

IPO Details		Company Background										
Opening Date	Mar 27, 2024	<ul style="list-style-type: none"> TAC Infosec Private Limited was originally incorporated in the year 2016 and has its registered office in Mohali, Punjab, India. The company is engaged in the business of providing risk-based vulnerability management and assessment solutions, cybersecurity quantification and services of Penetration testing to organizations of any scale, size, and business through the "SaaS model". The company offers security software products and solutions both in India and internationally. The company's product portfolio namely ESOF Appsec, ESOF VMP, ESOF VACA, ESOF PCI ASV, ESOF CRQ. As of September 30th, 2023, the Company had 56 employees on its payroll. 										
Closing Date	Apr 02, 2024											
Stock Exchange	NSE SME											
Lot Size	1,200 Shares											
Issue Price	₹100 to ₹106 per share											
Issue Size	Aggregating up to 29.99 Cr.											
Fresh Issue	Aggregating up to 29.99 Cr.											
Offer for Sale	-	<table border="1"> <thead> <tr> <th colspan="2">Market Capitalization (In Cr.)</th> </tr> <tr> <th>Pre-Issue</th> <th>Post-Issue</th> </tr> </thead> <tbody> <tr> <td>₹ 81</td> <td>₹ 111</td> </tr> </tbody> </table>					Market Capitalization (In Cr.)		Pre-Issue	Post-Issue	₹ 81	₹ 111
Market Capitalization (In Cr.)												
Pre-Issue	Post-Issue											
₹ 81	₹ 111											
Application Amount (At upper band)	₹ 1,27,200											
IPO Objective		Financial Summary (In Lacs.)										
1. Acquisition of TAC Security Inc (Delaware, USA) and making it a wholly Owned Subsidiary thereon.		For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23						
2. Investment in human resources and product development.		Total Assets	404.00	496.45	977.65	1,213.02						
3. General corporate purposes.		Net Assets	200.00	260.75	768.05	962.90						
Pre-Issue Shareholding		Total Borrowing	22.29	89.06	35.93	27.68						
Category	No. of Shares	% of Total Shares	Total Revenue	516.49	523.63	1,014.28	531.10					
Promoter & Promoter Group	59,67,000	78.00%	Profit After Tax	61.13	60.75	507.29	194.85					
Public	16,83,000	22.00%	Tentative Timeline									
Promoter of the Company		Opening Date	Mar 27, 2024									
1. Trishneet Arora												
2. Charanjit Singh												
Competitive Strengths		Closing Date	Apr 02, 2024									
1. Founder-led company supported by a highly experienced and professional leadership team.												
2. Niche Brand Building.												
3. Easy to Use and High-Quality Solutions.												
4. Consistent Growth and Profitability.												
		Basis of Allotment	Apr 03, 2024									
		Initiation of Refunds	Apr 04, 2024									
		Credit of Shares to Demat	Apr 04, 2024									
		Listing Date	Apr 05, 2024									

Company Background and Analysis

TAC Infosec Private Limited was originally incorporated on August 10, 2016. The company is engaged in the business of providing risk-based vulnerability management and assessment solutions, cybersecurity quantification and services of Penetration testing to organizations of any scale, size, and business through the “SaaS model”. The company offers security software products and solutions both in India and internationally. The end customers are Banks and Financial Institutions, government regulatory bodies and departments, large-scale enterprises (including business offices) like HDFC, Bandhan Bank, BSE, National Payments Corporation of India, DSP Investment Managers Private Limited, Motilal Oswal Financial Services Limited and NSDL e-Governance.

The company’s Product Portfolio is as follows –

ESOF (Enterprise Security in One Framework) - ESOF utilizes Artificial Intelligence to enhance its capabilities in risk assessment and vulnerability management.

- i. ESAF AppSec – It is a Unified Vulnerability Management Solution to Detect & Protect Web and App Assets from risk-based vulnerabilities.
- ii. ESOF VMP – This provides an aggregate meter of risk that incorporates data from the widest view of organization vulnerabilities.
- iii. ESOF VACA – This provides a Single Platform for Vulnerability Assessment Configuration Assessment, Detection, and Response with Cyber Score Calculation.
- iv. ESOF PSI ASV – This stands for Payment Card Industry Approved Scanning Vendor. This is a vendor or service provider that has been approved by the Payment Card Industry Security Standards Council (PCI SSC) to perform scans.
- v. ESOF CRQ (Cyber Risk Quantification) – This empowers the organization to proactively manage cyber risk Quantification with precise financial risk assessment and provides the opportunity to Stay ahead of potential threats and confidently make informed decisions using diverse data sources.

The Revenue Bifurcation is from the Cyber Security Service the company provides –

(Amt in lakhs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Domestic	301.43	59.76	265.59	51.98	283.36	28.34	87.61	17.45
Export	202.93	40.24	245.36	48.02	716.65	71.66	414.44	82.55
Total	504.36	100.00	510.95	100.00	1,000.01	100.00	502.05	100.00

To conclude, the company was incorporated in the year 2016 and has decent experience in the industry. The company is in the business of providing risk-based vulnerability management. The company has seen a contra growth in the export.

Business Strategies

1. Strengthening the work strength and product development capabilities –

The company intends to continue to strengthen its Product Development capabilities, which shall enable it to innovate and develop solutions with the latest technology for existing and upcoming platforms.

2. Leveraging Artificial Intelligence and Machine Learning Technology in the product solutions –

The company's AI and ML algorithms can analyse vast amounts of data to identify patterns and anomalies indicative of potential security threats. Automated threat detection enables the rapid identification of vulnerabilities, ensuring a timely response to potential risks providing Real-time monitoring, Prioritizing risks and vulnerabilities, and Reduced False positive and Predictive Analysis for potential material vulnerabilities and threats.

3. Broaden the Portfolio of Solutions –

At present, the company have 5 (Five) products under ESOF and further and is planning to continuously add new products through R&D. The company is soon launching ESOF Ensure which deals with Risk Rating & Cyber Insurance Solutions.

4. Pursue International Growth Opportunities –

The company believes that there exist substantial opportunities to grow the business internationally. The company plans to continue to market the products and solutions to users located outside India by investing in brand-building advertising and marketing activities in those geographies.

5. Customer Satisfaction –

The company provides quality products and effective follow-ups with customers who ensure that the customers are satisfied with the product and do not have any complaints.

Competitive Scenario and Peer Mapping

Competition

The industry in which the company operates is an intensely competitive industry that experiences rapid technological developments, changes in industry standards, and changes in customer requirements. The company compete with organized players in the industry with better financial position, market share, product ranges, and human and other resources. The entry barriers to this industry are slightly higher. The bargaining power with the consumers is on the higher side based on the industry 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	TAC Infosec Limited	DEV Information Technology Limited	Infobeans Technologies Limited	Sigma Solve Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	51%	7%	9%	17%
EBITDA Margin	53%	11%	21%	42%
Return on Capital Employed	64%	28%	15%	2%
Return on Equity	66%	22%	13%	29%
EPS (INR)	6.63	2.71	14.85	9.64

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

Particulars	TAC Infosec Limited	DEV Information Technology Limited	Infobeans Technologies Limited	Sigma Solve Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	11.89%	0.11%	19.03%	21.11%
EBITDA Margin	20%	5%	29%	39%
Return on Capital Employed	28%	8%	20%	2%
Return on Equity	23%	0%	24%	39%
EPS (INR)	0.79	0.01	22.82	8.72

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

Particulars	TAC Infosec Limited	DEV Information Technology Limited	Infobeans Technologies Limited	Sigma Solve Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	12.12%	-0.4%	18.8%	14.5%
EBITDA Margin	15.6%	3.8%	27.7%	35.8%
Return on Capital Employed	34.2%	3.2%	17.0%	1.0%
Return on Equity	30.6%	-1.0%	20.3%	22.6%
EPS (INR)	0.80	-0.02	15.34	2.14

Industry Overview

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

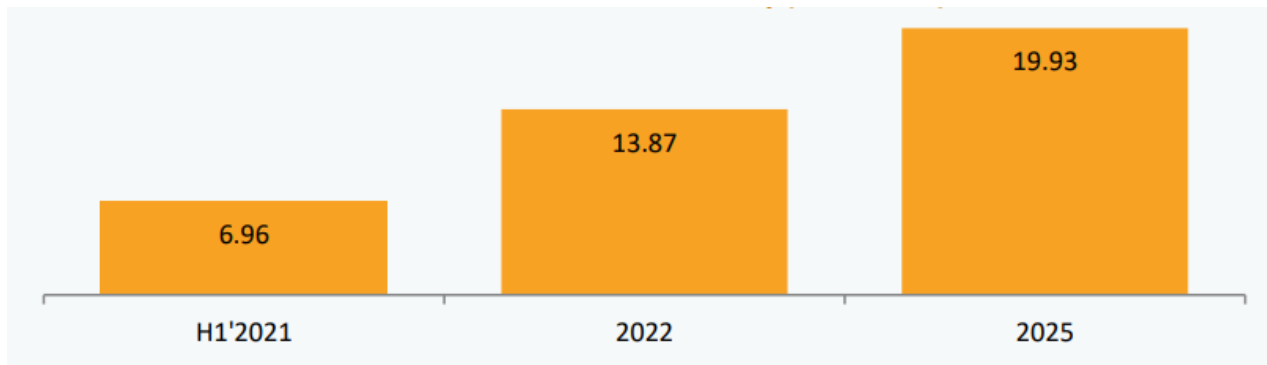
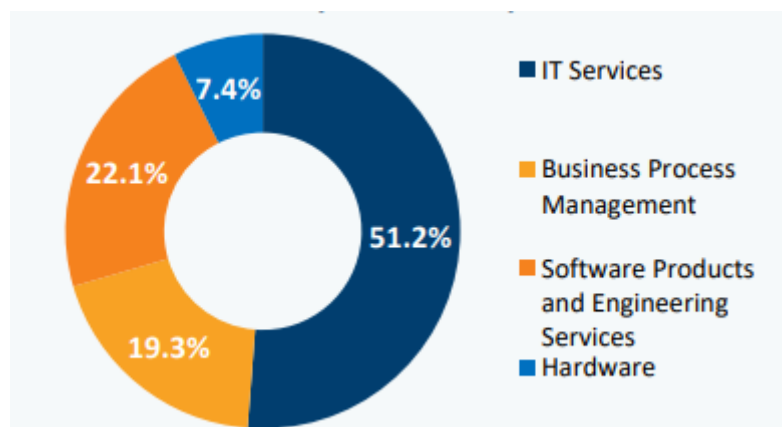


Exhibit 2: Sector-wise Break-up of the Indian IT market (US\$ billion) 2023E.



(Source: ibef.org)

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 and was estimated to have touched US\$ 245 billion in FY23. In 2022, the Indian domestic IT & Business Services market was valued at US\$ 13.87 billion and recorded a 7.4% year-over-year (YoY) growth as compared to 7.2% in 2021. IT spending in India is expected to increase to US\$ 110.3 billion in 2023 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. India's IT industry is likely to hit the US\$ 350 billion mark by 2026 and contribute 10% towards the country's gross domestic product (GDP), Infomerics Ratings said in a report. As an estimate, India's IT export revenue rose by 9% in constant currency terms to US\$ 194 billion in FY23.

Cyber Security R&D

Cyber Security is one of the major initiatives identified for securing cyberspace. R&D in Cyber Security focuses on the promotion of applied research in addition to futuristic and blue sky research in the thrust areas of Emerging technologies - 5G, IoT, Data Science, mobile device security, SCADA security, endpoint security, network and system security, cryptography and cryptanalysis, cyber forensics, threat intelligence and AI based threat modelling. Grants-In-Aid support is extended to research institutions & academia to promote R&D infrastructure creation, capacity building and enhancement of skills and expertise, specific efforts are made to nurture institutions and capacity enhancement in the entire country with extra efforts for capacity building in the North East Region.

(Source: prospectus)

Key Managerial Personnel

Trishneet Arora, aged 30 years, is one of the Promoters, Chief Executive Officer and Executive Director of the Company. He is having experience of more than 6 years in the field of cyber security. He has dropped out of school to continue his passion and profession in cybersecurity.

Charanjit Singh, aged 57 years, is one of the Promoters and Whole-Time Director of the Company. He is having experience of more than 6 years in finance management. He has vast knowledge and experience in the field of business processes, decision-making, and entrepreneurship. He does not have any formal educational qualifications or degree certificates.

Bharat Panchal, aged 52 years, is a Non-executive Director of the Company. He holds degree of Doctor of Literature (Honoris Causa), and a Master of Business Administration. He has more than two decades of experience in risk management, mainly in the banking and telecommunication sectors.

Sanjiv Swarup, aged 65 years, is the Independent Director of the Company. He holds the degree of Bachelor of Commerce with Honours and degree in Bachelor of Laws (Special). He is having an experience of more than 20 years in various corporations. He also holds various valuable positions as an Independent Director and Chairman of Committees in various Listed Companies.

Rajiv Vijay Nabar, aged 62 years, is an Independent Director of the Company. He has an M.A. in social work, and post Graduate Diploma in Industrial Relations and Personnel Management, Bachelor of Science (Honours Course). He has more than 35 years of experience in Direct Taxes, International Taxation, Investigations, Exemptions and Representation before the Tribunal in International Taxation cases. He is also an author and speaker on taxation and capital markets.

Aarti Juneja, aged 40 years, is an Independent Director of the Company. She holds a degree in Bachelor of Management Studies and Master of Management Studies, Specialization in Finance. She is a seasoned and experienced leader in the field of Corporate Finance and Risk Management, with more than 4 years of experience.

To conclude, the company has 2 promoters, and they have decent experience in the industry. 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

Profit and Loss Statement				
(In Lacs)				
Particulars	FY 21	FY 22	FY 23	Sep-23
Revenue from Operations	504.37	510.95	1,000.01	502.06
Other Income	12.12	12.68	14.27	29.05
Total Income	516.49	523.63	1,014.28	531.11
Expenses				
Employee benefits expense	232.95	263.41	128.20	211.58
Finance costs	1.95	9.97	8.82	1.69
Depreciation and Amortization expense	4.03	19.29	24.60	13.04
Other expenses	192.96	145.48	343.60	102.86
Total Expenses	431.89	438.15	505.22	329.17
Earnings Before Interest, Taxes, Depreciation & Amortization	78.46	102.06	528.21	187.62
EBITDA Margin	16%	20%	53%	37%
Profit/(Loss) before tax	84.60	85.48	509.06	201.94
Tax Expense				
Income Tax Provision	22.78	24.59	4.96	7.94
Deferred Tax Charge/(credit)	0.70	0.13	-3.22	-0.87
Total Tax Expense	23.48	24.72	1.74	7.07
Profit/(Loss) for the year	61.12	60.76	507.32	194.87
Net Profit Margin	12%	12%	50%	37%

Balance Sheet				
(In Lacs)				
Particulars	FY 21	FY 22	FY 23	Sep-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	45.00	45.00	45.00	45.00
Reserves & Surplus	155.00	215.75	723.05	917.90
Total Equity	200.00	260.75	768.05	962.90
2. Non-current liabilities				
(a) Long Term Borrowing	15.55	34.73	16.20	7.90
(i) Deferred Tax Liabilities	1.13	1.27		
(b) Long Term Provisions	0.93	3.20	2.95	4.30
Total Non-current liabilities	17.61	39.20	19.15	12.20
3. Current liabilities				
(a) Short Term Borrowings	6.74	54.33	19.73	19.78
(b) Trade payables				
(i) total outstanding dues of micro enterprises and small				
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	47.97	18.71	24.87	22.22
(c) Short Term Provisions	77.31	49.98	105.93	97.63
(c) Current tax liabilities	54.37	73.48	39.92	98.28
Total Current liabilities	186.39	196.50	190.45	237.91
Total Liabilities	204.00	235.70	209.60	250.11
Total Equity and Liabilities	404.00	496.45	977.65	1,213.01
ASSETS				

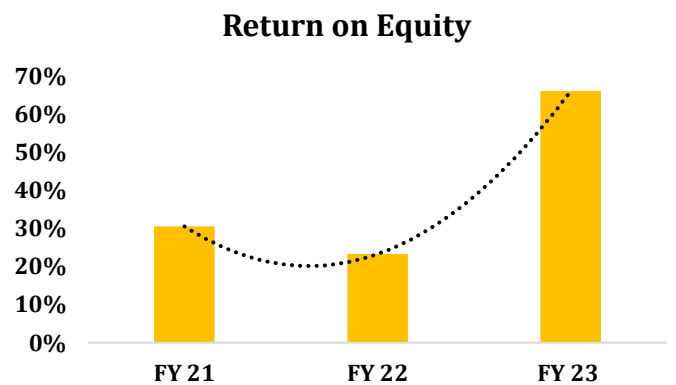
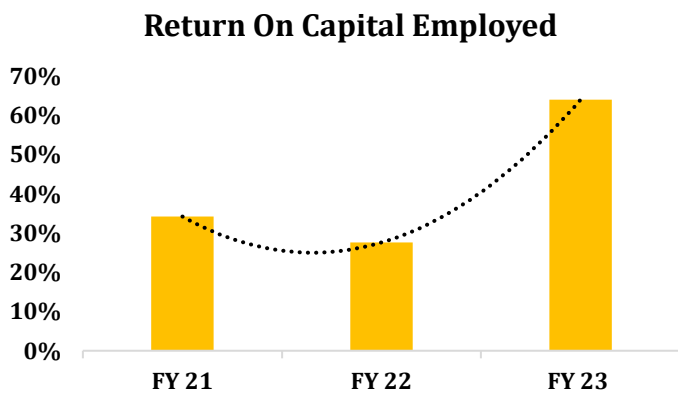
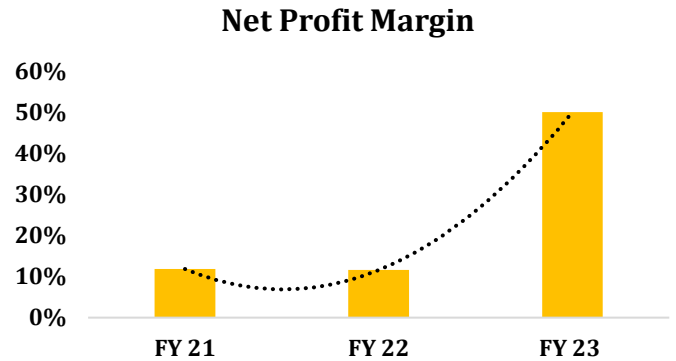
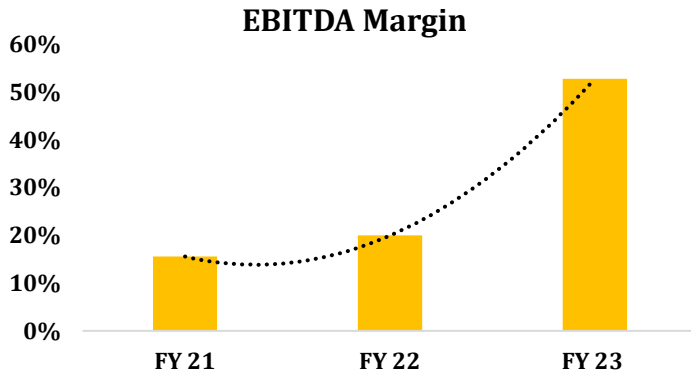
Balance Sheet					(In Lacs)
1. Non-current assets					
(i) tangible Assets	42.70	94.12	79.17	69.79	
(c) Deferred Tax Assets (Net)			1.95	2.82	
(d) Other Non Current Asset			80.01	105.77	
Total Non-Current assets	42.70	94.12	161.13	178.38	
2. Current assets					
(a) Trade Receivables	107.35	197.23	436.65	647.98	
(b) Cash and Bank Balances	207.69	171.94	287.37	313.14	
(c) Other Current Assets	19.98	15.00	20.38	15.30	
e) Short Term Loans and Advances	26.28	18.16	72.13	58.22	
Total Current assets	361.30	402.33	816.53	1,034.64	
Total Assets	404.00	496.45	977.66	1,213.02	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23	
Net Cash Flow from Operating Activities	87.97	3.34	172.75	14.95	
Net Cash Flow from Investing Activities	-16.09	-58.04	4.63	20.75	
Net Cash Flow from Financing Activities	10.94	18.95	-61.95	-9.94	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23*
Per Share Data				
Diluted EPS	0.8	0.79	6.63	2.88
BV per share	1.91	2.49	7.33	38.83
Operating Ratios				
EBITDA Margins	15.56%	19.97%	52.82%	37.37%
PAT Margins	11.83%	11.60%	50.02%	28.45%
Debtor days	77.69	140.89	159.38	236.19
Return Ratios				
RoCE	34%	28%	64%	9%
RoE	31%	23%	66%	7%
Valuation Ratios (x)				
EV/EBITDA	-0.08	0.88	0.91	9.41
Market Cap / Sales	22.02	21.74	11.11	11.06
P/E	132.50	134.18	15.99	36.76
Price to Book Value	55.54	42.60	14.46	2.73
Solvency Ratios				
Debt / Equity	0.01	-	-	-
Current Ratio	1.94	2.05	4.29	4.35
Quick Ratio	1.94	2.05	4.29	4.35
Asset Turnover	1.25	1.03	1.02	0.41
Interest Coverage Ratio	38.17	8.30	57.10	103.30

*Annualized Figures

Financial Charts



Key Risk Factors

1. The company have certain outstanding litigation against the Company amounting to Rs. 4.64 lakhs, an adverse outcome of which may adversely affect the business, reputation and results of operations.
2. The company's top ten customers contribute 96.10%, 96.09%, 90.87%, and 77.13% of the total revenue from operations for the period ended on September 30, 2023, and for the financial year ended on March 31, 2023, 2022 and 2021, respectively. The loss of any of these large customers may affect revenues and profitability.

Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	KP Green Engineering Limited	189.50	144.00	March 22, 2024	243.00
2.	Pratham EPC Projects Limited	36.00	75.00	March 18, 2024	104.00
3.	V R Infraspace Limited	20.40	85.00	March 12, 2024	144.00
4.	Fonebox Retail Limited	20.37	70.00	February 02, 2024	129.00
5.	Konstelec Engineers Limited	28.70	70.00	January 30, 2024	173.00
6.	Australian Premium Solar (India) Limited	28.08	147.00	January 18, 2024	220.00
7.	Indifra Limited	14.04	65.00	December 29, 2023	33.6
8.	Benchmark Computer Solutions Limited	12.24	66.00	December 21, 2023	46.9
9.	Sheetal Universal Limited	23.80	70.00	December 11, 2023	61.2
10.	Rajgor Castor Derivatives Limited	47.81	50.00	October 31, 2023	34.8

The company has had 28 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of March 28th, 2024.

As per the offer document, from the above-mentioned mandates, all the mandates are opened at a premium, on the listing date.

Recommendation

The company has been in the industry since 2016 and thus has decent experience in the industry. The company has seen an exponential hike in the top line of its financials for the FY ended 2023. The company faces high competition. The management outlook of the company is not very satisfactory.

The P/E on a post-IPO and annualized basis is around 36.76 times which makes it highly priced by looking at the performance of the company and the Sector. The Sector P/E is 32.1 times.

The company operates in a very competitive segment. The company has seen exponential growth in the top and bottom lines of its financials which may or may not be sustainable. The company's promoters have very decent experience. The company generating revenue from the exports have significantly increased which continued will place the company in a good position in the market. However, due to the high P/E and current financials we believe **Risk Averse - Should Wait Risk Seekers - Should Apply** to this IPO and wait for further updates from the company.



TAC Infosec Limited

IPO Note

Recco - **RISK**





TAC Infosec Limited

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