



## FPO Note

# SAR Televenture Limited

Recommendation: **APPLY!**

### Company Background -

- Originally formed and incorporated as 'SAR Televenture Private Limited' on May 24, 2019. The registered office is in Gurugram, Haryana, India.
- The company is engaged in installation and commissioning of 4G and 5G Towers, Optical Fibre Cable ("OFC") Systems and dealing in network equipment.
- The Company is registered as Infrastructure Provider Category I (IP-I) with Department of Telecommunication (DOT) which permits them to lease out built sites i.e. GBT/RTT/Pole sites and Out Door Small Cell (ODSC) and establish and maintain assets such as Dark Fibers, Right of Way, Duct Space and Tower for the purpose to grant on lease or rent or sale basis to the telecom service provider companies.
- The company had 38 employees as of May 31, 2024.

### Objects of the Issue -

- Funding setting up of Fiber-to-the-Home (FTTH) network solutions for 3,00,000 Home Passes.
- Funding setting up of an additional 1,000 number of 4G/5G telecom towers.
- Funding incremental Working Capital Requirements of the company.
- General Corporate Expenses.

### Promoters Name -

M. G Metalloy Private Limited

### Rationale for recommendation -

- ✓ The company has seen an increase in the top line and bottom line for FY 2024.
- ✓ The management overview is satisfactory.
- ✓ The company is expanding its business and entering FTTH services.
- ✓ The company is planning to install 1,000 4G/5G towers for a few telecom service providers.
- ✓ The global sales of the FTTH market are projected to increase at a CAGR of 15.1%.
- ✓ The Indian telecom market is expected to grow at a CAGR of 9.4% during the forecast period (2024-2029).

### FPO Details

Opening Date	July 22, 2024
Closing Date	July 24, 2024
Allotment Date	July 25, 2024
Listing Date	July 29, 2024
Stock Exchange	NSE SME
Lot Size	500 Shares
Issue Price Per Share	₹200 to ₹210
Issue Size	150.00 Cr.
Fresh Issue	150.00 Cr.
Offer for Sale	-
Application Amt	₹ 1,05,000 (500 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	472.89	3,246.17	12,411.71
EBITDA	62.86	570.40	1,760.84
Net Profit	3.71	393.59	1,566.18
RoCE	8.45%	23.05%	6.46%
ROE	-	33.20%	21.81%
P/E	117.98	1.16	14.79

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
66.26%	44.89%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	14.20	7.07
BVPS	47.87	102.65
P/E	14.79	29.69
P/BV	4.39	2.05
Mkt Cap (In Cr)	315.00	465.00

### Lead Managers -

**Pantomath Capital Advisors Private Limited**

### Registrar -

**Link Intime India Private Limited**

## Business Overview -

SAR Televentures Limited was originally formed and incorporated as 'SAR Televentures Private Limited' on May 24, 2019. The company had 38 employees as of May 31, 2024.

The Company was set up with an object to provide telecommunication solutions to telecom network operators for the evolving telecom industry and laying of fibre cables. They are currently a telecommunication infrastructure provider, engaged primarily in the business of installing and commissioning telecom towers in India. As on May 31, 2024, they have installed an aggregate 413 number of towers on lease. They also provide support services which includes project management for laying of the duct and optic fibre cables, construction of basic transmission and telecom utilities, dark fiber leasing, optical fiber network construction, maintenance of duct and optic fibre and optical fibre project turnkey services.

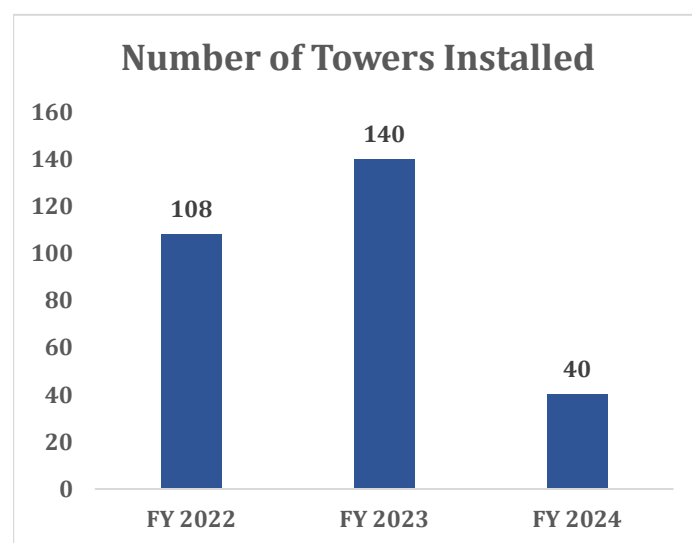
As of May 31, 2024, the company had installed an aggregate 413 number of towers on lease over various areas in West Bengal, Bihar, Uttar Pradesh, Chandigarh, Odisha, Jharkhand, Himachal Pradesh, Punjab, and Andaman & Nicobar Islands.

The company has entered in the business of installing Fiber to the Home (FTTH). FTTH or Fiber to the Home is a technology used to deliver communication signal over optical fibre from the operator's switching equipment to a home or business thereby replacing existing copper cables. FTTH technology connects to the home directly through fibre optic cables, which allows improvement in the amount of bandwidth offered to customers.

### Subsidiaries of the company:

The company has acquired 100% of the equity share capital of SAR Televentures F.Z.E, United Arab Emirates (Formerly known as Shoora International – F.Z.E) on January 03, 2023. The company is currently engaged in the activities of (i) Fiber cable laying and installation and (ii) Trading of network equipment. The company contributed 94.84% of the revenue from operations for FY 2024.

### Total number of towers installed:



### Conclusion:

The company is planning to utilize the net proceeds of the issue for setting up of FTTH network solutions (Rs. 27,300 lakhs), setting up of an additional 1000 4G/5G telecom towers (Rs. 4,250 lakhs), working capital requirements (Rs. 3,000 lakhs) and general corporate purposes.

### Revenue Bifurcation based on service -

(Amt in Lakhs)

Services	March 31, 2022		March 31, 2023		March 31, 2024	
	Sales	%	Sales	%	Sales	%
<b>Revenue earned by the Company</b>						
<b>Tower Installation</b>	472.89	100	642.99	19.81	640.97	5.17
<b>Revenue earned from the subsidiary of the Company</b>						
<b>Fiber cable laying and installation</b>	-	-	2,085.01	64.23	8,533.21	68.75
<b>Trading of network equipment</b>	-	-	518.17	15.96	3,237.53	26.08
<b>TOTAL</b>	<b>472.89</b>	<b>100</b>	<b>3,246.17</b>	<b>100</b>	<b>12,411.7</b>	<b>100</b>

**Competition -**

The Telecom Industry is competitive where the key factors of competition primarily comprise of location, price and service quality.

The company faces competition from organized as well as unorganized players.

The threat of substitutes is high.

The barrier to entry is low.

The bargaining power is slightly high with customers.

**Business Strategies -**

**Enter the Fiber to the Home (FTTH) business:** The company recently entered into agreements with an internet service provider for providing the FTTH services at various locations. They have projected an estimate of total tie up of 600 sites with tentative 500 Home Passes in each such site RWA/Society Building.

**Promote the concept of tower sharing:** The company intends to actively seek out opportunities to increase revenue productivity across their existing and upcoming tower portfolios. As on May 31, 2024, the Company has installed 413 towers, and their strategy is to enhance revenue productivity across current existing towers by promoting tower sharing opportunities.

**Expand to newer geographies with tower set up:** The company intends to reach out to more geographies within India and enhance the presence. They have entered into agreements for providing FTTH services at Lucknow, Ghaziabad, Faridabad, Gurugram, Noida, Rohtak and Sonipat.

**Risk Factors -**

The company has negative cash flow from operations for the FY 2023 and 2024. If the negative cash flow sustains then this may impact the financials of the company.

There are very limited players in the telecom industry and the company is currently concentrated to a single customer for its revenue.

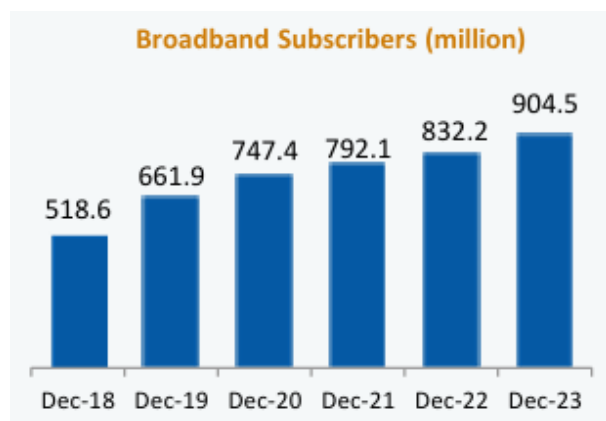
**PEER ANALYSIS**

Particulars	SAR Televentures Limited			Suyog Telematics Limited			Kore Digital Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.8%	12.1%	12.6%	31.4%	32.2%	38.0%	12.9%	15.1%	11.1%
EBITDA Margin	13%	18%	14%	70%	71%	75%	18%	22%	17%
RoCE	8%	23%	6%	24%	27%	27%	92%	55%	22%
ROE	-	33%	22%	22%	20%	21%	87%	56%	16%
EPS (INR)	1.78	181.28	14.20	40.10	44.18	59.38	8.69	12.74	34.51
P/E	117.98	1.16	14.79	9.99	7.76	19.39	-	-	31.08

## Indian Telecom Industry -

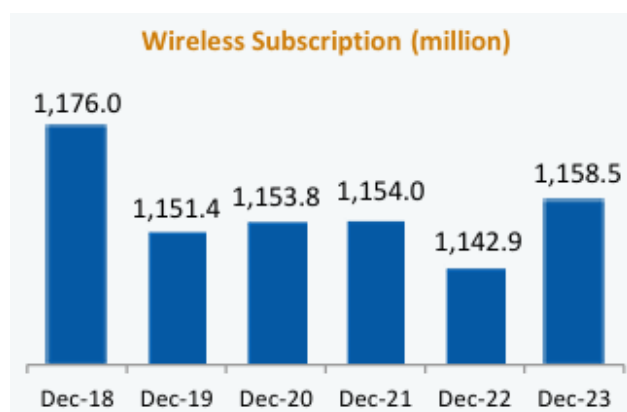
The telecommunications sector plays an important role in the Indian economy as it contributes to the economic growth and GDP and generates revenue for the government. India currently has the world's second largest subscriber base of 1.18 billion second to China.

The broadband subscribers base increased from 881.25 million in March 2023 to 924.07 million in March 2024, i.e., an increase of 4.8% y-o-y basis. The increase in subscriber base is due to the increased affordability of 4G and 5G services over the past year and the surging demand for wireline broadband services used in smart televisions and work-from-home trends.



(source: www.ibef.org)

The total wireless subscribers stood at 1,165.49 million in March 2024 as compared to 1,143.93 million in March 2023, i.e., an increase of 21.56 million subscribers. The urban subscriber base stood at 634.47 million in urban areas and 531.02 million in rural areas at the end of March 2024. The teledensity in the wireless segment stands at 83.27% in total and 127.51% in urban followed by 58.87% in rural areas in March 2024.

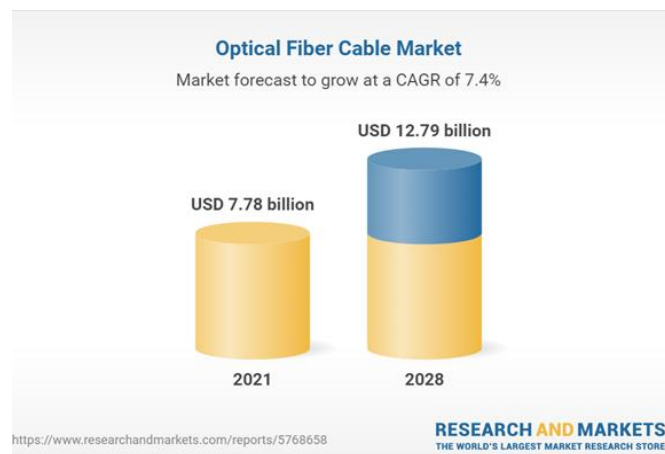


(source: www.ibef.org)

## Optic Fibre Sector in India-

The Indian optic fibre sector is a critical part of India's telecommunication and data transmission infrastructure. With the increasing digitization across industries and the proliferation of high-speed internet, there is a growing demand for reliable and high-capacity fibre optic cables in the country. The optic fibre ensures seamless data transfer and supports advanced communication networks.

As per the report by GSMA and ABI, while optical fibre will play an important role, microwave backhaul will account for the majority of global backhaul links from 2021 to 2027, with around 65% market share.



## Government Initiatives-

- National Broadband Mission (NBM) was launched on 17th Dec 2019 with a vision to fast track the growth of the digital communications infrastructure, bridge the digital divide, facilitate digital empowerment and inclusion, and provide affordable and universal access to broadband for all.
- BharatNet was also launched under this mission to improve the connectivity in the rural regions of the country. The project was launched with an aim to provide broadband connectivity to 2.6 lakh Gram Panchayat in the country in a phased manner. Phase 1 was completed in Dec 2017 covering 1 lakh Gram Panchayat.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Rahul Sahdev</b>
<b>Age</b>	48
<b>Designation and No. of years of experience</b>	Chairman and Managing Director, 18 Years of experience
<b>Qualification</b>	Diploma in Business Management, Diploma in Marketing Management and MBA (Marketing Management)
<b>Roles and Responsibility</b>	Oversees Marketing and business development of the company.
<b>Other Directorships</b>	JRS Impex Private Limited

<b>Key Management Persons Name -</b>	<b>Pulkit Rastogi</b>
<b>Age</b>	39
<b>Designation and No. of years of experience</b>	Whole-Time Director, 17 years of experience
<b>Qualification</b>	Diploma in Business Administration, B. Com degree.
<b>Roles and Responsibility</b>	Overall business execution of the company.
<b>Previous Associations</b>	Board of Director of Seacorp Impex Private Limited and Marketing Head – North India of Parametrique Electronics Solutions Private Limited.

<b>Key Management Persons Name -</b>	<b>Chandra Prakash Srivastava</b>
<b>Age</b>	57
<b>Designation and No. of years of experience</b>	Non-Executive Director, 36 years of experience
<b>Qualification</b>	BE (Production & Industrial Engineering)
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Kavya Jha</b>
<b>Age</b>	54
<b>Designation and No. of years of experience</b>	Non-Executive Director, 20 years of experience
<b>Qualification</b>	Bachelor of Science Degree
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Foxes Advisory Services Private Limited, Corporate World Samadhaan Private Limited

<b>Key Management Persons Name -</b>	<b>Suman Kumar</b>
<b>Age</b>	63
<b>Designation and No. of years of experience</b>	Independent Director, 40 years of experience
<b>Qualification</b>	Master's in business administration
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Currently Independent Director of Integrated Industries Limited, Previously served at IDBI Bank.

<b>Key Management Persons Name -</b>	<b>Aishwarya Singhvi</b>
<b>Age</b>	30
<b>Designation and No. of years of experience</b>	Independent Director, 2 years of experience
<b>Qualification</b>	B. Com Degree and M. Com Degree, Associate member of ICSI
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Trom Industries Limited

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	472.89	3,246.17	12,411.71
Other Income	2.46	5.46	5.26
<b>Total Income</b>	<b>475.35</b>	<b>3251.63</b>	<b>12416.97</b>
<b>Expenses</b>			
Cost of Materials Consumed	-	2,115.35	9,968.37
Employee Benefit Expenses	125.52	136.85	148.24
Finance Cost	21.68	45.39	22.40
Depreciation and Amortisation	40.91	103.15	137.08
Other expenses	284.51	423.57	534.26
<b>Total Expenses</b>	<b>472.62</b>	<b>2,824.31</b>	<b>10,810.35</b>
<b>EBITDA</b>	<b>62.86</b>	<b>570.40</b>	<b>1,760.84</b>
<b>EBITDA Margin</b>	<b>13.29%</b>	<b>17.57%</b>	<b>14.19%</b>
<b>Profit/(Loss) before tax</b>	<b>2.73</b>	<b>427.32</b>	<b>1,606.62</b>
<b>Tax Expense</b>			
Current tax	-	30.30	32.88
Deferred Tax Expenses/(credit)	-0.98	3.43	7.56
<b>Total Tax</b>	<b>-0.98</b>	<b>33.73</b>	<b>40.44</b>
<b>Profit/(Loss) for the year</b>	<b>3.71</b>	<b>393.59</b>	<b>1,566.18</b>
<b>Net Profit Margin</b>	<b>0.78%</b>	<b>12.12%</b>	<b>12.62%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	4.18	65.29	300.00
Reserves and surplus	-11.91	1,120.30	6,880.41
<b>Total Shareholder's Fund</b>	<b>-7.73</b>	<b>1,185.59</b>	<b>7,180.41</b>
<b>2. Non-current liabilities</b>			
Long-term borrowings	267.60	444.41	17,787.41
Other Non-Current Liabilities	-	394.60	149.12
Deferred Tax Liability	-	2.52	10.09
<b>Total Non-current liabilities</b>	<b>267.60</b>	<b>841.53</b>	<b>17,946.62</b>
<b>3. Current liabilities</b>			
Short-term borrowings	69.48	-	-
Trade Payables			
Total outstanding dues of micro enterprises & small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises & small enterprises	53.57	249.14	1,425.90
Other Current Liabilities	5.43	89.91	29.84
Short-term provisions	22.47	56.25	59.09
<b>Total Current liabilities</b>	<b>150.95</b>	<b>395.30</b>	<b>1,514.83</b>
<b>Total Liabilities</b>	<b>418.55</b>	<b>1,236.83</b>	<b>19,461.45</b>
<b>Total Equity and Liabilities</b>	<b>410.82</b>	<b>2,422.42</b>	<b>26,641.86</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	281.88	847.87	964.30
Deferred Tax Assets (Net)	0.90	-	-
Other Non Current Assets	2.36	3.32	31.17
<b>Total Non-Current assets</b>	<b>285.14</b>	<b>851.19</b>	<b>995.47</b>



Particulars	FY 22	FY 23	FY 24
<b>2. Current assets</b>			
Inventories	-	-	419.21
Trade Receivables	84.20	649.41	2,150.64
Cash & Cash equivalents	0.44	71.69	466.15
Short term loans and advances	41.05	848.48	22,195.77
Other Current Assets	-	1.65	414.62
<b>Total Current assets</b>	<b>125.69</b>	<b>1,571.23</b>	<b>25,646.39</b>
<b>Total Assets</b>	<b>410.83</b>	<b>2,422.42</b>	<b>26,641.86</b>

### Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	51.60	-523.49	-20,855.79
Net Cash Flow from Investing Activities	-232.97	-686.79	-253.51
Net Cash Flow from Financing Activities	178.67	1,281.53	21,503.76

### Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	1.78	181.28	14.2	EV/EBITDA	5.23	2.73	13.91
BV per share	-0.05	7.90	47.87	Market Cap / Sales	98.33	14.32	3.75
<b><u>Operating Ratios</u></b>				P/E	117.98	1.16	14.79
EBITDA Margins	13.29%	17.57%	14.19%	Price to Book Value	-	26.57	4.39
PAT Margins	0.78%	12.12%	12.62%	<b><u>Solvency Ratios</u></b>			
Inventory days	-	-	12.33	Debt / Equity	-	0.37	2.48
Debtor days	64.99	73.02	63.25	Current Ratio	0.83	3.97	16.93
Creditor days	-	42.99	50.10	Quick Ratio	0.83	3.97	16.65
<b><u>Return Ratios</u></b>				Asset Turnover	1.15	1.34	0.47
RoCE	8.45%	23.05%	6.46%	Interest Coverage Ratio	1.01	10.29	72.49
RoE	-	33.20%	21.81%				

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Pantomath Capital Advisors Private 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 –

**Pantomath Capital Advisors Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Kronox Lab Sciences Limited	130.15	136.00	June 10, 2024	153.35
2.	SAR Televentures Limited	24.75	55.00	Nov 08, 2023	243.55
3.	Transtee Seating Technologies Limited	49.98	70.00	Nov 08, 2023	71.30
4.	Plaza Wires Limited	71.28	54.00	Oct 12, 2023	85.27
5.	Vishnu Prakash R Punglia Limited	308.88	99.00	Sep 05, 2023	198.65
6.	Aeroflex Industries Limited	351.00	108.00	Aug 31, 2023	148.50
7.	Urban Enviro Waste Management Limited	11.42	100.00	June 22, 2023	388.80
8.	Sah Polymers Limited	66.30	65.00	Jan 12, 2023	88.18
9.	AB Cotspin India Limited	10.09	35.00	Jan 11, 2022	228.00
10.	Exxaro Tiles Limited	161.09	120.00	Aug 16, 2021	90.30

The company has handled 8 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 15<sup>th</sup> July 2024.

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



**Recommendation -**

The company has been in the industry since 2019 and has relatively less experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO and annualised basis is around 29.69 times which makes it slightly highly priced by looking at the performance of the company and sector. The Sector P/E is 27.90 times.

The company has seen an increase in the top line and bottom line for FY 2024 after acquisition of its subsidiary company, and an increase in the profitability margins for FY 2024 as well. The solvency ratios have improved over the years. Also, the company has performed almost at par with the peer companies.

The telecom industry is a booming industry. The company has entered a term sheet with few telecom service providers for the installation of 4G/5G towers. Also, the company is entering into fibre-to-the-home (FTTH) services and expanding its business. This initiative will help them drive their revenue growth in the future as FTTH is a growing business.

Thus, knowledgeable and informed investors can **APPLY** to this FPO keeping in mind that it is for a long-term investment.

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