

IPO Details

Opening Date	Mar 02, 2023
Closing Date	Mar 06, 2023
Stock Exchange	NSE SME
Lot Size	1200 Shares
Issue Price	₹ 91 to 96 per share
Issue Size	14,79,600 Equity Shares
Application Amount	₹ 1,15,200

IPO Objective

To Meet Working Capital Requirements

General Corporate Purposes

To Meet Issue Expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	40,00,000	100%
Public	-	-

Promoter of the Company

- Mr. Sandeep Kumar Pahariya
- Mrs. Niru Pahariya

Competitive Strengths

- Global Delivery Network.
- Leveraging the experience of the Promoter.
- Existing client relationship.
- Diversified customer base and revenue sources.
- Increasing the efficiency and knowledge of Employees.

Company Background

- Company was incorporated in the year 2010 in Rajasthan.
- Company is engaged in consulting, outsourcing, infrastructure and digital solutions and services.
- Company is an ISO 9001:2015 and ISO/IEC 27001:2013 certified Information Technology company.
- Company collaborates with companies to fulfil their ever-evolving Information Technology needs and support their business.
- Company serves to clients coming from India and all parts of the world.
- As on September 30, 2022, the Company has employed 313 employees.

Financial Summary

For the Period Ended	(In Lacs)		
	Mar-21	Mar-22	Sep-22
Total Assets	1,103.71	1,308.76	1,599.17
Net Assets	487.15	673.11	807.62
Total Borrowings	227.40	279.15	360.61
Total Revenue	2,025.60	2,132.04	1,091.71
Profit After Tax	104.98	186.05	91.26

Tentative Timeline

Opening Date	Mar 2, 2023
Closing Date	Mar 6, 2023
Basis of Allotment	Mar 10, 2023
Initiation of Refunds	Mar 13, 2023
Credit of Shares to Demat	Mar 14, 2023
Listing Date	Mar 15, 2023

Table of Contents

1	Company Overview.....
2	Industry Charts.....
3	Investment Overview.....
4	Promoter & Promoters' Profile.....
5	Financial Analysis.....
6	Key Risk Factors.....
7	Track Record of Lead Manager.....
8	Recommendation.....
9	Disclaimer.....

Company Overview

Company was formed in Jaipur, Rajasthan in the year 2010. Company is engaged in consulting, outsourcing, infrastructure and digital solutions and services. They collaborate with companies to fulfil their ever-evolving Information Technology needs and support their business. Company operates from its Registered Office situated at B-19, Ground Floor, 10-B Scheme, Gopalpura Road Jaipur -302018, India and development facilities at Jaipur and Noida. Company provides various types of services to the clients such as Consulting Services, Technology Services, Infrastructure Services and Outsourcing Services.

Analysis

Being in operations since 2010, the company has a decent track record of existence. The company serves in the service industry. Company ensures quality and time delivery in the most cost-effective manner in order to determine the success of complex enterprise projects through five delivery models:

- Off-shore Model
- On-site Model
- Hybrid Model
- Global Model
- Strategic Partnerships

VertexPlus endeavours to bring together creativity and knowledge with positive business strategy to furnish the requirements of diverse customers with an inclusive range of products and services. VertexPlus has worked for numerous industries, realized their true potential and scale to global recognition. Company provides various types of services to the clients; categories are as below:

- Consulting Services
- Technology Services
- Infrastructure Services
- Outsourcing Services

Company's majority of revenue comes from technology services and outsourcing services. Service wise revenue break up on the basis of standalone profit and loss is given below:

Particular	Fiscal 2022	Fiscal 2021	Fiscal 2020
Consulting Services	97.38	36.75	33.74
Technology Services	1071.14	1139.17	843.38
Infrastructure Services	77.90	146.99	101.21
Outsourcing Services	702.83	514.46	708.44
Total Revenue	1949.25	1837.37	1686.77

Overall geography wise revenue break up on the basis of standalone profit and loss has been provided in the table below-

Particular	September 30, 2022		Fiscal 2022		Fiscal 2021	
	Revenue	In %	Revenue	In %	Revenue	In %
Export Sales	53.96	5.41	255.27	13.10	92.14	5.01
Domestic Sales	943.24	94.59	1693.99	86.90	1745.23	94.99

The following table illustrates the concentration of the revenues on the basis of standalone profit and loss among top customers:

Particular	September 30, 2022		Fiscal 2022		Fiscal 2021	
	Revenue	In %	Revenue	In %	Revenue	In %
Top 5 customers	803.60	80.59%	1902.67	97.60%	1815.85	98.80%
Top 10 customers	995.30	99.81%	1933.39	99.20%	1830.74	99.60%

To conclude, the company has a decent track record. Company's top 5 customers constitute almost 95% of total customers which might be concern in the future. However, healthy growth can be seen in the company's revenue. Company offers a wide range of services and seems to have the ability to adapt as per the demands of the projects.

Industry Charts

Exhibit 1: IT industry market size-India

Market size of IT industry in India (US\$ billion)

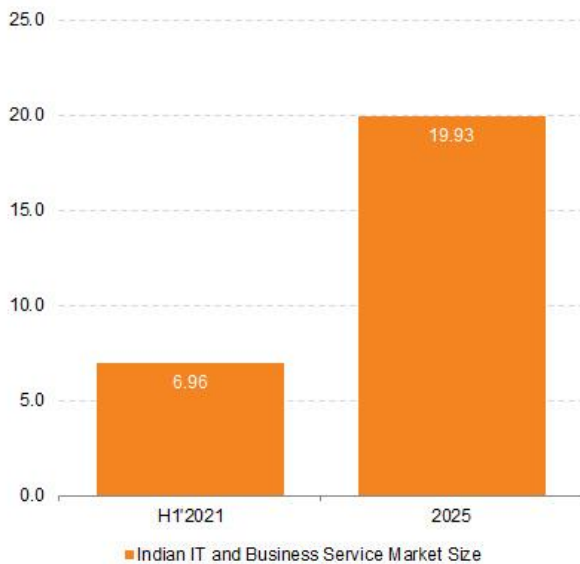


Exhibit 2: Service Sector GVA at basic prices at current prices

Services sector GVA at basic prices at current prices (in US\$ billion)

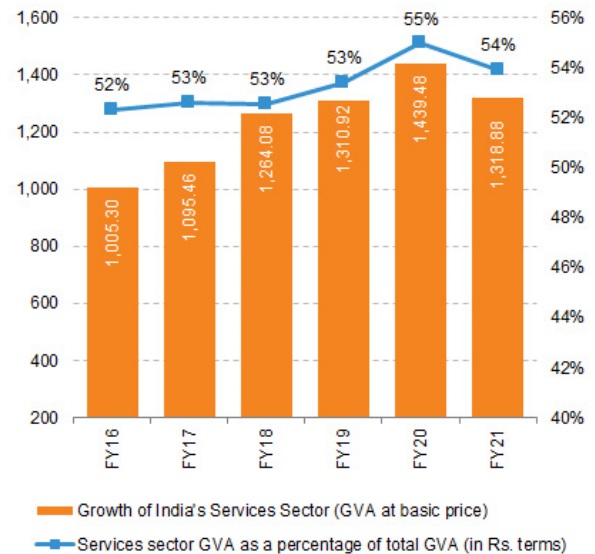
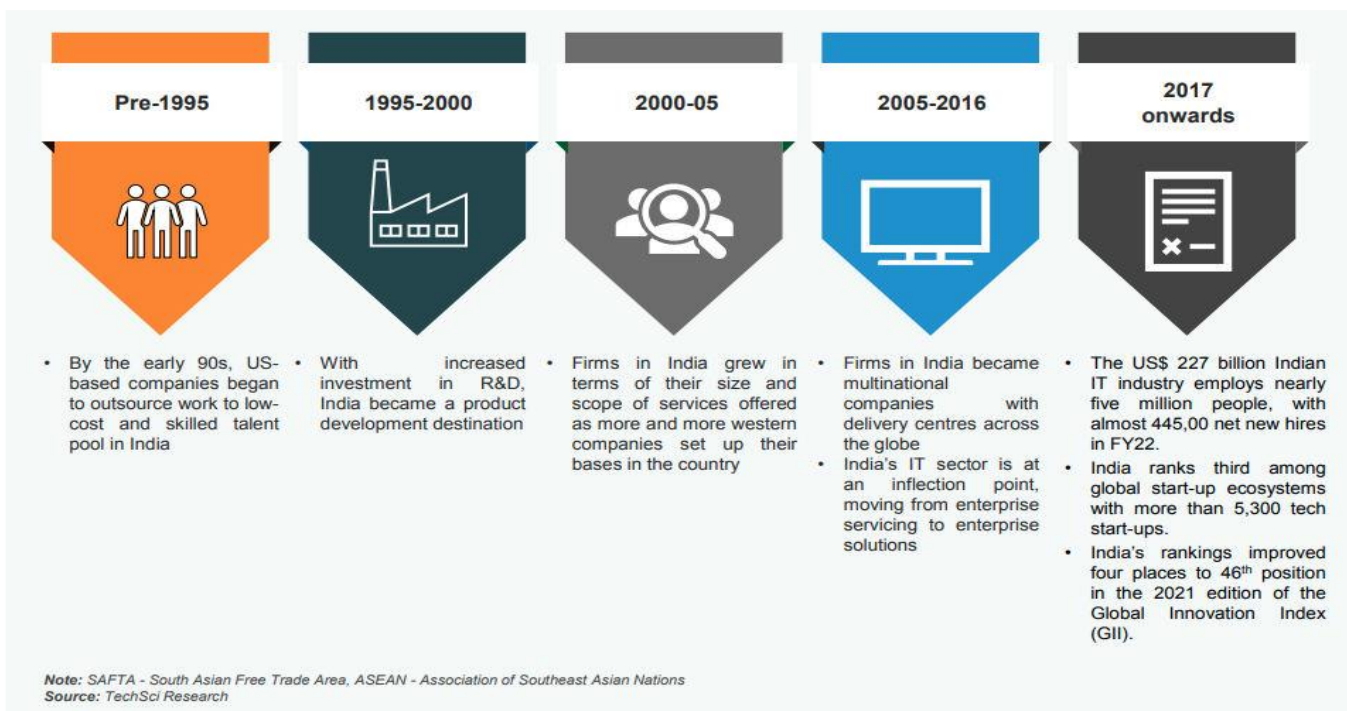


Exhibit 3: Evolution of the Indian IT sector



Source- ibef and prospectus

Investment Overview

IT INDUSTRY

In the Industry of Information Technology, a variety of software have been changing the way we look at things from the dawn of its era. We see that almost every other process we have been doing manually is now done and monitored by systems. Software Development is an industry that comes under this parent and is a general term used in developing and deploying software that is in the category of websites and standalone applications. While creating these applications, the minimum hardware requirements given were typically a personal computer with adequate specifications. In the age of software, people who could afford and own a computer were only able to use or utilize it. Till a particular time, people accessed websites only through Cyber Cafes. Now even though many have access to laptops and PC's, the count remained significantly low compared to the population. After mobile phones were introduced, which were typically a hand-held computer, the number of people who started buying mobile phones is significantly higher and the number of people who can get an idea of applications started getting multiplied. Today we can say that irrespective of which age group they belong to, people are learning to use an application in the form of a Mobile App. The App Development Industry has taken advantage of it ever since.

India's IT sector is one of the fastest growing industry, while global economy and multiple industries struggle to stay afloat, India's technology industry has seen tremendous growth of 15.5% (YoY) growth, from US\$196 billion in FY21 to US\$227 billion in FY22. IT sector contributes 51% of relative share in services exports. India has now become largest tech start-up hub in the world with more than 2500+ start-ups and 42 new unicorns. The government of India has taken some major initiatives to promote the IT/ ITeS sector in India. Both central and state governments in India have taken steps toward developing technology solutions to enable citizen services. The government continues to focus on areas such as cybersecurity, hyper-scale computing, artificial intelligence and blockchain. Up to 100% FDI is allowed in Data processing, Software development and Computer consultancy services; Software supply services; Business and management consultancy services, Market research services, technical testing and Analysis services, under automatic route.

Year End Review 2022: Ministry of Electronics and Information Technology (MeitY)

1. UIDAI starts 88 Aadhaar Seva Kendras in 72 cities across the country
2. 5.49 lakh Common Services Centres are functional out of which, 4.37 lakh CSCs are functional at Gram Panchayat level.
3. DigiLocker provides a dedicated cloud-based platform as a personal space to residents for storage, sharing, verification of documents & certificates.
4. AarogyaSetu App is now transformed into National Health App, bringing a whole plethora of digital health services powered by Ayushman Bharat Digital.
5. Mission Remarkable growth in digital transactions is seen for FY2018-19, FY 2019-20 & FY20-21 where we have achieved 3134 crore, 4572 crore & 5554 Crore respectively.
6. India has witnessed a big leap in Electronic Manufacturing with schemes like Production Linked Incentives, Promotion of Manufacturing of Electronic Components & Semi-conductors.
7. Domestic production of Electronic Goods has increased substantially from ₹ 3,17,331 crore in 2016-17 to ₹ 6,40,810 crore in 2021-22.

Source:

https://www.researchgate.net/publication/352490326_A_Study_and_Overview_of_the_Mobile_App_Development_Industry

<https://static.investindia.gov.in/s3fs-public/2022-11/ey-doing-business-in-india.pdf>

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1883839>https://www.meity.gov.in/writereaddata/files/MeitY_AR_English_2021-22.pdf

Addressable Market for Vertexplus Technologies Limited

The company is currently serving clients coming from India and all parts of the world. The company has its subsidiaries in Singapore making the global market accessible for them and for expansion of business in Asia Pacific.

Competition

The service industry is unorganized, competitive and highly fragmented in India. Company believe that the principal competitive factors include service quality, reliability, and price that are able to comprehensively address varying requirements of different customer segments and specific customer needs. There are many small and unorganised players in the market along with some players having better penetration in some geographical areas in which the company operates. The threat of new entrant is high.

Peer Analysis

The following companies are listed as it peer in the company's prospectus.

Company	Vertexplus Technologies Limited	Ksolves India Limited	Sigma Solves Limited
Net Profit (INR Cr)	1.86	15.73	8.96
EBITDA (INR Cr)	2.78	21.28	16.39
Return on Capital Employed	30.30%	118.47%	14.32%
Return on Equity	27.64%	93.63%	11.55%
EPS# (INR)	4.58	13.27	8.72
P/E* (Times)	20.96	31.86	21.91

#EPS on post IPO basis

***As on 01/03/2023**

Promoters' Profile and Management Analysis

Mrs. Niru Pahariya



- Mrs. Niru Pahariya, aged 44 years, is the Whole Time Director of the Company.
- She holds Bachelor degree in Commerce and Diploma in Naturopathy and Yoga.
- She is having of experience of 12 years in administration and human resource.

Mr. Sandeep Kumar Pahariya



- Mr. Sandeep Kumar Pahariya, aged 44 years is Chairman cum Managing Director and also the Promoter of the Company.
- He holds a Master's Degree in International Business Management and in addition to professional qualifications from C-DAC (Centre for Development of Advanced Computing) & IIQM (Indian Institute of Quality Management).
- He is having 24 years of experience in the IT Industry.

Analysis on the Company's Promoter and Board of Directors

Mr. Sandeep Kumar Pahariya, aged 44 years is Chairman cum Managing Director and also the Promoter of the Company. He holds a Master's Degree in International Business Management and in addition to professional qualifications from C-DAC (Centre for Development of Advanced Computing) & IIQM (Indian Institute of Quality Management). He was appointed on the Board on October 20, 2010. He is having 24 years of experience in the IT Industry. He has been instrumental in taking major policy decisions of the Company. He is responsible for the expansion and overall management of the business of the Company.

Mrs. Niru Pahariya, aged 44 years, is the Whole Time Director of the Company. She holds Bachelor degree in Commerce and Diploma in Naturopathy and Yoga. She was originally appointed on the Board on October 20, 2010. She is having of experience of 12 years in administration and human resource.

Mr. Samyak Jain, aged 18 years is the Non-Executive Director of the Company. He holds degree in Senior Secondary. He was appointed on the Board as Additional Executive Director w.e.f., May 16, 2022. Further designated as Non-Executive Director w.e.f. September 05, 2022. He has no previous experience.

To conclude, the company's individual promoters have decent experience in the industry in which the company belongs to. Managing Director handling the Chairman position in the Board of Directors depict a negative outlook on the independence of the Board decisions. The independent directors of the company are not experienced in the industry in which company belongs to.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sept, 2022
Profit and Loss			
Revenue from operations	1,963.93	2,086.02	1,055.05
Other income	61.67	46.02	36.66
Total Revenue	2,025.60	2,132.04	1,091.71
Expenses	1,813.18	1,807.71	922.21
Depreciation and Amortisation Cost	17.45	32.56	21.54
Finance Cost	48.91	43.46	24.97
Total Expenses	1,879.54	1,883.73	968.72
PBT	146.06	248.31	122.99
PBT Margin	7.44%	11.90%	11.66%
EBITDA	150.75	278.31	132.84
EBITDA Margin	7.68%	13.34%	12.59%
Net Profit	104.98	186.05	91.26
Net Profit Margin	5.35%	8.92%	8.65%
Balance Sheet			
Total Borrowings	227.40	279.15	360.61
Net Worth	487.15	673.11	807.62
Fixed Assets	93.36	274.93	407.58
Net Working Capital	427.53	463.25	456.62
Financial Measures (Annualised)			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	10.00	8.91	5.27
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	21.04	7.59	5.79
Return on Capital Employed	22.27%	30.30%	9.51%
Return on Equity	21.55%	27.64%	7.87%
Debt-Equity Ratio	0.47	0.41	0.15

(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 increased from Rs. 150.75 lacs in 2021 to Rs. 278.31 lacs in 2022 and on 30th Sept 2022 it was Rs. 132.84 lacs and if we annualise the same it would be around Rs. 265.68 lacs. The EBITDA on annualised basis has grown at a CAGR of 32.75%. The EBITDA margin in 2021 was 7.68%, 13.34% in 2022 and 12.59% up to 30th Sept 2022. CAGR seems healthy along with slight fall in EBITDA margins.

Net Profit

The net profit of the company has grown from Rs 104.98 lacs in 2021 to Rs. 186.05 lacs in 2022 and as on 30th Sept 2022 it was Rs. 91.26 lacs and if we annualise the same it would be around Rs. 182.52 lacs growing at a CAGR of 31.86%. The net profit margin in 2021 was 5.35%, 8.92% in 2022 and 8.65% up to 30th Sept 2022.

Finance Cost.

The company's finance cost is mainly due to short terms borrowings and long-term borrowings availed by the company.

Financial Measures/Ratios

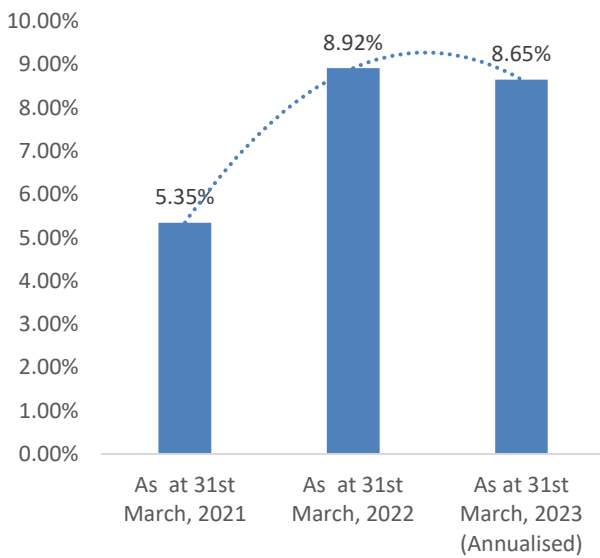
RoCE of the company up to 30th Sept 2022 is 12.00% vs 30.30% in 2022 and 22.27% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 9.51%. The RoCE has decreased due to increase in Reserves and surplus of the company and decrease in EBIT of the company as compared to previous year along with increase in capital base of the company.

ROE of the company in 2021 was 21.55%, 27.64% in 2022 and 11.30% up to Sept 2022, if annualised, ROE would be around 7.87%. The ROE likewise RoCE has seen a decrease. With increase of equity base, the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of -39.56%.

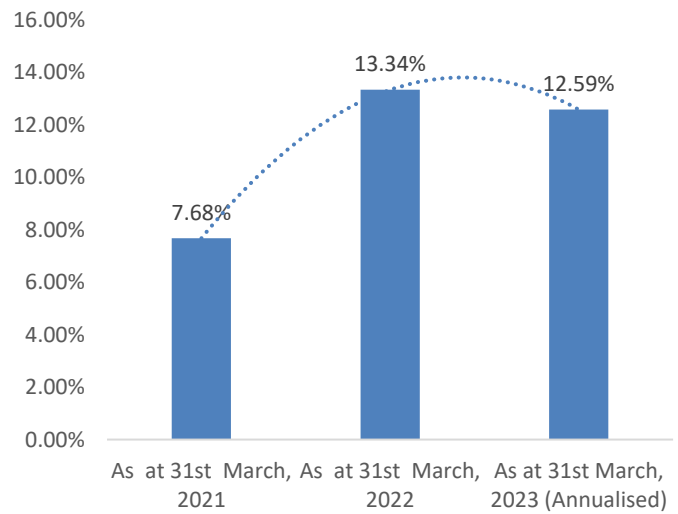
The company has a debt-equity ratio of 0.45 which shows the company is decently leveraged. The debt-equity ratio is going to go further down to around 0.15 post IPO.

Financial Charts

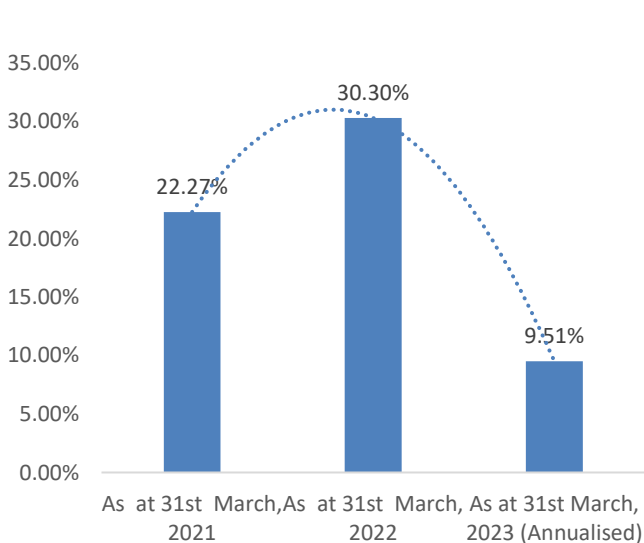
Net Profit Margin



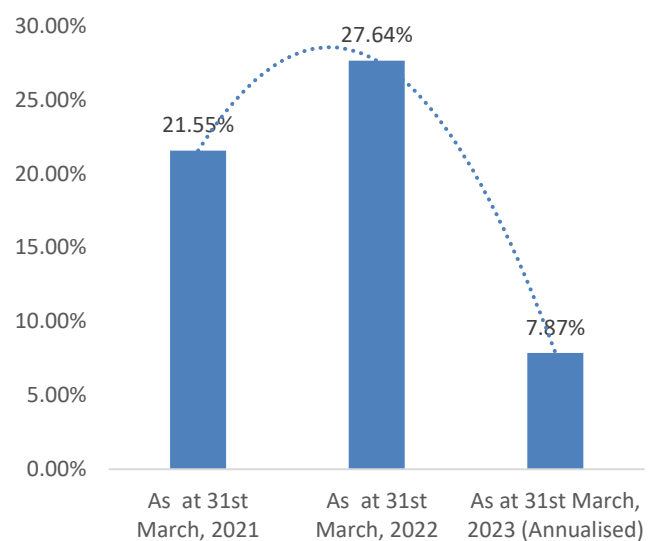
EBITDA Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. The Company, Promoter and Promoter Group of the company has been involved in certain outstanding litigation amounting to Rs. 18.68 lacs
2. Company faces foreign exchange risks that could affect their results of operations.
3. Company's top ten customers have contributed 99.81%, 99.20%, 99.60% & 98.80% of the revenues for the period ended September 30, 2022, March 31, 2022, March 31, 2021, March 31, 2020 based on Restated Standalone Financial Statements.
4. The company have experienced negative cash flows in the past.
5. Company has non-funded defined benefit obligations.
6. Group Company has incurred losses in the last three financial years.

Track Record of Lead Manager

The lead manager to the issue is Beeline Capital Advisors Pvt Ltd. 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.	Trident Lifeline Limited	35.34	101.00	October 10, 2022	154.75
2.	Kandarp Digi Smart BPO limited	8.10	30.00	September 28, 2022	20.00
3.	Viviana Power Tech Limited	8.80	55.00	September 16, 2022	84.65
4.	Jay Jalaram Technologies Limited Viviana Power Tech Limited	10.80	36.00	September 08, 2022	187.00
5.	Vital Chemtech Limited	64.64	95- 101	November 14, 2022	94.25
6.	RBM Infracon Limited	8.37	36.00	January 04, 2023	77.75
7.	Aristo Bio-Tech and Lifescience Limited	13.05	72.00	Jan 30, 2023	63.50
8.	Transvoy Logistics India Limited	5.11	71.00	Feb 02, 2023	69.50

CMP is taken as on 1st March 2023

This is the 9th mandate from Beeline Capital in the current fiscal. Out of the last 8 listings, 1 issue closed below the issue price on the listing date.

Recommendation

The company has been into this industry since 2010 and has a decent track record. The company has presence across the globe with formation of subsidiary in Singapore.

The Revenue of the company has shown decent strength in recent years as it has been growing at a CAGR of around 3.65%.

The management outlook of the company is decent. However, the roles and responsibilities of the management is majorly handled by **Mr. Sandeep Kumar Pahariya** and also the fact that the Managing Director holds the chairman position reflecting a little concern in the corporate governance factor of the company.

The company is getting listed at a PE of around 20.96 times on post IPO basis which justifies the issue price. The industry PE is 29.99.

To conclude, the company is operating in a good segment and has been able to perform well over the years. The company has good prospect but faces competition and also the service base is good but not unique. The company has fared well in recent times and its growth looks promising considering its future prospectus and the industry it is in and so one **Should Apply** to this 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.