

IPO Details	
Opening Date	June 30, 2023
Closing Date	July 05, 2023
Stock Exchange	NSE SME
Lot Size	3000 shares
Issue Price	₹ 42 per share
Issue Size	62,88,000 Equity Shares
Application Amount (@ upper band for retail investors)	₹ 1,26,000
Amount Raised (Issue Type)	₹26.41 Cr (Fresh Issue)

IPO Objective	
1.	Repayment of unsecured and secured loans.
2.	General Corporate Purposes.
3.	Meeting Public Issue Expenses.

Pre-Issue Shareholding			
Category	No. of Shares	% of Total Shares	
Promoter & Promoter Group	1,37,36,000	80.80 %	
Public	32,64,000	19.20 %	

Promoter of the Company	
1.	Mr. Ramesh Marand
2.	Mr. Vinay Dangar
3.	M/s. Tridhya Consultancy

Competitive Strengths	
1.	Quality Service.
2.	Skilled Team.
3.	End-to-end IT Services under a single umbrella.
4.	Experienced Promoter.

Company Background	
○	Tridhya Tech Limited was originally incorporated dated February 02, 2018
○	The Company is engaged in full-service Software Development which includes all IT services and resources.
○	The Company provides customised software products, which starts from the initial concept of the product requirement, designing the architecture, coding and testing, deploying to the final deployment of the product.
○	The Company has adopted an inorganic growth strategy for the growth of the business.
○	As on date of filing of Red Herring Prospectus, company have 211 employees on their payroll.

Market Capitalization		(In. Cr.)
1.	Pre-Issue	71.40
2.	Post-Issue	97.81

Financial Summary				(In Lacs.)
For the Period Ended	Mar-21	Mar-22	Dec-22	
Total Assets	1,199.77	2,598.06	5,040.43	
Net Assets	101.31	1,442.25	1,923.67	
Total Borrowings	687.18	705.45	2,360.23	
Total Revenue	833.87	1,354.48	881.24	
Profit After Tax	85.89	322.61	191.73	

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

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Company Overview

Teidhya Tech Limited was incorporated in the year 2018. The company believes in technological empowerment and provide end-to end tech solutions to build an effective digital presence. The company is engaged in full-service Software Development which includes IT services and resources. The company provide turnkey consultancy services to various industries like e-commerce, Real Estate, transport and Logistics, Insurance and other sectors. The company provide services related to ecommerce development, Enterprise content management, Bespoke Web Managment, Mobile App, Development, API Development, Product Support & Maintainence, Front End Development and Graphic Design. The company provide pre and post deployment support to their clients. The company also provide support services to ensure successful completion of the project and longevity of the software which helps to ensure that the software is properly developed and depolyed, meeting the expectations of the client. The company has strong presence in international market i.e., Australia, Canada, Estonia, France, Germany, Israel, Italy, Japan, Maurituiss, Netherllands, Qatar, Singapore, Switzerland, UAE, UK, USA. In the domestic market customer is based on Maharashtra, Gujarat, Punjab, Telangana and Karnataka.

Analysis

Being in operations since 2018, the company is relatively new to the business, whereas the promoters of the company have a good experience in the industry. The company provides mainly two types of services. One being the IT Solution Development & Maintenance, whereas the other one being the IT Staff Augmentation. The IT Staff Augmentation is a business model where the company offers skilled IT professionals for a specific project or period to company. The company's majority of the revenue is generated from the IT Staff Augmentation services provided by the company. They stay on their company's payroll and work as an extension of the company's in-house IT team; thus, this provides a bridge between the company looking for IT professionals and provide them from the company's existing staff. The Revenue break up and the segmental break up of the revenue given in the RHP is not accurate to the restated financial statements. The table of the same is given down below-

Particulars	Dec-22	In %	FY 2021-2022	In %	FY 2020-2021	In %
Domestic Sales	306.82	39.31	832.18	58.76	486.26	58.01
International Sales	473.6	60.69	584.11	41.24	352.03	41.99
Revenue from Operations	780.42	100	1416.29	100	838.29	100

The revenue breakup amount given in the RHP does not match the restated financial statements in the offer document.

From the above-mentioned table, the revenue breakup given for Dec -22 and FY-22, and FY-21 is at Rs 780.42 lacs and Rs.1,416.29 lacs, and Rs. 838.29 lacs whereas the amount given in the restated financial statements is at Rs. 881.24 lacs, Rs. 1,322.05, and Rs. 826.58 lacs respectively.

The company has recently acquired companies in FY 21- 22. The main objective for the company to acquire these mentioned stakes in the company is to increase the staff numbers.

The list of the companies are as follows -

1. Concentric IT services Private Limited
2. Tridhya Tech GMBH
3. Besilroot Technologies Private Limited
4. Vedy Software Private Limited

To conclude, the company operates in a very fragmented segment and operates in both domestic and international markets. By the company acquiring various companies it is increasing its staff members which is a driving point of revenue for the company with IT Staff Augmentation service being their main source of income.

Industry Charts

Exhibit 1: Indian IT & Business Service Industry (US\$ billion)

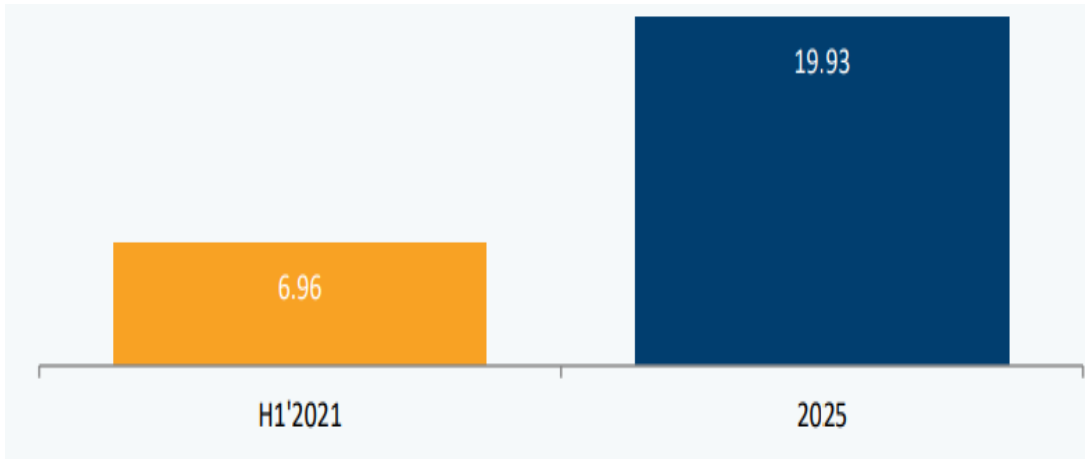


Exhibit 2: Sector-wise Break-up of Indian IT market (US\$ billion) FY19

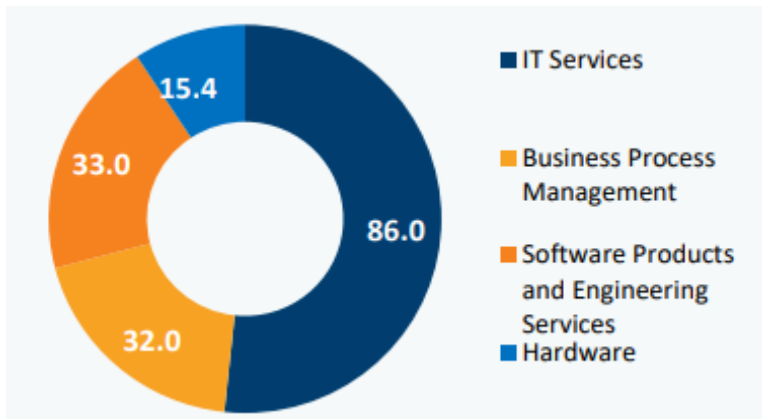
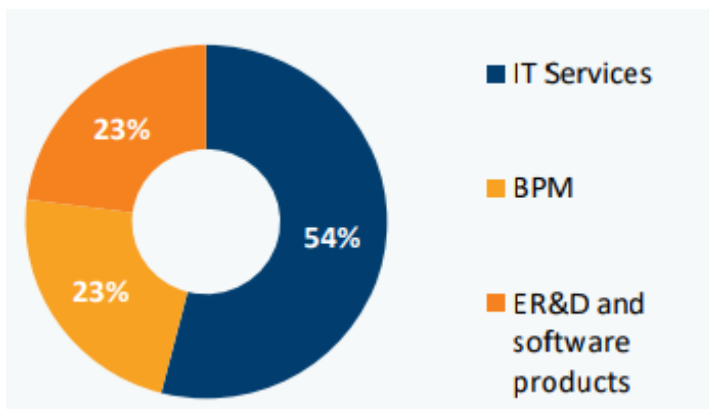


Exhibit 3: Sector-wise Break-up of Export Revenue FY19



(Source- www.ibef.com)

Investment Overview

Information Technology/ Software Industry

The Indian Information Technology/ Software industry is a global powerhouse today, and its impact on India has been incomparable. It has contributed immensely to positioning the country as a preferred investment destination amongst global investors and creating huge job opportunities in India, as well as in the USA, Europe and other parts of the world. In the last decade, the industry has grown many folds in revenue terms, and relative share to India's GDP is around 7 and 8 percent in FY2021-22. 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 country's cost competitiveness in providing IT services, which is approximately 3-4 times cheaper than the US, continues to be its Unique Selling Proposition (USP) in the global sourcing market. Indian IT/Software industry offers cost-effectiveness, great quality, high reliability, speedy deliveries and, above all, the use of state-of-the-art technologies globally.

The Indian IT/ ITeS industry has a leading position globally and has been progressively contributing to the growth of exports and creation of employment opportunities. India's IT-BPM industry (excluding e-commerce) is expected to grow by 15.5% to reach at USD 227 billion, including exports of 178 USD Billion in FY2021-22 (E). The IT/Software industry has also created large employment opportunities and is estimated to employ 5.1 million professionals, an addition of 4,45,000 people over FY 2021-2022 (E). Women employees account for 36% (1.8 million) share in total industry employee base.

The Ministry of Electronics and Information Technology is coordinating strategic activities, promoting skill development programmes, enhancing infrastructure capabilities and supporting R&D for India's leadership position in IT and IT-enabled Services.

(Source- Prospectus)

Addressable market for Tridhya Tech Limited

Company currently operates in various countries i.e., Australia, Canada, UK, USA, UAE, Italy etc. The domestic market is in Maharashtra, Gujarat, Punjab, Telangana and Karnataka. The company currently is using several different channels for the promotion, and advertisement and to name a few would be Government e Marketplace, Google AdWords, LinkedIn, Upwork, and Email Marketing. There is a constant demand in terms of innovation when spoken about the software service business. The company must be on top of their toes in the innovation factor and in increasing their boundaries all over India which can assist in the increase of revenue for the company.

Competition

The company faces various competition from both domestic and international players. The industry in which the company operates in is a highly fragmented business made up of large number of domestic and international firms leading to less barrier to entry. With the company being in a highly fragmented industry the customers have bargain power.

PEER ANALYSIS

As mentioned in the prospectus there are 3 peer company viz. Dev Information Technologies Limited, Silver Touch Technologies Limited, and Infobeans Technologies Limited. An analysis of the same has been given below-

Particulars	Tridhya Tech Limited			Dev Information Technologies Limited			Silver Touch Technologies Limited			Infobeans Technologies Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	24%	10%	6%	0%	0%	6%	4%	1%	3%	20%	21%	13%
EBITDA Margin	41%	18%	10%	4%	4%	7%	8%	3%	7%	25%	22%	18%
Return on Capital Employed	24%	22%	111%	6%	3%	8%	9%	2%	11%	16%	10%	9%
Return on Equity	25%	85%	156%	0%	0%	12%	7%	1%	6%	24%	20%	15%
EPS (INR)	23.58	85.89	24.14	0.06	0.15	1.68	4.98	0.78	4.15	22.78	15.34	8.82

From the above analysis, the profitability margins, RoCE, ROE, and EPS of the company during the Fiscal 2022 is very high with the peers and are also comparatively higher in the remaining two fiscals when compared with its peers.

Promoters' Profile and Management Analysis**Mr. Ramesh Arjanbhai Marand**

- Mr. Ramesh Arjanbhai Marand, aged 41 years, is the Promoter and Managing Director of the company.
- He has completed his bachelor's degree in information technology.
- He holds nearly two decades of overall experience in the field of IT.

Mr. Vinay Shivji Dangar

- Mr. Vinay Shivji Dangar, aged 32 years, is one of the Executive Director, and one of the promoters of the company.
- He holds a bachelor's degree in mining.
- He has more than a decade of experience in the business of mining.

Tridhya Consultancy LLP

- Tridhya Consultancy LLP is a Limited Liability Partnership.
- It is engaging in the business of providing consultancy in the area of software development.

Analysis on the Company's Promoter and Board of Directors

Mr. Ramesh Arjanbhai Marand, aged 40, is the Managing Director and one of the promoters of the company. He has completed his bachelor's degree in information technology. He holds nearly two decades of the overall experience in the field of IT. He takes care of software development and overall business operation of the Company.

Mr. Vinay Dangar, aged 32, is the Executive Director and one of the promoters of the company. He holds bachelor's degree in mining. He is having more than a decade experience in the business of mining.

Tridhya Consultancy LLP is a Limited Liability Partnership which was formed on July 21, 2017. Tridhya Consultancy LLP engage in the business of providing consultancy in the area of software development.

Mr. Gaurav Barot, aged 42, is the Executive Director of the company. He holds bachelor's degree in information technology. He is having experience of two decades in the field of IT. He is Director and Chief Strategy officer of the company. He plays a vital role in the hiring of skilled employees for the company as well as he also looks after the business takeover strategies and acquisition strategies of the Company.

Mr. Raj Ahir, aged 38, is the Non- Executive Director of the company. . He holds bachelor's degree in information technology. He has an experience of more than a decade in the IT industry. He is one of the key managerial persons and the backbone of Software development work for the company.

To conclude, the company has three promoters and one of the promoters is a limited liability company. One of the promoters have vast experience in the IT industry and the other promoter has good experience in the mining industry. The remaining management of the company has good knowledge and experience in the field 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	826.58	1,322.05	881.24
Other income	7.29	32.43	93.24
Total Revenue	833.87	1,354.48	974.48
Expenses	680.68	783.15	535.96
Depreciation and Amortisation Cost	15.70	68.68	96.57
Finance Cost	22.21	72.35	85.10
Total Expenses	718.59	924.18	717.63
PBT	115.28	430.30	256.85
PBT Margin	13.95%	32.55%	29.15%
EBITDA	145.90	538.90	345.28
EBITDA Margin	17.65%	40.76%	39.18%
Net Profit	85.89	322.61	191.73
Net Profit Margin	10.39%	24.40%	21.76%
<u>Balance Sheet</u>			
Total Borrowings	687.18	705.45	2,360.23
Net Worth	101.31	1,442.25	1,923.67
Fixed Assets	776.68	1,039.12	1,150.07
Net Working Capital	-184.72	-77.98	-207.57
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	5.51	11.58	16.72
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	1.06	1.27	1.15
Return on Capital Employed	21.63%	23.70%	5.93%
Return on Equity	84.78%	22.37%	5.52%
Debt-Equity Ratio	6.78	0.49	0.21

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation, and Amortization

The EBITDA of the company has increased from Rs. 145.90 lacs in 2021 to Rs. 538.90 lacs in 2022, and as on 31st Dec 2022 it was at Rs. 345.28 lacs and is expected to be around Rs. 460.37 lacs on an annualized basis, growing at a CAGR Of 77.63%. The EBITDA margin in 2021 was at 17.65%, 40.76% in 2022, and as on 31st Dec 2022 it was at 39.18%. The substantial increase in the EBITDA in FY-22 is due to the increase in the revenue from operations of the company. The decrease in EBITDA margin from Mar-22 to Dec-22 is due to a percentage decrease in revenue from operations when compared to the percentage decrease in employee benefit expenses is more.

Net Profit

The Net Profit of the company has increased from Rs. 85.89 lacs in 2021 to Rs. 322.61 lacs in 2022, and as on 31st Dec 2022 it was at Rs. 191.73 lacs and is expected to be at around Rs. 255.64 lacs on an annualized basis, growing at a CAGR of 72.52%. The Net Profit margin in 2021 was at 10.39%, 24.40% in 2022, and as on 31st Dec 2022 it was at 21.76%. The sudden surge in the Net Profit for the company in FY-22 is due to the collective increase in revenue from operations and other income. The increase as on 31st Dec 2022 is as well due to the increase in other income (ex. Rent Income received, Interest Income). The decrease in the Net Profit margin from Mar-22 to Dec-22 is due to the increase in Finance Cost & Depreciation and Amortization expenses.

Finance Cost

The company's finance costs mainly comprise of Interest Expenses on long term borrowings and Bank Charges

Financial Measures/Ratios

The RoCE of the company as of 31st Dec 2022 is at 8.38%, 23.70% in 2022, and 21.63% in 2021. The decrease in the RoCE of the company as of 31st Dec 2022 is due to the increase in capital employed (assets) caused due to the acquisitions made by the company.

The ROE of the company in 2021 is at 84.78%, 22.37% in 2022, and as on 31st Dec 2022 it was at 9.97%. The decrease in the ROE during FY-23 from 9.97% to 5.52% is due to the expected increase in net worth of the company. ROE on post-IPO basis is expected to fall.

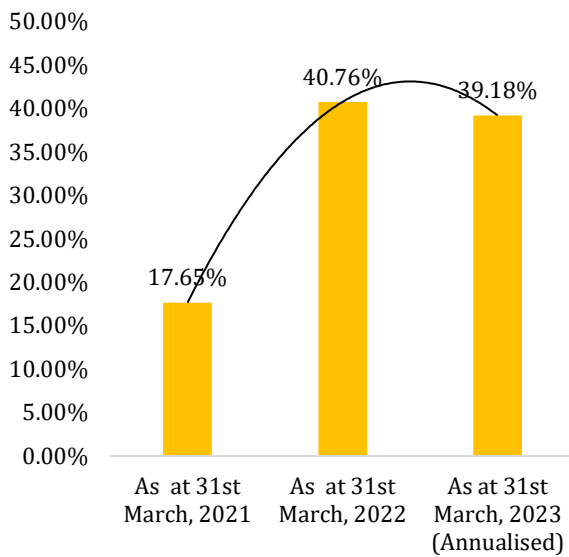
The receivables turnover ratio in 2021 is at 5.51 times, 11.58 times in 2022, as on 31st Dec 2022 it was at 12.54 times, and is expected to increase to 16.72 times on an annualized basis. The company has increased its cash inflow to 11.58 times from 5.51 times in FY-22.

Fixed Asset Turnover ratio has increased from 1.06 times in 2021 to 1.27 times in 2022, and as of 31st Dec 2022 it was at 0.77 times and is expected to increase to 1.15 times on an annualized basis. The increase in the turnover ratio in FY-22 is due to the increase in the revenue for the company.

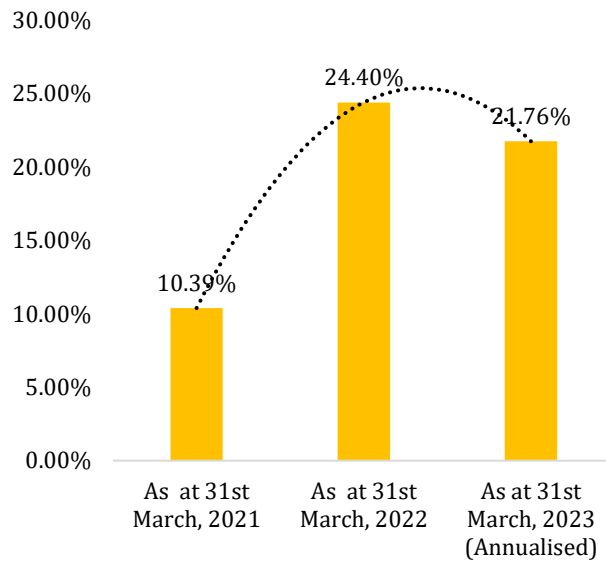
The Debt-Equity ratio in 2021 was at 6.78 times, 0.49 times in 2022 as on 31st Dec 2022 is at 1.23 times and is expected to decrease to 0.21 times on a post-IPO basis. The decrease in the debt-equity ratio of the company is a good indicator.

Financial Charts

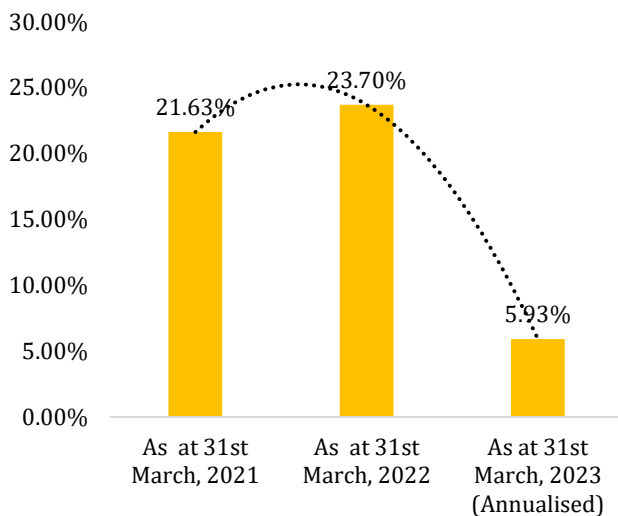
EBITDA Margin



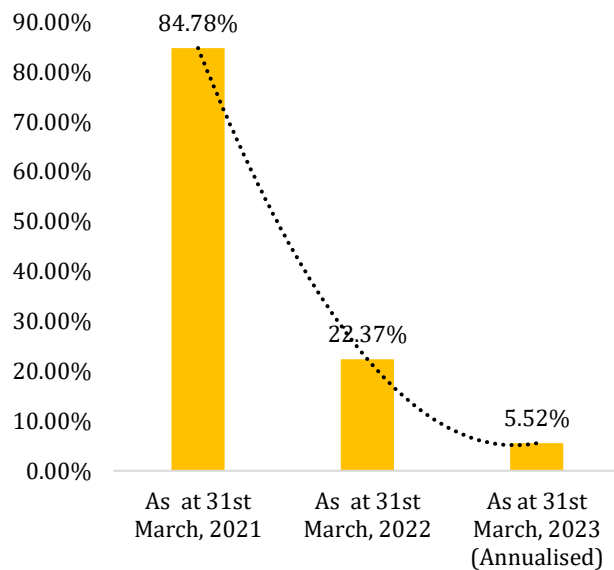
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Company has one outstanding legal proceeding involving the directors amounting to Rs. 29,207. Any failure to succeed this proceeding successfully may have an adverse effect on our business prospects, financial condition, result of ongoing operations and reputation.
2. A subsidiary company of Tridhya Tech Limited has one outstanding legal proceeding amounting to 7.92 lakhs.
3. The company have experienced negative cash flow as on 31st Dec 2022. Any operating losses or negative cash flows in the future could adversely affect our results of operations and financial condition.
4. The information provided by the company in the RHP is not accurate in terms of the revenue breakup of the company.

Track Record of Lead Manager

The lead manager to the issue is Interactive Financial Services Limited. A table has been set below highlighting the details of the IPO of the last 8 companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Sahana System Limited	32.74	135.00	June 12, 2023	147.00
2.	Prospect Commodities Limited	7.48	61.00	March 20, 2023	68.00
3.	Patron Exim Limited	16.69	27.00	March 06, 2023	11.3
4.	Pace E-Commerce Ventures Limited	66.53	103.00	October 20, 2022	18.8
5.	Dipna Pharmachem Limited	15.21	38.00	September 08, 2022	24.7
6.	Rachana Infrastructure Limited	76.28	135.00	June 10, 2022	145.00
7.	Global Longlife Hospital and Research Limited	49.00	140.00	May 04, 2022	40.00**
8.	Bhatia Colour Chem Limited	40.00	80.00	March 24, 2022	47.00

*CMP is mentioned as on 28th June 2023

** Global Longlife Hospital and Research Limited CMP is mentioned as on 23rd June 2023

As per the offer document Interactive Financial Services Limited have had 8 mandates in the last three fiscal years (including the on-going one). For Interactive Financial Services Limited out of the last 8 that are mentioned above, 1 opened at par, 2 opened at discount, and the remaining opened at premiums ranging from 0.785% to 20.74%. Thus, has a decent track record.

Recommendation

The company has been into this industry since 2018 and is relatively new in the business. The company has seen a sudden surge in the profitability margins where in majority of that revenue is not flowing in from the main operation of the business.

The business segment the company operates in is highly fragmented and highly competitive, it faces competition from both organised and unorganised players.

The management outlook is good, it has three promoters, where one is a limited liability partner, the other two promoters have good experience.

The company is getting listed with a P/E of around 30.32 times which makes the stock priced fairly, when compared to its industry PE.

In conclusion, the company has shown an exponential growth in the EBIT margins and net profit margins, which can not be sustained going forward. The company has used the inorganic growth strategy which can be considered as one of the important factors; however, they operate in a very highly competitive and highly fragmented industry, innovation being one of the primary factors in growth of the business in future. Company's offer document has many mismatches as mentioned in the business analysis, and also, they are relatively new to the business and have less experience in the industry, therefore one can **AVOID** applying 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.