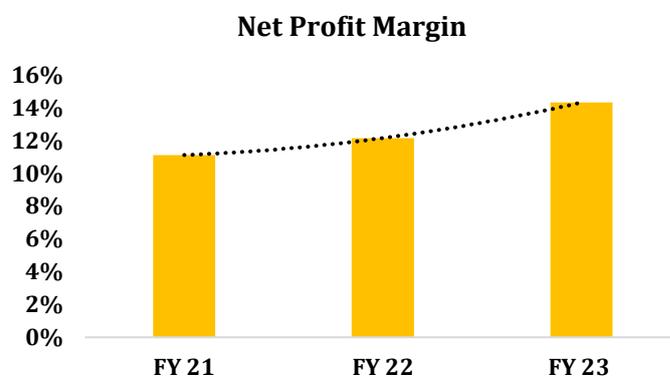
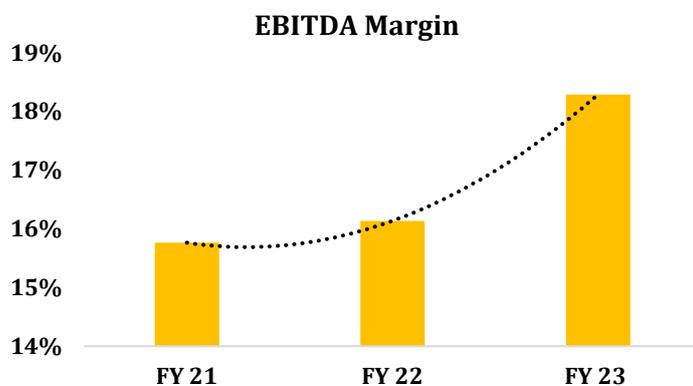
Balance Sheet				(In Lacs)
Deferred Tax Assets	27.54	53.43	60.50	70.75
Total Non-Current assets	139.60	168.04	157.58	186.67
2. Current assets				
Trade receivables	814.86	1,236.17	1,967.20	2,223.09
Cash and Bank Balances	141.05	353.64	486.75	692.29
Short-term loans and advances	0.05	1.79	0.02	0.76
Other Current Assets	5.21	31.25	26.78	82.64
Total Current assets	961.17	1,622.85	2,480.75	2,998.78
Total Assets	1,100.77	1,790.89	2,638.33	3,185.45

Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
Net Cash Flow from Operating Activities	57.11	281.38	137.41	190.19
Net Cash Flow from Investing Activities	-88.45	-60.89	-28.67	-31.29
Net Cash Flow from Financing Activities	-	-	24.37	46.63

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23*
Per Share Data				
Diluted EPS	203.49	154.73	30.51	9.46
BV per share	10.40	17.12	25.80	73.20
Operating Ratios				
EBITDA Margins	15.76%	16.14%	18.29%	20.18%
PAT Margins	11.12%	12.15%	14.32%	15.32%
Debtor days	82.11	90.71	132.96	146.03
Creditor days	-	1.39	0.90	-
Return Ratios				
RoCE	47%	43%	37%	16%
RoE	43%	39%	34%	13%
Valuation Ratios (x)				
EV/EBITDA	1.41	1.50	1.89	5.32
Market Cap / Sales	4.83	3.52	3.24	3.14
P/E	0.94	1.24	6.29	20.29
Price to Book Value	18.46	11.22	7.44	2.62
Solvency Ratios				
Debt / Equity	-	-	-	-
Current Ratio	34.50	22.15	23.49	16.61
Quick Ratio	34.50	22.15	23.49	16.61
Asset Turnover	3.29	2.78	2.05	0.87
Interest Coverage Ratio	-	-	-	-

*Ratio sheet for Sep-23 is annualized.

Financial Charts



Key Risk Factors

1. The company is dependent on a few of its customers for its revenues. The top five customers accounted for 99.37% for the period ended September 30, 2023, accounted for 98.51%, 99.4%, and % each for the financial years ended March 31, 2023, March 31, 2022, and March 31, 2021, of the revenue from operations, respectively. Any failure to continue the existing arrangements could adversely affect the business and results of operations.
2. The company has certain outstanding litigation against the company and the group companies amounting to Rs. 1.31 lakhs, an adverse outcome of which may adversely affect the business, reputation and results of operations.
3. Fluctuations in foreign currency exchange rates could materially affect the financial results.

Track Record of Lead Manager

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

Shreni Shares Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	AIK Pipes and Polymers Limited	15.02	89.00	January 02, 2024	131.00
2.	Net Avenue Technologies Limited	10.25	18.00	December 08, 2023	28.0
3.	Swashthik Plascon Limited	40.76	86.00	December 05, 2023	102.00
4.	KK Shah Hospitals Limited	8.78	45.00	November 06, 2023	72.00
5.	Marco Cables and Conductors Limited	18.73	36.00	September 28, 2023	55.6
6.	Meson Valves India Limited	31.09	102.00	September 21, 2023	682.00
7.	CPS Shapers Limited	11.10	185.00	September 07, 2023	392.00
8.	AccelerateBS India Limited	5.69	90.00	July 19, 2023	185.00
9.	Global Pet Industries Limited	13.23	49.00	July 10, 2023	106.00
10.	Veefin Solutions Limited	46.73	82.00	July 05, 2023	306.00

The company has had 26 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 24th January 2024.

As per the offer document, from the above-mentioned mandates, all the mandates have opened at premiums on the listing date.

Recommendation

The company has been in the industry since 2004 and has good experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on an annualized and post-IPO basis is 20.29 times which seems to be fully priced by looking at the performance of the company and the sector. The Sector P/E is 39.4 times.

The industry in which the company operates is highly fragmented. The company has seen consistency in the increase of its top line, and bottom line of its financials over the years and be sustained going forward. The company has not availed any debt opportunity. The company also generates the majority of its revenue from export sales and is planning to expand its geography outside India even more which can yield good returns for the company. The industry in which the company operates is very well established with many competitors in play. The parameters of the company such as profitability margins when compared to its listed peers are very low. The company can see decent growth with sustained earnings, but the utilization of its debt opportunity and the overall outlook of the company raise concerns and are not satisfactory. Thus, we have **AVOID** opinion on this IPO.

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