



IPO Details

Opening Date	June 09, 2023
Closing Date	June 14, 2023
Stock Exchange	NSE SME
Lot Size	800 shares
Issue Price	₹ 173 per share
Issue Size	60,77,600 Equity Shares
Application Amount	₹ 1,38,400
Amount Raised (Issue Type)	₹105.14 Cr (Fresh Issue-₹89.71 Cr & OFS-₹15.43 Cr)

IPO Objective

1. Funding Working Capital Requirement.
2. Acquisitions of Businesses in similar or complementary areas.
3. General Corporate Purposes.
4. Offer Expenses.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,79,07,496	100%
Public	-	-

Promoter of the Company

1. Mr. Vidur Gupta
2. Mr. Sidharth Agarwal

Competitive Strengths

1. Tech Driven organization with an in-House Technology for servicing deputed staff/employees.
2. Young organization.
3. Zero Debt/Little Leverage.
4. Flat hierarchy structure giving excellent decision-making flexibility.

Company Background

- Spectrum Talent Management Limited was incorporated in the year 2012 and is headquartered in Delhi-India.
- The Company is engaged human resource and staffing services.
- They offer a wide array of services such as Recruitment, Payroll, Onboarding and flexible staffing, satisfy firms' staffing, and recruitment needs globally.
- As on the date of Red Herring Prospectus, they serve to more than 275 clients in domestic and offshore markets. Human Resource database is the key asset for this industry, as on December 31, 2022, they have 15,606 personnel deployed at various locations for their clients.
- As on date of filing of Red Herring Prospectus, company have 382 employees on their payroll.

Financial Summary

	(INR In Lacs.)		
For the Period Ended	Mar-21	Mar-22	Dec-22
Total Assets	4,630.20	6,479.29	8,657.66
Net Assets	1,976.30	2,827.37	4,844.57
Total Borrowings	60.72	1,026.88	255.09
Total Revenue	30,296.00	48,372.18	58,415.74
Profit After Tax	476.41	1,552.71	1,997.46

Tentative Timeline

Opening Date	June 09, 2023
Closing Date	June 14, 2023
Basis of Allotment	June 19, 2023
Initiation of Refunds	June 20, 2023
Credit of Shares to Demat	June 21, 2023
Listing Date	June 22, 2023



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Company Overview

Spectrum Talent Management Limited was incorporated in the year 2012 headquartered in Delhi-India and is engaged human resource and staffing services, they offer a wide array of services such as Recruitment, Payroll, Onboarding and flexible staffing, satisfy firms' staffing, and recruitment needs globally. As on the date of Red Herring Prospectus, they serve to more than 275 clients in domestic and offshore markets. Human Resource database is the key asset for this industry, as on December 31, 2022, they have 15,606 personnel deployed at various locations for their clients. They have a wholly owned subsidiary namely STM Consulting Inc. majorly operating in the USA. Further, they have 90% subsidiary namely STM Consulting Limited, majorly operating in the UK. Both the entities are engaged in the business of employment placement agencies, temporary employment agency activities and Human resources provision and management of human resources functions. Company is also involved in the business of export of electronic products.

Analysis

Being in operations since 2012, the company is decent track record of existence the business and all the promoters of the company have a decent experience in the industry. Company generates its revenue from core HR Services business and from exports of electronic products (primarily exporters of Mobile Phones of Various brands from India to the UAE). For exports of electronic products, company procures mobile handsets of different brand from the large procurement network of Dealers which is developed by them and is spread across the country on the basis of the order received from customer in the UAE. Further bifurcation of revenue is given below.

Spectrum Talent Management Ltd revenue bifurcation: -

(Rs. in lakhs)

Particulars	As at Dec 31st,	For The Year Ended March 31st,		
	2022	2022	2021	2020
a) <u>Sale of products:</u>				
- Exports	20,165.41	10,064.23	-	-
- Domestic	-	0.06	-	-
b) <u>Sale of services:</u>				
- Manpower supply, Recruitment and related services	37,357.88	37,899.63	30,238.90	32,321.82
c) <u>Other operating revenues:</u>				
-Exchange Rate Variation Gain	294.27	161.34	-	1.89
- Export Incentive	585.24	196.83	-	7.91
Total	58,402.80	48,322.09	30,238.90	32,331.62



Service offered by spectrum talent management in core HR Services business are: -

1. General Staffing – (i) Flexi Staffing, (ii) Apprentice Solution, (iii) Payroll Management, and (iv) Compliance Management.
2. RPO (Recruitment Process Outsourcing- Permanent Recruitment) - (i) IT Permanent Hiring Vertical, (ii) Telecom Permanent Hiring Vertical, (iii) Semiconductor Permanent Hiring Vertical, (iv) Life science Permanent Hiring Vertical, (v) Automobile Permanent Hiring Vertical, (vi) FMCG Permanent Hiring Vertical, (vii) ITES Permanent Hiring Vertical, (viii) BFSI Permanent Hiring Vertical, and (ix) C & A Permanent Hiring Vertical.
3. Global HR Services – (i) Global local recruitment, (ii) US Staffing, and (iii) Remote workforce.

Subsidiary STM Consulting, Inc. provides comprehensive Professional Services and IT Outsourced services across North America. The solutions offered include Flexible Staffing, Managed Services, Contingent Recruitment, Contract Staffing, Executive Search, Global Recruitment, IT Staff Augmentation, On-boarding and Payroll.

Industry Wise Bifurcation of Revenue from Core business: -

(Rs. in lakhs)

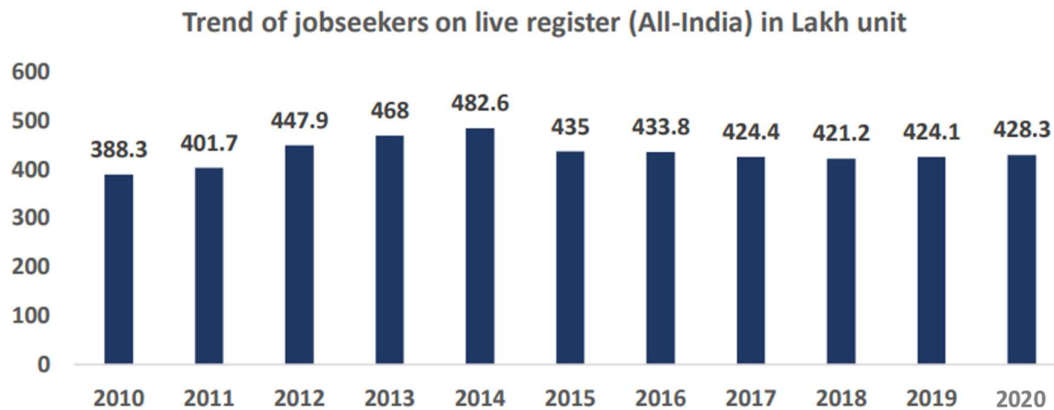
Industry	2019-20	(%)	2020-21	(%)	2021-22	(%)	Apr'22 to Dec'22	(%)
Retail	15,905.85	49.21	12,032.10	39.79	13,227.50	34.90	14,066.88	37.73
Engineering	4,811.05	14.88	8,129.80	26.89	10,979.70	28.97	8,990.86	24.12
IT/ITES	792.37	2.45	1,464.10	4.84	2,345.17	6.19	3,525.43	9.46
Logistics	7.60	0.02	426.11	1.41	2,664.54	7.03	3,516.72	9.43
BFSI	7,487.80	23.17	5,524.62	18.27	4,711.83	12.43	3,435.81	9.22
Manufacturing	2,233.19	6.91	2,075.74	6.86	2,624.58	6.93	2,163.61	5.80
Others	610.89	1.89	303.28	1.00	767.07	2.02	1,070.86	2.87
Pharma	421.31	1.30	263.39	0.87	560.88	1.48	492.65	1.32
Consulting	51.76	0.16	19.76	0.07	18.42	0.05	18.42	0.05
Grand Total	32,321.82	100.00	30,238.90	100.00	37,899.69	100.00	37,281.24	100.00

To conclude, the market for business segments company deals in have good prospect in future, whereas the industry in which company operates in is highly competitive with both organized and unorganized players. They provide wide range of services in HR management and also exports in electronic products, two totally different business segments.



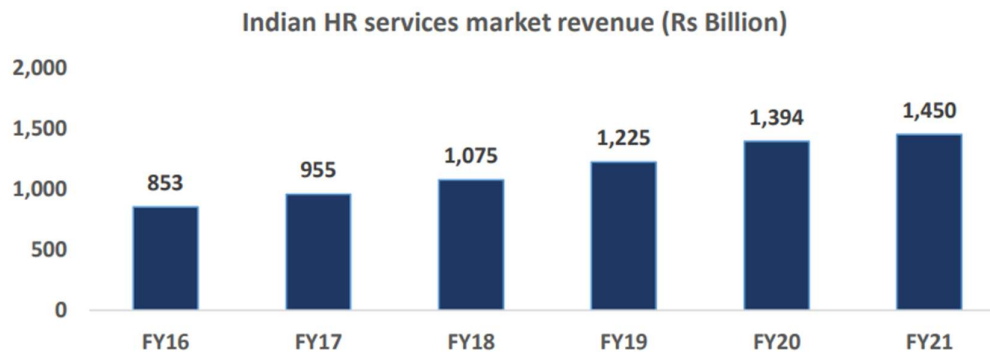
Industry Charts

Exhibit 1: Trend of jobseekers in India



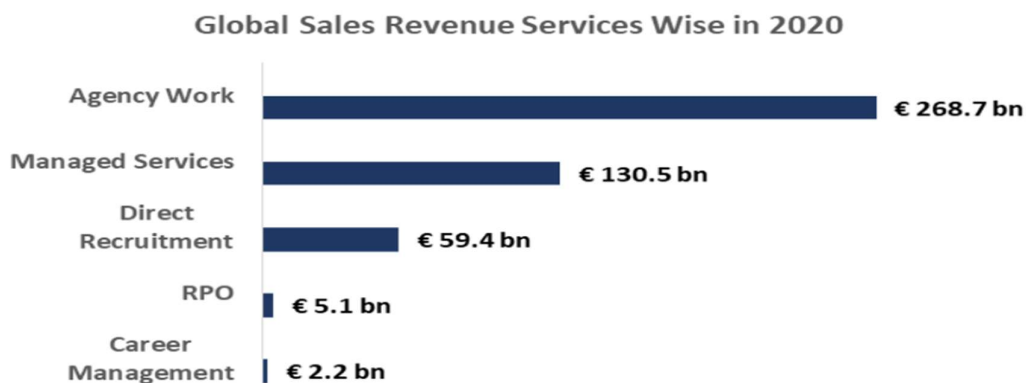
(Source- Prospectus)

Exhibit 2: Indian HR services market revenue



(Source- Prospectus)

Exhibit 3: Global Sales Revenue Services Wise



(Source- Prospectus)



Investment Overview

Overview of Indian Staffing Industry

It is observed that despite COVID-19's horrible impact on business around the world. The organized staffing business in India has continued to expand at a rapid pace. According to a survey, the Indian staffing business grew by 3.6% in fiscal year 2020-21, owing to a comeback in the fourth quarter of the previous fiscal year. According to the report, post-pandemic flexi-employment market trends and it has influenced women, young, and high-skilled employees in a good way. It is also noted that regardless the pandemic situation, temporary staffing grew in IT, E-commerce, Logistics and Manufacturing sectors. Flexi Staffing is growing trend in an Indian job economy. Around 72% of Flexi workers want to keep working as same, and 85% of Flexi workers are happy with their current situation.

Staffing industry added new employment at a sharp 21.9% YoY (2021-22), compared to a 3.6% new employment generated in the previous year. General Staffing Industry net new employment grew at 21%, adding 1.57 lakhs new formal workforce, from the year before at 18.1%. General Staffing Industry was primarily driven by demands from FMCG, E-commerce, Manufacturing, Healthcare, Retail, Logistics, Banking, Energy etc.

Staffing Industry witnessed a sharp jump with 30.7% growth, adding further new employment, than the year before at 14.1%. The demands were driven primarily with the digital adoption across sectors. A few promising impact sectors to continue will be Fintech, IT, infra etc. IT staffing industry post Q2 also started witnessing a stabilization in the demand, with Q4 bringing a sharp response from geo political scenario developing across the world from the Ukraine war impact of global financial markets among others.

Overall, the Staffing Industry continued a stable Quarter on Quarter (Net employment) growth at 4.2% in Q422. Staffing industry is poised to continue its contribution in the formal employment growth, as demand is seen to be moving at a stable rate.



Services offered in Industry

General Staffing: Services offered in this vertical is generally contractual for hiring lower grade employees on the basis of pre agreed terms and condition between the candidate, Hiring company and the employers. Payment received by the company is either Pay and Collect or Collect and Pay.

Recruitment: This vertical caters permanent hiring for various higher-grade employee and fees are generally charged on pre agreed terms and condition.

IT Staffing: IT staffing referred to permanent staffing services to the clients globally.

Other Services: This includes various services offered by the company like Pay roll management, managed services and others.

MARKET SIZE

The size of the HR services market in FY2021 was estimated at Rs 1.45 trillion. The market recorded strong growth in the past five years, expanding at a CAGR of 13.1% between FY2016 and FY2020, though this was punctuated by a marginal 4% growth in FY2021, according to Frost & Sullivan.

India accounted for 4.3% of the global staffing services market in 2020 in revenue terms. Although this value seems insignificant, in terms of volumes, Indian market is the sixth largest in the world and accounts for 5.8% of the total global market and has the potential to grow exponentially in the long term.

(Source- Prospectus)



Addressable market for Spectrum Talent Management

Company is currently providing resources on Contract and Fulltime basis in various geographical locations i.e., domestically and internationally to multiple Private sector organisations in the fields of Pharmaceuticals, Healthcare, Manufacturing, Banking and Financial Services and IT. They provide locally available talent to companies in multiple countries giving them the added advantage of dealing with 1 vendor for multiple geographies. This is based on leveraging the cost differences in delivering services in the international markets using India as a base.

Competition

They face competition from various domestic and international players. The industry in which company operates is unorganized, competitive and highly fragmented in India. There is no barrier to entry and they have relatively less bargain power.

**PEER ANALYSIS**

As mentioned in the prospectus there are 2 peer company viz. Quess Corp Limited and Team Lease Services Limited. An analysis of the same has been given below –

Particulars	Spectrum Talent Management Limited			Quess Corp Limited			Team Lease Services Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	3%	2%	2%	2%	1%	-4%	0.60%	1.60%	0.67%
EBITDA Margin	3%	2%	3%	5%	4%	6%	2.19%	1.99%	1.79%
Return on Capital Employed	51%	20%	51%	14%	7%	13%	12%	8%	9%
Return on Equity	55%	24%	45%	10%	3%	-19%	6%	12%	6%
EPS (INR)	9.07	10.03	14.23	16.30	3.92	30.15	22.48	45.33	20.46

Based on the above analysis all the margins of the company when compared to its peers is slightly high in previous years. The RoCE, ROE of the company when compared to its peers are high in previous years. The EPS of the company is low compared to its peers.

Spectrum Talent Management Limited:

- Leading P/E as on 07/06/2023 – 15 times.
- EPS is based on post-IPO – Rs. 11.53



Promoters' Profile and Management Analysis

Mr. Vidur Gupta



- Mr. Vidur Gupta, aged 38 Years, is the Promoter and Managing Director of the Company.
- He has done his MBA in Entrepreneurship and is a specialist in Strategy & Business Development.
- He handles the Permanent Recruitment, Sales and Marketing and the International Business for the company.

Mr. Sidharth Agarwal



- Mr. Sidharth Agarwal, aged 38 Years, is the Promoter, Whole-Time Director & CFO of the Company.
- He studied for his Bachelors in Business and Masters in Business from Amity Business School.
- He handles the Contract staffing, Finance, and operations for the company.



Analysis on the Company's Promoter and Board of Directors

Mr. Vidur Gupta, aged 38, is one of the Promoters and Managing Directors of the Company. He is the Co-Founder of Spectrum Talent Management Limited. He holds a bachelor's degree in hospitality and MBA in Entrepreneurship and is a specialist in Strategy & Business Development. He handles the Permanent Recruitment, Sales and Marketing and the International Business for the company.

Mr. Sidharth Agarwal, aged 38, is one of the Promoters, Whole-Time Director & CFO of the Company. He studied for his bachelor's in business and master's in business. He has been instrumental in ramping up Contract staffing operations and maintaining overall profitability for the company. He handles the Contract staffing, Finance, and operations for the company.

Mr. Rajesh Gupta, aged 64, is the Non- Executive Director of the Company. He has completed his engineering degree. Rajesh brings over 40 years of experience in many business lines.

Mr. Rajeev Agarwal, aged 65, is the Non-Executive Director of the Company. He has completed B. Com (Honors). Rajeev brings on board a long association with several retail businesses.

Mr. Anup Kumar Jaiswal, aged 64, is an Independent Director of the Company. He has completed his M.A, an LLB. He has held various positions in Government authorities viz. Chairman Income Tax Settlement Commission, Principal Chief Commissioner Income Tax etc.

Ms. Anubha Agarwal, aged 38, is an Independent Director of the Company. She is a Fellow Company Secretary and a Lawyer serving the legal profession for more than 17 years. In her current role, she is working as the Legal Counsel India for United Airlines.

Mr. Suresh Kumar Mehra, aged 62, is an Independent Director of the Company. He has completed his post-graduation. He is a diligent insurance professional with over 36 years of experience maintaining seamless business operations.

To conclude, the prospectus does not include the years of experience the promoters have in the business operations, whereas from the outlook of their brief biographies they seem to have decent experience in the business. The Non - Executive directors, and the independent directors of the company have decent experience in the sector which helps in the growth of the business.



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	30,238.90	48,322.10	58,402.80
Other income	57.10	50.08	12.94
Total Revenue	30,296.00	48,372.18	58,415.74
Expenses	29,740.59	46,729.46	56,246.54
Depreciation and Amortisation Cost	87.38	87.88	105.36
Finance Cost	13.93	11.94	48.33
Total Expenses	29,841.90	46,829.28	56,400.23
PBT	454.10	1,542.90	2,015.51
PBT Margin	1.50%	3.19%	3.45%
EBITDA	498.31	1,592.64	2,156.26
EBITDA Margin	1.65%	3.30%	3.69%
Net Profit	476.41	1,552.71	1,997.46
Net Profit Margin	1.58%	3.21%	3.42%
<u>Balance Sheet</u>			
Total Borrowings	60.72	1,026.88	255.09
Net Worth	1,976.30	2,827.37	4,844.57
Fixed Assets	179.25	272.18	316.77
Net Working Capital	1,720.30	2,462.85	4,528.67
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	-	241.18	447.33
Receivables Turnover Ratio	12.15	11.84	13.05
Payables Turnover Ratio	-	67.93	93.06
Fixed Assets Turnover Ratio	168.70	177.54	441.72
Return on Capital Employed	19.93%	51.29%	18.87%
Return on Equity	24.11%	54.92%	18.39%
Debt-Equity Ratio	0.03	0.36	0.02

(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. 498.31 lacs in 2021 to Rs. 1,592.64 lacs in 2022 and as on 31st Dec 2022 it was Rs. 2,156.26 lacs and if we annualize the same it would be around RS. 2,875 lacs. The EBITDA on an annualized basis has grown at a CAGR of 140.20%. The EBITDA margin in 2021 was 1.65%, 3.30% in 2022 and 3.69% up to 31st Dec 2022. The increase in EBITDA is due to an increase in revenue from operations and the increase in EBITDA margin is due to a decrease in percentage contribution towards Employee Benefit Expenses.

Net Profit

The Net Profit of the company has increased from Rs. 476.41 lacs in 2021 to Rs.1,552.71 lacs in 2022 and as on 31st Dec 2022 it was at Rs. 1,997.46 lacs and if we annualize the same it would be around 2,663.28 lacs growing at a CAGR of 136.44%. The Net Profit margin increased from Rs. 1.58% in 2021, 3.21% in 2022, and as on 31st Dec 2022 it was at 3.42%. The increase in Net Profit margin is due to increase in revenue from operations and the increase in Net Profit margin is due to decrease in percentage contribution towards Employee Benefit Expenses.

Finance Cost

The company's finance cost mainly comprises of Interest Expenses from Banks.

Financial Measures/Ratios

RoCE of the company up to 31st Dec 2022 is 41.48%, 51.29% in 2022 and 19.93% in 2021. If we annualize the same, it would be around 18.87%. The decrease in RoCE is due to an increase in Equity base of the company.

ROE of the company in 2021 was 24.11%, 54.92% in 2022, and as on 31st Dec 2022 it is at 41.23%. If we annualize the same, it would be around 18.39%. Along with RoCE, ROE has also decreased. With an increase in equity base, the ROE is expected to come further down on annualized basis resulting in an estimated CAGR of - 12.66%.

The inventory turnover ratio of the company in 2022 is at 241.18 and 335.49 up to Dec 2022. If we annualize for FY 2022 – 2023, it is expected to be around 447.33.



Receivables turnover ratio has decreased from 11.84 times to 9.79 times in 2022. The company converting its receivables to cash reduced to 9.79 times and is expected to increase to 13.05 times on an annualized basis.

Payables turnover ratio has increased from 67.93 times to 69.80 times in 2022 and is expected to increase to 93.06 on an annualized basis.

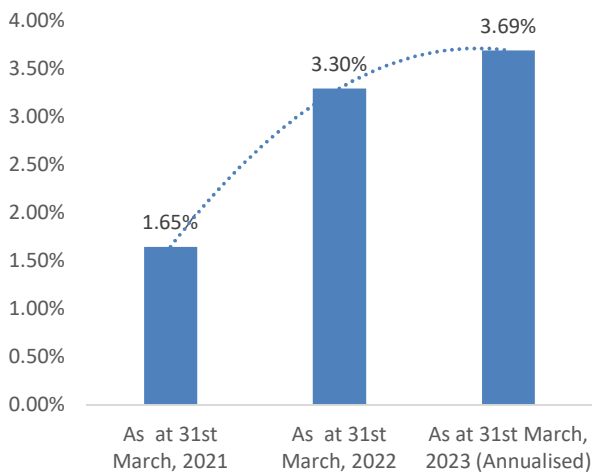
Fixed Asset Turnover Ratio has increased from 177.54 to 184.37 in 2022 and is expected to increase to 441.72 on an annualized basis.

The company has a debt-equity ratio of 0.05 as of 31st Dec 2022 which shows the company is not highly leveraged. The debt – equity ratio is going to go down to around 0.02 times post-IPO. The company is not fully utilizing its debt opportunity.

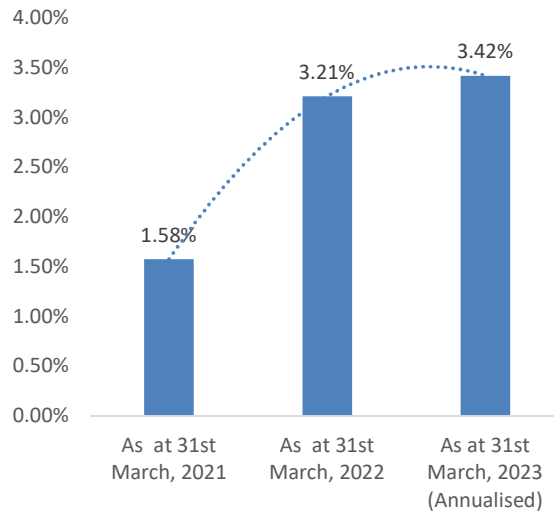


Financial Charts

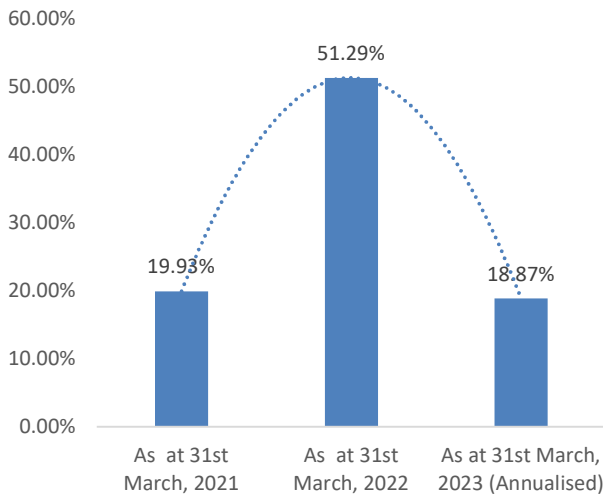
EBITDA Margin



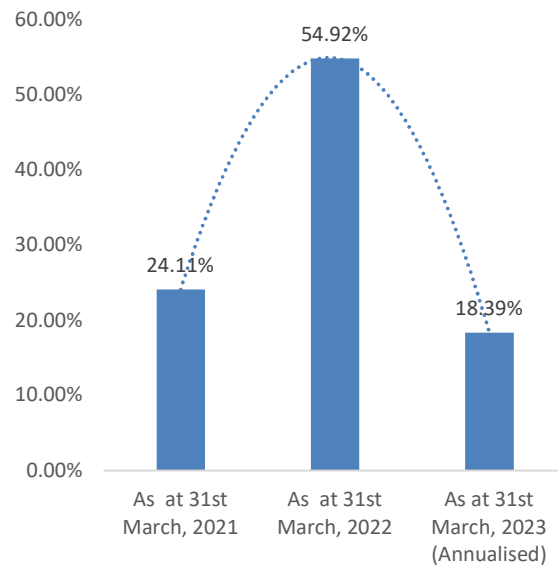
Net Profit Margin



Return on Capital Employed



Return on Equity





Key Risk Factors

1. Company's top 10 customers contributed 63.23%, 67.09% and 73.31% of revenues during the financial year 2021-22, 2020-21 and 2019-20 respectively, whereas, top five customers contribute 47.07%, 52.28% and 51.20% of revenues during the financial year 2021-22, 2020-21 and 2019-20 respectively. Any loss of business from one or more of them may adversely affect their revenues and profitability.
2. They operate in a highly competitive and fragmented industry with low barriers to entry and any inability to compete successfully against existing or new competitors, particularly in the unorganized segment, will affect their profitability and revenues.
3. As on March 2022 and December 2022, they have generated revenue of Rs. 10,064.29 lakhs & Rs. 20,165.41 lakhs respectively from export of Mobiles, contributing up to 20.81% & 34.52% respectively out of total income. As per the offer document there is possibility of discontinuing the electronics exports business in the future to focus on the core HR Services business, which will affect company's Revenues significantly.
4. Company, its Promoters, its Directors, Group Companies and Subsidiaries are involved in certain legal proceeding(s). Any adverse decision in such proceeding(s) may render them liable to liabilities/penalties and may adversely affect business and results of operations. Litigations filled against them are amounting to Rs. 101.87 lakhs.
5. The company have had a negative cash flow from operating activity for the year ended as of March 31st, 2022 amounting to Rs. (730.82) lacs.

**Track Record of Lead Manager**

The lead manager to the issue is Sarthi Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Sarthi Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Homesfy Realty Limited	15.86	197.00	January 02, 2023	418.95
2.	Frog Cellsat Limited	41.57	102.00	October 13, 2022	221.15
3.	P. E. Analytics Limited	31.60	114.00	April 04, 2022	151.25
4.	Vivo Collaboration Solutions Limited	4.40	82.00	December 31, 2021	110
5.	Bonlon Industries Limited	10.52	28.00	July 13, 2020	25.88
6.	Marshall Machines Limited	16.25	42.00	September 07, 2018	64.55
7.	Five Core Electronics Limited	46.66	140.00	May 21, 2018	31.7*
8.	Mittal Life Style Limited	4.41	21.00	April 02, 2018	12.90
9.	Marvel Decor Limited	26.26	57.00	March 23, 2018	35.50
10.	Arvee Laboratories (India) Limited	8.91	61.00	February 22, 2018	106.95

*CMP is taken as on 6th May 2023

* Five Core Electronics Limited CMP as on 16th May 2019.

As per the offer document Sarthi Capital Advisors Private Limited have had 6 mandates in the last three fiscal years (including the ongoing one). For Sarthi Capital Advisors Private Limited out of the last 10 that are mentioned above, 2 opened at par, 2 at discount, and the remaining have opened at a premium ranging from 0.71% to 39.61% on the listing date.



Recommendation

The company has been into this industry since 2012 and have a decent track record in the business. However, the company has also managed to increase its revenue at a good growth rate, along with a decent growth in EBIT margins and net profit margins.

The company has been in an industry which is highly competitive with low barriers to entry.

The management outlook of the company is decent as mentioned in the analysis, they have almost all the personnel in the top management with decent work experience relating to the company operates in. The roles and responsibilities of the management has been delegated accordingly.

The company is getting listed with a P/E of around 15 times which makes the stock fairly priced, looking at the performance of the company over the past years and when compared to its peers.

In conclusion, the company has shown a good growth in revenue, along with decent growth in EBIT margins and net profit margins, which can be sustained going forward. 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 can **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.