

IPO Details

Opening Date	June 22, 2023
Closing Date	June 26, 2023
Stock Exchange	BSE SME
Lot Size	1600 shares
Issue Price	₹82 per share
Issue Size	56,99,200 Equity Shares
Application Amount	₹ 1,44,000
Amount Raised (Issue Type)	₹46.73 Cr (Fresh Issue- ₹23.37 Cr ,Offer for Sale-₹ 23.37cr)

IPO Objective

1. Global sales and marketing expenditure
2. Developing new products or enhancement and maintenance, upgrading or updating existing products
3. General Corporate Purpose.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,68,01,508	91.62%
Public	15,36,352	8.38%

Promoter of the Company

1. Raja Debnath
2. Gautam Vijay Udani

Competitive Strengths

1. Domain knowledge in, and full spectrum coverage of, the BFSI Industry.
2. Entrenched Global Sales Network.
3. End to End Stack for Supply Chain Finance.
4. Implementation Timelines.

Company Background

- Veefin Solutions Limited was incorporated in the year 2020 headquartered in – Maharashtra, Mumbai.
- Company operates business in two segments Supply Chain Finance Technology Solutions and Digital Lending Suite Solutions.
- Company provides product solutions to wide range of clients globally, including Banks, Non-Banking Financial Institutions, FinTech, Marketplaces, and Corporates.
- As on date of filing of Red Herring Prospectus, company have 161 employees on their payroll .

Financial Summary

(INR In Lacs.)

For the Period Ended	Mar-21	Mar-22	Jan-23
Total Assets	879.66	1,565.21	4,739.90
Net Assets	104.39	887.47	4,235.98
Total Borrowings	473.61	346.32	36.28
Total Revenue	80.78	618.89	1,131.63
Profit After Tax	14.37	28.93	330.42

Tentative Timeline

Opening Date	June 22, 2023
Closing Date	June 26, 2023
Basis of Allotment	June 30, 2023
Initiation of Refunds	July 03, 2023
Credit of Shares to Demat	July 04, 2023
Listing Date	July 05, 2023

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Company Overview

Company is a Digital Lending and Supply Chain Finance (SCF) technology product solutions company based in Mumbai. Supply Chain finance is a financial tool that is used to help businesses manage their cash flow and improve their working capital. Company provides product solutions to wide range of clients globally, including Banks, Non-Banking Financial Institutions, FinTech, Marketplaces, and Corporates. Technology product solutions are unique offering, which are designed with user-led approach, data and analytics, and built by experienced bankers for bankers. This empowers bankers and financial institutions to offer highly customised solutions to their clients, tailoring loan products both regular and transaction-based on their clients' unique requirements.

Analysis

Company provides end-to-end integrated omni-channel digital lending and supply chain finance technology solutions provider in India to banks and financial institutions worldwide. All-in-one platform offers end-to-end, integrated, omni-channel solutions that cater to the diverse needs of clients across various continents, highly configurable and customized products and services cater to all forms of supply chain finance loan products, enabling clients to digitize, automate, and scale across SME lending.

Company operates business in two segments:

1. Supply Chain Finance Technology Solutions.
2. Digital Lending Suite Solutions.

Supply Chain Finance

Supply chain finance is a financial tool that is used to help businesses manage their cash flow and improve their working capital. There are several ways that supply chain finance can benefit businesses and foster growth. For example, it can help to improve relationships significantly between buyers and suppliers by providing a way for the buyer to pay for goods or services upfront and solve for working capital amongst suppliers. This can help to reduce the risk of non-payment and improve the overall efficiency of the supply chain. Additionally, supply chain finance can also potentially help to reduce the cost of capital for both buyers and suppliers. By

providing a way for businesses to access financing at a lower cost, supply chain finance can help businesses to improve their profitability and competitiveness.

Digital Lending Suite Solutions

The Digital Lending Suite Solutions segment is a comprehensive suite of products and services that cater to the lending needs of financial institutions. This segment includes various technology solutions that help financial institutions streamline their lending operations and improve their customer experience. One of the key components of this segment is the Customer Relationship Management (CRM) system. This system provides financial institutions with a platform to manage their interactions with customers, track customer behaviour and preferences, and offer personalized loan products and services. The CRM system also helps financial institutions to better understand their customers and develop more targeted marketing campaigns.

Key Financial performance

Key Financial Performance	For the period ended January 31, 2023	March 31, 2022	March 31, 2021
Revenue from Operations (1)	1,131.63	618.89	76.07
EBITDA (2)	455.85	67.72	13.47
EBITDA Margin (3)	40.28%	10.94%	17.70%
PAT	330.42	28.93	14.37

Revenue split between domestic and exports	January 31, 2023	March 31, 2022	March 31, 2021
Domestic market	385.38	344.9	61.3
Export market	746.25	273.99	14.77
Domestic market (%)	34.06%	55.73%	80.58%
Export market (%)	65.94%	44.27%	19.42%
Customer Retention Rate (%)	86.50%	82.35%	80%
Monthly Recurring Revenue	45.24	15.35	11.28
Annual Recurring Revenue	542.89	184.25	135.39

The company has been able to generate good revenues with a good growth in operating profits on absolute terms.

Industry Charts

Exhibit 1: Global Rank

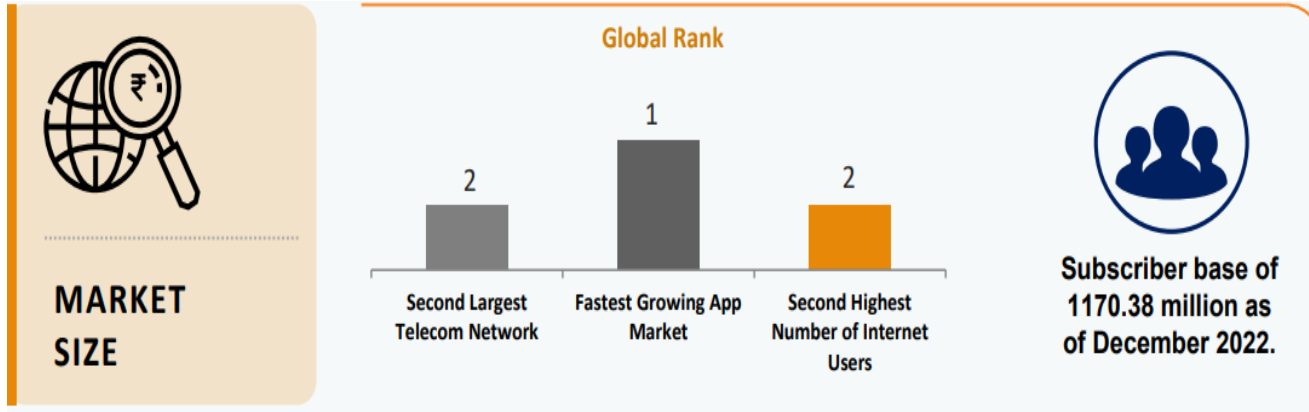


Exhibit 2: Sector wise break-up of Indian IT market and Export revenue

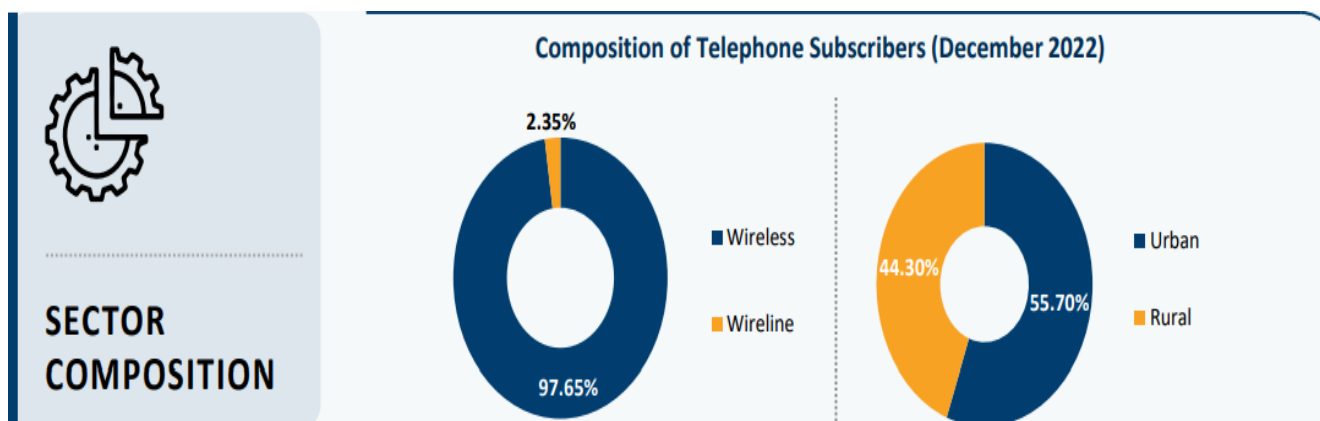
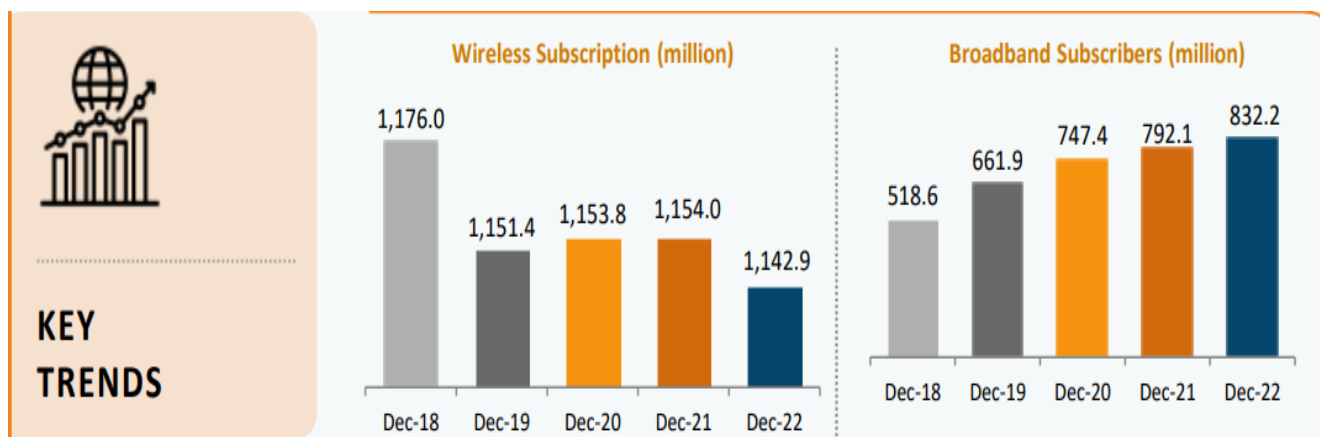


Exhibit 3: Engineering R&D and product development and Indian Technology revenue FY20



(Source- IBEF)

Investment Overview

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payment banks to be created recently, thereby adding to the type of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system. The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs).

MARKET SIZE

As of January 2023, AUM managed by the mutual funds industry stood at Rs. 39.62 trillion (US\$ 478.08 billion). Inflow in India's mutual fund schemes via systematic investment plan (SIP) stood at Rs. 1.5 lakh crore (US\$ 18.09 billion). Equity mutual funds registered a net inflow of Rs. 22.16 trillion (US\$ 294.15 billion) by end of December 2021. The net inflows were US\$ 888 million (Rs 7,303.39 crore) in December as compared to a 21-month low of US\$ 274.8 million (Rs 2,258.35 crore) in November 2022. Another crucial component of India's financial industry is the insurance industry. The insurance industry has been expanding at a fast pace. The total first-year premium of life insurance companies reached US\$ 32.04 billion in FY23. In FY23 (until December 2022) non-life insurance sector premiums reached at Rs. 1.87 lakh crore (US\$ 22.5 billion).

ROAD AHEAD

India's financial services industry has experienced huge growth in the past few years. This momentum is expected to continue. India's private wealth management Industry shows huge potential. India is expected to have 6.11 lakh HNWIs by 2025. This will indeed lead India to be the fourth largest private wealth market globally by 2028. India's insurance market is also expected to reach US\$ 250 billion by 2025. This will further offer India an opportunity of US\$ 78 billion of additional life insurance premiums from 2020-30. India is today one of the most vibrant global

economies on the back of robust banking and insurance sectors. The relaxation of foreign investment rules has received a positive response from the insurance sector, with many companies announcing plans to increase their stakes in joint ventures with Indian companies. Over the coming quarters, there could be a series of joint venture deals between global insurance giants and local players.

(Source- IBEF)

Addressable market for Veefin solutions limited

Company has to gain extensive and comprehensive knowledge of the Banking, Financial Services, and Insurance (BFSI) industry. Create successful product suites developed and implemented, digital technologies include cutting-edge digital transaction banking, etc. Company needs to hire experienced professionals who can adapt at understanding the diverse needs of customers and providing them with customized solutions that cater to their specific requirements. Instead of imposing hefty upfront costs, they can offer customers by offering a revenue-sharing model, widely known as the Software as a Service (SaaS) pricing model.

Competition

The market in which company operates is highly competitive and fragmented. There is no barrier to entry as such if a new company wants to enter the market and big chances of established Companies adopting the technology as that of the company, their future profit and profit margins. Since it's a new emerging company they have very low bargaining power.

PEER ANALYSIS

As per the offer document the company does not have any listed peers.

Promoters' Profile and Management Analysis

Mr. Raja Debnath



- Mr. Raja Debnath aged 47 years, is Promoter and Managing Director of Company.
- He holds master's degree in business administration, master's degree in management studies. He has an experience of around 20 years in the Digital Technology Services, Banking and Consultancy.
- He is responsible for crafting and implementing the overall strategy of the company.

Mr. Gautam Vijay Udani



- Mr. Gautam Vijay Udani, aged 38, is the Promoter and Whole time Director of the Company.
- He holds master's degree in management information system, and bachelor's degree in engineering.
- He is responsible for a range of key functions, including Engineering and Delivery, Quality Assurance of the Product, Finance and Accounts, Fund Raising, and Human Resources.

Analysis on the Company's Promoter and Board of Directors

Mr. Raja Debnath, aged 47, is the Promoter, Chairman and Managing Director of the Company. He holds master's degree in business administration, master's degree in management studies. He has an experience of around 20 years in the Digital Technology Services, Banking and Consultancy. He is responsible for crafting and implementing the overall strategy of the company, which includes overseeing the development and launch of new products and services.

Mr. Gautam Vijay Udani, aged 38, is the Promoter and Wholetime Director of the Company. He holds master's degree in management information system, and bachelor's degree in engineering. He is responsible for a range of key functions, including Engineering and Delivery, Quality Assurance of the Product, Finance and Accounts, Fund Raising, and Human Resources.

Mr. Ajay Babu Rajendran, aged 50, is the Non-Executive Director the Company. He holds a master's degree in management studies, and bachelor's degree in engineering. He is the Chairman of Meraki Group of Companies and Sobha Engineering and Contracting LLC. n. He is the Chairman of the three Education Business Schools-North London Collegiate School Dubai, North London Collegiate School Singapore, and Hartland International School.

Mr. Anand Nandkishore Malpani, aged 40, is the Non-Executive Independent Director of the Company. He is Chartered Accountant by qualification and holds bachelor's degree in law. He has an experience of around 20 years in the field of Tax, Accounts and Finance.

Ms. Deepti Sharma, aged 35, is the Non-Executive Independent Director of our Company. She has completed her Post Graduate Diploma in Operations Management, Master of Commerce, and Master of Commerce (Honours). She is working with Tiivra Ventures Private Limited as Operations Manager.

To conclude, the company has 2 promoters, and both the promoters have vast knowledge and experience. The remaining directors of the company also have vast knowledge and experience in the industry which the business operates in.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st Jan, 2023
<u>Profit and Loss</u>			
Revenue from operations	76.07	618.89	1,131.63
Other income	4.71	-	44.64
Total Revenue	80.78	618.89	1,176.27
Expenses	67.32	551.16	720.19
Depreciation and Amortisation Cost	2.49	16.63	18.48
Finance Cost	0.05	2.30	2.22
Total Expenses	69.86	570.09	740.89
PBT	10.92	48.80	435.38
PBT Margin	14.36%	7.89%	38.47%
EBITDA	8.75	67.73	411.44
EBITDA Margin	11.50%	10.94%	36.36%
Net Profit	14.37	28.93	330.42
Net Profit Margin	18.89%	4.67%	29.20%
<u>Balance Sheet</u>			
Total Borrowings	473.61	346.32	36.28
Net Worth	104.39	887.47	4,235.98
Fixed Assets	854.95	1,439.38	3,501.39
Net Working Capital	-85.36	-74.50	931.74
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	8.11	8.21	1.51
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	0.09	0.43	0.32
Return on Capital Employed	0.81%	3.72%	8.84%
Return on Equity	13.77%	3.26%	7.80%
Debt-Equity Ratio	4.54	0.39	0.01

(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. 8.75 lacs in 2021 to Rs. 67.73 lacs in 2022, and as on 31st Jan 2023 it was Rs. 411.11 lacs and if we annualize the same it would be around Rs. 493.73 lacs growing at a CAGR of 651.17%. The EBITDA margin in 2021 was 11.50%, vs 10.94% in 2022 and as on 31st Jan 2023 it is at 36.36%. The increase in the EBITDA is due to an increase in the revenue from operations. The increase in EBITDA margin is due to a decrease in the other expenses (ex. Software expenses, and Translation expenses.)

Net Profit

The Net Profit in 2021 was 14.37 lacs and in 2022 it was 28.93 lacs, as on 31st Jan 2023 it was Rs. 330.42 lacs and when annualized it would be around Rs. 396.50 lacs growing at a CAGR of 425.29%. The Net Profit margin in 2021 was 18.89% vs 4.67% in 2022 and as on 31st Jan 2023 it is at 29.20%. The increase in Net Profit margin is due to the percentage increase in revenue from operations when compared to the percentage increase in total expenses.

Finance Cost

The company's finance cost mainly comprises of Interest on Bank Charges.

Financial Measures/Ratios

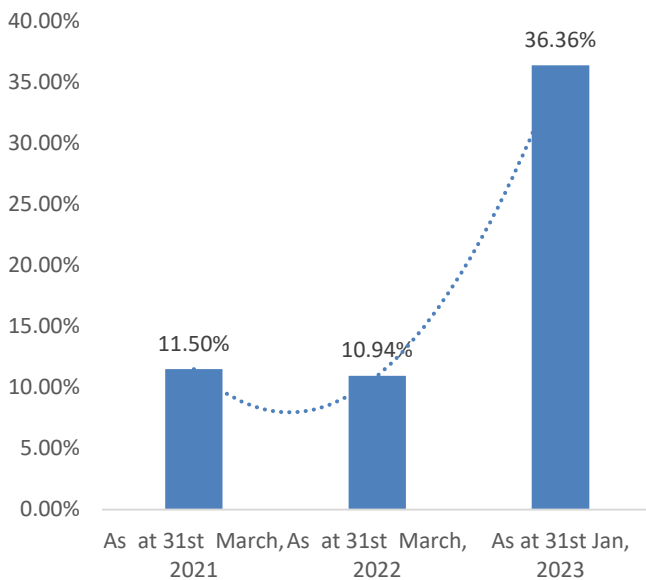
RoCE of the company up to 31st Jan 2023 was 8.84% vs 3.72% in 2022 and 0.81% in 2021. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis is expected to fall.

ROE of the company in 2021 was 13.77%, 3.26% in 2022, as on 31st Jan 2023 it was 7.80%. The ROE of the company has increased in FY-22 is due a substantial increase in equity capital of the company. The ROE on Post-IPO basis would decrease.

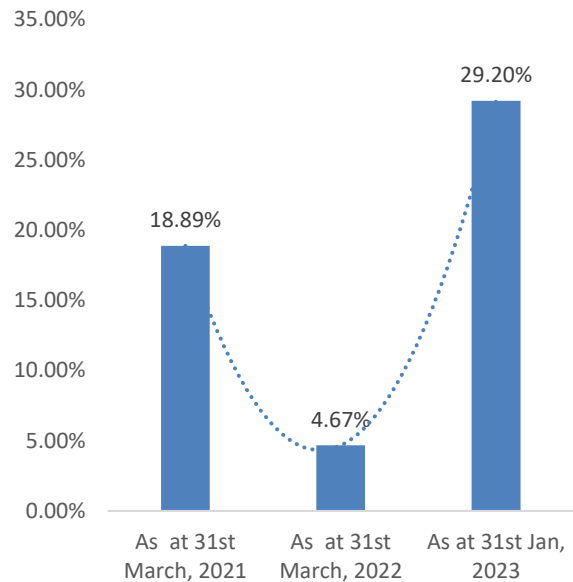
Receivables turnover ratio of the company has decreased in the FY 22, indicating that the company converting its receivables to cash has decreased. The Fixed assets turnover ratio has decreased for the FY-22 due to an increase in the fixed asset. The company has a debt-equity ratio of 0.01 as on 31st Jan 2023. The company is not highly leveraged.

Financial Charts

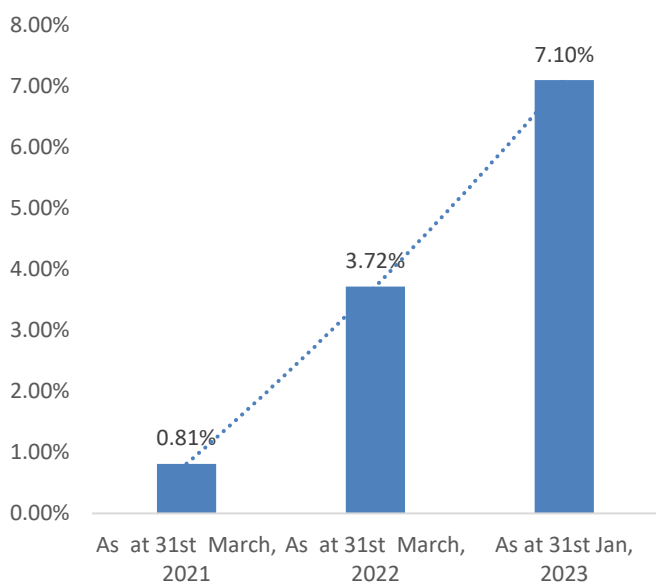
EBITDA Margin



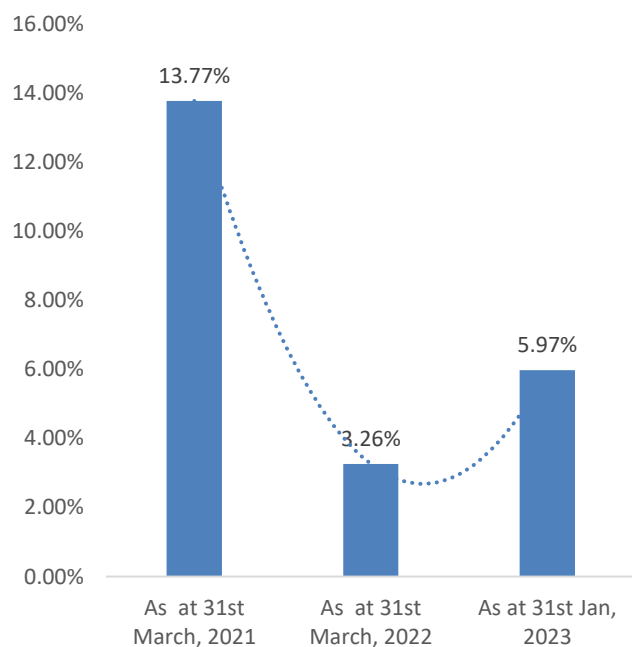
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Software Product development is a long, expensive and uncertain process and current expenditure in product development may not provide a sufficient or timely return.
2. Company, Promoters – Directors as well as Group Companies are party to certain tax proceedings. Any adverse decision in such proceedings may have a material adverse effect on business, results of operations and financial condition.
3. As one of Directors, Mr. Ajay Babu Rajendran is Non-resident Indian (NRI) and one of group companies, 'Chain Fintech Solutions Limited' (Bangladesh), as well as two subsidiaries, 'Veefin Solutions Limited' (Bangladesh) and 'Veefin Solutions FZCO' (Dubai), are located outside of India, company has obtained separate undertakings to ensure that they are not involved in any litigation.
4. Digital Lending and Supply Chain Finance technology product solutions may not be protected by all intellectual property laws and does not have any copyright.
5. Revenues are dependent on clients concentrated in the BFSI segment. An economic slowdown or factors affecting this segment may have an adverse effect on business, financial condition and results of operations

Track Record of Lead Manager

The lead manager to the issue is Shreni Shares 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 –

Veefin Solutions Limited

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Sancode Technologies Limited	5.15	47.00	Apr 18, 2023	62.25
2.	Bright Outdoor Media Limited	55.48	146.00	Mar 24, 2023	172.00
3.	Srivasavi Adhesive Tapes Limited	15.50	41.00	Mar 09, 2023	84.90
4.	Arihant Academy Limited	14.72	90.00	Dec 29, 2022	99.8
5.	PNGS Gargi Fashion Jewellery Limited	7.80	30.00	Dec 20, 2022	146.15
6.	Amiable Logistics (India) Limited	4.37	81.00	Nov 16, 2022	80.75
7.					
8.	DAPS Advertising Limited	5.10	30.00	Nov 14, 2022	32.05
9.	Ameya Precision Engineers Limited	7.14	34.00	Sep 08, 2022	39.00
10.	Olatech Solutions Limited	1.89	27.00	Aug 29, 2022	103.00

***CMP is taken as on 16th June 2023**

As per the offer document Shreni Shares Private Limited have had 16 mandates in the last three fiscals (including the ongoing one). For Shreni Shares Private Limited out of the last 10 that are mentioned above, 1 opened at discount, and the remaining opened at premiums ranging from 4.28% to 60.39%. Thus, it has a good track record.

Recommendation

The company has been into this industry since 2020 and has Less track record of existence. The revenue of the company along with the profit margins has shown extra-ordinary growth is because Company do not have any 'like-for-like' competitors in India but globally they have there are many companies providing this technology.

The management of the company has an overall experience of over 20 years in the field of SCF technology. One of the promoters is a Non-resident Indian (NRI) and one of the group companies is from Bangladesh.

The stock is coming at a PE of around 43.82 times in Post IPO basis which seems to be on a higher side. Looking at the above-mentioned scenarios, Although the company has good technology in their hands we can't expect or predict the future growth will be the same therefore, **one should wait and Avoid applying for 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.