

IPO Details	
<b>Opening Date</b>	Aug 04, 2023
<b>Closing Date</b>	Aug 08, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	800 Shares
<b>Issue Price</b>	₹162 to ₹165 per share
<b>Issue Size</b>	Aggregating up to 44.84Cr
<b>Fresh Issue</b>	44.84Cr
<b>Application Amount (@ upper Band)</b>	₹1,32,000

IPO Objective	
To meet the expenses for Unidentified Acquisition for Company.	
To meet the expenses for the Development of New Products and Technology.	
To meet the expenses for Networking and cabling for Company.	
To meet out the Branding & Marketing Expenses for the Company.	
To meet the Capital Expenditure Requirement of Company.	
To meet the Working Capital requirements of the Company.	
To meet out the General Corporate Purposes.	
To meet out the Issue Expenses.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	76,01,775	100.00%
Public	-	-

Promoter of the Company	
1	Mr. Bharat Shamjibhai Patel
2	Mr. Chirag Rajendrakumar Leuva
3	Mr. Pratik Bhaskarbai Patel
4	Ability Games Limited

Competitive Strengths	
1	Seasoned management team with domain expertise supported by a professional workforce.
2	Low attrition rate.
3	Integrated business model offering one-stop-shop solutions.

Company Background	
○	Company was incorporated in the year 2011 and has its registered office in Gujarat.
○	Company is engaged into the business of providing IT solutions and consultancy focused on providing scalable and secure solutions.
○	Company also offers web, mobile, game and blockchain solutions for business.
○	Company has deep expertise in mobile app development, Blockchain, Game development, AR/VR, and web development.
○	As on March 31st, 2023, Company has 439 fulltime employees as on payroll.

Market Capitalization	
(In Cr.)	
Pre-Issue	Post-Issue
₹ 125	₹170

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-23	Mar-22	Mar-21
<b>Total Assets</b>	1,661.79	958.58	760.03
<b>Net Assets</b>	1,089.21	669.03	539.79
<b>Total Borrowings</b>	153.95	124.98	82.22
<b>Total Revenue</b>	2,744.75	1,881.75	1,305.41
<b>Profit After Tax</b>	275.57	74.07	80.57

Tentative Timeline	
<b>Opening Date</b>	Aug 04, 2023
<b>Closing Date</b>	Aug 08, 2023
<b>Basis of Allotment</b>	Aug 11, 2023
<b>Initiation of Refunds</b>	Aug 14, 2023
<b>Credit of Shares to Demat</b>	Aug 17, 2023
<b>Listing Date</b>	Aug 17, 2023

## Company Background and Analysis

Company is engaged into the business of providing IT solutions and consultancy focused on providing scalable and secure solutions to shape a business idea by implementing the latest and cutting-edge technologies and have been engaged in several projects and successfully completed them. Company offers web, mobile, game and blockchain solutions for business. Right from ideation to execution, Company have consistently delivered the competitive edge in the form of robust, fore-sighted, and qualitative solutions. With agile, collaborative approach and have provided tailored domain specific IT solutions that have successfully resolved different business issues. Deep expertise in mobile app development, Blockchain, Game development, AR/VR, and web development has helped company retain numerous clients for years.

Core business of the company can be divided into the following categories:

### Web Development

In Web Development company offer following services:

1. Website design & Development.
2. Website Maintenance & Support.
3. E-Commerce Web Apps and Portal Development.
4. Front End & Back End Development Services.

### Mobile Application

Mobile App Development Services Include:

1. Android App Development.
2. iPad App Development.
3. App Prototype Development.
4. iPhone App Development.
5. Hybrid Apps Development.
6. iOS App Development.

### Game Development

Game Development Services Include:

1. Mobile Game Development.
2. PC Game Development.
3. NFT Game Development.
4. Metaverse Game Development.
5. AR/VR/MR Game Development.

### Wearable Device/ IoT development

Wearable devices/IoT Development Services includes:

1. Health & Activity Tracker on wearable devices.
2. Voice Controller on wearable devices.
3. Development of Application on apple or android watches.
4. Maintenance & Support services for applications on wearable devices.

## ABOUT THE TECHNOLOGIES

The technologies used by company includes blockchain technology, metaverse, AR (Augmented Reality) / VR (Virtual Reality) / MR (Mixed Realty) and AI (Artificial Intelligence) / ML (Machine Learning), IIoT (Industrial Internet of Things), 2D/3D animation, UI/UX design, SEO (Search Engine Optimization) to in order to efficiently provide the above-mentioned solutions and services.

## PROJECT EXECUTION

Company follows an agile methodology when engages with a client and carry out the development process as per the specific requirements of the client. The agile methodology is a way to manage a project by breaking it up into several sprints or parts. The methodology involves constant collaboration with clients and continuous improvement at every sprint execution. Sprints of constant information going back and forth between company and clients. Once the work begins, teams cycle through a process of planning, executing, and evaluating. Continuous collaboration is vital, both with team members and project clients. The primary advantage of following that particular methodology is to establish a feedback loop.

## SERVICE-WISE REVENUE BIFURCATION

Services	For the period ended on March 31, 2023		For the year ended on March 2022		For the year ended on March 2021	
	Amount	%	Amount	%	Amount	%
Web Development	1796.26	65.76	885.70	47.21%	545.71	42.54%
Wearable/IoT Device	21.84	0.80%	13.08	0.70%	Nil	Nil
Game Development	570.00	20.87%	520.12	27.73%	364.41	28.41%
Mobile Application	343.36	12.57%	376.23	20.06%	333.36	25.99%
Other Services	-	-	80.86	4.31%	39.19	3.06%
<b>Total</b>	<b>2,731.45</b>	<b>100.00%</b>	<b>1,875.98</b>	<b>100.00%</b>	<b>1,282.67</b>	<b>100.00%</b>

Revenue from web development service has increased and other services are stable from March 2021 to 2023

## **Business Strategies**

### **1. To commercialize white label products.**

The company intend to commercialize the white label products developed by them. Over the period, Company have developed certain white label products in the areas of fantasy sport, sports tech, e-commerce, card game, board game, on demand service, HRMS, dating application, food delivery, taxi booking, over the top (OTT), blockchain based game and skill-based game.

### **2. Launch of own platforms**

The company intend to launch own hyper casual game platform, fantasy sports platform and OTT platforms that have already been developed. With proper business promotion and marketing strategies company is going to build and increase the platforms' visibility to engage new users year-on-year. Further company is planning to develop a game publishing platform for game developers to publish their games and reach new users effectively.

### **3. Establish game studio**

Currently company is outsourcing advanced animation, VFX, intense 3D graphics related work to relevant third-party service providers and intend to establish own game studio to expand our skillset, technical and creative knowledge in this particular area of service by hiring employees with relevant expertise. This will help us scale up business operations in a way that we can engage new assignments of advanced animation and cinematic.

### **4. Approach to marketing of products and services**

Marketing program includes various activities to increase market outreach including doing online & offline campaigns, increasing inbound traffic on the website through SEO, press releases and media mentions (both print and online), consulting engagement, use of marketing automation tools for account-based prospect engagement, conducting regular email and social media engagement and advertisements, participating and organizing industry events and publishing thought leadership content like videos, blogs, white papers and articles. Company also showcases product and services in exhibitions.

## **Competitive Scenario and Peer Mapping**

### **Competition**

The company faces high competition from the existing players in the market Dev Information Technology Limited, Nazara Technologies Limited, Silver Touch Technologies Limited, Sigma Solve Ltd, KSolves India Ltd etc. The bargaining power of the company is low and the threat of new entrant is high. Currently company is operating in Ahmedabad office handling clients across geographies. Company can also expand in south India and foreign countries like Dubai, UK, Canada. To survive the competition company should use cutting edge technologies.

## Peer Analysis

**The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -**

Particulars	Yudiz Solutions Limited	Dev Information Technology Limited	Nazara Technologies Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	10%	7%	6%
EBITDA Margin	22%	6%	9%
Return on Capital Employed	29%	17%	4.79%
Return on Equity	25.30%	24%	7%
EPS (INR)	7.47	4.06	5.95

Particulars	Silver Touch Technologies Limited	Sigma Solve Ltd.	KSolves India Ltd
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	6%	27%	32%
EBITDA Margin	11%	40%	42%
Return on Capital Employed	13%	40%	133%
Return on Equity	11%	45%	119%
EPS (INR)	7.66	9.63	20.98

**The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -**

Particulars	Yudiz Solutions Limited	Dev Information Technology Limited	Nazara Technologies Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	4%	0%	8%
EBITDA Margin	12%	4%	14%
Return on Capital Employed	17%	6%	5%
Return on Equity	11%	0%	6%
EPS (INR)	1.61	0.06	4.36

Particulars	Silver Touch Technologies Limited	Sigma Solve Ltd.	KSolves India Ltd
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	4%	34%	34%
EBITDA Margin	8%	37%	43%
Return on Capital Employed	8%	44%	111%
Return on Equity	7%	64%	107%
EPS (INR)	4.98	8.70	13.02

**The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -**

Particulars	Yudiz Solutions Limited	Dev Information Technology Limited	Nazara Technologies Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	6%	0%	3%
EBITDA Margin	11%	4%	9%
Return on Capital Employed	11%	2%	1%
Return on Equity	15%	0%	3%
EPS (INR)	1.75	-0.15	1.51

Particulars	Silver Touch Technologies Limited	Sigma Solve Ltd.	KSolves India Ltd
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1%	24%	32%
EBITDA Margin	3%	33%	43%
Return on Capital Employed	2%	33%	86%
Return on Equity	1%	38%	75%
EPS (INR)	0.78	3.03	6.64

**Industry Overview**

Exhibit 1: Global information technology outlook

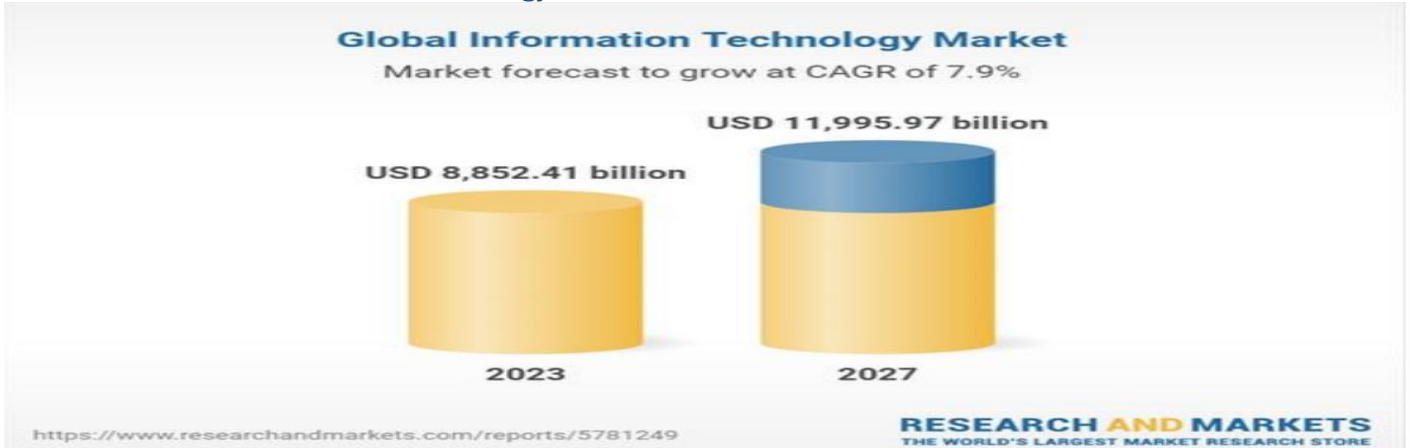
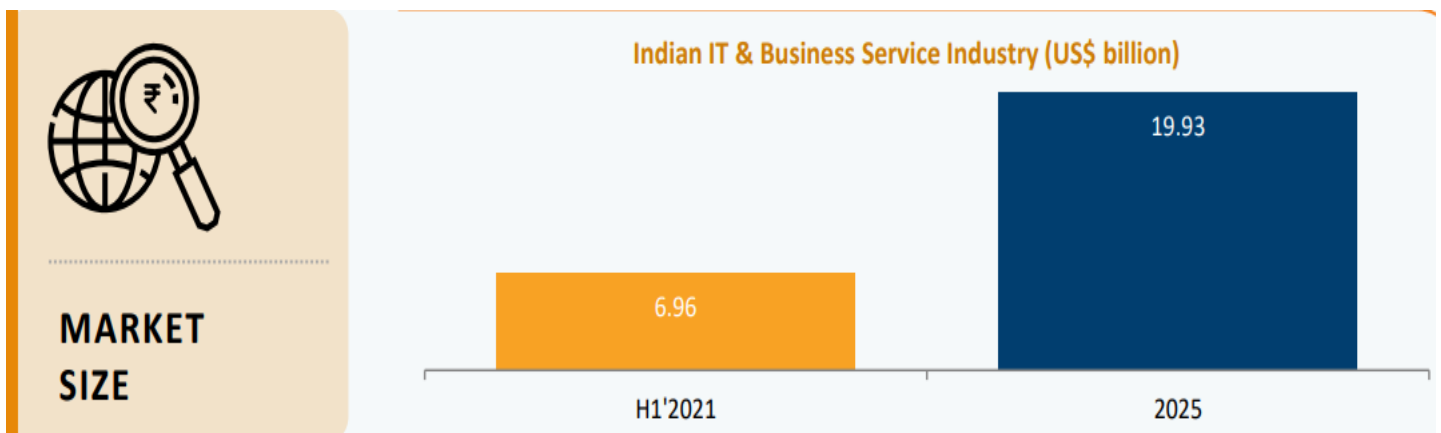


Exhibit 2: Blockchain Market Analysis & Report Summary



Exhibit 3: Growth in Export Revenue.



(Source: Prospectus))



## **GAMING INDUSTRY**

Video gaming in India is an emerging market since India is experiencing strong growth in online gaming, making it one of the top gaming markets in the world. Over the past few decades, the Indian gaming industry has gone from close to non-existent in the 1990s to one of the top markets globally in the late 2010s. In 2021, it is one of the top five mobile gaming markets in the world. By the third quarter of 2020 there were more than 7.4 billion mobile game downloads. Video game development in India is still underdeveloped compared to other Asian countries, such as China and South Korea. However, the growing amount of gamers in India has attracted interest from global video game companies. As investments from international video game companies continue to rise, more global game studios such as Ubisoft and Microsoft Games have opened offices in India. Local Indian game studios are also steadily growing. India went from 15 game development studios to 275 from 2009 to 2021. The growing presence of video games in India has led to bans and regulations on gaming imposed by the Indian government.

## **BLOCKCHAIN MARKET IN INDIA**

Business runs on information. The faster it's received and the more accurate it is, the better. Blockchain is ideal for delivering that information because it provides immediate, shared and completely transparent information stored on an immutable ledger that can be accessed only by permissioned network members. A blockchain network can track orders, payments, accounts, production and much more. And because members share a single view of the truth, you can see all details of a transaction end to end, giving you greater confidence, as well as new efficiencies and opportunities. All blockchain network participants have access to the distributed ledger and its immutable record of transactions. With this shared ledger, transactions are recorded only once, eliminating the duplication of effort that's typical of traditional business networks. No participant can change or tamper with a transaction after it's been recorded to the shared ledger. If a transaction record includes an error, a new transaction must be added to reverse the error, and both transactions are then visible.

## **INDIAN SCENARIO ON AR/ VR**

Annual spending on AR and VR segment in India is estimated to in the range of USD 1.7 – 1.8 Billion. With the usage of AR & VR hardware include head mounted display, smart glasses, and head up display are expected to witness strong demand in the coming years. This is based on the increasing interest for AR & VR applications from gaming and entertainment segments. Although its usage across business segments including training, consumer electronics, automotive etc are expected to grow, the initial growth spurt would be supported by gaming & entertainment sectors. Based on these assumptions, annual revenue from AR & VR industry in India is expected to grow by a CAGR in the range of 30% to 35% till 2028. This would take the annual revenue from the industry to the range of USD 11 – 14.5 Bn by 2028.

(Source: Prospectus)



## Key Managerial Personnel

**Mr. Bharat Shamjibhai Patel**, aged 62 years, is Chairperson and Whole-Time director of the Company. Mr. Bharat Shamjibhai Patel holds a formal Engineering degree in the field of Electronics and Communications from Gujarat University. He has also pursued research at Bhabha Atomic Research Centre, Trombay and Space Application Centre ISRO for designing Microcomputers and Integrated Circuits. Being a passionate and ambitious personality with a stout combination of more than 3 decades of technical experience and entrepreneurial aptitudes.

**Mr. Chirag Rajendrakumar Leuva**, 37 years, is the Executive Director and Chief Executive Officer of the Company. Mr. Chirag Rajendrakumar Leuva holds the degree of Masters of Computer Science and Applications – 2009 from Nirma University, Institute of Science and Technology. Mr. Chirag Rajendrakumar Leuva has the experience of more than 12 years in the industry. He is one of the founding members of the Yudiz Solutions Limited.

**Mr. Pratik Bhaskarbhair Patel**, 36 years, is the Managing Director of the Company. Mr. Pratik Bhaskarbhair Patel with the degree of Masters of Computer Science and Applications – 2010. It was during his 2nd Year of Masters when Pratik began his entrepreneurial journey and started his this company, which is a now leading IT Solution Provider in Game, Mobile App and Blockchain projects.

**Ability Games Limited** was originally incorporated as 'Stuti Hardware Private Limited' on March 2, 2011 under Companies Act, 1956 with Registrar of Companies West Bengal at Kolkata as a private limited company vide Certificate of Incorporation dated March 02, 2011. The name of the company was changed to 'Ability Games Private Limited' and a fresh certificate of incorporation dated July 23, 2018 bearing Corporate Identity Number U74900WB2011PTC160048 was issued by Registrar of Companies, Kolkata.

**Mr. Amit Joshi**, aged 34 years is an independent director of the Company. He was appointed as independent director from September 12, 2022. Mr. Amit Joshi has completed M.Tech in Computer Science and Engineering and completed his research in the areas of Cloud Computing and Cryptography in Medical imaging with a focus on analysis of the current Government Strategies and World forums needs in different sectors on security purposes.

**Mr. Suraj Chokhani**, aged 43 years, is the Whole-Time director of the company. He holds a Bachelor's Degree in Commerce from University of Calcutta. He is associated with the company since 2020 and has over 20 years of experience in Industry and launched a series of online games. He is a founder/investor of well-established brands like Crictracker, Ability Games etc. He is having a holistic knowledge of the wants of the gamer, hence it becomes easier to connect to the community. In the last 20 years, he has donned many hats and under his guidance and mentorship, he has converted many ideas to meaningful business

To conclude, the company has 4 promoters. The management has good knowledge and experience in the industry and overall business in which the company operates in.

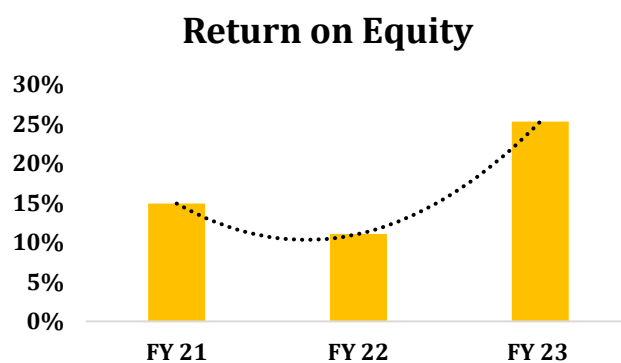
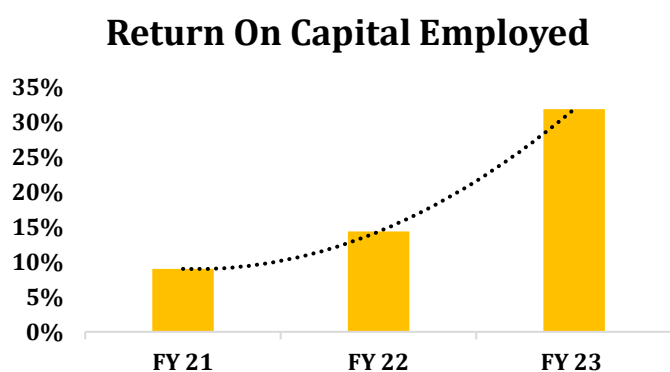
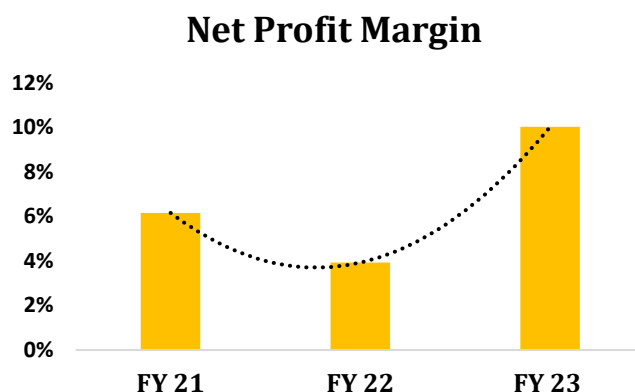
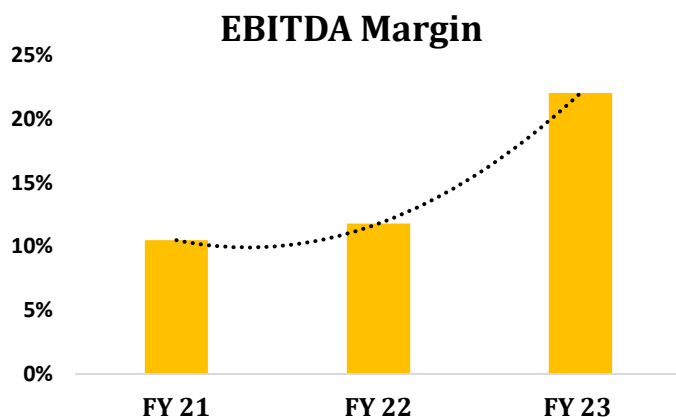
**Financial Snapshot**

<b>Profit and Loss Statement</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
Revenue from Operations	1,282.67	1,876.18	2,731.45	
Other Income	22.75	5.57	13.30	
<b>Total Income</b>	<b>1,305.42</b>	<b>1,881.75</b>	<b>2,744.75</b>	
<b>Expenses</b>				
Cost of Delivery of Services	-	-	-	
Purchase of stock-in-trade	-	-	-	
Changes in inventories of Finished goods, work-in-Progress	-	-	-	
Employee benefits expense	886.82	1,276.56	1,674.68	
Finance costs	8.49	13.85	21.25	
Depreciation and Amortization expense	68.42	96.53	232.97	
Other expenses	261.15	378.15	454.20	
<b>Total Expenses</b>	<b>1,224.88</b>	<b>1,765.09</b>	<b>2,383.10</b>	
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>134.70</b>	<b>221.47</b>	<b>602.57</b>	
<b>EBITDA Margin</b>	<b>11%</b>	<b>12%</b>	<b>22%</b>	
<b>Profit/(Loss) before exceptional items and tax</b>	<b>80.54</b>	<b>116.66</b>	<b>361.65</b>	
Less: Exceptional Items	-	-	-	
<b>Profit/(Loss) before tax</b>	<b>80.54</b>	<b>116.66</b>	<b>361.65</b>	
Income Tax relating to earlier years			0.41	
Current Tax	28.31	37.96	139.29	
Current Year	-	-	-	
Allocated to Minority Interest	-	-	-	
Differed tax	-28.34	4.63	-53.21	
Total Tax Expense	-0.03	42.59	86.08	
<b>Profit/(Loss) for the year</b>	<b>80.57</b>	<b>74.07</b>	<b>275.57</b>	
<b>Net Profit Margin</b>	<b>6%</b>	<b>4%</b>	<b>10%</b>	

<b>Balance Sheet</b>			
<b>(In Lacs)</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
(a) Share Capital	153.09	153.09	760.18
(b) Reserves and surplus	386.70	515.94	329.03
<b>Total Equity</b>	<b>539.79</b>	<b>669.03</b>	<b>1,089.21</b>
<b>2. Non-current liabilities</b>			
(a) Long-term borrowings	-	-	-
(b) Other Non-current Liabilities	-	-	-
(c) Deferred Tax liability	-	-	-
(d) Long-term provisions	86.80	72.47	139.48
(e) Lease liabilities	-	-	83.39
<b>Total Non-current liabilities</b>	<b>86.80</b>	<b>72.47</b>	<b>222.87</b>
<b>3. Current liabilities</b>			
(a) Other financial Liabilities	82.22	124.98	153.95
(b) Trade payables	-	-	-
(i) Due to MSME	-	73.92	8.79
(ii) Due to Others	13.51	6.60	23.11
(c) Other current liabilities	21.34	3.17	58.99
(d) Short-term provisions	16.18	8.41	88.80
(e) Lease liabilities	-	-	56.08
<b>Total Current liabilities</b>	<b>133.25</b>	<b>217.08</b>	<b>389.72</b>
<b>Total Liabilities</b>	<b>220.05</b>	<b>289.55</b>	<b>612.59</b>
<b>Total Equity and Liabilities</b>	<b>759.84</b>	<b>958.58</b>	<b>1,701.80</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Property Plant & Equipment's	324.77	371.30	334.36
(i) Right to Use	-	-	133.43
(ii) Intangible Assets	-	-	-
(iii) Intangible Assets Under Development	-	-	98.65
Goodwill	-	-	-
(b) Non-current investments	5.86	4.64	4.90
(c) Deferred Tax Assets	32.35	27.72	80.93
(d) Other Non-Current Assets	-	-	-
<b>Total Non-Current assets</b>	<b>362.98</b>	<b>403.66</b>	<b>652.27</b>
<b>2. Current assets</b>			
(a) Bank Balance other than Cash and cash equivalents	-	-	115.18
(b) Trade receivables	84.41	118.77	556.46
(c) Cash and cash equivalents	149.53	295.51	114.14
(d) Other Financial assets	104.78	93.76	181.22
(e) Other Current Assets	58.33	46.88	42.52
<b>Total Current assets</b>	<b>397.05</b>	<b>554.92</b>	<b>1,009.52</b>
<b>Total Assets</b>	<b>760.03</b>	<b>958.58</b>	<b>1,661.79</b>

<b>Ratio Sheet</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b><u>Per Share Data</u></b>			
Diluted EPS	1.75	1.61	7.47
BV per share	5.23	6.48	10.55
<b><u>Operating Ratios</u></b>			
EBITDA Margins	11%	12%	22%
PAT Margins	6%	4%	10%
Inventory days	-	-	15.39
Debtor days	24.02	23.11	74.36
Creditor days	-	-	-
<b><u>Return Ratios</u></b>			
RoCE	12%	19%	34%
RoE	15%	11%	25%
<b><u>Valuation Ratios (x)</u></b>			
EV/EBITDA	3.51	2.25	1.87
Market Cap / Sales	13.27	9.08	6.23
P/E	94.29	102.48	22.09
Price to Book Value	31.54	25.45	15.63
<b><u>Solvency Ratios</u></b>			
Debt / Equity	0.15	0.19	0.14
Current Ratio	2.98	2.56	2.59
Quick Ratio	2.98	2.56	2.29
Asset Turnover	1.69	1.96	1.64
Interest Coverage Ratio	7.81	9.02	17.39

## Financial Charts



## Key Risk Factors

1. There is outstanding litigation pending amount of 2.25 Crores against Corporate Promoter which, if determined adversely, could affect business, results of operations and financial condition.
2. Company have certain contingent liabilities of amount 401.25 Lakhs. Financial condition and profitability may be adversely affected if any of these contingent liabilities materialize.
3. Company has negative cash flows from its financing activities in the current year and from its investing and financing activities from past years. Sustained negative cash flow could impact growth and business.
4. The object of making unidentified acquisitions may lead to significant investments in the businesses that may not be sustainable in the long run, which may result in financial losses and negatively impact the company's overall portfolio.
5. With the object of new product offering, company may not be able to maintain historic levels of profitability in the future.

## Track Record of Lead Manager

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

### Narnolia Financial Services Limited

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Drone Destination Limited	44.20	65.00	Jul 21, 2023	102.45

\*CMP for all the above-mentioned companies is taken as on 28th July 2023.

As per the offer document Narnolia Financial Services Limited has only 1 mandate opened at par.

## Recommendation

The company has been into this industry since 2011 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 outlook of the company is also good with proper bifurcation of the roles and responsibilities of its top management.

The PE on an annualised and Post IPO basis is around 61.79 times which seems to be highly priced looking at the performance of peer companies average PE 39.6 and size of the company. Considering the IT services company is providing, **Risk Averse Investors should wait and Risk Seekers should apply.**



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