



## IPO Note

### Happy Square Outsourcing Limited

Recommendation: **AVOID**

#### Company Background –

Happy Square Outsourcing Limited is a technology - based consulting firm, involved in tech based human resource outsourcing.

#### Objects of the Issue –

Particulars	Amt. in Lakhs
To meet working capital requirements.	2,017.28
General corporate purposes.	-

#### Promoters Name –

Shraddha Rajpal & Nalini Rajpal

Promoter Share Holding Pattern	
<b>Pre Issue</b> 84.00%	<b>Post Issue</b> 60.90%

**Rationale for recommendation** – The company was incorporated on Apr 20, 2017. It has a post issue P/E of 14.93 indicating that it is fairly valued however, compared to its competitors it is undervalued. The management team of the company have very limited experience of 10 years combined and the business is engaged in highly competitive and fragmented industry. The company has had negative cash flow from operating activities worth (₹142.53), (₹188.10), & (₹164.25) in FY 23, 24, & 25 respectively which raises concerns on cash management. There is also customer concentration as the top 10 customers of the company contributed 53.44%, 48.62%, & 48.49% of the company's revenue from operations in FY 23, 24, & 25 respectively. There are also 4 outstanding tax litigations against the company worth ₹1.01 Lakhs. The lead manager does not have a proven track record as they have handled only 4 mandates in the past 3 years of which 1 opened at a discount. Therefore, investors can **AVOID** this IPO for now.

#### IPO Details

Opening Date	Jul 03, 2025
Closing Date	Jul 07, 2025
Allotment Date	Jul 08, 2025
Listing Date	Jul 10, 2025
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹72 to ₹76
Issue Size	24.25 Cr.
Fresh Issue	24.25 Cr.
Offer for Sale	-
Application Amt	₹ 2,43,200 (1,600 shares)

KPI's	KPIs (In Lakhs)		
	FY 23	FY 24	FY 25
<b>Revenue</b>	5,269.92	6,928.87	9,741.46
<b>EBITDA</b>	283.94	644.45	931.36
<b>Net Profit</b>	178.79	439.32	590.34
<b>RoCE</b>	54.70%	63.75%	56.05%
<b>ROE</b>	83.55%	66.82%	47.31%
<b>P/E</b>	35.68	14.56	10.83

Particulars	Valuation Parameters	
	Pre-Issue	Post Issue
EPS	7.02	5.09
BVPS	14.84	10.76
P/E	10.83	14.93
P/BV	5.12	7.07
Mkt Cap (In Cr)	63.92	88.16

#### Lead Managers –

Corpwis Advisors Private Limited

#### Registrar –

Purva Shareregistry India Private Limited

**Business Overview -**

The company was incorporated on Apr 20, 2017 under the name 'Splendid Academy Private Limited'. The name was changed to 'Happy Square Outsourcing Private Limited' on Jan 17, 2020. The company has its headquarters in Jabalpur. It is a technology-based consulting firm involved in tech-based human resource outsourcing which focuses on end-to-end solutions. The company sells its services under the brand name 'White Force'. The group companies include White Force Outsourcing Services Private Limited and Happiest Resume Services Private Limited.

The company offers solutions such as general staffing, industrial staffing, apprentice staffing, payroll management, compliance management, recruitment process outsourcing, workforce planning, etc. For such business, human resource database is a key asset. As on Mar 31, 2025, the company had 5,802 personnel deployed at various locations.

Most of the company's revenue is derived from repeat customers. Although the number of new customers has been more than the number of repeat customers every year, revenue from repeat customers has been significantly higher than revenue from new customers. Government's contribution to the company's revenue has been increasing over the years. It was 1,000.41(18.98%), 1,986.18 (28.66%), & 4,169.6 (42.8%) Lakhs in FY 23, 24 & 25 respectively. Industry wise, the highest contributors have been logistics, PSUs, & IT. Combined they contributed 3,864.63 (73.34%), 5,568.83 (80.37%), 7,974.80 (81.87%).

**Service-Wise Revenue Breakup:****(in Lakhs)**

Product	FY 23	%	FY 24	%	FY 25	%
Receipt From Outsourcing	5,005.69	95.00%	6,760.71	97.57%	9,451.68	97.03%
Agency Fees	123.56	2.34%	1,68.16	2.43%	289.78	2.97%
Recruitment Charges	140.15	2.66%	-	-	-	-
Consumable Items	0.52	0.01%	-	-	-	-
<b>Total Sales</b>	<b>5,269.92</b>	<b>100.00%</b>	<b>6,928.87</b>	<b>100.00%</b>	<b>9,741.46</b>	<b>100.00%</b>

**Business Strategies -**

1. Acquiring new clients and continuing to expand relationship with existing customers by becoming more engaging through helping them in any new manpower requirements.
2. Volume business of general staffing to help with overall efficiency of their client as the management team of client company will be able to focus only on their core activities.
3. Offering recruitment solutions that are custom built for specific projects, business, or industry and supporting employees on an ongoing basis.
4. Providing locally available talent to Indian companies for their international operations so that clients can use a single vendor for multiple geographies.
5. Presently the company is concentrated in India, but the company intends to expand to new geographies to meet its clients and understand their requirements.

**Risk Factors -**

- The company has had negative cash flow from operations in the past. CFO was (₹142.53), (₹188.10), & (₹164.25) in FY 23, 24, & 25 respectively.
- The management team has limited experience. Poonam Rajpal and Deepika Ondela have four and five years of experience respectively.
- There have been frequent changes in statutory auditor of the company in the preceding 3 financial years.
- There is customer concentration. The top 10 customers of the company accounted for 53.44%, 48.62%, & 48.49% of the company's revenue from operations in FY 23, 24, & 25 respectively.
- There are 4 outstanding tax litigations against the company worth ₹1.01 Lakhs.
- The business is significantly affected by fluctuations in the growth of the economy.
- The company has failed to deduct and pay professional tax in FY 22, 23, & 24.

## Peer Analysis

Particulars	Happy Square Outsourcing Limited			Spectrum Talent Management Limited		
	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25
NP Margin	4.91%	5.32%	7.93%	1.61%	2.31%	3.70%
EBITDA Margin	7.76%	7.81%	11.33%	3.25%	4.66%	6.40%
RoCE	396.73%	465.91%	361.07%	30.83%	27.39%	30.11%
ROE	259.97%	327.03%	264.38%	18.96%	16.59%	19.39%
EPS (INR)	4.32	7.20	11.82	1.73	3.38	9.52
P/E	34.03	20.42	12.44	15.75	28.42	34.41

## Industry Overview –

### -Employment and Staffing Industry:

India has experienced significant employment growth over recent years. Between 2016–17 and 2022–23, employment increased by 170 million jobs, representing a 36% rise, and GDP grew at an average annual rate of 6.5%. The Worker Population Ratio (WPR) also rose by 9 percentage points from 2017 to 2023, an increase of nearly 26%. India's growth has been largely consumption-driven, and employment elasticity (the ratio of employment growth to GDP growth) stood at 1.11 during 2017–23. This indicates that a 1% rise in GDP resulted in a 1.11% increase in employment. The labour-capital ratio in the overall economy is about 1.11, and 1.17 in the services sector.

As of 2022–23, India's unemployment rate dropped to 3.2%. Youth employment has also seen marked improvement, with unemployment among the 15–29 age group falling from 17.8% in 2017–18 to 10% in 2022–23. Female workforce participation has grown steadily, supported by targeted policy initiatives. In rural areas, wages grew at a 6.9% CAGR during FY15–22, slightly outpacing urban wage growth of 6.1%. Factories with over 100 workers posted 11.8% growth between FY18 and FY22, suggesting that larger units are generating more formal employment. India's gig economy is expanding rapidly, with the workforce expected to reach 2.35 crore by 2029–30. The EPFO payroll additions more than doubled from 61.1 lakh in FY19 to 131.5 lakh in FY24, indicating increased job formalization.

The staffing and recruiting industry in India is valued at USD 18.5 billion, driven by increasing demand for flexible workforce solutions in IT, manufacturing, and BFSI. The Indian Staffing Federation (ISF) represents 1.66 million contract workers employed through 121 member companies. Over the past decade, ISF members have generated employment for over 9 million individuals, becoming major contributors to India's social security network. Key contributions of the staffing industry include managing INR 116,640 crore in salaries for contract workers in the past year—40% of which went toward social security. ISF members also contributed approximately ₹24,168 crore in GST, ₹14,580 crore towards EPF, and ₹3,044 crore to ESI in the previous fiscal year. Temporary manpower services cover over 65 industries across 25,000 pin codes, reflecting a vast operational footprint across the country.

## Key Management

-The management consists of **Poonam Rajpal (Managing Director)**, **Deepika Ondela (Whole-Time Director)**, and **Rani Mathya (Non-Executive Director)**. Poonam Rajpal and Deepika Ondela have a limited combined experience of 10 years only. They have relevant educational qualifications. Rani Mathya has 15 years of experience.

-**Rupali Kesharwani, Gurpreet Kaur Dhanjal, & Pavithra P** are **Independent Directors**.

-**Kanchan Patel (CFO) & Angha Ambalkar (CS & CO)** hold a limited experience of 5 & 3 years respectively.

**The overall management team may have relevant educational qualifications but are still not satisfactory due to the lack of experience.**

## Lead Manager

Corpwis Advisors Private Limited has handled 4 IPOs in preceding 3 years out of which 3 have opened at a premium and 1 opened at a discount.

**FINANCIAL SNAPSHOT**

Key Performance Indicators: (in Lakhs)				Key Ratios:			
Particulars	FY 23	FY 24	FY 25	Particulars	FY 23	FY 24	FY 25
<b>P&amp;L Statement</b>				<b>Per Share Data</b>			
Total Income	5,280.11	6,954.31	9,768.35	Diluted EPS	2.13	5.22	7.02
Total Expenses	5,041.20	6,368.38	8,970.61	BV per share	2,140	6,574.7	14.64
EBITDA	283.94	644.45	931.36	<b>Operating Ratios</b>			
EBIT	268.31	626.17	886.17	EBITDA Margins	5.39%	9.3%	9.56%
PBT	238.91	585.93	797.74	PAT Margins	3.39%	6.34%	6.06%
Tax Expenses	60.12	146.61	207.40	Inventory days	-	-	-
Net Profit	178.79	439.32	590.34	Debtor days	52.79	79.92	85.66
<b>Balance Sheet</b>				Creditor days	19.6	8.68	3.47
<b>Total Equity</b>	214.00	657.47	1,247.81	<b>Return Ratios</b>			
<b>Assets</b>				RoCE	54.70%	63.75%	56.05%
Non-Current Assets	257.80	448.12	453.61	RoE	47.31%	66.82%	47.31%
Current Assets	1,174.20	2,394.12	3,510.39	<b>Valuation Ratios (x)</b>			
<b>Total Assets</b>	1,432.00	2,842.24	3,964.00	EV/EBITDA	2.99	2.69	2.84
<b>Liabilities</b>				Market Cap / Sales	-	-	0.66
Non-Current Liabilities	276.51	324.79	333.13	P/E	35.68	14.56	10.83
Current Liabilities	941.49	1,859.98	2,383.06	Price to Book Value	0.04	0.01	5.12
<b>Total Liabilities</b>	1,432.00	2,842.24	3,964.00	<b>Solvency Ratios</b>			
<b>Cash Flow Statement</b>				Debt / Equity	3.07	1.67	1.17
CFO	-142.53	-188.90	-164.25	Current Ratio	1.25	1.29	1.47
CFI	-116.42	-187.53	-39.00	Quick Ratio	1.25	1.29	1.47
CFF	232.27	375.36	245.90	Asset Turnover	3.68	2.44	2.46
				Interest Coverage Ratio	-	9.53	7.68

**Financial Analysis**

- Revenue from operations increased by 31.48% & 40.59% in FY 24 & 25 respectively. Total income increased by 31.17% and 40.46% during the same time. This is due to new customers and additional services to existing clientele.
- There is an increase in the returns of the company and in its EBITDA margins. PAT margin increased in FY 24 because the company diversified to a higher margin sector. However, it declined in FY 25 because of higher taxed paid.
- Employee benefit expenses decreased by 24% in FY 24 due to cost optimization strategies employed by the company.
- The company was over-leveraged but its capital structure improved in FY 25 because of new shares issued.
- Trade receivables form a majority of the portion of current assets. 64.91%, 63.37%, & 65.12% in FY 23, 24 & 25.

**There is an increase in top line and bottom-line figures. However the company deals with very high working capital requirements and has high short-term borrowings to meet the same.**

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