



IPO Details

| | |
|---------------------------|------------------------|
| Opening Date | Sep 06, 2022 |
| Closing Date | Sep 09, 2022 |
| Stock Exchange | BSE SME |
| Lot Size | 1600 Shares |
| Issue Price | ₹ 81 per share |
| Issue Size | 4,96,000 Equity Shares |
| Application Amount | ₹ 1,29,600 |

IPO Objective

Funding Working Capital Requirement
General Corporate Purpose

Pre-Issue Shareholding

| Category | No. of Shares | % of Total Shares |
|---------------------------|---------------|-------------------|
| Promoter & Promoter Group | 15,43,800 | 99.60% |
| Public | 6,200 | 0.40% |

Promoter of the Company

1 Mr. Avijeet Kumar

Competitive Strengths

- 1 Experienced Management team and skilled manpower
- 2 Direct Relationship with Suppliers
- 3 Established relationship with Subcontractors
- 4 Quality Assurance and Standards

Company Background

- Company was established in the year 2019 in Patna, Bihar.
- Company is engaged in the business of providing construction services to education, hospitality and healthcare sectors.
- Apart from taking new projects, the company also undertakes projects of re-designing, re-modelling and renovating institutions.
- Company mainly categorizes its projects into two segments viz. Government Sector and Private Sector.
- Company takes private sector projects through one-to-one negotiations and government sector projects through bids as per the public notices issued by government departments, corporations or undertakings.
- As on 30th June 2022, the company had 9 employees on its payroll.

Financial Summary

| | (In Lacs) | | |
|-------------------------|-----------|--------|--------|
| For the Period Ended | Mar-22 | Mar-21 | Mar-20 |
| Total Assets | 352.65 | 186.00 | 66.08 |
| Net Assets | 156.73 | 16.34 | 7.81 |
| Total Borrowings | 65.64 | 85.88 | 19.88 |
| Total Revenue | 762.13 | 415.81 | 219.33 |
| Profit After Tax | 140.39 | 8.53 | 2.81 |



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Company Overview

Shantidoot Infra Services Limited was established on March 11, 2019 and is engaged in the business of providing construction services to education, healthcare and hospitality sectors. The company not only undertakes new projects but also undertakes projects relating to re-building, re-modelling and renovation of existing institutions. Company takes projects from both Private Sector and Public Sector through different ways.

Analysis

Company has only 3 years of experience in the infrastructure industry. Being engaged in the business of construction, company provides services of constructing various institutes primarily in the area of Bihar and Jharkhand.

As mentioned earlier, Company provides its services to private sector and public sector. For **private sector projects**, company engages into direct negotiation with the private entities and discusses on terms and conditions pertaining to the type of construction, estimated project period and type of raw material, equipment & skilled manpower required for executing the project. For **government projects**, the company undertakes projects by applying for various bids as per the public notice issued by government departments, corporations or undertakings.

As on the date of filing the prospectus, the company had 3 government projects and 8 ongoing private projects in hand and the amount of same is undisclosed in the prospectus.

Talking about the revenue of the company, it is seen that the revenue has shown some supernormal growth from FY 20 to FY 22 growing at a CAGR of around 86%.

Apart from this, no other useful information is given in the prospectus and to conclude on business overview, it can be said the company has poor track record of existence and the supernormal growth in revenue and profits just before IPO raises eye-brows



Industry Charts

Exhibit 1: Growth in Infrastructure Related Activities in FY21 (%)

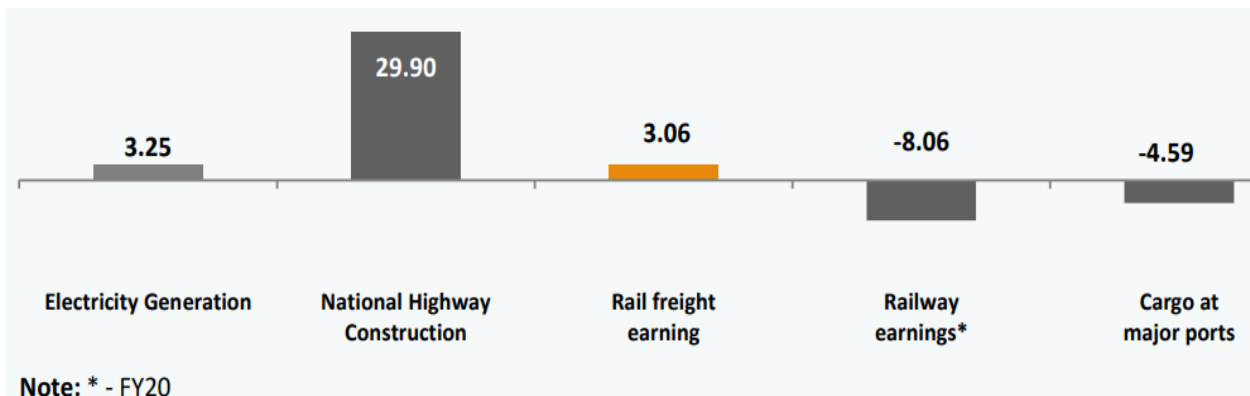


Exhibit 2: Sector Composition of Indian Infrastructure Sector

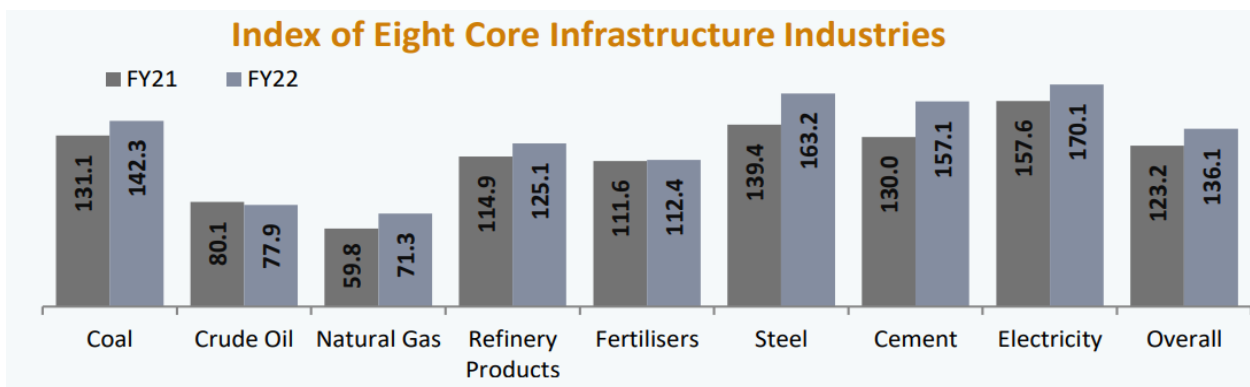
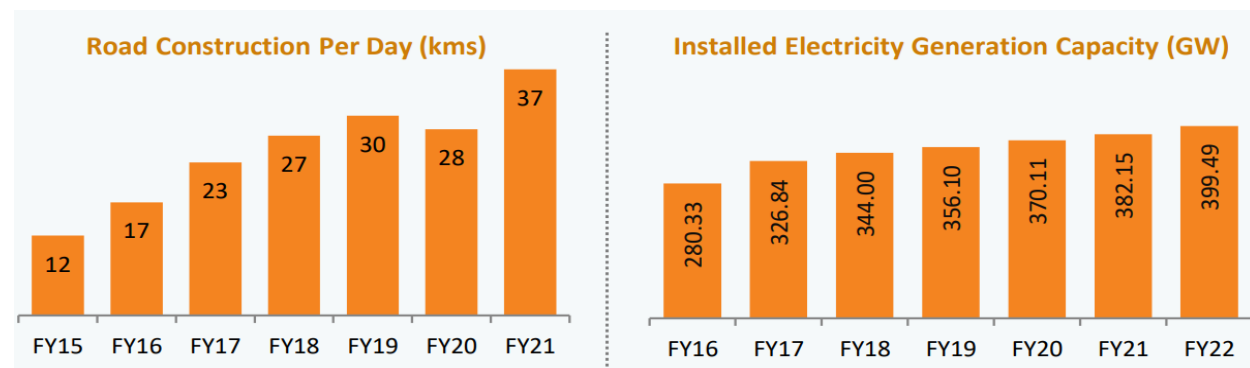


Exhibit 3: Key Trends in Indian Infrastructure Sector



(Source: ibef.org)



Investment Overview

Infrastructure Industry

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Infrastructure sector includes power, bridges, dams, roads, and urban infrastructure development.

India plans to spend US\$ 1.4 trillion on infrastructure through 'National Infrastructure Pipeline' in the next five years. In FY21, infrastructure activities accounted for 13% share of the total FDI inflows of US\$ 81.72 billion. India will need to construct 43,000 houses every day until 2022 to achieve the vision of Housing for All by 2022.

Hundreds of new cities need to be developed over the next decade. Over the next 10 years, demand for urban freight is predicted to increase by 140%. Final-mile freight transit in Indian cities accounts for 50% of the total logistics expenditures in the country's increasing e-commerce supply chains. India is expected to become the third-largest construction market globally by 2022. Indian logistics market is estimated to touch US\$ 320 billion by 2025.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDIs in the construction development sector (townships, housing, built up infrastructure and construction development projects) and construction (infrastructure) activities stood at US\$ 26.20 billion and US\$ 27.92 billion, respectively, between April 2000-March 2022.

(Source: ibef.org)

**Addressable Market for Shantidoot Infra Services Limited**

The company is currently catering its services in the state of Bihar and Jharkhand and in coming times, also mentioned in prospectus, the company aims to increase its geographical presence in other states of the country as well.

Competition

Company operates in a highly competitive environment. The industry is filled with various organized and unorganized players in the industry. The company has to depend upon winning the bids from government organizations and negotiation with some private organisations as well which makes the competition a little more intense. The bargaining power of the customers is more as the industry is quite fragmented.

Peer Analysis

As Mentioned in the prospectus, the company has 4 peer companies viz. Samor Reality Limited, B-Right Real Estate Limited, Jaiprakash Associates Limited and Ashoka Buildcon Limited. A summary on key figures as compared to these companies is given in the table below –

| Company | Shantidoot Infra Services Limited | Samor Reality Limited | B-Right Real Estate Limited | Jaiprakash Associates Limited | Ashoka Buildcon Limited |
|----------------------------|--|------------------------------|------------------------------------|--------------------------------------|--------------------------------|
| Net Profit (INR Cr) | 1.40 | 0.11 | 0.72 | -1478.02 | 778.56 |
| EBITDA (INR Cr) | 2.33 | 0.17 | 0.80 | 122.44 | 1937.3 |
| Return on Capital Employed | 92.80% | 1.49% | 0.78% | -1.94% | 30.13% |
| Return on Equity | 89.57% | 0.98% | 0.80% | -1745.83% | 56.38% |
| EPS (INR) | 7.81 | - | 7.75 | -5.78 | 29.67 |
| P/E* (Times) | 10.37 | - | 19.74 | - | 2.90 |

Post-IPO Basis***As on 05/09/2022**



Promoters' Profile and Management Analysis

Mr. Avijeet Kumar



- **Mr. Avijeet Kumar** is the Promoter, Managing Director of the Company and Chief Financial Officer of the company.
- He has an experience of 27 years in social service, technical and professional education sector
- He has a Doctorate (Ph. D.) in Social Science and was admitted as an Advocate on the Roll by Bihar State Bar Council, Patna in the year 2010.
- He is responsible for providing strategic advice and guidance to the members of the board.



Analysis on the Company's Promoter and Board of Directors

Mr. Avijeet Kumar is the Promoter, Managing Director and Chief Financial Officer of the company. He has a Doctorate (Ph. D.) in Social Sciences and was admitted as an Advocate on the Roll by Bihar State Bar Council, Patna in the year 2010. He was worked as a leader with over more than 27 years in social service, technical and professional education sector. In the Company he is responsible for providing strategic advice 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.

Mr. Tripurari Lal, is the Executive Director of the Company since incorporation, later the designation was changed to Non-Executive Director w.e.f. July 09, 2022. He has completed Masters in History in the year 2004 and a Graduate in History (Hons.) from Magadh University, Bodh Gaya in the year 1997. He has more than 25 years of experience across sectors in social service. In the Company he is responsible for Policy development, Formulation of Rules & Regulations and Guidance to key functionaries, Purchase and Over all supervision.

Mr. Navin Kumar is the Non-Executive Director of the Company. He was appointed as Non-Executive Director w.e.f. March 23, 2022. He has completed his degree in bachelor's in science (Zoology Hons.) from Patna University, Patna in the year 1991. He has over all 7 years of experience in various sectors such as social development and welfare programmes and then shifted his career to medicine and health care marketing.

To conclude, the management of the company looks decent with good experience and educational background but not in relevant field. However, Mr. Avijeet Kumar, the sole promoter, was appointed as the Managing Director and Chief Financial Officer (CFO) w.e.f. March 21, 2022. This provides a slightly negative outlook on the corporate governance of the company given he is the sole promoter of the company with more than 85% shares of the company pre-issue.



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 | 219.33 | 415.49 | 761.25 |
| Other income | - | 0.32 | 0.88 |
| Total Revenue | 219.33 | 415.81 | 762.13 |
| | | | |
| Expenses | 215.39 | 401.83 | 529.40 |
| Depreciation and Amortisation Cost | - | 2.29 | 36.64 |
| Finance Cost | 0.09 | 0.11 | 4.62 |
| | | | |
| Total Expenses | 215.48 | 404.23 | 570.66 |
| PBT | 3.85 | 11.58 | 191.47 |
| PBT Margin | 1.76% | 2.79% | 25.15% |
| EBITDA | 3.94 | 13.98 | 232.73 |
| EBITDA Margin | 1.80% | 3.36% | 30.57% |
| | | | |
| Net Profit | 2.81 | 8.53 | 140.39 |
| Net Profit Margin | 1.28% | 2.05% | 18.44% |
| Balance Sheet | | | |
| Total Borrowings | 19.88 | 85.88 | 65.64 |
| Net Worth | 7.81 | 16.34 | 156.73 |
| Fixed Assets | - | 115.46 | 80.21 |
| Net Working Capital | 26.49 | -22.54 | 127.15 |
| | | | |
| Financial Measures | | | |
| Inventory Turnover Ratio | 27.52 | 30.53 | 3.06 |
| Receivables Turnover Ratio | 16.26 | - | 90.95 |
| Payables Turnover Ratio | 25.40 | 3.94 | 11.91 |
| Fixed Assets Turnover Ratio | - | 3.60 | 9.49 |
| Return on Capital Employed | 14.23% | 12.46% | 92.80% |
| Return on Equity | 35.98% | 52.20% | 89.57% |
| Debt-Equity Ratio | 2.55 | 5.26 | 0.42 |

(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. 3.94 lacs in 2020 to 232.73 lacs in 2022 growing at a CAGR of 668.56%, such a growth seems to be unsustainable in future. The EBITDA margin in 2022 was 30.57% vs 1.80% in 2021 showing an extraordinary and unstable jump.

Net Profit

The net profit of the company has grown from Rs. 2.81 lacs in 2020 to Rs. 140.39 lacs in 2022 growing at a CAGR of 606.83% which seems to come down in coming times. The net profit margin of the company was 1.28% in 2021 and 18.44% in 2022 showing a supernormal jump and the consistency of same is highly in question.

Finance Cost.

The company has incurred finance cost mainly on the Vehicle Loan obtained from bank.

Financial Measures/Ratios

RoCE of the company increased to 92.80% in 2022 from 14.23% in 2021 on account of higher EBIT margin in 2022. The RoCE is way beyond the industry peers and also with the infusion of capital with IPO, the RoCE is expected to fall.

ROE of the company up in 2022 was 89.57%, 52.20% in 2021 and 35.98% in 2020. Again the ROE has grown substantially due to high increase in the profit margins and the forecast and analysis could be set forth as that of RoCE.

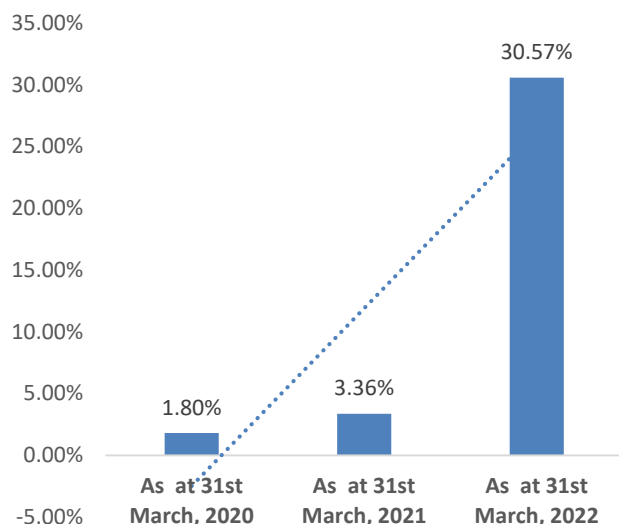
The company's Inventory Turnover Ratio, Receivables Turnover Ratio and Payables Turnover Ratio has shown high inconsistency and no trend could be established on the same.

The company has debt-equity ratio of around 0.42 times in FY 22. The company has just a vehicle loan in its name and that too does not seem to contribute mainly towards the operations of the business.

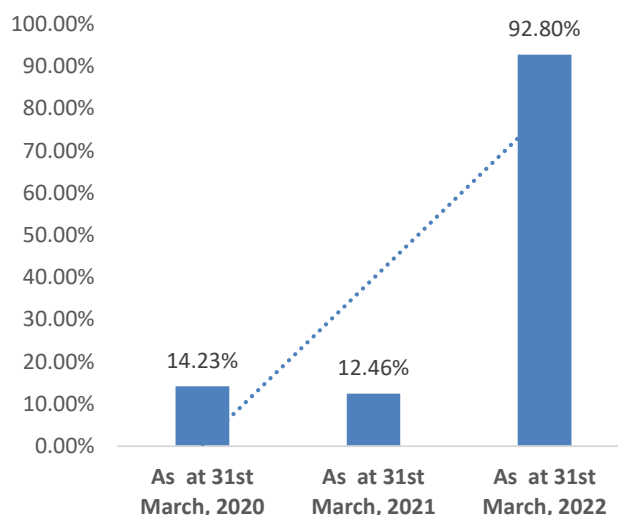


Financial Charts

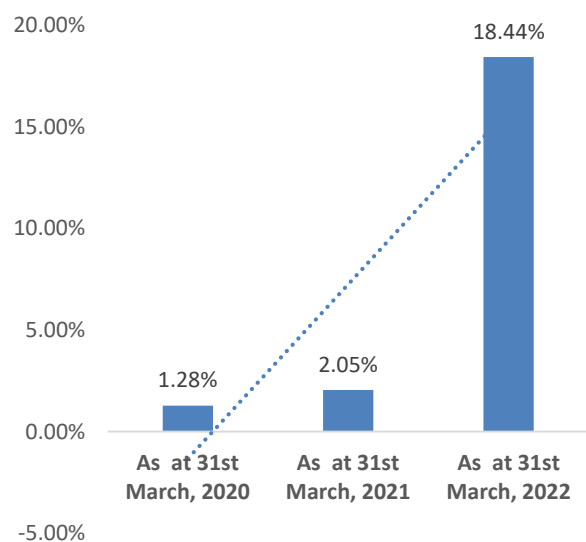
EBITDA Margin



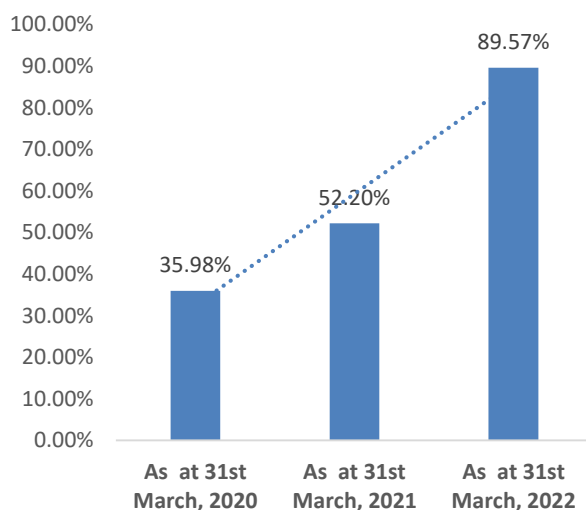
Return on Capital Employed



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. 29.92 lacs, which if determined against them, can affect financial conditions of the company.
2. The company is mainly operating in the state of Bihar and Jharkhand and any demographical, political and geographical changes might adversely affect the company's business.
3. The company being in construction business has to obey certain kinds of legal and regulatory norms.
4. Company, being in construction business has to incur a lot of time and resources and any change in economic condition within this time might adversely affect the company's business.



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 | 275.00 |
| 2. | BCPL Railway Infrastructure Limited | 17.01 | 35.00 | October 29, 2018 | 39.50 |
| 3. | Misquita Engineering Limited | 1.93 | 27.00 | October 04, 2019 | 50.00 |
| 4. | Anuroop Packaging Limited | 2.64 | 13.00 | November 21, 2019 | 30.00 |
| 5. | Billwin Industries Limited | 2.46 | 37.00 | June 30, 2020 | 24.80 |
| 6. | G M Polyplast Limited | 8.09 | 159.00 | October 14, 2020 | 291.90 |
| 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 | 257.00 |
| 9. | Markolines Traffic Controls Limited | 39.99 | 78.00 | September 27, 2021 | 150.60 |
| 10. | Clara Industries Limited | 3.02 | 43.00 | December 29, 2021 | 105.50 |
| 11. | Goel Food Products Limited | 3.61 | 72.00 | June 28, 2022 | 166.20 |
| 12. | B Right Realstate Limited | 44.36 | 153 | July 13, 2022 | 157.60 |

#CMP is taken as on 5th September 2022

Since 2017 the Lead Manager has made 26 IPO Listings 22 IPOs had positive listing and 4 IPOs had negative listing.



Recommendation

The company has a very poor track record of existence as it only got established in the year 2019. The revenue of the company has grown super-normally in the year just before IPO which raises some concern.

The management of the company is decent as it has experienced and educated directors but the experience is not in the relevant field of business. Moreover, the sole promoter of the company holds multiple managerial positions showing lack of segregation of duties.

The IPO also has Offer for Sale in just 3 years of operations which shows that the IPO might just be for the exit of the Shareholders.

Overall, there is not much to discuss and the company's outlook is not good and one **should 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.