

**IPO Details**

Opening Date	Sep 26, 2022
Closing Date	Sep 29, 2022
Stock Exchange	BSE SME
Lot Size	1200 Shares
Issue Price	₹ 96 per share
Issue Size	27,10,800 Equity Shares
Application Amount	₹ 1,15,200

IPO Objective

Investment in Subsidiary
Funding Working Capital Requirement
General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	77,79,000	100.00%
Public	-	-

Promoter of the Company

1 Mr. Mayank Bindal

Competitive Strengths

- Experienced management and skilled team.
- Established relationships with existing customers.
- Comprehensive Telecom Support Services.
- Timely Delivery of Projects

Company Background

- Company was incorporated in the year 2003 in Kolkata, West Bengal.
- Company offers support services and solutions to address the Network requirements of Telecom industry.
- These services include Network Survey and Planning, Installation and Commissioning, Network Testing and Optimization, Network Solutions and Managed Services for network maintenance.
- Company has PAN India presence and has Project Sites in various Telecom Circles across India
- Their customers include Tower Owners, Telecom Operators, Broadband Service Providers, Equipment Manufacturers (OEM's)
- As on the date of filing of prospectus, the company has 1,983 employees on its payroll.

Financial Summary

	(In Lacs)		
For the Period Ended	Mar-22	Mar-21	Mar-20
Total Assets	4,525.76	3,698.44	3,621.76
Net Assets	1,540.72	1,149.14	985.21
Total Borrowings	1,489.08	1,224.6	1,465.44
Total Revenue	10,116.31	9,015.50	8,794.62
Profit After Tax	396.58	137.64	(22.91)

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Company Overview

Steelman Telecom Limited was incorporated in the year 2003 and has its headquarter in Kolkata. The company also has branch offices in Bhubaneswar and Gurgaon. The company is engaged in providing support services and solutions to address the Network requirements of Telecom industry. Company provides services for Network Survey and Planning, Installation and Commissioning, Network Testing and Optimization, Network Solutions and Managed Services for network maintenance.

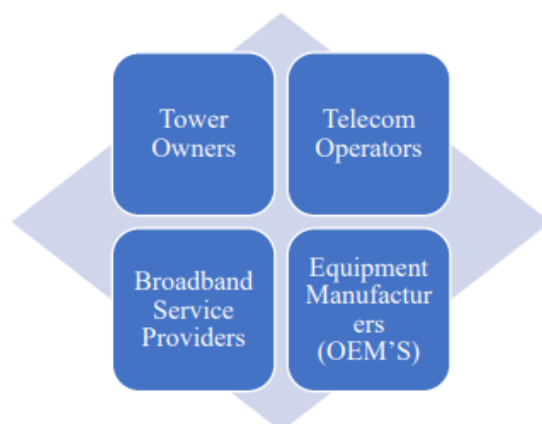
Analysis

Being incorporated in the year 2003, company has a good track record of existence and has been operating in the sector of providing network services to its clients.

The services of the company include Telecom Implementation Services, Radio Frequency Services, Engineering Procurement Construction Management, Managed Services, Payroll and Resource Management and New Generation Technology.

The company has shown good strength in their Revenue from Operations which has grown at a CAGR of 7.65%. The company has not given any bifurcation of its revenue based on its services and it is not possible to analyse the highest grossing service for the company.

The company claims to provide service to the following type of clients –



With the outcome of 5G enables services in the domestic industry, the company claims to have not only providing 5G services to its clients, but also working very closely with its Clients for enabling smarter phones and guide the user with new immersive experiences, such as VR and AR, with faster, more uniform data rates, lower latency, and cost-per-bit as a part of its New Generation Technology.

The company has not given enough analytical information in the prospectus. However, in their website the company has mentioned some reputed brands as its clients. Some of these clients are-



To conclude, the company operates in growing sector but the same is poised with a high level of competition. The industry has been innovative and newer product developments are quite frequent in the same. The company poses good track record of existence and has been able to show good strength in revenues, but the services provided are not unique and there are plenty of such service providers.

Industry Charts

Exhibit 1: Market Size of Telecom Sector in India



Exhibit 2: Sector Composition of Indian Telecom Industry

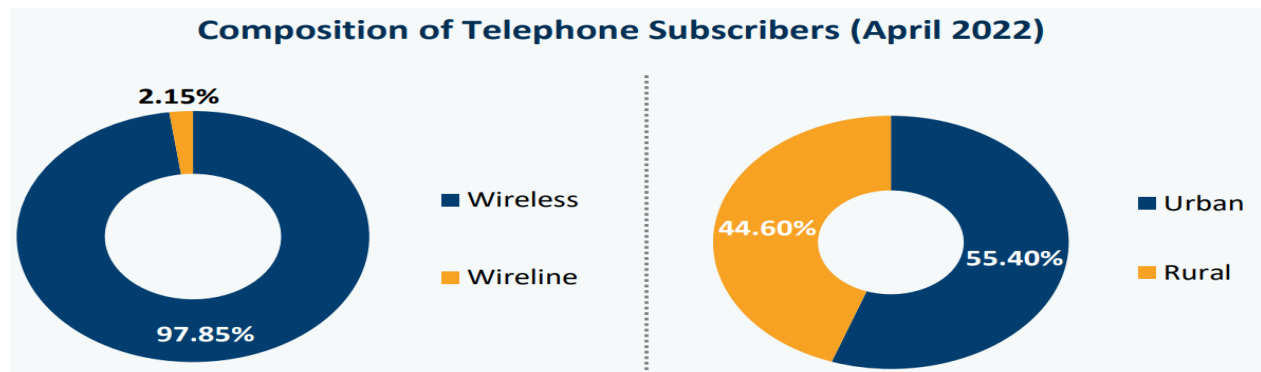
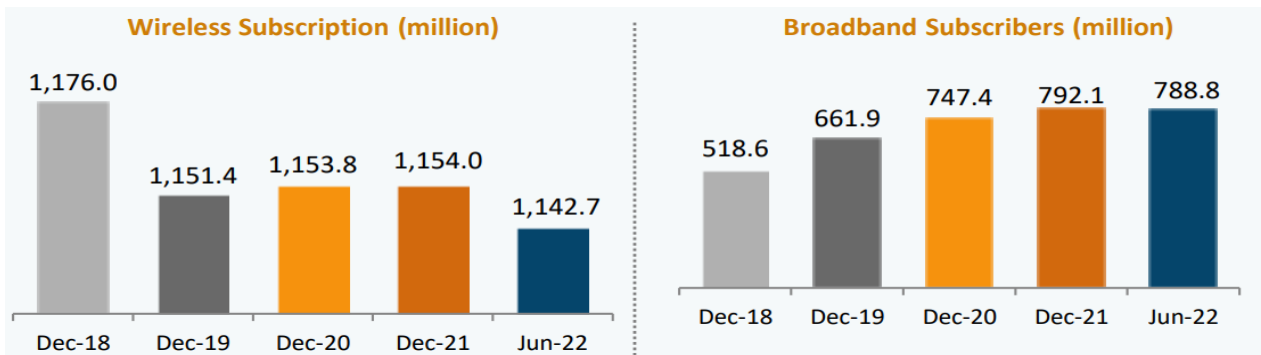


Exhibit 3: Key Trends in Indian Telecom Sector



(Source: ibef.org)



Investment Overview

Telecom Industry

Currently, India is the world's second-largest telecommunications market with a subscriber base of 1.16 billion and has registered strong growth in the last decade. The Indian mobile economy is growing rapidly and will contribute substantially to India's Gross Domestic Product (GDP) according to a report prepared by GSM Association (GSMA) in collaboration with Boston Consulting Group (BCG). In 2019, India surpassed the US to become the second largest market in terms of number of app downloads.

The liberal and reformist policies of the Government of India have been instrumental along with strong consumer demand in the rapid growth in the Indian telecom sector. The Government has enabled easy market access to telecom equipment and a fair and proactive regulatory framework, that has ensured availability of telecom services to consumer at affordable prices. The deregulation of Foreign Direct Investment (FDI) norms have made the sector one of the fastest growing and the top five employment opportunity generator in the country.

India is the world's second-largest telecommunications market. The total subscriber base, wireless subscriptions as well as wired broadband subscriptions have grown consistently. Tele-density stood at 84.88%, as of April 2022, total broadband subscriptions grew to 788.77 million until April 2022 and total subscriber base stood at 1.16 billion in April 2022.

The total wireless data usage in India grew 16.54% quarterly to reach 32,397 PB in the first quarter of FY22. The contribution of 3G and 4G data usage to the total volume of wireless data usage was 1.78% and 97.74%, respectively, in the third quarter of FY21. Share of 2G data usage stood at 0.48% in the same quarter. Over the next five years, rise in mobile-phone penetration and decline in data costs will add 500 million new internet users in India, creating opportunities for new businesses. By 2025, India will need ~22 million skilled workers in 5G-centric technologies such as Internet of Things (IoT), Artificial Intelligence (AI), robotics and cloud computing.

(Source: ibef.org)

**Addressable Market for Steelman Telecom Limited**

The company has its headquarter in Kolkata and has 2 branch offices in Bhubaneshwar and Gurgaon. The company is providing its services PAN India and could look to increase the global presence by establishing more offices in other parts of India

Competition

Company operates in a highly competitive environment. Industry has some reputed players who has bigger capital base than that of the company. The entry to barriers is low which makes the threat of new entry high. Also with available of many suppliers, the bargaining power of the company is less.

Peer Analysis

As Mentioned in the prospectus, the company has mentioned 2 listed company as its peer viz. HFCL Limited and Indus Towers Limited. A summary on the key financial parameters of these companies is given in the table below –

Company	Steelman Telecom Limited	HFCL Limited	Indus Towers Limited
Net Profit (INR Cr)	3.97	313.13	6373.1
EBITDA (INR Cr)	6.93	692.98	15359.2
Return on Capital Employed	32.64%	20.53%	25.64%
Return on Equity	25.74%	11.19%	28.77%
EPS (INR)#	3.85	2.01	20.17
P/E* (Times)	24.92	36.32	9.57

*PE as on 23/09/2022

#EPS is based on Post-IPO



Promoters' Profile and Management Analysis

Mr. Mayank Bindal



- **Mr. Manish Gupta** is the Promoter, Chairman and Whole-Time Director of the Company.
- He has more than 10 years of experience in Telecom and ICT Industry.
- He has completed post-graduation in International Finance from University of Glasgow.
- He is responsible for the overall affairs of the company.

Analysis on the Company's Promoter and Board of Directors

Mr. Mahendra Bindal is the Managing Director of the company. He has been among the founder directors of the company and has around 2 decades of experience in the Telecom and ICT Sector. He holds a bachelor's degree in commerce and Business Administration. He has played a vital role in helping the company reach where it is today through various phases of the Telecom Transformation

Mr. Girish Bindal is the Chairman and Executive Director of the company. He has 19 years of experience in the Telecom and ICT industry. He handles the office situated in Bhubaneswar; he is responsible for the overall operations of the Company. In the Company, he is responsible for providing strategic and guidance to the members of the board, to keep them aware of developments within the industry and ensure that the appropriate policies are developed to meet the company's mission and objectives and to comply with all relevant statutory and other regulations.

Ms. Saloni Bindal is the Non-Executive Director of the Company. She has completed her Bachelor of Commerce. Her experience spans across domains like Finance, Marketing, EHS and Driving Various Transformation projects across departments. Currently she is engaged as Senior Manager with EDP Software Limited managing Healthcare Solutions Group.

To conclude, the company's strategic and tactical decisions are taken by its 2 executive directors who are well experience in the line of business the company is in. The promoter of the company, Mr. Mayank Bindal, does not hold any directorship position.



Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	8,669.56	8,872.39	10,047.13
Other income	125.06	143.12	69.19
Total Revenue	8,794.62	9,015.51	10,116.32
Expenses	8,401.72	8,672.45	9,423.63
Depreciation and Amortisation Cost	90.41	67.62	69.84
Finance Cost	159.34	102.16	83.39
Total Expenses	8,651.47	8,842.23	9,576.86
PBT	143.15	173.28	539.46
PBT Margin	1.65%	1.95%	5.37%
EBITDA	392.90	343.06	692.69
EBITDA Margin	4.53%	3.87%	6.89%
Net Profit	-22.91	137.64	396.58
Net Profit Margin	-0.26%	1.55%	3.95%
Balance Sheet			
Total Borrowings	1,465.44	1,224.60	1,489.08
Net Worth	985.21	1,149.14	1,540.72
Fixed Assets	238.15	190.61	155.92
Net Working Capital	662.45	1181.67	1630.24
Financial Measures			
Inventory Turnover Ratio	0.15	1.82	2.73
Receivables Turnover Ratio	6.12	4.60	4.73
Payables Turnover Ratio	0.03	0.12	0.12
Fixed Assets Turnover Ratio	36.40	46.55	64.44
Return on Capital Employed	27.41%	18.59%	32.64%
Return on Equity	-2.33%	11.98%	25.74%
Debt-Equity Ratio	1.49	1.07	0.97

(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 grown from Rs. 392.90 lacs in 2020 to Rs. 692.69 lacs in 2022 growing at a CAGR of 32.78%. The EBITDA margin in 2020 was 4.53%, 3.87% in 2021 and 6.89% in 2022. The EBITDA margins have fallen in 2021 due to increase in operational costs. However, the margins have improved to 6.89% in FY 22 due to decrease in Employee Benefit Expenses.

Net Profit

The net profit of the company has grown from Rs. -22.91 lacs in 2020 to Rs. 137.64 lacs in 2022 at a CAGR of 316.06% which is unsustainable. The net profit margin in 2020 was -0.26%, 1.55% in 2021 and 3.95% in 2022. The net profit margins have been increasing due to reduction in finance cost, depreciation cost and gratuity expenses.

Finance Cost.

The company has incurred finance cost mainly on the secured working capital and long term loans availed from the banks.

Financial Measures/Ratios

RoCE of the company in 2022 was 32.64% vs 18.59% in 2021 and 27.41% in 2020. The RoCE of the company in 2021 decreased due to decrease in EBIT as the operational costs increased on account of the pandemic. The company has recovered its RoCE in 2022 as the operating profit has increased due to reduction in Employee Benefit Expenses and Gratuity. With the infusion of new capital through Equity and repayment of Term Loan, the RoCE is expected to remain the same.

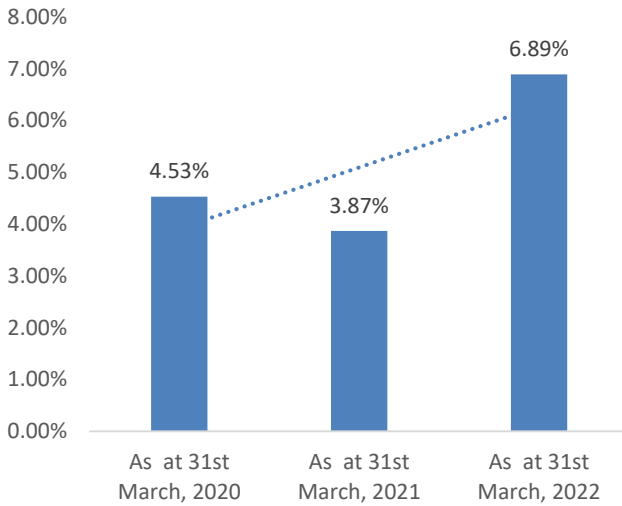
ROE of the company up in 2022 was 25.74%, 11.98% in 2021 and -2.33% in 2020. Due to negative earnings the company has posted negative ROE. The analysis and expectations of ROE can be set forth as that of RoCE.

The company's turnover ratio has been stable over the years.

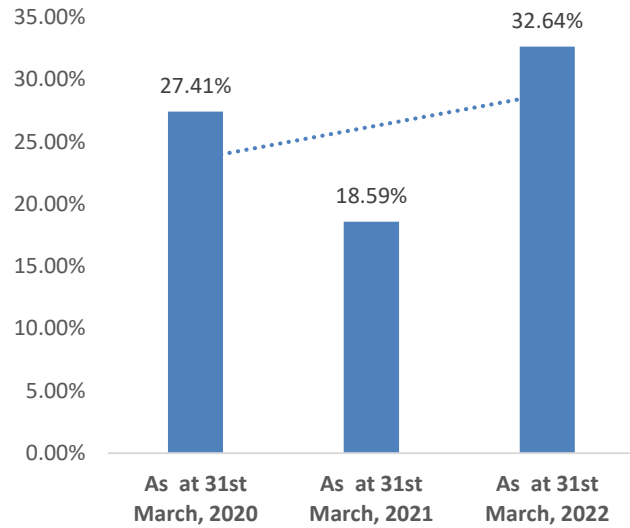
The company has a debt-equity ratio of 0.97 times which has come down from the levels of 2021 and 2020 and seems to further come down due to infusion of Equity Capital through IPO and repayment of term loans.

Financial Charts

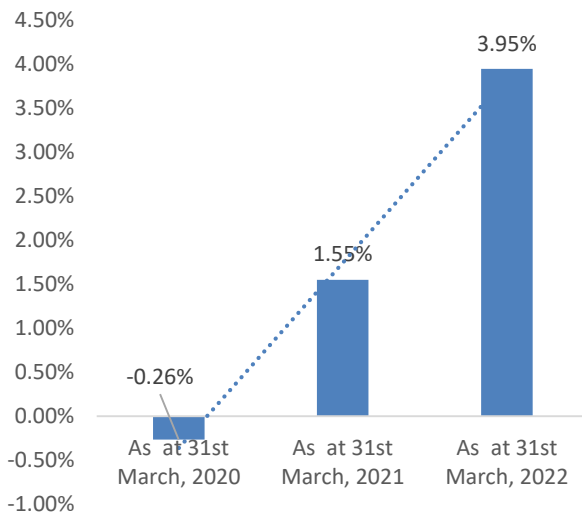
EBITDA Margin



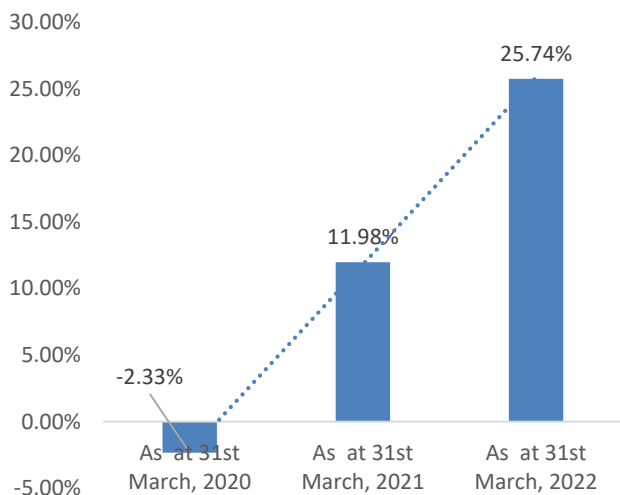
Return on Capital Employed



Net Profit Margin



Return on Equity





Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 13.61 lacs, which if determined against them, can affect financial conditions of the company.
2. The company is exposed to risk of continuous innovation of products.
3. The company is exposed to threat of cyber attacks and security breaches.
4. The company is operating in a very competitive environment.

Track Record of Lead Manager

The lead manager to the issue is Gretex Corporate Services Limited and the previous issue details have been taken from the Prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times-

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	B & B Triplewall Containers Limited	19.99	36.00	October 15, 2018	300.00
2.	BCPL Railway Infrastructure Limited	17.01	35.00	October 29, 2018	38.00
3.	Misquita Engineering Limited	1.93	27.00	October 04, 2019	54.85
4.	Anuroop Packaging Limited	2.64	13.00	November 21, 2019	24.00
5.	Billwin Industries Limited	2.46	37.00	June 30, 2020	30.90
6.	G M Polyplast Limited	8.09	159.00	October 14, 2020	420.00
7.	Niks Technology Limited	2.01	201.00	March 31, 2021	200.00
8.	PlatinumOne Business Services Limited	3.89	82.00	September 16, 2021	222.00
9.	Markolines Traffic Controls Limited	39.99	78.00	September 27, 2021	141.50
10.	Clara Industries Limited	3.02	43.00	December 29, 2021	88.30
11.	Goel Food Products Limited	3.61	72.00	June 28, 2022	190.00
12.	B Right Realstate Limited	44.36	153	July 13, 2022	132.00
13.	Shantidoot Infra Services Ltd	4.02	81	September 19, 2022	109.70

#CMP is taken as on 23rd September 2022

Out of the last 10 listings, 1 opened at discount and the rest with premiums ranging from 0.47% to 29.63% on the day of listing.

Recommendation

Being incorporated in the year 2003, the company has a good track record of existence and is operating in the telecom industry which has good prospect at it is and ever-growing industry.

The company's management has a good outlook as they are well educated and very well experienced in their respective field of business.

The sector PE is around 50 times and the company is getting listed at a PE of around 24.92 times which makes it a fairly priced issue looking at size of the company.

The objective of the issue is to invest in its subsidiary in order to purchase Electronic Vehicles and start Cab Providing services in the state of Kolkata. The company is in need of over 100 crores of capital and is looking to raise around 8 crores through IPO. The company is new in this business line and the promoters have very limited experience which makes it a risky investment.

Moreover, the company also has offer for sale in the IPO.

The revenue of the company has although grown in recent years, but the profit margin in 2020 was negative and has been raising thereafter due to reduction in finance cost and gratuity expenses. With the requirement of additional capital, the company would look for term loans which would increase the finance cost in future and their history of loss due to finance cost would repeat in future as well.

To conclude, the company has been in a good sector, but the objective of the company is not good as well as risky. The company has shown increasing revenues but the profit margins have increased only because of reduction in finance cost and employee benefit expenses which shows that the company has not performed well in core operating expenses. Looking at all these, it is better to **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.