



IPO Note

Mangal Compusolution Limited

Recommendation: **AVOID!**

Company Background –

- **Incorporation:** Mangal Compusolution Limited was originally incorporated as “Pathik Computer Systems Private Limited” on Apr 11, 2011. The registered office is located at Mumbai, Maharashtra.
- **Business Activity:** The company is engaged in the business of rental and sale of IT equipment. They also provide maintenance services.
- **Revenue Stream:** The company derives majority of its revenue from sale of used IT equipment.
- **Human Resource:** The company has 24 full-time employees as on Sep 30, 2024.

Objects of the Issue -

- Capital Expenditure
- General Corporate Purposes

Promoters Name –

Hardik Meghraj Jain, Neeta Mukesh Desai, Pathik Mukesh Desai, Mukesh Khandubhai Desai and Binny Pathik Desai

Rationale for recommendation –

- ✓ The PE ratio of 18.80 times makes it slightly highly priced.
- ✓ The company's bottom line and PAT margin have remained inconsistent over the years.
- ✓ The EBITDA was negative for FY2023.
- ✓ The company has very high borrowings.
- ✓ The company's DE ratio has remained high for FY2022.
- ✓ The RoCE was negative for FY2023.
- ✓ The company has high concentration of customers and suppliers.
- ✓ The management overview is decent.
- ✓ The industry is highly competitive and fragmented.

IPO Details

Opening Date	Nov 12, 2024
Closing Date	Nov 14, 2024
Allotment Date	Nov 18, 2024
Listing Date	Nov 20, 2024
Stock Exchange	BSE SME
Lot Size	3,000 Shares
Issue Price Per Share	₹45
Issue Size	16.23 Cr.
Fresh Issue	16.23 Cr.
Offer for Sale	-
Application Amt	₹ 1,35,000 (3,000 shares)

INDUSTRY - IT Hardware

P/E ratio of peer – 12.11

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Jun-24
Revenue	1,721.10	1,748.17	2,088.58	408.47
EBITDA	921.19	-191.96	925.67	214.08
Net Profit	86.62	704.08	385.81	80.97
RoCE	10.68%	-16.76%	15.54%	3.81%
ROE	9.52%	43.62%	19.29%	3.89%
P/E	51.72	6.39	11.66	13.82*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
99.99%	73.50%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	3.86	2.39
BVPS	20.00	29.02
P/E	11.66	18.80
P/BV	2.25	1.55
Mkt Cap (In Cr)	45.00	61.23

*Annualized

Lead Managers –

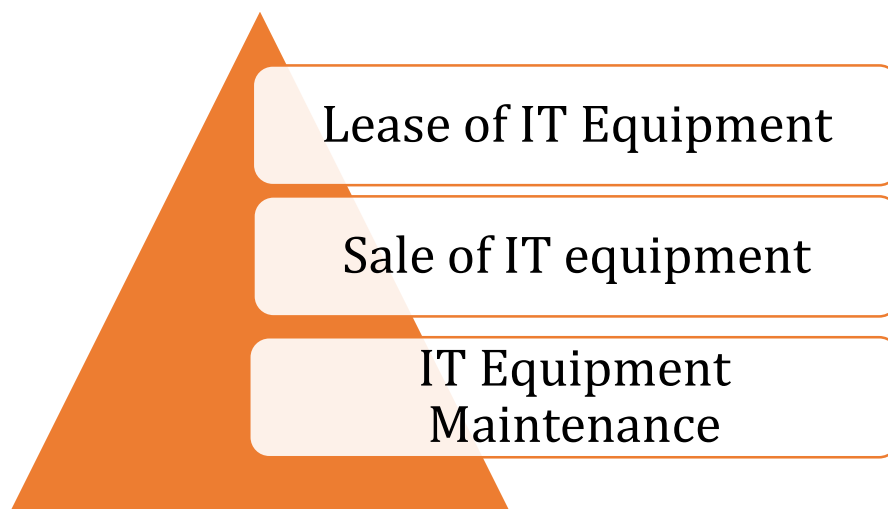
Jawa Capital Services Private Limited

Registrar –

KFin Technologies Limited

Business Overview -

Mangal Compusolution Limited is engaged in delivering customized IT hardware solutions. The business is divided into three parts –



Apart from these services they also provide on-site setup and deployment services. Additionally, they offer warranty and service agreements.

Revenue Bifurcation Service-wise –

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Lease Rent	119.17	6.92	259.55	14.85	50.03	2.40
Sale of Products	1,561.72	90.74	1,321.61	75.60	1,588.08	76.04
Service Fees	40.22	2.34	167.01	9.55	450.47	21.57
Total	1,721.11	100.00	1,748.17	100.00	2,088.58	100.00

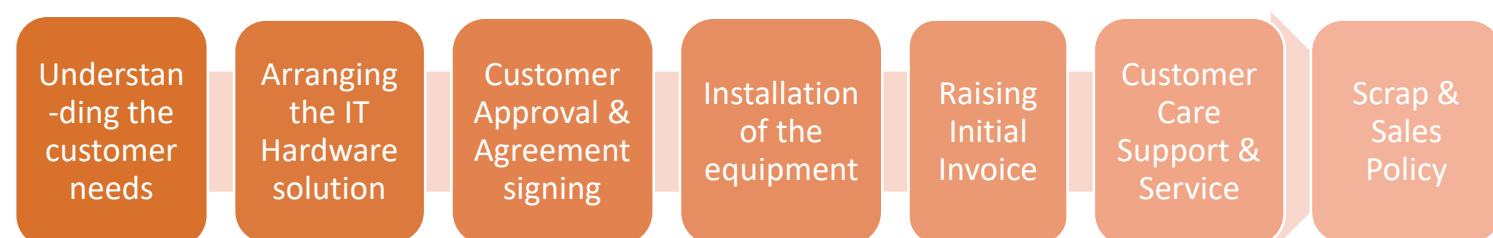
The IT equipment offered by the company includes servers, laptops, desktops, projectors, router-switches, workstations, Plasma/LCD TVs, PA Systems, and various accessories. They exclusively rent top-tier IT equipment brands such as IBM, Dell, HP, Lenovo, Sony, Apple, Compaq, and Toshiba.

Revenue Bifurcation Product-wise –

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Desktop	823.77	47.86	729.69	41.74	442.85	21.20
Laptops	381.08	22.14	239.97	13.73	302.33	14.48
Servers/ Storage	429.42	24.95	543.52	31.09	885.05	42.38
Others	86.84	5.05	235.00	13.44	458.36	21.95
Total of Trading	1,721.11	100.00	1,748.18	100.00	2,088.59	100.00

Business Process –



Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of client relationships, reputation, market focus and the relative quality, price of the services and any ancillary service provided.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

Business Strategies –

1. The company intends to increasing penetration in existing regions with a new range of products.
2. The company intends to expand their geographical presence.
3. The company is focused leveraging their market skills and relationship with customers.

Risk Factors –**PEER ANALYSIS –**

Particulars	Mangal Compusolution Limited			Silicon Rental Solution Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	5.03%	40.28%	18.47%	41.37%	29.33%	20.27%
EBITDA Margin	53.52%	-10.98%	44.32%	78.36%	82.26%	61.70%
RoCE	10.68%	-16.76%	15.54%	44.99%	27.47%	25.88%
ROE	9.52%	43.62%	19.29%	60.09%	20.93%	20.52%
EPS (INR)	0.87	7.04	3.86	37.44	13.60	12.55
P/E	51.72	6.39	11.66	-	10.22	12.11

Interpretation –

- The market cap of the company is very less compared to its peer.
- The NP margin of the company has decreased over the years.
- The RoE and RoCE of the company is low compared to its peer.

INDUSTRY OVERVIEW -**IT Hardware Industry in India –**

The IT hardware solutions industry in India, especially within the rental and sales sector, has grown significantly due to businesses' increasing need for cost-effective, scalable, and flexible technology. Valued at around USD 4.5 billion in 2022, the Indian IT hardware sector covers a broad range of products, including computers, servers, storage devices, networking equipment, and peripherals. Rentals of IT hardware, in particular, cater to companies aiming to reduce capital expenses (CAPEX), combat technological obsolescence, and meet fluctuating IT infrastructure demands. IT hardware rentals alone are growing at an estimated CAGR of 12-15% and are projected to reach USD 1 billion by 2030.

Regional Demand Distribution:

- Maharashtra, Karnataka, and NCR lead the demand for IT hardware rentals, representing over 60% of the market share.
- Maharashtra alone contributes around 30% due to its tech-driven economy and a large base of SMEs, startups, and IT companies.
- Tier 2 and Tier 3 cities are emerging as growth markets, with increasing digital adoption rates and expected demand growth of 20% annually.

Industry Composition and Customer Segments:

- **Small and Medium Enterprises (SMEs):** Account for over 70% of the IT rental demand due to the need for low-cost, flexible solutions.
- **Startups:** Represent 20-25% of demand, especially for short-term rentals that support their initial infrastructure setup.
- **Large Enterprises:** Primarily use rentals for specific projects or temporary needs, contributing about 10% of market demand.

Product Segmentation:

- **Laptops and Desktops:** Comprise about 35% of rental demand, driven by remote work and hybrid models.
- **Servers and Networking Equipment:** Account for 25%, fueled by the adoption of cloud, AI, and IoT in enterprise IT infrastructures.
- **Presentation Equipment (e.g., LCDs, Projectors):** Constitutes around 15% of demand, mainly in corporate events and education sectors.
- **Accessories and Peripherals:** Make up 10% of demand, including routers, switches, and storage devices that support workplace setups.

Recent Developments:

- **Investment Surge:** Venture capital investments in IT rental firms have increased by 25% since June 2024, supporting inventory expansion and regional market penetration.
- **Government Incentives:** Recent regulatory benefits encourage businesses to adopt rental solutions, with tax deductions for green practices and reductions in electronic waste.

(Source: mordorintelligence.com and researchandmarkets.com)

Key Management -

Key Management Persons Name -	Pathik Mukesh Desai
Age	36
Designation	Promoter and Managing Director, 10+ years of experience
Qualification	Bachelors of Commerce
Responsibility	Oversees overall business operations of the Company with focus on business development and Logistics verticals.
Other Directorships	-

Key Management Persons Name -	Mukesh Khandubhai Desai
Age	66
Designation and No. of years of experience	Promoter and Executive Director, 30+ years of experience
Qualification	Undergraduate
Other Directorships	-

Key Management Persons Name -	Binny Pathik Desai
Age	35
Designation and No. of years of experience	Promoter, Non-Executive Director and Chairperson, 10+ years of experience
Qualification	Bachelors in Pharmaceuticals
Responsibility	Oversees the HR department of the company
Previous Experience	Worked as Senior Executive in Regulatory Affairs Department

Key Management Persons Name -	Binod Chandra Maharana
Age	61
Designation and No. of years of experience	Non-Executive Independent Director, 30+ years of experience in internal, statutory, tax audits of corporate & non corporate clients, various types of bank audits
Qualification	Qualified Chartered Accountant
Other Directorship	Secmark Consultancy Limited and Spark Management Consultancy Private Limited

Key Management Persons Name -	Damini Baid
Age	29
Designation and No. of years of experience	Non-Executive Independent Director, 6+ years of working experience in the field of Audit, Accountancy and corporate secretarial matters
Qualification	Qualified Company Secretary and Bachelor's of commerce
Other Directorship	Aryaman Financial Services

Key Management Persons Name -	Kinjal Bhavin Gandhi
Age	38
Designation and No. of years of experience	Non-Executive Independent Director, 8+ years of working experience working with different private sector banks
Qualification	Bachelors in Science with specialization in Home Science
Other Directorship	Yogi Limited

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- The management structure is condensed.
- Ankush Agal (CFO), 27 years old, who is a qualified Chartered Accountant and holds degree in Bachelors of Commerce and has 4 years of total experience in accounts, finance and audit.

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
Revenue from Operations	1,721.10	1,748.17	2,088.58	408.47
Other Income	127.68	1,735.00	255.85	44.97
Total Income	1,848.78	3,483.17	2,344.43	453.44
Expenses				
Purchase of stock-in-trade	106.03	232.25	52.12	0.33
Changes in Inventories of finished goods, WIP	-	0.05	-	-
Employee Benefit Expenses	166.36	188.64	180.06	55.84
Finance Cost	393.68	339.82	275.60	53.98
Depreciation and Amortization Expense	533.92	424.73	385.08	84.24
Other expenses	527.52	1,519.19	930.73	150.85
Total Expenses	1,727.51	2,704.68	1,823.59	345.24
EBITDA	921.19	-191.96	925.67	214.08
EBITDA Margin	53.52%	-10.98%	44.32%	52.41%
Profit/(Loss) before tax	121.27	778.49	520.84	108.20
Tax Expense				
Current tax	55.92	95.68	128.86	29.82
Tax related to prior years	-	-4.58	3.80	-
Deferred Tax	-21.27	-16.69	2.37	-2.59
Total Tax	34.65	74.41	135.03	27.23
Profit/(Loss) for the year	86.62	704.08	385.81	80.97
Net Profit Margin	5.03%	40.28%	18.47%	17.86%

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	200.00	200.00	1,000.00	1,000.00
Reserves and surplus	710.00	1,414.10	999.90	1,080.88
Total Equity	910.00	1,614.10	1,999.90	2,080.88
2. Non-current liabilities				
Long-term borrowings	2,628.00	1,991.97	1,403.60	1,247.28
Deferred Tax liability	76.33	59.63	62.01	59.42
Long-term provisions	11.48	13.11	13.48	16.71
Total Non-current liabilities	2,715.81	2,064.71	1,479.09	1,323.41
3. Current liabilities				
Short-term Borrowings	806.12	660.33	637.61	615.47
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	27.88	77.38	132.19	128.76
Other Current Liabilities	749.64	199.81	170.18	179.65
Short-term provisions	57.62	99.37	133.17	163.84
Total Current liabilities	1,641.26	1,036.89	1,073.15	1,087.72
Total Liabilities	4,357.07	3,101.60	2,552.24	2,411.13
Total Equity and Liabilities	5,267.07	4,715.70	4,552.14	4,492.01
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	1,205.38	989.78	960.53	920.41

Particulars	FY 22	FY 23	FY 24	Jun-24
Loans and Advances	2,405.55	1,664.77	950.00	950.00
Non Current Investments	147.70	1.40	5.28	5.28
Other Non- current Assets	16.74	19.21	31.23	63.19
Total Non-Current assets	3,775.37	2,675.16	1,947.04	1,938.88
2. Current assets				
Inventories	3.50	3.45	3.45	3.45
Trade Receivables	823.52	677.32	739.95	634.51
Cash & Cash equivalents	30.92	14.63	60.07	26.59
Short term loans and advances	526.08	1,215.31	1,653.20	1,683.96
Other Current Assets	107.68	129.83	148.41	204.62
Total Current assets	1,491.70	2,040.54	2,605.08	2,553.13
Total Assets	5,267.07	4,715.70	4,552.12	4,492.01

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
Net Cash Flow from Operating Activities	1,823.24	402.44	725.32	229.85
Net Cash Flow from Investing Activities	-1,085.40	681.76	172.46	-30.06
Net Cash Flow from Financing Activities	-729.30	-1,100.49	-852.34	-233.28

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	0.87	7.04	3.86	EV/EBITDA	4.68	-	4.30
BV per share	45.50	80.71	20.00	Market Cap / Sales	3.56	3.50	2.93
Operating Ratios				P/E	51.72	6.39	11.66
EBITDA Margins	53.52%	-10.98%	44.32%	Price to Book Value	0.99	0.56	2.25
PAT Margins	5.03%	40.28%	18.47%	Solvency Ratios			
Inventory days	0.74	0.72	0.60	Debt / Equity	3.77	1.64	1.02
Debtor days	174.65	141.42	129.31	Current Ratio	0.91	1.97	2.43
Creditor days	95.97	121.61	925.74	Quick Ratio	0.91	1.96	2.42
Return Ratios				Asset Turnover	0.33	0.37	0.46
RoCE	10.68%	-16.76%	15.54%	Interest Coverage Ratio	0.98	-1.81	1.96
RoE	9.52%	43.62%	19.29%				

INTERPRETATION –

- The top line has increased over the years. An increase by 1.57% was seen for FY2023 and a jump of 19.47% was seen for FY2024 which was due to increase in Sale of Computer Accessories & Service income and also increase in trading sale.
- Other income saw a huge jump in FY2023 which was due to realization of long-term capital gains from the sale of quoted shares.
- The net profit has remained inconsistent over the years. There was a sudden increase of 712% in FY2023 which is because of the sudden jump in other income and a decrease of 45.20% in FY2024.
- The EBITDA margin has remained inconsistent over the years and it was negative for FY2023.
- The PAT margin has remained inconsistent over the years.
- The RoCE was negative for FY2023 and ROE has seen a dip for FY2024.
- The PE ratio has increased in FY2024.
- The D/E ratio was very high for FY2022.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Jawa Capital Services Private Limited and this is their 4th mandate. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Jawa Capital Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Kalana Ispat Limited	32.59	66.00	Sep 26, 2024	38.60
2.	Mandeep Auto Industries Limited	25.25	67.00	May 21, 2024	41.00
3.	Slone Infosystems Limited	11.06	79.00	May 10, 2024	189.35

The company has handled 3 mandate in the current year.

*CMP for the above-mentioned companies is taken as of 8th Nov 2024.
As per the offer document, the above-mentioned mandates Kalpana Ispat and Mandeep Auto Industries have opened at a discount and Slone Infosystems has opened at a premium on the listing day.

Recommendation -

Mangal Compusolution Limited has been in the industry since 2011 and has good experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 18.80 times which makes it slightly highly priced.

The company's bottom line and PAT margin have remained inconsistent over the years. Also, the EBITDA margin is negative for FY2023. Furthermore, the DE ratio was very high for FY2022 and the RoCE is negative for FY2023. So, the overall financials of the company raises concern.

The company has outstanding borrowings of Rs. 1,655.80 lakhs as of June, 2024 which is quite high and they rely on one single bank (Bharat Co-Operative Bank) for their entire borrowings.

The company has high concentration for customers and suppliers and loss of any may cause adverse effect in the business operations.

The company is operating in the IT hardware industry which is highly fragmented and competitive and there are many established players already.

Thus, investors can **AVOID** this IPO.

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