



IPO Details

Opening Date	June 02, 2023
Closing Date	June 07, 2023
Stock Exchange	NSE SME
Lot Size	800 shares
Issue Price	₹180 per share
Issue Size	10,00,000 Equity Shares
Application Amount	₹ 1,44,000
Amount Raised (Issue Type)	₹18 Cr (Fresh Issue- ₹18 Cr)

IPO Objective

1. To meet the Working Capital requirements
2. Investment in Strategic Acquisition / Joint Venture.
3. General Corporate Expenses.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	25,12,440	99.70%
Public	7,560	0.30%

Promoter of the Company

1. Ravindra Navinchandra Doshi
2. Kashmira Ravindra Doshi
3. Chaitanya Ravindra Doshi

Competitive Strengths

1. Experienced Promoter, Management Team and Skilled Workforce.
2. Established Optic fiber network in Maharashtra.
3. Efficient Business Model.
4. Co-ordial relationship with our suppliers and contractors.

Company Background

- Kore Digital Limited was incorporated in the year 2009 headquartered in – Maharashtra, Mumbai.
- Company is engaged primarily in the business of installing and commissioning of Poles, Towers and Optical Fibre.
- Company provides passive communication infrastructure services mainly to the Telecom Network Operators, Broad Band Service Operators and Internet Service Providers (“ISPs”) in Maharashtra, especially in locations in and around Mumbai.
- As on date of filing of Red Herring Prospectus, company have 19 employees on their payroll.

Financial Summary

For the Period Ended	(INR In Lacs.)		
	Mar-21	Mar-22	Dec-22
Total Assets	584.81	1,441.57	1,573.07
Net Assets	34.14	252.11	506.02
Total Borrowings	21.96	17.72	184.18
Total Revenue	397.90	1,694.45	1,195.71
Profit After Tax	25.93	217.97	253.92

Tentative Timeline

Opening Date	June 02, 2023
Closing Date	June 07, 2023
Basis of Allotment	June 12, 2023
Initiation of Refunds	June 13, 2023
Credit of Shares to Demat	June 14, 2023
Listing Date	June 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

Kore Digital Limited (Kore Digi) was set up with an object to provide high-end communication solutions to corporate and Telecom Network Operators. They are a growing passive telecommunication infrastructure provider in Maharashtra, engaged primarily in the business of installing and commissioning of Poles, Towers and Optical Fibre Cable (“OFC”) Systems in Maharashtra. “Passive infrastructure” refers to the telecommunication towers for wireless telecommunication services and “OFC” is used for the purpose of hosting and assisting in the operation of the active infrastructure used for transmitting telecommunications signals or transporting voice and data traffic. Being a passive communication infrastructure Company, they are focused towards providing passive communication infrastructure services mainly to the Telecom Network Operators, Broad Band Service Operators and Internet Service Providers (“ISPs”) in Maharashtra, especially in locations in and around Mumbai.

Analysis

Company is engaged primarily in the business of installing and commissioning of Poles, Towers and Optical Fibre and Company provides passive communication infrastructure services mainly to the Telecom Network Operators, Broad Band Service Operators and Internet Service Providers (“ISPs”). Company has been licensed by Department of Telecommunications (DoT) with the Infrastructure Provider (IP)-I License in the year 2009, under which company can establish and maintain assets Dark Fibres, right of way, duct space and tower for the purpose to grant on lease or rent or sale basis to the licensees of Telecom Network Operators, Broad Band Service Operators and ISPs. Top customers in Telecom Network Operators are Bharti Airtel Limited, Vodafone Idea Ltd, Reliance JIO, Tata Teleservices in Telecom, Vendors are Ductrove Innovations Private Limited, Sterlite Technology Limited and Usha Martin Limited, in Broad Band Service Operators are Dvois SSV Private Limited, Intech Online Pvt Ltd, and in ISPs are Dvois Communication Private Limited.

Company projects under Execution

(Rs. in lacs)

Clients	Project Details	Total Order Value (unbilled)	Project Start date	Estimated Project Completion date
Airtel/Vodafone	Constructing 15 Km Duct route Thane Ghod Bandar Road	500	Feb-22	Dec-23
Airtel/Vodafone/JIO	Constructing 100 Km Duct route at Bhiwandi-Kalyan, Shil Phata road	1,200	Jun-22	Mar-23
L&T	Laying OFC Ducts in Mumbai for 200 Km	2,000	Mar-23	Dec-23

Last year in 2022 company completed project of Mumbai Pune Expressway total order value of 2,600 lakhs and this year they have total order value of 3,700 lacs which is a good sign.

Under the IP-I License, last 14 years (from incorporation till 2023), have commissioned more than 600 pole-based cell sites in and around Mumbai, they have developed a network of around 450 KM underground Optic fiber Ducts during the last 5 years. As on the date of filing this Prospectus, Company have laid this underground Optic fiber of around 450 Kms for Telecom Network Operators are Bharti Airtel Limited, Vodafone Idea Ltd, Tata Teleservices and Reliance Jio, which includes fibre laid under Vendor Projects and own network running across Mumbai- Navi Mumbai, Thane, Bhiwandi, Kalyan, Panvel, and in Pune. The difficulty faced by companies in telecom industry is ROW (Right of Way) issue and this is the reason why companies from telecom industry opts for services from companies like kore digital.



Industry Charts

Exhibit 1: Global Rank

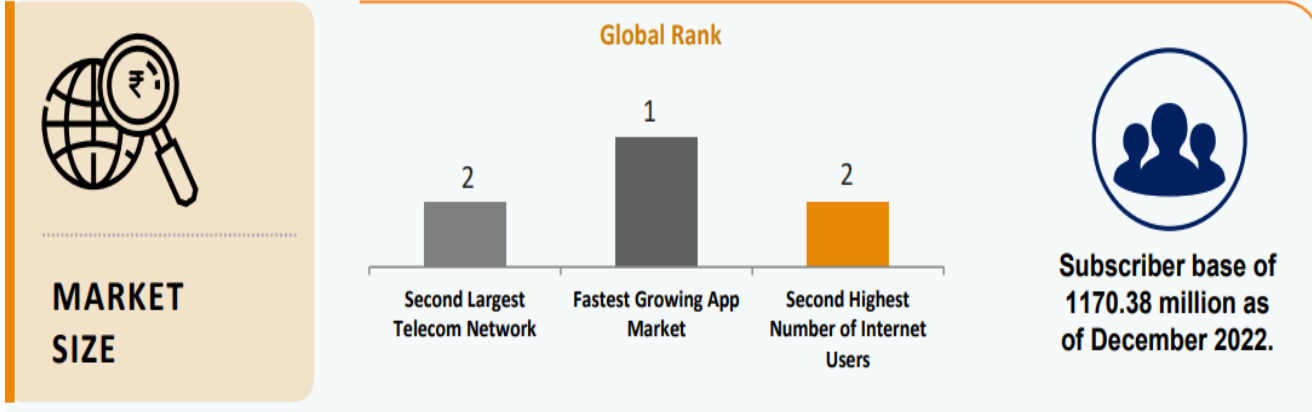


Exhibit 2: Sector wise break-up of Indian IT market and Export revenue

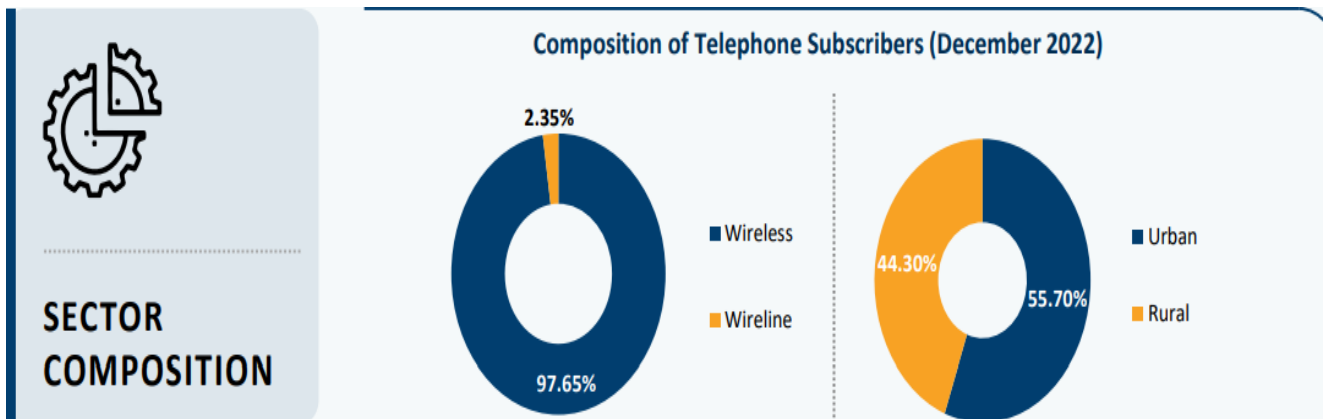
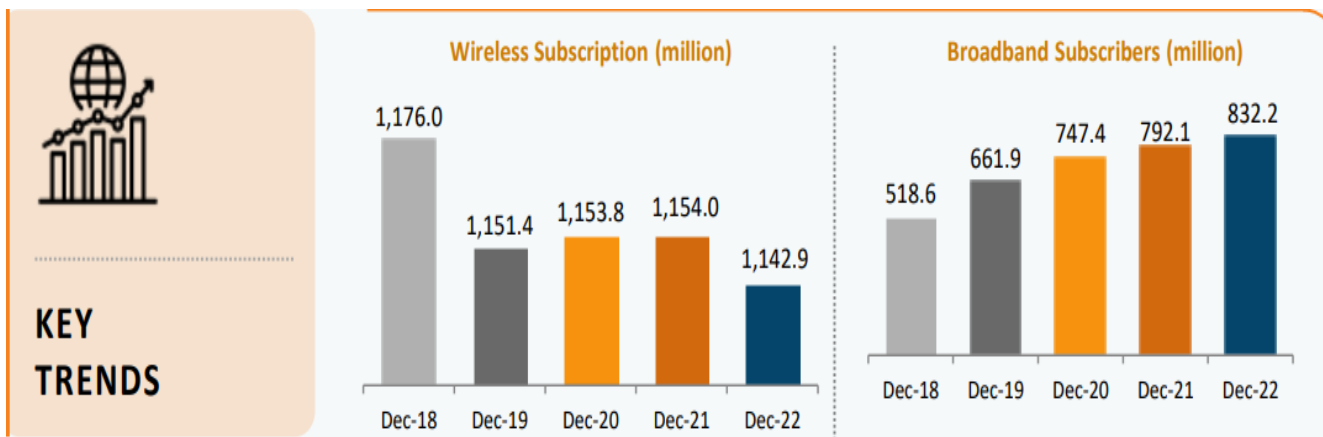


Exhibit 3: Engineering R&D and product development and Indian Technology revenue FY20



(Source- IBEF)



Investment Overview

Currently, India is the world's second-largest telecommunications market with a subscriber base of 1,170.38 million in December 2022 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 the 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 of the Indian telecom sector. The Government has enabled easy market access to telecom equipment and a fair and proactive regulatory framework, that has ensured the availability of telecom services to consumers 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.

MARKET SIZE

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 84.56%, as of December 2022, total broadband subscriptions grew to 832.2 million until December 2022 and the total subscriber base stood at 1170.38 million in December 2022. Gross revenue of the telecom sector stood at Rs. 76,408 crore (US\$ 9.3 billion) in the first quarter of FY23. The total wireless data usage in India grew at a rate of 6.65% from 37,626 PB in September 2021 to 40,126 PB in September 2022. The contribution of 2G, 3G and 4G data usage to the total volume of wireless data usage was at 0.16%, 1.02% and 98.81%. The total number of internet subscribers reached 850.95 million in June-September 2022. The wireless segment accounted for 95.4% of the total telephone subscriptions in June 2022. 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.



ROAD AHEAD

Revenue from the telecom equipment sector is expected to grow to US\$ 26.38 billion by 2020. The number of internet subscribers in the country is expected to double by 2021 to 829 million and overall IP traffic is expected to grow four-fold at a CAGR of 30% by 2021. According to a Zenith Media survey, India is expected to become the fastest-growing telecom advertisement market, with an annual growth rate of 11% between 2020 and 2023. The Indian Government is planning to develop 100 smart city projects, and IoT will play a vital role in developing these cities. The National Digital Communications Policy 2018 envisaged attracting investment worth US\$ 100 billion in the telecommunications sector by 2022. App downloads in India is expected to increase to 18.11 billion in 2018F and 37.21 billion in 2022F.

(Source- IBEF)

Addressable market for Kore Digital Limited

Company has been mainly engaged in the work of laying fiber cable for own network as well for the customers. During the past decade company has created its own fibre optic network of around 450 Kms which run across the cities in Maharashtra. Apart from their network, they have also undertaken Vendor Projects for around 200 Kms. By identifying areas where the Telecom companies want to operate (but are avoiding executing routes due to local resistance or financial or other feasibility) company can undertake the work of fibre laying in these places which will increase its network coverage. These networks developed by them can be provided to the telecom operators on lease or sale on IRU basis.

Competition

Company operates in a competitive atmosphere specific to vendor projects executed for Telecom operators. They face competition from other optical fibre laying companies operating in the same geographies as them. There are entry barriers as it requires regulatory approvals to establish a business. Their costumers have bargaining power as there are limited telecom companies, whereas their suppliers have less bargaining power due to availability of many suppliers.

PEER ANALYSIS

As mentioned in the prospectus there is only 1 peer company viz. Suyog Telematics Limited. An analysis of the same has been given below –

Particulars	Kore Digital Limited			Suyog Telematics Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	13%	7%	2%	26%	18%	27%
EBITDA Margin	18%	10%	2%	58%	50%	46%
Return on Capital Employed	93%	72%	22%	23%	22%	29%
Return on Equity	86%	76%	22%	22%	17%	26%
EPS (INR)	2,179.72	259.29	18.19	39.48	24.03	32.53

Based on the above analysis all the margins of the company when compared to its peer is very low in the previous years. The RoCE and ROE of the company have increased from March-21 to March-22 for the company when compared to its peers. EPS has increased in FY 22 ahead of IPO.

Kore Digital Limited

- Leading P/E as on 31/05/2023 – 18.71
- EPS is based on post-IPO – 9.62



Promoters' Profile and Management Analysis

MR. RAVINDRA NAVINCHADRA DOSHI



- Mr. Ravindra Navinchadra Doshi, aged 61 years, is Promoter and Managing Director of our Company.
- He holds a degree of Master of Science and Post Graduate Diploma in Management. He has more than 32 years of experience in the industry.
- He is actively engaged in managing the Company. He is playing vital role in formulating business strategies and effective implementation of the same.

MRS. KASHMIRA RAVINDRA DOSHI



- Mrs. Kashmira Ravindra Doshi, aged 56 years, is Promoter and Executive Director and CFO of Company.
- She holds a degree of Bachelor of Commerce. She has more than 30 years of experience in the industry.
- She is looking into the financial and technical matters of the Company

Mr. Chaitanya Ravindra Doshi



- Mr. Chaitanya Ravindra Doshi, aged 26 years, is Promoter and Executive Director and CEO of Company.
- He holds a degree of Bachelor of Technology. He is currently working on setting and executing the organization's strategy, building, and overseeing the executive team.
- He is having work experience of 1 year with Trunet Private Limited as Computer and Communication Engineer and Kore Digital Limited as Software Engineer.



Analysis on the Company's Promoter and Board of Directors

Mr. Ravindra Navinchandra Doshi, aged 61, is Promoter, Chairman and Managing Director of the Company. He holds a degree of Master of Science and Post Graduate Diploma in Management. He has more than 32 years of experience in the industry. He is actively engaged in managing the Company. He is playing vital role in formulating business strategies and effective implementation of the same.

Mrs. Kashmira Ravindra Doshi, aged 57, is Promoter, Executive Director, and CFO of the Company. She holds a degree of Bachelor of Commerce. She has more than 30 years of experience in the industry. She is looking into the financial and technical matters of the Company.

Mr. Chaitanya Ravindra Doshi, aged 26, is Promoter, Executive Director, and CEO of the Company. He holds a degree of Bachelor of Technology. He is currently working on setting and executing the organization's strategy, building, and overseeing the executive team. He is having work experience of 1 year with Trunet Private Limited as Computer and Communication Engineer and Kore Digital Limited as Software Engineer.

Mr. Ajeet Krishna Kadam, aged 45, is Non-Executive Independent Director of the Company. He did Diploma from Sasmira's Institute of Design and Textile. He has an experience of more than 23 years manufacturing sector. He is a Founder of KK Steel Works, handling various manufacturing activities including steel and furniture.

Mrs. Hiral Jainesh Shah, aged 30, is Non – Executive Independent Director of the Company, is a Postgraduate and Company Secretary. She has decent experience in Secretarial field as she is in this profession since June 2016.

Ms. Ruchi Ramesh Gupta, aged 37, is a graduation from Delhi University and Article ship from Deloitte India Qualified Chartered Accountant having experience of more than 13 years with big 4 as well as big Corporates.

To conclude, there are 3 promoters for the company and 2 of them have vast experience in the business but not related to its core business. The CEO of the company has only one year of experience and him handling such a critical position is very risky for the company.



Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st Dec, 2022
<u>Profit and Loss</u>			
Revenue from operations	397.82	1,693.92	1,195.71
Other income	0.09	0.52	-
Total Revenue	397.91	1,694.44	1,195.71
Expenses	356.90	1,381.40	850.14
Depreciation and Amortisation Cost	4.85	8.44	3.99
Finance Cost	0.78	2.35	8.87
Total Expenses	362.53	1,392.19	863.00
PBT	35.38	302.25	332.71
PBT Margin	8.89%	17.84%	27.83%
EBITDA	40.92	312.52	345.57
EBITDA Margin	10.29%	18.45%	28.90%
Net Profit	25.93	217.97	253.92
Net Profit Margin	6.52%	12.87%	21.24%
<u>Balance Sheet</u>			
Total Borrowings	21.96	17.72	184.18
Net Worth	34.14	252.11	506.02
Fixed Assets	32.59	24.15	305.89
Net Working Capital	23.51	300.45	1,083.05
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	1.46	1.80	1.26
Receivables Turnover Ratio	2.96	9.15	4.12
Payables Turnover Ratio	7.20	1.93	56.25
Fixed Assets Turnover Ratio	12.21	70.14	3.91
Return on Capital Employed	64.30%	91.64%	24.47%
Return on Equity	75.95%	86.46%	50.18%
Debt-Equity Ratio	0.64	0.07	0.36

(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. 40.92 lacs in 2021 to Rs. 312.52 lacs in 2022 and on 31st Dec 2022 it was Rs. 345.57 lacs and if we annualise the same it would be around Rs. 460.76 lacs. The EBITDA has shown a growth when annualised with a CAGR of 235.56%. The EBITDA margin in 2021 was 10.29%, 18.45% in 2022 and 28.90% up to 31st Dec 2022. The increase in EBITDA Y-O-Y is due to the substantial increase in revenue from operations in the FY 21 -22.

Net Profit

The net profit of the company has grown from Rs. 35.38 lacs in 2021 to Rs. 302.25 lacs in 2022 and as on 31st Dec 2022 it was Rs. 332.71 lacs and if we annualise the same it would be around Rs. 443.92 lacs. The net profit margin in 2021 was 8.89%, 17.84% in 2022 and 27.83% up to 31st Dec 2022. The increase in net profit of the company Y-O-Y is because of the increase in revenue from operations and the increase as on 31st Dec 2022 is due to decrease in purchase of traded goods with a percentage decrease of 61.84% when compared to the decrease in revenue from operation and with also a collective decrease in expenditure.

Finance Cost

The company's finance cost mainly comprises of interest paid – Banks and Financial Institution.

Financial Measures/Ratios

RoCE of the company up to 31st Dec 2022 is 24.47% vs 91.64% in 2022 and 64.30% in 2021. Decrease in RoCE is due to an increase in capital employed when compared to increase in EBIT. With the increase in the equity base of the company through IPO, the RoCE on annualized basis is expected to fall further down to 19.05%.

ROE of the company in 2021 was 75.95%, 86.46% in 2022 and 50.18% up to Dec 2022, if annualised, ROE would be around 14.16%. Along with RoCE, ROE has also decreased. With increase of equity base, the ROE is expected to come further down on annualised basis resulting in an estimated CAGR of -56.82%.



Inventory Turnover Ratio has increased Y-O-Y and slightly decreased as on 31st Dec 2022. The decrease in inventory turnover ratio for the company is not a good indicator but is expected to increase to 1.68 when annualized.

The Receivables Turnover Ratio decreased in FY 22, indicating that the company converting its receivables to cash has reduced but is expected to increase to 5.50 when annualized.

Payables Turnover Ratio has increased significantly in FY 22, 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.

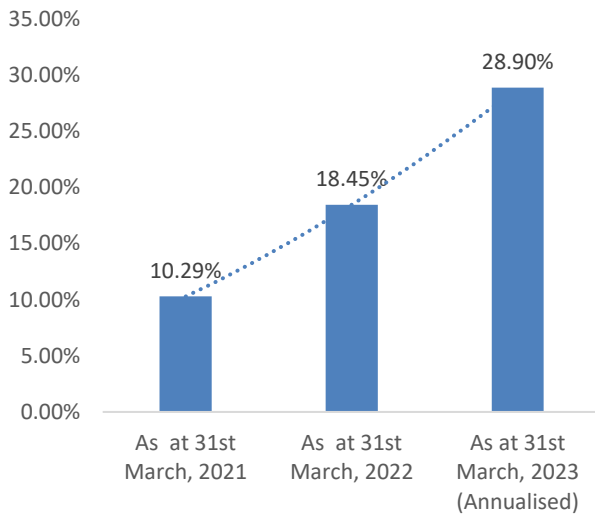
Fixed assets turnover ratio has reduced in FY 22 which implies that management is not using its fixed assets more effectively. The decrease in ratio is due to an increase in Fixed assets.

The company has a debt – equity ratio of 0.36 up to 31st Dec 2022 which shows the company is not highly leveraged.

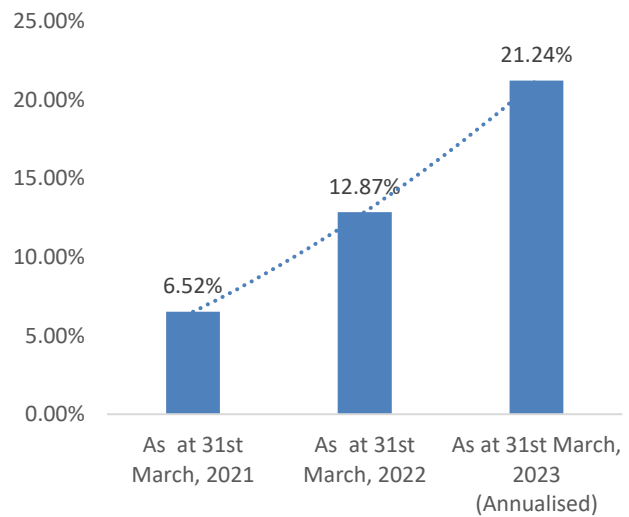


Financial Charts

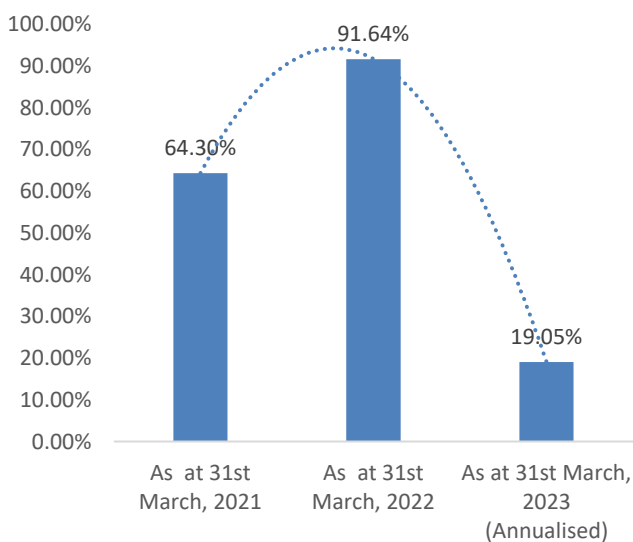
EBITDA Margin



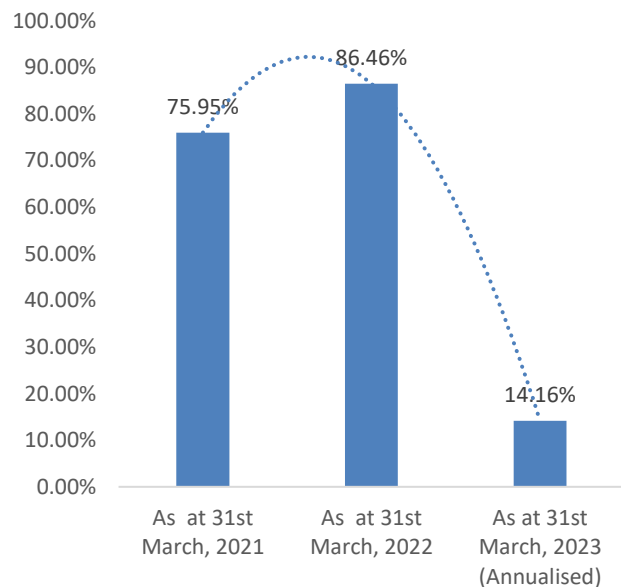
Net Profit Margin



Return on Capital Employed



Return on Equity





Key Risk Factors

1. There are certain outstanding legal proceeding involving Promoter and Promoter Entities which may adversely affect our business, financial condition and results of operations. There are two criminal cases on promoters.
2. Delays in the acquisition of the rights of way permission from government or local authorities may adversely affect our timely performance of our contracts and lead to disputes and losses.
3. Company business and financial condition would be materially and adversely affected if we fail to obtain new vendor projects or identify new routes to develop.
4. Company results of operations are subject to adverse weather conditions. Any adverse condition may affect ability to achieve or sustain profitability in the future, which adversely affect business.
5. Substantial portion of revenues has been dependent upon limited number of customers.



Track Record of Lead Manager

The lead manager to the issue is First Overseas Capital Limited. 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 –

First Overseas Capital Limited

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Nirman Agri Genetics Limited	20.30	99.00	March 28, 2023	92.8
2.	SVJ Enterprises Limited	6.12	36.00	March 09, 2023	39.14
3.	Amanaya Ventures Limited	2.76	23.00	March 09, 2023	13.5
4.	Ducol Organics And Colours Limited	31.51	78.00	January 19, 2023	120.70
5.	SVS Ventures Limited	11.24	20.00	January 12, 2023	7.55
6.	QMS Medical Allied Services Ltd	56.87	121.00	October 11, 2022	133
7.	Varanium Cloud Limited	36.60	122.00	September 27, 2022	180
8.	Ishan International Limited	18.24	80.00	September 22, 2022	24.4
9.	Veerkrupa Jewellers Limited	8.10	27.00	July 18, 2022	3.20
10.	Nanavati Ventures Limited	2.18	50.00	May 06, 2022	44

#CMP is taken as on 31st May 2023

As per the offer document this is First Overseas Capital Limited's 15th mandate in the last 3 fiscals (including the ongoing one). Out of the last 10 listings, 2 at Par, 1 at Discount, and the rest have opened at a premium ranging from 2.5% to 43.52% on the listing date. Thus, it has a decent track record.



Recommendation

The company has been into this industry since 2009 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. Company has good order book for the coming years compared to the previous years.

The management of the company has an overall experience of over 32 years in the field of Telecom infrastructure sector. One of the promoters having only 1 year of experience is holding the position of CEO which seems to be risky.

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.