

IPO Details

Opening Date	Sep 16, 2022
Closing Date	Sep 20, 2022
Stock Exchange	NSE SME
Lot Size	1000 Shares
Issue Price	Rs.122.00 per share
Issue Size	30,00,000 Equity Shares
Application Amount	Rs. 1,22,000

IPO Objective

- Setting up 3 Nos. Containerized Edge Data Centres
- Rollout of 3 Edmission flagship Digital Learning Centres
- Meeting the expenses of the Issue
- General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	63,51,429	90.07%
Public	7,00,005	9.93%

Promoter of the Company

- 1 Harshawardhan Hanmant Sabale

Competitive Strengths

- 1 Transport Technology
- 2 Low Cost of Delivery
- 3 Valuable Data Insights
- 4 Founder-led visionary management team

Company Background

- Company was established in the year 2017 in Mumbai, Maharashtra with the name “Streamcast Cloud Private Limited”
- Indian technology company providing services surrounding digital audio, video and financial blockchain based streaming services.
- Company’s product portfolio includes several products viz. Edmission, JumpTalk, Payfac and IaaS.
- It is based out of Mumbai, Maharashtra and has a second office in Pune.
- As on June 30, 2022 the company had 19 employees in total.

Financial Summary

For the Period Ended	(In Lacs)		
	Mar-22	Mar-21	Mar-20
Total Assets	4,066.68	833.09	765.39
Net Assets	1,512.49	327.30	185.74
Total Borrowings	25.63	225.63	394.18
Total Revenue	3,535.21	419.51	12.44
Profit After Tax	840.19	289.25*	-148.90

***Profit before exceptional item**

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Company Overview

Varanium Cloud Ltd was founded in the year 2017 under the name Streamcast Cloud Private Limited. It was changed to Varanium Cloud Private Limited in June, 2021. The company is engaged in the business of providing services surrounding digital audio, video and financial blockchain (for PayFac) based streaming services.

Analysis

The company is into the business of providing cloud-based services using its product line.

The product base of the company is diversified in different industries viz. education, entertainment, wellness etc. The following table gives an idea of the products offered by the company –

Edmission	Education with a Mission – is a phy-gital platform that democratises the education process of connecting the best educators globally to learners and allows learners their choice of educator, subject and style.
JumpTalk	Web-based video conferencing tool that allows users to connect online, either via audio or audio and video both.
Hydra Web Solutions	For small communities having high-speed internet can be a critical factor for economic growth, employment & education. HydraWeb has created edge data centres for reliable and efficient computing in non-urban cities or specific locations rather than a single central location.
Corporate & Public WiFi Mesh Services	Corporate & Public Wi-Fi Mesh Services is an open Wi-Fi service that gives our customers unlimited, 24×7 internet access and to the digital world with highly customisable solutions for all their internet needs.
eCommerce-as-a-Service (EaaS)	end-to-end warehousing, packing, shipping, social media marketing and customer

	relationship management services to e-commerce businesses
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The company has one such Edmission centre at Sawantwadi, Maharashtra from where it provides its Edmission services. The company provides services in the domestic as well as International Market the data for which is provided in the table below: -

Particulars	FY 2022	FY 2021	FY 2020
Sales - Domestic	457.78	0.00	0.00
Sales - Export	3077.43	374.93	0.00
Total - Sales	3535.21	374.93	0.00

As one can see from the table below, majority of its revenue comes from exports with roughly 87% of revenue coming from exports. A breakup of Product wise revenue is also provided in the table below:-

Product / Services Name	FY 2022	FY 2021	FY 2020
Voice over Internet Protocol (VoIP)	3077.43	374.93	0.00
Online Payment Facilitator Services (PayFac)	361.98	0.00	0.00
Information Technology Enables Services (ITES)	95.80	0.00	0.00
Total - Sales	3535.21	374.93	0.00

Combining the above two tables, we can say that VoIP is the most selling product of the company which is also being exported. The other two products have domestic customers. From the table, one can also conclude that these are relatively newer products.

The following table sets forth our customer segment wise Sales for last 3 years:

Product / Services Name	FY 2022	FY 2021	FY 2020
Business to Business (B2B)	3077.43	374.93	0.00
Business to Consumer (B2C)	457.78	0.00	0.00
Total - Sales	3535.21	374.93	0.00

The company mainly caters to businesses from where it earns its major chunk of revenue. However, the company is trying to enter the end consumer market.

To conclude, the company is in an industry which is highly competitive with big players in the game. The cloud-based service industry is very difficult industry to survive in and requires a lot of capital. The company offers products for which a lot of players already exist in the market. It would be very difficult for the company to sustain unless it comes out with products that differ from what is already in the market. The company has recently started generating revenue and has still a very long way to go. The outlook on the company is not great.

Industry Charts

Exhibit 1: Global IT expected to grow at 11.2% in 2022 from 2021 and reach \$13818.9 billion in 2026

Global IT Market (USD bn)

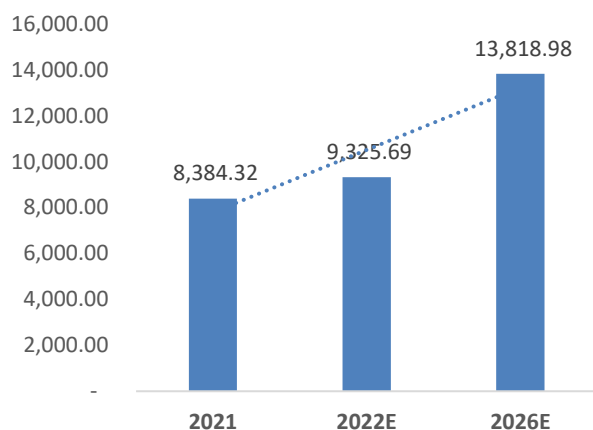


Exhibit 2: Global IT Industry worldwide from 2019-2022, by region

Market Share by Region

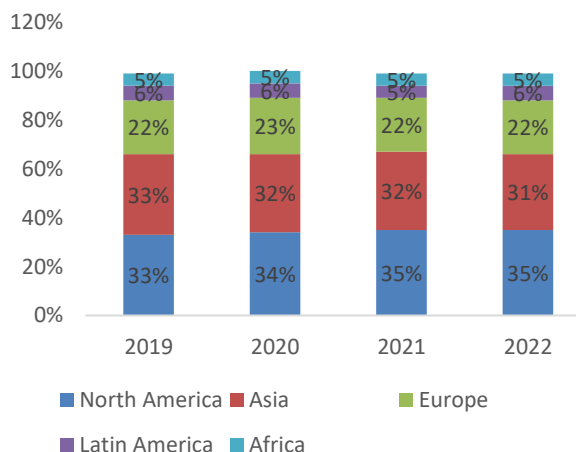


Exhibit 3: Indian IT and Business service Industry expected grow at 11.2% in 2025 from 1HY 2021

India IT and Business Service Industry (USD bn)

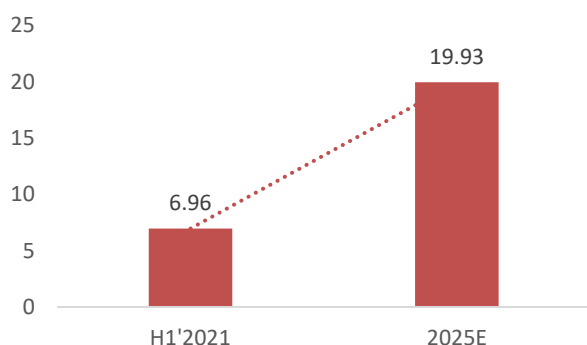
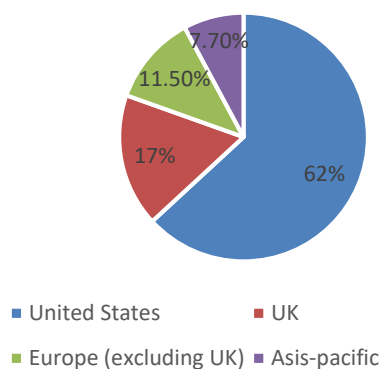


Exhibit 3: Indian IT and Business service Industry expected grow at 11.2% in 2025 from 1HY 2021

Indian IT Export Revenue



(Source: ibef, Prospectus, Statista and Business Today)

Investment Overview

IT Industry

The industry prospect of Information Technology always seems to be very good in this era of digitization. The global information technology (IT) market size is expected to grow from \$8,384.32 billion in 2021 to \$9,325.69 billion in 2022 at a compound annual growth rate (CAGR) of 11.2%. The growth in the market is mainly due to the companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The IT market size is expected to reach \$13,818.98 billion in 2026 at a CAGR of 10.3%. The Indian IT & business service industry's revenue was estimated at ~US\$ 6.96 billion in the first half of 2021, an increase of 6.4% YoY. The export revenue of the IT industry is estimated at US\$ 150 billion in FY21. According to Gartner estimates, IT spending in India is estimated to reach US\$ 93 billion in 2021 (7.3% YoY growth) and further increase to US\$ 98.5 billion in 2022. The BPM sector in India currently employs >1.4 million people, while IT and BPM together have >4.5 million workers, as of FY21.

(Source: ibef.org)

Addressable Market for Varanium Cloud Limited

The company is currently exporting its services of VoIP and is domestically providing its other services. In the coming times, the company might look to expand its services in the other export countries where it is currently providing its services and can look to target the domestic market as well for its existing as well as new services.

Competition

The industry, also mentioned by company in their prospectus, is very competitive. The company faces competition from a large number of organized and unorganized companies in its segment providing wide range of services to its clients. It operates in a highly unorganized and fragmented market. There are no high barriers to entry which makes the threat of new entrant very high. Also because of high competition,

the bargaining power of the supplier is very low and everything depends upon the quality of goods or services one provides.

Peer Analysis

As Mentioned in the prospectus, the company has 4 peers viz. Info Edge India Limited, Infibeams Avenues Limited, Tanla Platforms Limited and Route Mobile Limited. A summary on the key performance indicators of these companies is given in the table below –

As on 31.03.2022

Company	Varanium Cloud Limited	Info Edge India Limited Limited	Infibeam Avenues Limited	Tanla Platforms Limited	Route Mobile Limited
Net Profit (INR Cr)	8.40	1,584.86	86.52	539.28	166.17
EBITDA (INR Cr)	12.05	879.60	154.98	716.30	238.70
Return on Capital Employed	44.63%	4.32%	3.01%	48.02%	11.41%
Return on Equity	55.55%	9.19%	2.93%	39.83%	9.94%
EPS (INR)#	8.99	4.24	0.36	39.43	8.19
P/E* (Times)	13.58	990.63	46.25	20.54	176.27

***PE is taken as on 15-09-2022**

EPS is Post IPO Basis

Promoters' Profile and Management Analysis

Mr. Harshawardhan Hanmant Sabale,



- **Mr. Harshawardhan Hanmant Sabale** is the Promoter, Chairman and Managing Director of the Company.
- He has experience of over 15 years in Private Equity and Technology.
- He is a Chartered Accountant by profession.
- He started his career with Arthur Andersen in Mumbai and worked across consulting, audit and fraud investigation.
- He later shifted his career to Venture Capital/Private Equity and worked in various firms in and outside India.
- He was also the founder of Ogle, a content streaming platform.
- He is considered the guiding force and the strategist for devising growth of the company.

Analysis on the Company's Promoter and Board of Directors

Harshawardhan Hanmant Sabale, aged 47 years, is the Managing Director of the Company. He has been associated with our Company since Inception. He is a Chartered Accountant. He has experience of over 15 years in Private Equity and Technology. He started his career with Arthur Andersen in 1994 in Mumbai, and worked across consulting, audit and fraud investigations. He went on to start the firm's technology consulting practice for India in 1998. He left the firm in February 2000 to start career in Venture Capital / Private Equity (PE) Industry. He worked for few PE firms in India and Hongkong as an Associate and later on joined Malaysian PE firm Navis Capital Partners at Hongkong as Director and worked from November 2003 to August 2007 focussing on SME sector. Later on, during September 2007, Mr. Sabale set up his own fund, Lauris Capital Partners, with backing from French private equity (PE) firm Natixis Private Equity to focus on SME buyouts.

Fahim Iunus Shaikh, aged 44 years is an Executive Director of the company. He graduated from the University of Mumbai with a Bachelor's degree in Commerce in June 2001. Mr. Shaikh is experienced operational personnel with expertise in material management & procurement and adhering to quality norms as per customer expectation. Mr. Shaikh has operational experiences in the field close to nearly 20 Years. He has been associated with our Company since August 2020 and has been elevated to Director's position in April 2022. He has been handling project related procurements, liaisioning and logistic activities in the Company.

Kalpesh Anil Acharekar, aged 36 years is an Non-Executive and Non-Independent Director of the company. Kalpesh has completed his Higher Secondary Certification from Maharashtra Board in Commerce Stream in June 2004 from Mumbai. Kalpesh has a experience of nearly 15 years with his previous employers in the shipping export import Liasioning industry.

Vinayak Vasant Jadhav, aged 38 years is an Executive Director of the Company. He graduated from the Konkan Gyanpeeth College of Engineering, Raigad with a Bachelor's degree in Computer Engineering in June 2008 from Mumbai University. Vinayak has also completed his Master's degree in Computer Technology from JNTU Hyderabad in the year June 2018. Vinayak Jadhav has an experience of nearly 14 years wherein he has worked as an Assistant Professor in SSPM College of Engineering Kankavali and Sawantwadi Municipal Council.

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	-	374.93	3,535.21
Other income	12.44	44.58	-
Total Revenue	12.44	419.51	3,535.21
Expenses	136.92	23.54	2,330.61
Depreciation and Amortisation Cost	8.89	5.90	9.66
Finance Cost	16.27	9.55	0.44
Total Expenses	162.08	38.99	2,340.71
PBT	-149.64	380.52	1,194.50
PBT Margin	0.00%	101.49%	33.79%
EBITDA	-124.48	395.97	1,204.60
EBITDA Margin	0.00%	105.61%	34.07%
Net Profit	-148.90	289.25	840.19
Net Profit Margin	#DIV/0!	77.15%	23.77%
Balance Sheet			
Total Borrowings	542.64	364.66	164.96
Net Worth	185.74	327.30	1,512.49
Fixed Assets	17.54	11.64	3,129.22
Net Working Capital	26.42	203.42	-2,045.74
Financial Measures			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	-	0.99	9.14
Payables Turnover Ratio	-	-	0.64
Fixed Assets Turnover Ratio	-	32.21	1.13
Return on Capital Employed	-21.38%	36.98%	178.52%
Return on Equity	-80.17%	88.37%	222.20%
Debt-Equity Ratio	2.92	1.11	0.11

(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 was -124.48 lacs in FY 20 and Rs. 1,204.60 lacs in FY 22 showing a growth of 204.21% CAGR, which is super-normal and unsustainable. The EBITDA margin of the company in FY 21 was 105.61% and in FY 22 it had fallen drastically to 34.07%. The company has not been able to provide a sustainable margin and since the company has only started generating revenue from FY 21, no proper trend could be analysed and the forecasted EBITDA margin is difficult to estimate.

Net Profit

The Net Profit of the company was Rs. -148.90 lacs in FY 20 and in FY 22 it has grown at a CAGR of 190.47% to Rs. 840.19 lacs which seems to be unsustainable in the near future. The net profit margin in FY 21 was 77.15% but in year FY 22 the same has fallen to 23.77%. Again since the company has started generating revenue from 2021, there is no proper trend of the profit margins and the forecast of the same is difficult to make.

Finance Cost.

The company has incurred finance cost mainly on the loans taken from Related Parties.

Financial Measures/Ratios

The RoCE of the company in FY 20 was -21.38% and in FY 22 the RoCE has jumped to 44.63%. The peer of this industry, which are in this industry for quite a long times and are reputed players, are operating at an average RoCE of 16.99% and the subject company is having a RoCE of 44.63% which shows concern as what additional the company has been doing to generate such a high RoCE than peers. Moreover, the issuance of new capital would bring down the RoCE.

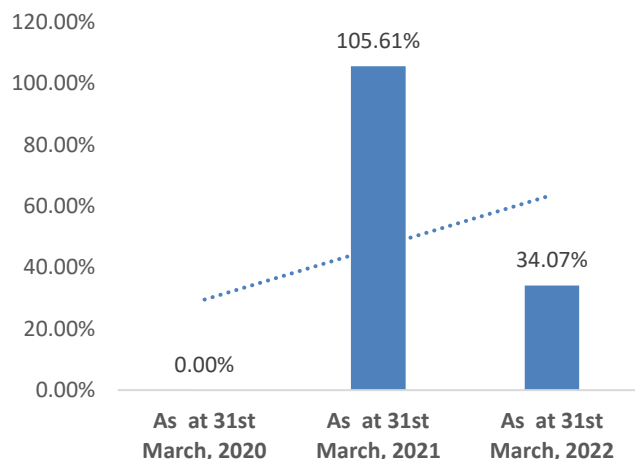
The ROE of the company in FY 20 was -80.17% and in FY 22 it has shown a growth to 55.55%. The analysis and forecast of the same can be set forth as that of RoCE.

The company deals with no inventory, and the Receivables and Turnover Ratios have been effectively managed.

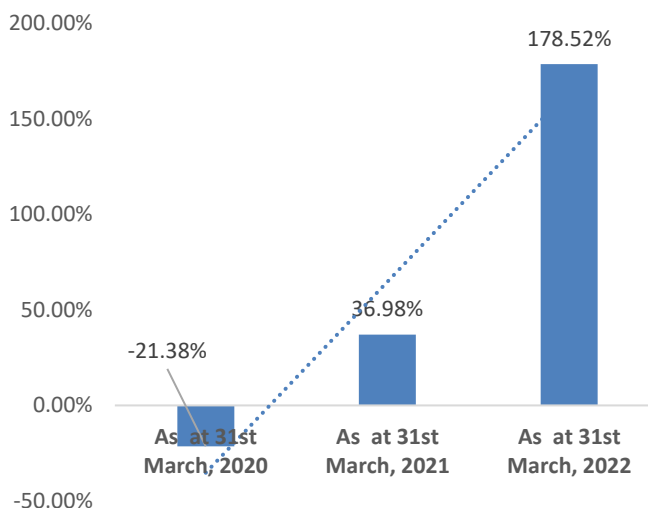
The Debt-Equity ratio of the company was 0.11 times in FY 22. The borrowings of the company has mainly been taken from Related Parties and since the company is into the IT sector, the Debt-Equity ratio is expected to be very low.

Financial Charts

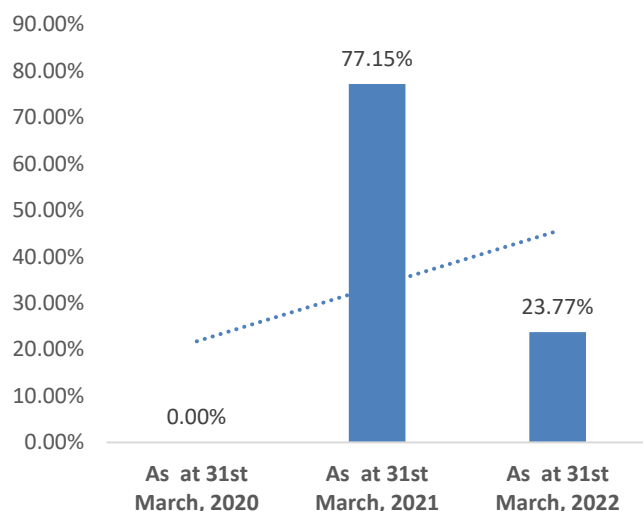
EBITDA Margin



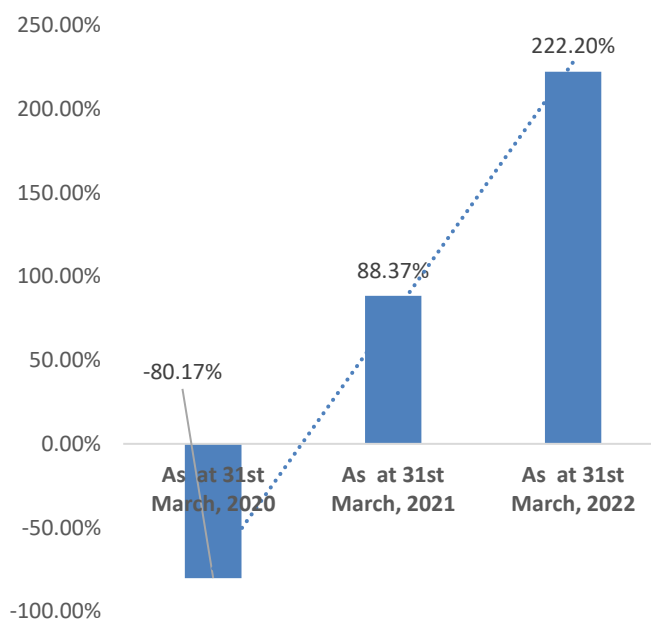
Return on Capital Employed



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. 21.06 lacs, which if determined against them, can affect financial conditions of the company.
2. **The MD of the company has allegations to have fled away with money raised for setting up data centers in Streamcast Group.**
3. Company is involved majorly in export of services and foreign exchange fluctuations would majorly impact the profitability of the company.
4. As the company is into IT Sector, the company has to continuously innovate and any failure to do so would impact the company.
5. The company is operating in a highly competitive environment.

Track Record of Lead Manager

The lead manager to the issue is First Overseas and this is the 11th mandate in the last four fiscals. 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 –

Company	Issue Size (In Cr)	Issue Closing Date	IPO Price/share (INR)	CMP# (INR)
Novateor Research Laboratories Ltd	4.49	13-09-2019	24.00	12.86
Janus Corporation Ltd	7.99	06-02-2020	50.00	7.60
RO Jewels Limited	4.91	25-03-2020	36.00	22.05
Party Cruisers Limited	7.75	05-03-2021	51.00	335.00
BEW Engineering Limited	3.97	16-09-2021	58.00	881.15
Nidan Healthcare & Laboratories Limited	50.00	12-11-2021	125.00	60.95
Precision Metaliks Limited	21.93	01-02-2022	51.00	36.35
Vaidya Sane Ayurved Laboratories Limited	20.22	23-02-2022	73.00	144.50
Veerkrupa Jewellers Limited	8.10	18-07-2022	27.00	73.25

#CMP is taken as on 15th September 2022

Out of the last 9 listings, 1 opened at discount, 3 opened at par and the rest with premiums ranging from 1.40% to 120% on the day of listing.

Recommendation

Being incorporated in the year 2017, the company has poor track record of existence. Although the industry is very prospective, there are a lot of reputed and big players in the market which makes it very competitive for the business.

The revenue of the company only started generating from FY 21 and has jumped at a CAGR of around 843% in FY 22, making it highly unsustainable. Also generating revenue only from FY 21 makes it highly unattractive.

The major red flag for the company is that **The MD of the company has allegations to have fled away with money raised for setting up data centres in Streamcast Group**

The management of the company has personnel with good education and are well experienced in their respective fields.

The product segment of the company is not new and the same is provided by many big firms and competing with them is a huge task for the company.

To conclude, the company does not have a very good track record, the company has been operating in a highly competitive industry, the revenue and profit margins have grown super-normally and so 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.