

IPO Details	
Opening Date	May 31, 2023
Closing Date	June 02, 2023
Stock Exchange	NSE SME
Lot Size	1000 shares
Issue Price	₹132 to ₹135 per share
Issue Size	24,25,000 Equity Shares
Application Amount	₹ 1,35,000
Amount Raised (Issue Type)	₹32.74 Cr (Fresh Issue- ₹32.74 Cr)

IPO Objective	
1.	To meet the working capital requirements
2.	Installation of EV charging Station
3.	General Corporate Purposes
4.	To meet the issue expenses

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	50,28,132	90.25%
Public	5,43,361	9.75%

Promoter of the Company	
1.	Pratik Kakadia

Competitive Strengths			
1.	End to end IT services		
2.	Leveraging the experience of Promoter.		
3.	Quality of Services		
4.	Certifications, Awards and Accreditations		

Company Background	
○	Sahana System Limited was incorporated in the year 2013 headquartered in –Gujarat, Ahmedabad.
○	Company is engaged in the business of offering IT related services including web app development, mobile application development, AI & ML development, ChatBot development, product prototyping, graphics designing, UI / UX design, SEO & ASO, digital marketing, website & application migration, cyber security and outsourcing of IT service.
○	Industries company cater to includes healthcare, surveillance, retail, education/e learning, restaurants, banking, media & entertainment and fintech and also trading of hardware instruments.
○	As on date of filing of Red Herring Prospectus, company have 20 employees on their payroll.

Financial Summary			
(INR In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	772.93	1,498.91	2,417.82
Net Assets	17.44	452.06	1,079.71
Total Borrowings	723.25	512.59	477.04
Total Revenue	331.47	1,217.39	2,414.23
Profit After Tax	16.44	141.18	639.64

Tentative Timeline	
Opening Date	May 31, 2023
Closing Date	June 02, 2023
Basis of Allotment	June 07, 2023
Initiation of Refunds	June 08, 2023
Credit of Shares to Demat	June 09, 2023
Listing Date	June 12, 2023

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Company Overview

Company is engaged in the business of offering IT related services including web app development, mobile application development, AI & ML development, ChatBot development, product prototyping, graphics designing, UI / UX design, SEO & ASO, digital marketing, website & application migration, cyber security and outsourcing of IT service. Industries company cater to includes healthcare, surveillance, retail, education/e learning, restaurants, banking, media & entertainment and fintech and also trading of hardware instruments and now the Company is trying to diversify its business in to EV charging stations.

Analysis

Company started as IT service company and over a period of time it diversified its business in to hardware trading and EV charging stations. As a sector there are many experienced players in the industry and it will be very difficult for them to compete with them and sustain unless they are in to future technologies like AI, robotics etc.

Business segments revenue

Period	Total Revenue (₹ in lakhs)	IT Services		Hardware Trading	
		Revenue (₹ in lakhs)	Contribution in revenue from operations	Revenue (₹ in lakhs)	Contribution in revenue from operations
FY 2021	331.47	314.73	94.95%	16.74	5.05%
FY 2022	1,217.40	835.38	68.62%	382.02	31.38%
FY 2023	2,414.23	1,135.51	47.03%	1,278.72	52.97%

In 2021 company was majorly focused on IT services ,94.95% revenue was generated from IT services gradually it has decreased to 47.03% in 2023 and increased their hardware trading segment revenue from 5.05% in 2021 to 52.97% in 2023.

Government of Andhra Pradesh want to move towards green energy environment and planning to install at least 4,000 electric charging stations across Andhra. Company as a provisionally empanelled member, has been allocated 500 locations

in the state of Andhra Pradesh and already in the process of organizing surveys of the locations to ascertain the economic viability of the projects. At present, feasibility survey has been completed for 45 locations and the process of procuring the charging stations for 25 locations has also begun. Company has already finalized the vendors for supply of charging stations after detailed technical and financial study of 25 locations.

To conclude, the company has been shifting from IT services to Hardware Services and now also focusing on EV Charging Stations. There is no proper experience of the company in this business segment.

Industry Charts

Exhibit 1: Indian IT & Business service industry (US\$ billion)

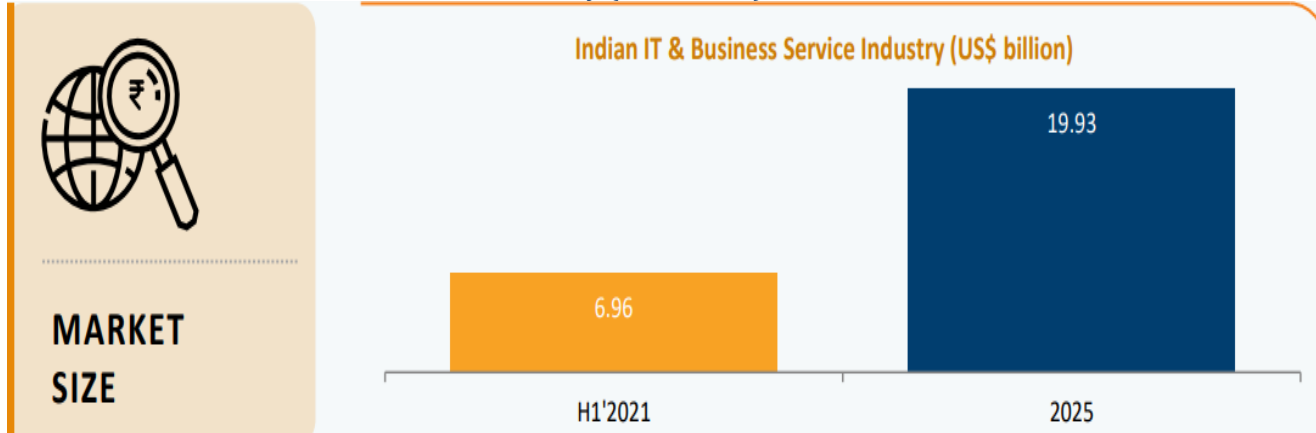


Exhibit 2: Sector wise break-up of Indian IT market and Export revenue

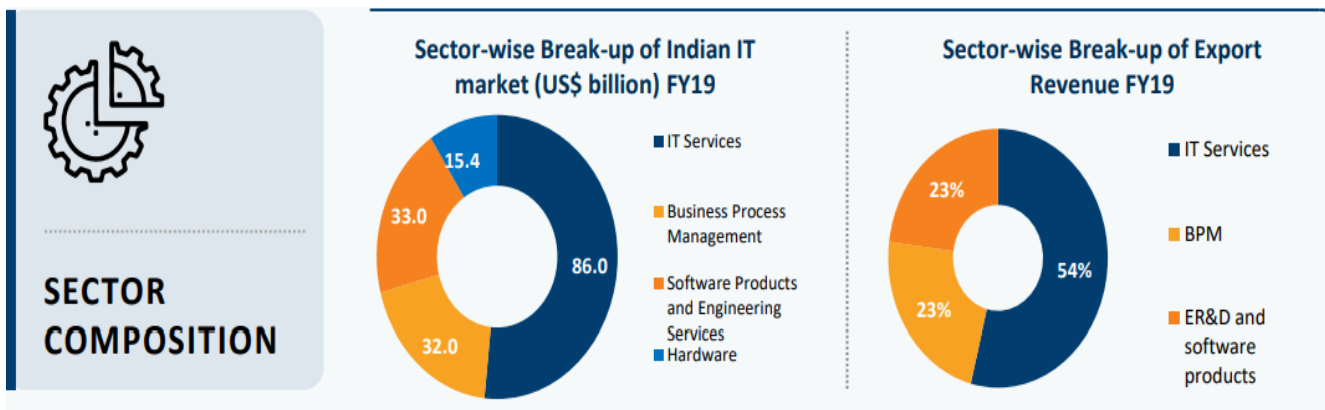
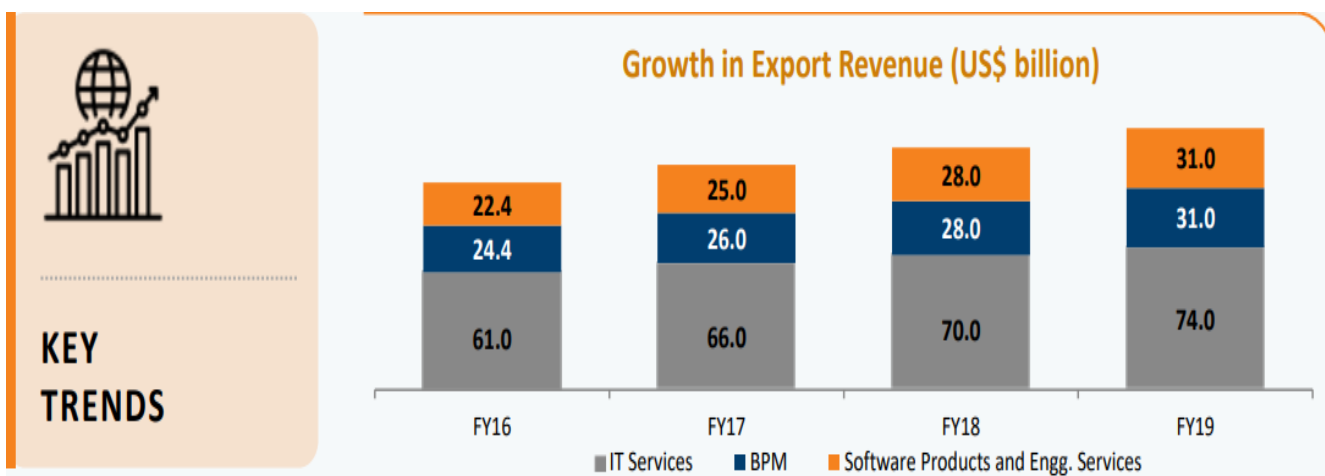


Exhibit 3: Engineering R&D and product development and Indian Technology revenue FY20



(Source- IBEF)

Investment Overview

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 7.4% of India's GDP in FY22, and it is expected to contribute 10% to India's GDP by 2025. As innovative digital applications permeate sector after sector, India is now prepared for the next phase of growth in its IT revolution. India is viewed by the rest of the world as having one of the largest Internet user bases and the cheapest Internet rates, with 76 crore citizens now having access to the internet. The current emphasis is on the production of significant economic value and citizen empowerment, thanks to a solid foundation of digital infrastructure and enhanced digital access provided by the Digital India Programme. India is one of the countries with the quickest pace of digital adoption. This was accomplished through a mix of government action, commercial innovation and investment, and new digital applications that are already improving and permeating a variety of activities and different forms of work, thus having a positive impact on the daily lives of citizens. India's rankings improved six places to the 40th position in the 2022 edition of the Global Innovation Index (GII).

MARKET SIZE

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 on investing 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. 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. The 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.

ROAD AHEAD

India is the topmost offshoring destination for IT companies across the world. Having proven its capabilities in delivering both on-shore and off-shore services to global clients, emerging technologies now offer an entire new gamut of opportunities for top IT firms in India. The Indian IT & business services industry is expected to grow to US\$ 19.93 billion by 2025. Spending on information technology in India is expected to reach US\$ 144 billion in 2023. By 2026, widespread cloud utilisation can provide employment opportunities to 14 million people and add US\$ 380 billion to India's GDP. As per a survey by Amazon Web Services (2021), India is expected to have nine times more digitally skilled workers by 2025. IT spending in India is expected to increase to US\$ 110.3 billion in 2023 from an estimated US\$ 81.89 billion in 2021. In November 2021, Mr. Piyush Goyal, Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, lauded the Indian IT sector for excelling its competitive strength with zero government interference. He further added that service exports from India has the potential to reach US\$ 1 trillion by 2030.

(Source- IBEF)

Addressable market for Sahana System Limited

Company is in to web app development, mobile application development, chat bot development all these can be done by every IT company so to enhance or excel in this field they have get in to product-based services and try to stick on to one good revenue generating business. The company is also looking to set up EV Charging Stations and currently is looking to cater the state of Andhra Pradesh. In coming times, the company might also look to increase in geographical expansion in other areas as well.

Competition

In IT sector there are two types of business one is service based and the other is product based. Service based is always highly competitive business and Company faces high competition from some of the big and established players and there is

threat of new entrants and new substitutes in the industry, so company has to use cutting edge technologies and keep updating according to the prevailing competition. In EV sector, currently the competition is not very high as the industry is still in its initial stage. Also, the threat of substitute is low with high threat of new entrant. The companies manufacturing EVs have their own charging stations or give them on contract to some good companies, so Sahana System has to look for these opportunities before some else grabs it.

PEER ANALYSIS

As per the prospectus there is no listed peer Company in India.

Promoters' Profile and Management Analysis

Mr. Pratik Kakadia



- Pratik Kakadia, aged 36 years, is the Chief Executive Officer of Company.
- He holds a degree in Bachelor of Business Administration in Marketing.
- He has an experience of more than 10 years in Finance, and Management

Analysis on the Company's Promoter and Board of Directors

Mr. Pratik Kakadia, aged 36, is the promoter and Chief Executive Officer of the company. He holds a degree in Bachelor of Business Administration in Marketing. He has an experience of more than 10 years in Finance, and Management.

Mr. Hetang Shah, aged 50, is the Chairman and Managing Director of the company. He holds degree of Bachelor of Commerce. He has an experience of more than 2 decades in Investment Banking. His expertise includes experience of turning around Organisation, management of finance and business process, capital structuring.

Ms. Hetal Patel, aged 36, is the non-Executive director of the company. She holds degree of Bachelor of Commerce.

Ms. Ekta Patel, aged 35, is an Independent Director of the company. She has completed her Bachelor of Commerce and completed her professional degree of Company Secretary from Institute of Company Secretaries of India (ICSI). She has experience in the field of Corporate Affairs and Secretarial works.

Ms. Nishita Sanghvi, aged 36, is an Independent Director of the company. She has completed her Bachelor of Commerce and Bachelor of Law. She is an Associate Member of the Institute of Company Secretaries of India and has experience in the field of corporate laws.

To conclude the company has one promoter Pratik Kakadia. He has decent experience in the field of Finance and Management which is not relating to the core business. The director, independent directors and non-executive directors are also educated and experienced in the fields which helps in the improvement of the company. But there are no Promoters or directors having IT background.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, March 2023
<u>Profit and Loss</u>			
Revenue from operations	331.47	1,217.39	2,414.23
Other income	-	-	-
Total Revenue	331.47	1,217.39	2,414.23
Expenses	247.17	939.69	1,446.77
Depreciation and Amortisation Cost	3.68	9.93	17.02
Finance Cost	58.21	72.24	64.25
Total Expenses	309.06	1,021.86	1,528.04
PBT	22.41	195.53	886.19
PBT Margin	6.76%	16.06%	36.71%
EBITDA	84.30	277.70	967.46
EBITDA Margin	25.43%	22.81%	40.07%
Net Profit	16.44	141.18	639.64
Net Profit Margin	4.96%	11.60%	26.49%
<u>Balance Sheet</u>			
Total Borrowings	723.25	512.59	477.04
Net Worth	17.44	452.06	1,079.71
Fixed Assets	16.11	47.45	72.68
Net Working Capital	-47.97	364.59	763.56
<u>Financial Measures</u>			
Inventory Turnover Ratio	0.48	1.44	1.83
Receivables Turnover Ratio	22.73	2.54	3.35
Payables Turnover Ratio	1.96	1.47	3.88
Fixed Assets Turnover Ratio	20.58	25.66	33.22
Return on Capital Employed	462.54%	59.23%	88.03%
Return on Equity	94.27%	31.23%	59.24%
Debt-Equity Ratio	41.47	1.13	0.44

(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. 84.30 lacs in 2021 to Rs. 277.70 lacs in 2022 and on 31st Mar 2023 it was Rs.967.46. The EBITDA on annualised basis has grown at a CAGR of 238.77%. The EBITDA margin in 2021 was 25.43%, 22.81% in 2022, and 40.07% up to Mar 2023. EBITDA is increased due to a substantial increase in revenue from operations with a percentage increase of 98.31% from FY 22 – 23 when compared to the percentage increase of 49.53% in expenses.

Net Profit

The net profit of the company has increased from Rs 22.41 lacs in 2021 to Rs. 195.53 lacs in 2022 and as on 31st Mar 2023 it increased to Rs. 886.19 lacs. The net profit margin in 2021 was 6.76%, 16.06% in 2022 and 36.71% up to 31st Mar 2023. Increase in Net profit is due to increase in EBITDA.

Finance Cost

The company's financial cost is only due to Interest Expenses, and Other borrowing costs.

Financial Measures/Ratios

RoCE of the company up to 31st Mar 2023 is 88.03% vs 59.23% in 2022 and 462.54% in 2021. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis is expected to fall further down.

ROE of the company in 2021 was 94.27%, 31.23% in 2022, and 59.24% up to Mar 2023. The ROE has come down by a CAGR of -20.72% in FY 23. With an increase in equity base The ROE is expected to fall post IPO basis.

The inventory turnover ratio of the company has increased from 0.48 in 2021 and 1.44 in 2022 to 1.83 up to Mar 2023. Indicating that the company has been able to manage its inventory effectively.

The Receivables Turnover Ratio decreased significantly in FY 22, indicating that the company converting its receivables to cash has reduced. But has again increased in FY 22 – 23 indicating no proper trend in the turnover ratio.

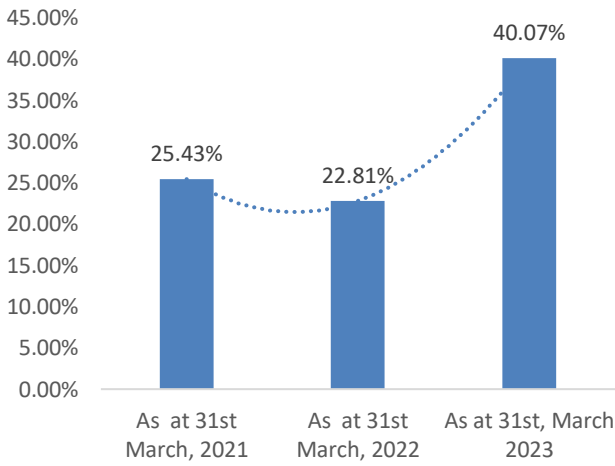
The Payables turnover ratio of the company has increased in FY 22 – 23 indicating that the company is able to pay back to its creditors. But from the working capital point of view, the company is left with less funds to fund its current assets.

Fixed assets turnover ratio has increased in FY 23 which implies that management is using its fixed assets more effectively.

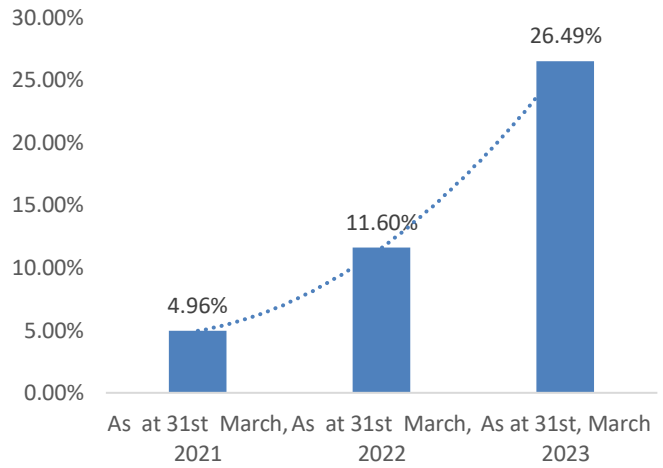
The company has a debt – equity ratio of 0.44 up to 31st March 2023 which shows the company is not highly leveraged. (DE on post IPO basis)

Financial Charts

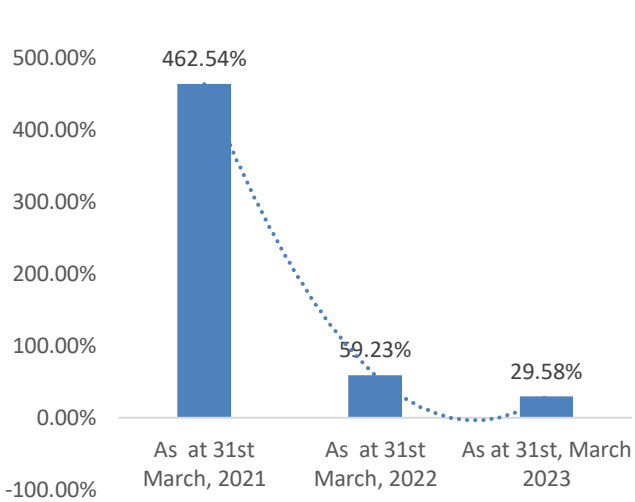
EBITDA Margin



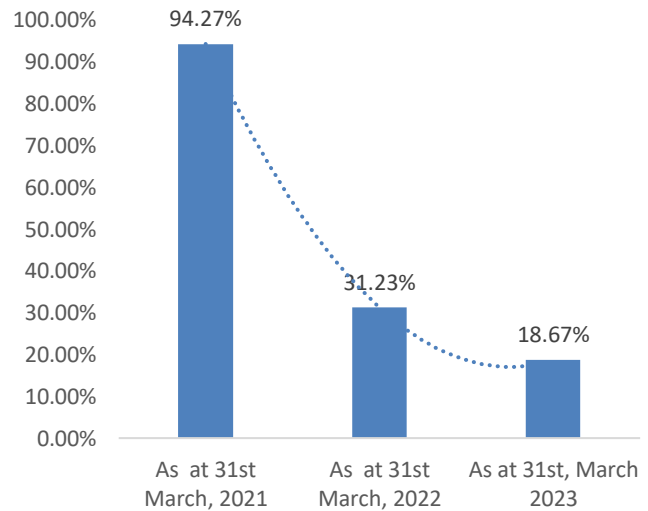
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. One of the Objects of the issue is for installation of EV charging station in which promoter has no experience.
2. May be unable to procure confirmed order from New & Renewable Energy Development Corporation of Andhra Pradesh Limited (NREDCAP) for the purpose for which funds are being raised from this Issue.
3. There are certain outstanding legal proceedings involving in Company, Promoter and Director, an adverse outcome of which may adversely affect business, reputation and results of operations. There are 3 litigations amounting to Rs. 93.53 lakhs and one litigation where the amount is unascertainable.
4. One of Promoter Group Members, Nilamben Kakadiya is a wilful Defaulter.

Track Record of Lead Manager

The lead manager to the issue is Unistone Capital Private Limited, and Interactive Financial Services. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Managers in recent times –

Unistone Capital Private Limited –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	MOS Utility Limited	49.96	76	April 18, 2023	108
2.	Global Surfaces Limited	154.98	140	March 23, 2023	195
3.	All E Technologies Limited	48.20	90	December 21, 2022	107
4.	Integrated Personnel Services Limited	12.74	59	November 11, 2022	80.5
5.	HP Adhesives Limited	125.96	274	December 27, 2021	425

#CMP is taken as on 29th May 2023

As per the offer document this is Unistone Capital Private Limited’s 9th mandate in the last 4 fiscals (including the ongoing one). Out of the last 5 listings, all mandates have opened at a premium ranging from 12.71% to 22.24% on the listing date. Thus, it has a good track record.

Interactive Financial Services –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP * (INR)
1.	Prospect Commodities Limited	7.48	61.00	Mar 20, 2023	71.00
2.	Patron Exim Limited	16.69	27.00	Mar 06, 2023	10
3.	Pace E-Commerce Ventures Limited	66.53	103.00	Oct 20, 2022	19.4
4.	Dipna Pharmachem Limited	15.21	38.00	Sep 08, 2022	17.40
5.	Rachana Infrastructure Limited	76.28	135.00	Jun 10, 2022	274

#CMP is taken as on 29th May 2023

As per the offer document this is Interactive Financial Services' 7th mandate in the last 2 fiscals (including the ongoing one). Out of the last 5 listings, 1 at par, 1 at discount, and rest listed at premiums. Thus, it has a decent track record.

Recommendation

The company has been into this industry since 2013 and has decent track record of existence. The revenue of the company along with the profit margins has shown extra-ordinary growth raising questions on its sustainability. The company has been gradually shifting from IT services to Hardware Trading and to EV Charging Stations.

The management of the company doesn't have primarily deal in the core business segment and one the promoters' group members is a wilful defaulter and there are certain outstanding legal proceedings involving in Company.

Looking at the above-mentioned scenarios, the company looks to be highly risky 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.