

IPO Details	
Opening Date	June 30, 2023
Closing Date	July 05, 2023
Stock Exchange	NSE SME
Lot Size	600 shares
Issue Price	₹237 per share
Issue Size	22,80,000 Equity Shares
Application Amount	₹ 1,42,200
Amount Raised (Issue Type)	₹54.03 Cr (Fresh Issue- ₹35.08 Cr & Offer for sale- 18.96 Cr)

IPO Objective	
1.	Repayment of certain Borrowings.
2.	Funding additional Working capital requirements.
3.	Investment in Strategic Acquisition/ Joint Venture.
4.	General Corporate Purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	70,00,000	100%
Public	0	0%

Promoter of the Company	
1.	Jagmohan Manilal Shah.
2.	Jatin Jagmohan Shah.
3.	Janvi Jatin Shah.

Competitive Strengths	
1.	Ability to provide customized and integrated IT solutions.
2.	Experienced and Result Oriented Team.
3.	Demonstrated track record of strong financial performance
4.	Quality of Services

Company Background	
○	Synoptics Technologies Limited was incorporated in the year 2008 and is headquartered in Mumbai, Maharashtra.
○	Company is engaged in providing IT Services offering solutions in the areas of IT Infrastructure like connectivity to the Branches, Supply, implementation and support of the network equipment's needed to run the IT setup like routers, switches etc.
○	Company is headquartered in Mumbai and has regional offices in 17 locations throughout India.
○	As on date of filing of Red Herring Prospectus, company have 584 employees on their payroll.

Financial Summary			
(INR In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Dec-22
Total Assets	3,759.78	4,279.80	5,379.95
Net Assets	1,444.49	1,876.85	2,402.21
Total Borrowings	1,194.70	1,410.03	1,959.06
Total Revenue	3,479.91	5,097.07	3,446.81
Profit After Tax	236.02	432.36	525.36

Tentative Timeline	
Opening Date	June 30, 2023
Closing Date	July 05, 2023
Basis of Allotment	July 10, 2023
Initiation of Refunds	July 11, 2023
Credit of Shares to Demat	July 12, 2023
Listing Date	July 13, 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

Synoptics Technologies Limited was incorporated in the year 2008. Company is offering solutions in the areas of IT Infrastructure like connectivity to the Branches, Supply, implementation and support of the network equipment needed to run the IT setup like routers, switches etc. Company designs the solution for customers who need to put their applications on Cloud and help for the application migration and manage the setup in the cloud. Synoptics helps enterprise, small businesses and Government in their Digital journey with various use cases of specific industry verticals with technology led and innovation driven approach.

Analysis

Company aims to reduce Total Cost of Ownership (TCO) and increase Return on Investment (RoI) for customers to adopt any kind of Digital Transformation use case with technology led and innovation driven approach. Company is headquartered in Mumbai and has regional offices in 17 locations throughout India and have B2B customers include government entities, public sector undertakings (“PSUs”), private enterprises. The company has recently signed an agreement with BSNL to become their authorized Private LTE / Private 5G service partner nationwide this would establish into upcoming private LTE / Private 5G opportunities.

Company generates revenue from various states and the top 5 revenue generating states for the company are given below –

(Amount in Lakhs)

Sr. No.	Particulars	31-12-2022	31-03-2022	31-03-2021
1	Maharashtra	2,714.02	4,212.68	2,539.72
2	Tamil Nadu	126.04	114.54	64.69
3	Karnataka	97.36	107.78	88.88
4	Madhya Pradesh	86.45	33.29	265.92
5	Gujarat	82.39	102.43	82.85

Company has projects from various companies and the upcoming years project details are mentioned below -

Clients	Project Details	Total Order Value (Rs. In Lakhs) *	Project Start date	Estimated Project Completed date
Bharat Sanchar Nigam Ltd	Providing wireless internet connectivity services	200	01-04-2022	Ongoing
Kotak Asset Management	Security solution	20	01-04-2022	Ongoing
Bank of Baroda Financial Services	Software defined networking solution with security	150	15-11-2018	14-11-2023
Pidilite industries Limited	Software defined networking solution with security	100	19-11-2018	18-11-2023
FIS Payment Solutions And Services India Pvt. Ltd	Manage Internet Services	25	10-06-2021	09-06-2024
Coforge Ltd	Sercutity Operation Centre Services	475.00	01-07-2023	31-08-2023

*As on May 31, 2023, approximate company's order book is Rs. 2,800.00 Lakhs recurring orders.

Total revenues for the financial year ending on March 2022, 2021 and 2020 is Rs. 5097.07 Lakhs, Rs. 3479.91 Lakhs and Rs. 2211.43 Lakhs and for the period ending on December 31, 2022 is Rs. 3466.81 Lakhs. In the coming years company has good order book in hand. This might help them have better cash flows in future.

Industry Charts

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

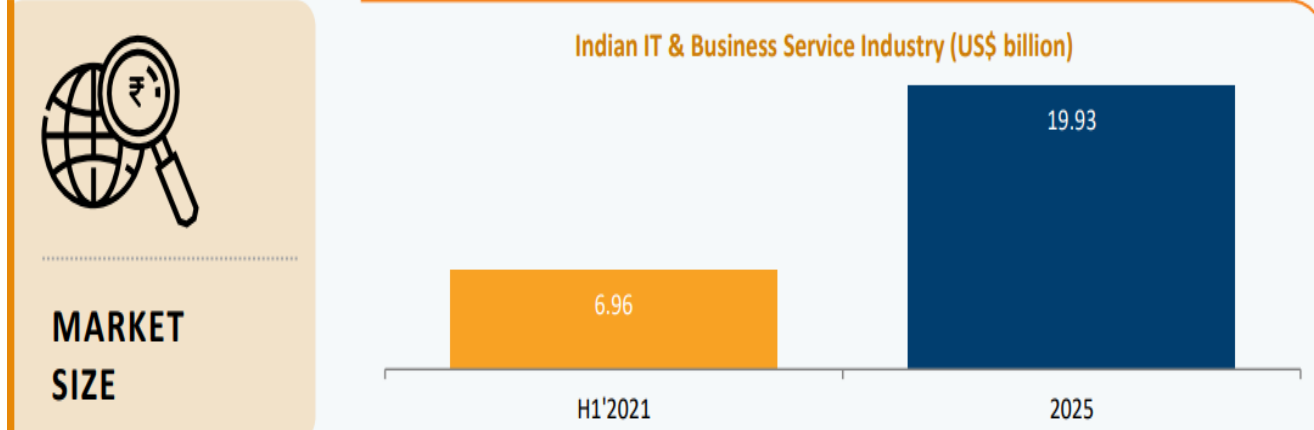


Exhibit 2: Sector wise break-up of Indian IT market and Export revenue

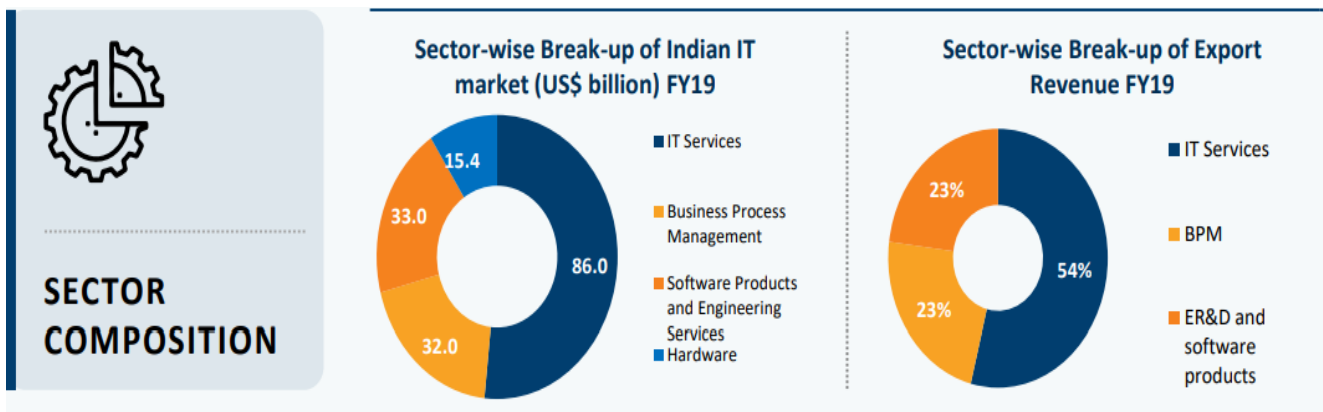
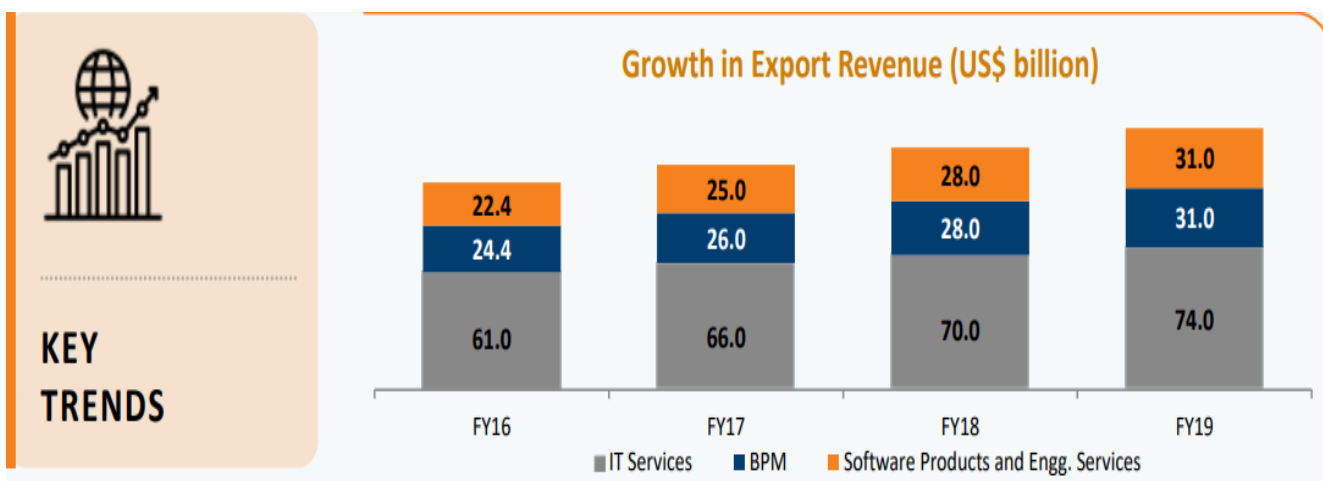


Exhibit 3: Engineering R&D and product development and Indian Technology revenue FY20



(Source- IBEF)

Investment Overview

IT Sector

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.

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.

(Source- IBEF)

Addressable market for Synoptics Technologies Limited

Company should build long term relationships with both existing and new clients. With existing clients, they can aim to expand the nature and scope of engagements by increasing the size and number of projects and extending the breadth of service offerings. For new clients, try to provide value added solutions by leveraging in-depth industry expertise and expanding the breadth of services offered to them. Being a service-based company, they can focus on gaining expertise in every new technology platform coming up in the market for value added services, cost-competitiveness, speed and easy to use. They can also focus on expanding their business to other countries.

Competition

Service based is always highly competitive business and Company faces high competition from some of the 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. Usually, bargaining power is very low for service-based companies as there is huge



competition in the market. They should continue to improve operational effectiveness and efficiencies to achieve cost reductions will help them to sustain threat of new substitutes and competitive rivalry.

PEER ANALYSIS

As mentioned in the prospectus there is 1 peer company viz. Allied Digital Services Limited. An analysis of the same has been given below–

Particulars	Synoptic technologies Limited			Allied Digital Services Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	8%	7%	8%	50%	20%	20%
EBITDA Margin	22%	22%	28%	57%	47%	51%
Return on Capital Employed	29%	23%	20%	8%	4%	4%
Return on Equity	23%	16%	15%	11%	4%	4%
EPS (INR)	6.13	3.47	2.91	11.26	3.80	3.83

Based on the above analysis net profit, EBITDA margins are lower than its peer and ROCE, ROE are higher when compared to its peer for all the three consecutive years. The EPS of the company is low when compared to its peers.

Synoptic Technologies Limited

- PE on post IPO basis – 28.69 times
- Post IPO EPS – 8.26

Promoters' Profile and Management Analysis

MR. JAGMOHAN MANILAL SHAH



- Jagmohan Manilal Shah, aged 76 years, is the Promoter and Executive Director of Company.
- He holds a Bachelor's Degree in Business Commerce. He has been actively involved in the Company's operations.
- He has been instrumental in the successful operation of the Company as has contributed towards effective and efficient administration of the Company.

MR. JATIN JAGMOHAN SHAH



- Jatin Jagmohan Shah, aged 46 years, is the Promoter and Managing Director of Company.
- He has done his Diploma in Industrial Engineering, Marketing Management from NMIMS and has obtained Post Graduate Diploma in Business Management Symbiosis International University.
- Since incorporation of SYNOPTICS, he has been actively involved in the Company's operations and management. He has been instrumental in establishing the service sector.

MRS. JANVI JATIN SHAH



- Janvi Jatin Shah, aged 46 years, is Promoter and CFO of Company.
- She has graduated in B.Com. from Mumbai University and certified Chartered Accountant from ICAI.
- She has an experience of 12 years in the fields of auditing, accounting, finance, marketing & sales, business administration and management

Analysis on the Company's Promoter and Board of Directors

Mr. Jagmohan Manilal Shah, aged 76 years, is the Promoter and Executive Director of Company. He holds a Bachelor's Degree in Business Commerce. He has been proved to be an asset for the Company as he has successfully utilized his experience and expertise in the areas of management & administration, procurement, business promotion and other key areas of operations of the Company.

Mr. Jatin Jagmohan Shah, aged 46 years, is the Promoter and Managing Director of Company. He has done his Diploma in Industrial Engineering, Marketing Management from NMIMS and has obtained Post Graduate Diploma in Business Management Symbiosis International University. He has 27 years of rich experience in Telecom and communication Sector with companies like Tulip IT services & Bharti Airtel and was responsible for managing the sales team across the region & ensure deeper market penetration of bouquet of telecom services. Since incorporation of SYNOPTICS, he has been actively involved in the Company's operations and management. He has been instrumental in establishing the service sector.

Mrs. Janvi Jatin Shah, aged 46 years, is Promoter and CFO of Company. She has graduated in B.Com. from Mumbai University and certified Chartered Accountant from ICAI. She has an experience of 12 years in the fields of auditing, accounting, finance, marketing & sales, business administration and Management. Prior to joining Company, she was associated with J.P. Morgan Sr. Analyst - IB Accounting & Control -Global Finance- EMEA Region - Credit Derivative Business, Asia Region – FXO Business and Globeop Financial Services as Senior Associate – Fund Accounting.

Mr. Amitabh Kanhaiyalal Kundan, aged 49 years, is the Independent Non-Executive Director of Company. He is a Post Graduate with MBA (Marketing) from University of Pune with rich training experience from ISB, Hyderabad, IIM - Ahmedabad and Centre for Creative Leadership. A highly accomplished Senior Business leader with 20 years of extensive experience in managing Profit Centre Operations, Business Development and Sales in diverse domestic markets, with an overall business perspective. He has rich experience in Telecom sector with

companies like ACCEL ICIM Systems and Services Ltd, Tulip IT Services Ltd, Entreprises and Network Solutions and Bharti Airtel Ltd.

Mrs. Riddhi Mayank Mehta, aged 35 years is the Non-Executive Director of company. She has completed her graduation and masters in commerce and has obtained her CS degree in 2009. She is a Company Secretary by professional with over 10 years of distinguished and rich experience in entire gamut of company secretarial & legal functions, listing, SEBI and RBI compliance, corporate finance including corporate affairs & corporate governance.

To conclude, there are three promoters for the company and Jatin Jagmohan Shah has vast experience in the industry which company operates in. The remaining directors of the company also have decent experience in the telecom sector and rich experience in entire gamut of company secretarial & legal functions, listing, SEBI and RBI compliance, corporate finance including corporate affairs & corporate governance.

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	3,475.86	5,092.32	3,465.46
Other income	4.05	4.75	1.35
Total Revenue	3,479.91	5,097.07	3,466.81
Expenses	2,696.72	3,992.38	2,324.86
Depreciation and Amortisation Cost	305.65	387.68	339.10
Finance Cost	154.34	130.57	156.89
Total Expenses	3,156.71	4,510.63	2,820.85
PBT	323.20	586.44	645.96
PBT Margin	9.30%	11.52%	18.64%
EBITDA	779.14	1,099.94	1,140.60
EBITDA Margin	22.42%	21.60%	32.91%
Net Profit	236.02	432.36	525.36
Net Profit Margin	6.79%	8.49%	15.16%
<u>Balance Sheet</u>			
Total Borrowings	1,194.70	1,410.03	1,959.06
Net Worth	1,444.49	1,876.85	2,402.21
Fixed Assets	1,207.85	1,264.25	1,040.80
Net Working Capital	836.74	992.81	1,912.09
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	16.61	8.72	8.05
Receivables Turnover Ratio	3.59	4.71	2.98
Payables Turnover Ratio	4.36	6.32	2.37
Fixed Assets Turnover Ratio	2.88	4.03	7.85
Return on Capital Employed	22.81%	29.32%	15.35%
Return on Equity	16.34%	23.04%	11.51%
Debt-Equity Ratio	0.83	0.75	0.27

(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. 779.14 lacs in FY 21 to Rs. 1,099.94 lacs in FY22. And as on 31 st Dec-22 it was Rs. 1,140.60 lacs and on an annualized basis it is expected to be around Rs. 1,520.80 lacs, growing at a CAGR of 39.71%. The EBITDA margin in FY 21 was at 22.42%, 21.60% in FY 22 and 32.91% as on Dec-22. The increase in the EBITDA margin as on Dec-22 is due to a percentage increase in revenue from operations is more when compared to the percentage increase in the Purchases of Stock inTrade.

Net Profit

The Net Profit of the company has increased from Rs. 236.02 lacs in FY 21 to Rs. 432.36 lacs in FY 22, and as on Dec-22 to Rs. 525.36 lacs and on annualized basis it is expected to be around Rs. 700.48 lacs. The Net Profit Margin of the company in FY 21 was at 6.79%, 8.49% in FY 22 and as on 31st Dec 2022 it was 15.16%, growing at a CAGR of 17.72%. The increase in the margin is due to the same reason as EBITDA margins given above and also due to decrease in non-cash expense (ex. Depreciation).

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 31 st Dec 2022 was 24.31% vs 29.32% in FY 22 and 22.81% in FY 21. Increase in RoCE in FY 22 is due to Increase in EBIT and total borrowing of the company. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis is expected to fall to 15.35%.

ROE of the company in FY 21 was 16.34%, 23.04% in FY 22, and as on 31 st Dec 2022 it was 21.87%. The ROE of the company has increased in FY 22 is due to the substantial increase in Net Profit. The ROE on Post-IPO basis would decrease to 11.51%.

Inventory Turnover ratio has decreased to 8.72 times for the company in FY 22 from 16.61 times in FY 21 and is expected to be around 8.05 times on an annualized basis for FY 23, indicating there is an increase in inventory in hand, which does not show effective management of the inventory.

Receivables Turnover Ratio increased in FY 22 to 4.71 times from 3.59 times in FY 21, and is expected to be around 2.98 times on an annualized basis for FY 23, indicating that the company converting its receivables to cash has decreased.

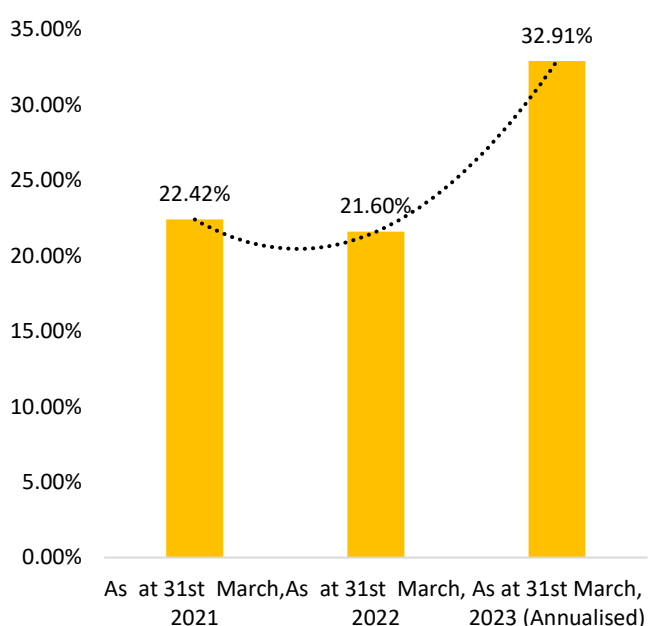
Payables turnover ratio has increased in FY 22 to 6.32 times from 4.36 times in FY 21, and is expected to be around 2.37 times on an annualized basis for FY 23. The company paying back to its creditors will decrease, which would be considered as an effective working capital management.

The fixed asset turnover ratio has increased to 4.03 times in FY 22 from 2.88 times in FY 21, indicating the increase in revenue from operations when compared with fixed assets, and is expected to increase to 7.85 times on an annualized basis.

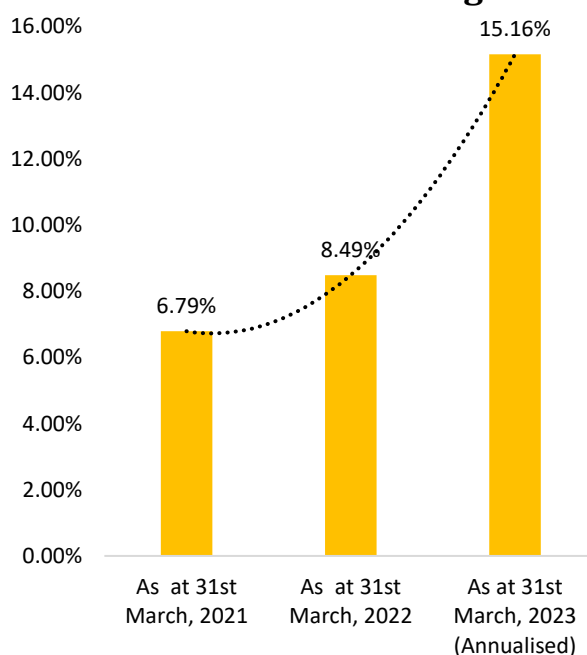
The Debt-Equity ratio of the company as on Dec-2022 is at 0.82 times. 0.75 times in 2022 and 0.83 times in 2021. The Debt-Equity ratio for the FY-22 is low i.e., the company is not highly leveraged, whereas with new inclusion of equity capital, the Debt-Equity ratio is expected to come further down to 0.27 times.

Financial Charts

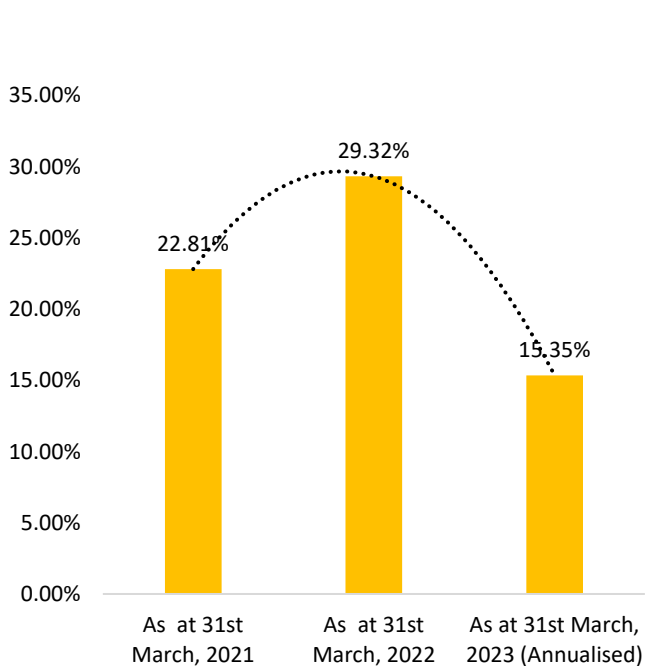
EBITDA Margin



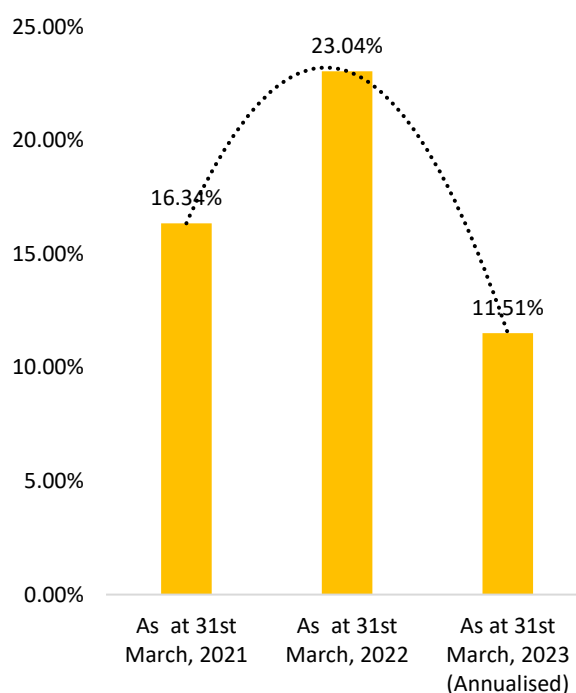
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. There are 15 outstanding legal proceeding and amount involved is 149.91 lakhs against Company, Promoters, Directors and Group Companies which may adversely affect business, financial condition and results of operations.
2. Statutory Auditors have included certain observations in their reporting under Companies (Auditor's Report) Order, 2016 ("the CARO 2016 Order") in the audited consolidated financial statements for the last three fiscal years and stub period and in the examination report on the Restated Consolidated Financial Information and the amount involved is 1.89 lakhs.
3. Company has several Contingent Liability and Commitments of amount 153.12 lakhs which if materialize could affect financial position.
4. Company has unsecured loan amount of 559.15 lakhs, that may be recalled by the lenders at any time.
5. Company has delayed in complying with certain statutory provisions of the Companies Act, 2013. Such delayed compliance may attract penalties against company which could impact the financial position to that extent.

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.	Kore Digital Limited	18.00	180.00	June 14, 2023	146.70
2.	Nirman Agri Genetics Limited	20.30	99.00	Mar 28, 2023	126.55
3.	SVJ Enterprises Limited	16.12	36.00	Mar 09, 2023	53.30
4.	Amanaya Ventures Limited	2.76	23.00	Mar 09, 2023	16.80
5.	Ducol Organics And Colours Limited	31.51	78.00	Jan 19, 2023	151.05
6.	SVS Ventures Limited	11.24	20.00	Jan 12, 2023	9.86
7.	QMS Medical Allied Services Ltd	56.87	121.00	Oct 11, 2022	146.00
8.	Varanium Cloud Limited	36.60	122.00	Sep 27, 2022	143.10
9.	Ishan International Limited	18.24	80.00	Sep 22, 2022	24.55
10.	Veerkrupa Jewellers Limited	8.10	27.00	July 18, 2022	3.20

#CMP is taken as on 27th June 2023

This is the 17th mandate from First Overseas in the last four fiscals (including the ongoing one). Out of the last 10 listings, 1 opened at discount, 2 at par and the rest listed at premiums ranging from 2.50% to 43.53% on the listing date. Thus, the LM has an average track record.

Recommendation

The company has been into this industry since 2008 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 management looks good , Jatin Jagmohan Shah has 27 years experience in the domain they are working and the other two promoters have management and financial expertise.

The stock is coming at a PE of around 28.69 times in Post IPO basis which seems to be highly priced.

Considering the business, they are in to, which is highly competitive and there are many alternatives in the market doing the same business with better profitable margins, hence 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.