



### IPO Details

<b>Opening Date</b>	Sep 16, 2022
<b>Closing Date</b>	Sep 20, 2022
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	4000 Shares
<b>Issue Price</b>	Rs.30 per share
<b>Issue Size</b>	27,00,000 Equity Shares
<b>Application Amount</b>	Rs. 1,20,000

### IPO Objective

- To Meet Working Capital Requirement
- General Corporate Purpose
- To Meet the Issue Expenses

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	62,73,000	100.00%
Public	-	-

### Promoter of the Company

- 1 M/s. Reliable Data Services Limited
- 2 Mr. Sunil Kumar Rai
- 3 Mrs. Meenakshi Pathak

### Competitive Strengths

- 1 Distribution Network
- 2 Experienced management and a well-trained employee base
- 3 Diversified customer base and revenue sources
- 4 Increasing the efficiency and knowledge of Employees

### Company Background

- Company was established in the year 2001 as Dynamic Restructuring Management Services Private Limited.
- Company is primarily engaged in the business of BPO services specializing in the area of support services solutions.
- Their services include services such as Call Centre, Contact Point Verifications, Site Visits, Document check/Pickup, E-KYC, Skip Tracing, Employee Back Check, Staffing Solutions, Payroll Management, Payment Collections (soft), AMC Booking Services etc.
- Their major clients include Public and Private sectors Banks, Insurance Companies, Financial Services Companies, NBFCs.
- As on March 31, 2022 the Company has 41 employees on payroll.

### Financial Summary

	(In Lacs)		
For the Period Ended	Mar-22	Mar-21	Mar-20
<b>Total Assets</b>	1860.42	1719.64	1191.15
<b>Net Assets</b>	785.8	700.58	690.02
<b>Total Borrowings</b>	301.34	292.74	173.07
<b>Total Revenue</b>	1287.84	1053.55	1012.59
<b>Profit After Tax</b>	94.04	10.56	111.54



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## Company Overview

Kandarp Digi Smart BPO Limited was incorporated in the year 2001 and is engaged in BPO services specializing in the area of support services solutions. The Company provides wide ranges of support services such as Call Centre, Contact Point Verifications, Site Visits, Document check/Pickup, E-KYC, Skip Tracing, Employee Back Check, Staffing Solutions, Payroll Management, Payment Collections (soft), AMC Booking Services etc.

## Analysis

Their major clients include Public and Private sectors Banks, Insurance Companies, Financial Services Companies, NBFCs. The company has also entered into service agreements with SBI, LIC Housing Finance limited, IDBI Bank, Fullerton India Credit Company Limited and Credit Saison for providing services.

Revenue breakup of services provided by the company is provided below:-

Particular Fiscal	2022	2021	2020	2019
Voice Based Support Services	86.67	114.11	199.93	369.62
Field Support Services	361.07	209.57	582.91	490.03
Back Office Processing	732.72	717.51	216.89	244.2

One can see that the company has gradually tried shifting its services from providing call centre services to back-office processing services. They have drastically reduced their Voice Based Support Services from FY2019 to FY2022.

The company is highly dependent on clients and with banks consisting of their major clients, they stand a risk of losing them due to changes in regulations pertaining to banks and NBFCs. Also, a lot of sensitive information is being given access to in business arrangements like this which a lot of companies might not prefer. This is also a highly staff dependent business which again is a high-risk area for the company.

To conclude, the business in which the company is, comes with a lot of obstacles and challenges keeping in mind the current market scenario. The given risk factors make it difficult for the company to have healthy profit margins in future.

**Industry Charts**

Exhibit 1: Market Size of IT and BPM Industry in India

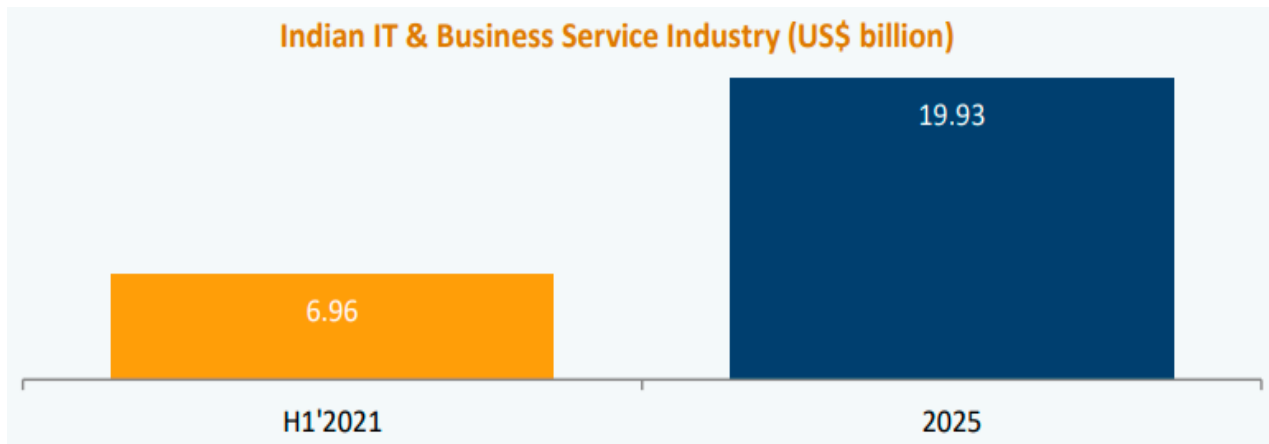


Exhibit 2: Sector Composition of IT and BPM Industry

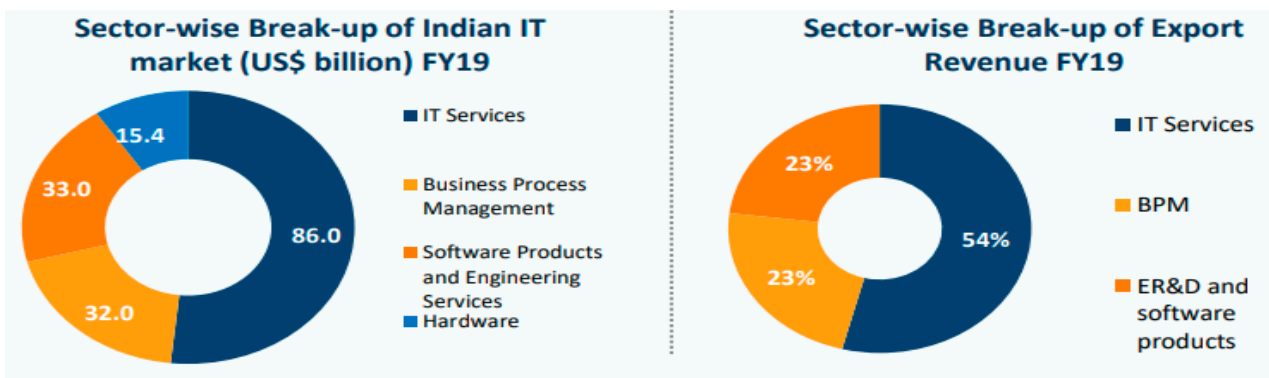
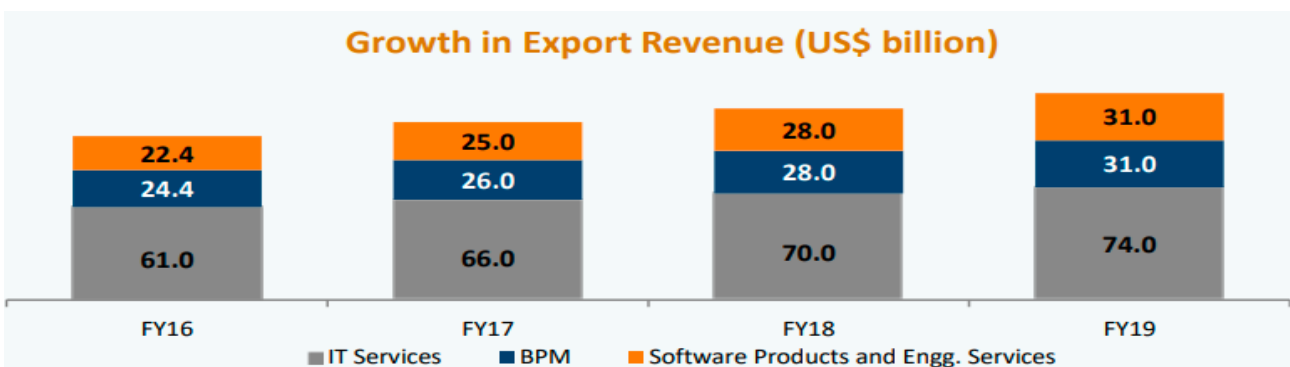


Exhibit 3: Key Trends in Indian IT and BPM Industry



(Source: ibef.org)



## Investment Overview

### IT and BPM 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 8% of India's GDP in 2020, and it is expected to contribute 10% to India's GDP by 2025.

India's rankings improved four places to the 46th position at the 2021 edition of the Global Innovation Index (GII).

India is the leading sourcing destination across the world, accounting for approximately 55% market share of the US\$ 200-250 billion global services sourcing business in 2019-20.

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.

According to Gartner estimates, IT spending in India is expected to increase to US\$ 101.8 billion in 2022 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 to invest 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.

Exports from the Indian IT industry stood at US\$ 149 billion in FY21. Export of IT services has been the major contributor, accounting for more than 51% of total IT export (including hardware). BPM and Engineering and R&D (ER&D) and software products export accounted for 20.78% each to total IT exports during FY21. ER&D market is expected to grow to US\$ 42 billion by 2022.

The IT industry added 4.45 lakh new employees in FY22, bringing the total employment in the sector to 50 lakh employees.

(Source: ibef.org)

## **Addressable Market for Kandarp Digi Smart BPO Limited**

The company is wholly into domestic market. The sales and marketing team of the company helps it to cater its services PAN India. The company has not mentioned much about its future increase of geographical presence in its prospectus

## **Competition**

Company operates in a service industry which is highly organised and fragmented in India making the competition tougher. The threat to entry is very low and due to numerous supplier of services as that of the company the bargaining power of the company remains low.

## **Peer Analysis**

As Mentioned in the prospectus, the company has 2 listed company as its peers viz. First Source Solutions Limited and Eclerx Services Limited. A summary of key financial figures is given in the table below –

<b>Company</b>	<b>Kandarp Digi Smart BPO Limited</b>	<b>First Source Solutions Limited</b>	<b>Eclerx Services Limited</b>
Net Profit (INR Cr)	0.94	537.37	417.40
EBITDA (INR Cr)	1.55	960.41	685.20
Return on Capital Employed	18.36%	16.58%	32.92%
Return on Equity	11.97%	17.72%	26.63%
EPS (INR)#	1.05	7.00	125.73
P/E* (Times)	28.61	15.46	17.82

**\*PE has been taken as on 17-09-2022**

**#Post-IPO Basis**

## Promoters' Profile and Management Analysis

### Mr. Sunil Kumar Rai



- Mr. Sunil Kumar Rai is Chairman, Managing Director and Promoter of the company.
- He holds a degree in Bachelor of Commerce from University of Allahabad and Intermediate passed from ICAI.
- He is having experience of 27 years in field of Business Processing Outsourcing.
- He is responsible for the expansion and overall management of the business of the Company.

### Mrs. Meenakshi Pathak



- Mrs. Meenakshi Pathak is Whole- Time Director and Promoter of the company.
- She holds degree in Bachelor of Commerce.
- She has experience of 12 years in field of administration.



### **Analysis on the Company's Promoter and Board of Directors**

**Mr. Sunil Kumar Rai**, 51 years is Chairman and Managing Director and also the Promoter of the Company. He holds a degree in Bachelor of Commerce from University of Allahabad and Intermediate passed from ICAI. He is having experience of 27 years in field of Business Processing Outsourcing. He is responsible for the expansion and overall management of the business of the Company.

**Mrs. Meenakshi Pathak**, aged 44 years, is the Whole-Time Director and also the Promoter of the Company. She holds degree in Bachelor of Commerce. She has experience of 12 years in field of administration.

**Mr. Pankaj Rai**, aged 47 years is the Non-Executive Director of the Company. He holds degree in Bachelor of Commerce. He is having experience of 18 years in field of Business Processing Outsourcing.

**From the information available to us, the promoters and board of directors don't show any exceptional qualities therefore we cannot comment upon their capability to run and grow the company.**



## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
<b>Profit and Loss</b>			
Revenue from operation	999.73	1,041.19	1,280.45
Other income	12.86	12.36	7.39
Total Revenue	1,012.59	1,053.55	1,287.84
Expenses	812.76	1,005.34	1,133.17
Depreciation and Amortisation Cost	22.61	9.03	5.44
Finance Cost	26.49	23.83	23.56
Total Expenses	861.86	1,038.20	1,162.17
PBT	150.73	15.35	125.67
PBT Margin	0.00%	1.47%	9.81%
EBITDA	199.83	48.21	154.67
EBITDA Margin	19.99%	4.63%	12.08%
Net Profit	111.54	10.56	94.04
Net Profit Margin	11.16%	1.01%	7.34%
<b>Balance Sheet</b>			
Total Borrowings	173.07	292.74	301.34
Net Worth	690.02	700.58	785.80
Fixed Assets	440.81	714.90	897.28
Net Working Capital	258.08	-13.09	-95.78
<b>Financial Measures</b>			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	1.83	1.26	1.58
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	2.27	1.46	1.43
Return on Capital Employed	24.74%	5.45%	18.36%
Return on Equity	16.16%	1.51%	11.97%
Debt-Equity Ratio	0.25	0.42	0.38

(The data has been taken and calculated from the financials given in the prospectus)

### **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

The EBITDA of the company has fallen from Rs. 199.82 lacs in 2020 to 154.67 lacs in 2022 CAGR of -12.02%. The EBITDA margin of the company in 2020 was 19.99%, in 2021 was 4.63% and in 2022 was 12.08%. The EBITDA margin of the company had shown inconsistency with high variance in recent years which makes the forecast very uncertain.

### **Net Profit**

The net profit of the company has fallen from Rs. 111.54 lacs in 2020 to Rs. 94.04 lacs in 2022. The net profit margin in 2020 was 11.16%, in 2021 it was 1.01% and in 2022 it was 7.34% and like EBITDA margin, there is high inconsistency and the forecast is difficult to make.

### **Finance Cost.**

The company has incurred finance cost mainly on the secured short term and long term loans taken from the Banks.

### **Financial Measures/Ratios**

RoCE of the company in 2020 was 24.74% and dropped down to 5.45% in the year 2021 because of sharp reduction in the EBIT of the company. Again in FY 22, it has risen to 18.36% due to improvement in the operating margins but such inconsistency in maintaining its operating expenses gives a negative outlook and increase risk premium. Moreover, due to increase of Equity Capital through IPO, the RoCE is expected to fall.

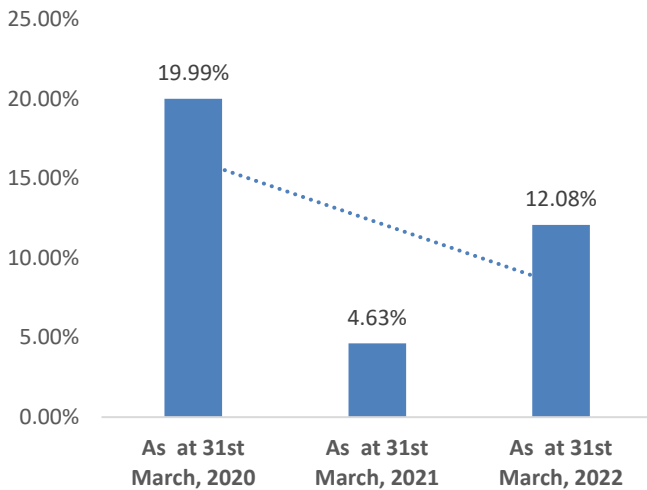
ROE of the company up in 2022 was 11.97%, 1.51% in 2021 and 16.16% in 2020. The analysis and forecast of the same can be set forth as that of RoCE.

As the company do not have any purchase, the inventory and payables turnover ratio has not been carried out, however, the company has been stable in maintaining its receivables turnover ratio.

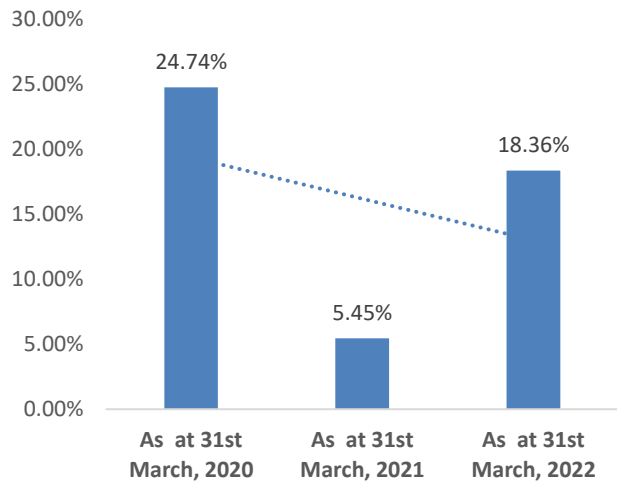
Company's Debt-Equity Ratio has been 0.38 times in FY 22. The same is majorly due to working capital loan availed. With the issuance of new equity capital, repayments of Term Loans, the ratio is expected to come down.

**Financial Charts**

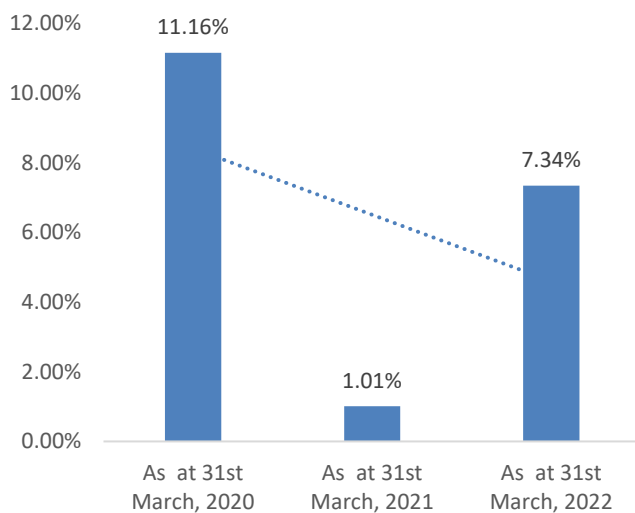
**EBITDA Margin**



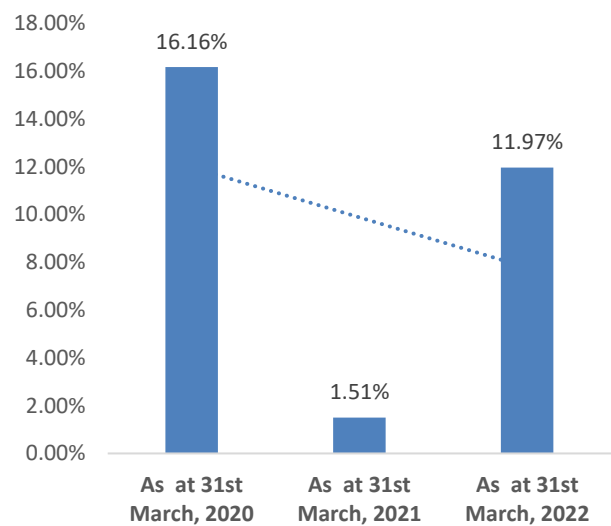
**Return on Capital Employed**



**Net Profit Margin**



**Return on Equity**





## Key Risk Factors

1. Company and Group Company are involved in 12 litigations including tax related litigations out of which 9 litigations total to an amount of Rs. 115.89 lacs and 3 litigations' amount is unascertainable, which if determined against them, can affect financial conditions of the company.
2. More than 80% of company's revenue is generated from its top 10 customers.
3. Company operates in a very competitive environment.



## Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Limited and this is the third IPO for them in last two weeks. The track record of the Lead Manager is shown below.

<b>Company</b>	<b>Issue Size (In Cr)</b>	<b>Issue Closing Date</b>	<b>IPO Price/share (INR)</b>	<b>CMP# (INR)</b>
Jay Jalaram Technologies Ltd	10.80	30-08-2022	36.00	65.55

**#CMP as on 18<sup>th</sup> September 2022**



## Recommendation

The company has been into the business since 2001 showing a good track record of existence. The company provides services related to business management and the industry is highly unorganized and fragmented.

The company's revenue has shown a steady growth over the years, but the company has not been very stable in maintaining its operating and net profit margins which seems to be concern for the business.

The management of the company cannot be commented upon as the data provided in the prospectus is not enough to give any outlook

To conclude, the company is operating in a very competitive environment and has not been able to generate consistent profits for its shareholders in the past. So to be on a safer side, one must wait and **avoid** applying in the IPO.



## Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

**We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.**