

IPO Details		Company Background					
<b>Opening Date</b>	Dec 27, 2023	<ul style="list-style-type: none"> <li>HRH Next Services Limited was originally incorporated in the year 2007 and has its registered office Hyderabad, Telangana.</li> <li>The Company is engaged in Business Process Outsourcing (BPO) offering a comprehensive suite of Call Centre Services, covering Inbound Services, Outbound Services, Backend Support, Chat Support, Email Support and more.</li> <li>The Company specializes in providing efficient end-to-end solutions to its clients.</li> <li>As of 30<sup>th</sup> November 2023, the Company had 284 employees on its payroll.</li> </ul>					
<b>Closing Date</b>	Dec 29, 2023						
<b>Stock Exchange</b>	NSE SME						
<b>Lot Size</b>	3000 Shares						
<b>Issue Price</b>	₹ 36 per share						
<b>Issue Size</b>	Aggregating up to 9.57 Cr.						
<b>Fresh Issue</b>	Aggregating up to 9.57 Cr.						
<b>Offer For Sale</b>	-						
<b>Application Amount</b>	₹ 1,08,000						
IPO Objective		Market Capitalization (In Cr.)					
1. Expansion of Services by launching 2 (two) Call Centres.		Pre-Issue		Post-Issue			
2. Capital Expenditure towards purchase of Computer Systems.		₹24		₹33			
3. To meet the Working Capital requirement.							
4. To meet the Issue Expenses.							
5. General Corporate Expenses.							
Pre-Issue Shareholding			Financial Summary (In Lacs.)				
Category	No. of Shares	% of Total Shares	For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Promoter & Promoter Group	64,08,333	97.88%	<b>Total Assets</b>	1,298.10	1,864.85	2,882.29	3,113.86
Public	1,39,105	2.12%	<b>Net Assets</b>	603.97	697.00	1,044.79	1,320.71
			<b>Total Borrowings</b>	401.88	442.58	990.57	1,083.77
			<b>Total Revenue</b>	2,424.26	4,428.42	5,124.96	2,152.51
			<b>Profit After Tax</b>	25.18	93.03	347.79	150.84
Promoter of the Company			Tentative Timeline				
1. Ankit Sanjay Shah			<b>Opening Date</b>		Dec 27, 2023		
2. Parikshit Pankaj Shah			<b>Closing Date</b>		Dec 29, 2023		
3. Tara Sanjay Shah			<b>Basis of Allotment</b>		Jan 01, 2023		
			<b>Initiation of Refunds</b>		Jan 02, 2023		
			<b>Credit of Shares to Demat</b>		Jan 02, 2023		
			<b>Listing Date</b>		Jan 03, 2023		
Competitive Strengths							
1. Quality Service.							
2. Experienced Management Team.							
3. Superior Process Solutions.							
4. Quality Assurance and Standards.							
5. Excellent Infrastructure and Technology.							
6. Progressive Employer.							

### Company Background and Analysis

HRH Next Services Limited was originally incorporated on February 02, 2007. Company is engaged in Business Process Outsourcing (BPO) offering a comprehensive suite of Call Centre Services, covering Inbound Services, Outbound Services, Backend Support, Chat Support, Email Support and more. Company specializes in providing efficient end-to-end solutions to its clients. Company customises its top-notch solutions to meet specific business needs, helping clients achieve their objectives.

Company is an ISO 9001:2015 certified company for Quality Management Services and ISO/IEC 27001:2022 certified company for Information Security Management System in the field of providing Business Process Outsourcing Services, Inbound/Outbound Services through Phone, E-mail, Chat, Social Media and Digital Channels, Business Support Service, Chatbot Support, Advisory and Related Consulting Services.

Service-wise break up of Revenues is as follows: –

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	(%)	Amt	(%)	Amt	(%)	Amt	(%)
Outbound Services	1,308.79	54.17	2,858.14	64.73	3,583.51	70.08	1,400.28	65.46
Outbound – Sales	249.34	10.32	467.87	10.60	520.57	10.18	273.74	12.80
Backend Support	204.80	8.48	372.48	8.44	318.36	6.23	219.18	10.25
Inbound Services	225.16	9.32	354.82	8.04	317.39	6.21	128.75	6.02
Chat Support	22.01	0.91	132.05	2.99	192.84	3.77	41.24	1.93
Email Support	406.15	16.81	229.88	5.21	180.96	3.54	75.97	3.55
<b>Total Sale</b>	<b>2,416.25</b>	<b>100.00</b>	<b>4,415.24</b>	<b>100.00</b>	<b>5,113.63</b>	<b>100.00</b>	<b>2,139.16</b>	<b>100.00</b>

Company has been in the current line of business for more than a decade and the client lists include various Telecom, Foodtech, Autotech, E-Commerce, Fintech, Education, Healthcare, Government, Banking etc.

Currently, company operates from 6 offices in Telangana, 1 in Karnataka and 1 in Tamil Nadu. Apart from these, company is proposing to set up 2 (two) Call Centres with seating capacity of 150 each at Palakkad in the state of Kerala and Raichur in the state of Karnataka. The total estimated cost to operate these two locations is ₹ 285.82 Lakhs (including 300 Nos. Computer Systems of ₹ 150.63 lakhs).

To conclude, HRH Next Services Limited was incorporated in 2007, and has vast experience in the industry. Currently company derives most of its revenue from Outbound Services. Company provides services in various industries.

## **Business Strategies**

### **1. Expand the Current Business Relationships –**

The company plans to continue to expand the scope and range of current services provided to its existing customers by continuing to build its expertise and extending the capabilities. The company aims to do this by leveraging the marketing skills and relationships and further enhancing customer's base.

### **2. Optimal Utilization of Resources –**

The company intends to continue to build on the inclusive culture to ensure its employees remain engaged and committed to delivering exceptional service.

### **3. Enhance operational controls to ensure timely completion of Service –**

The company continues to focus on enhancing operational controls and cost efficiencies through optimal service quality & cost management. Company also continues to implement various measures aimed at incremental improvement in operational efficiencies, such as deploying more professional for providing services.

### **4. To Build-Up a Professional Organization –**

The company believes in transparency, commitment and coordination in the work, with the suppliers, customers, government authorities, banks etc.

### **5. Invest in infrastructure and technology –**

The company believes in making investments for continuously achieving higher levels of excellence in its services and implement dynamic and diverse specifications of the customers. The company wants to continue to work towards the upgradation and modernization of the infrastructure and technology.

## Competitive Scenario and Peer Mapping

### Competition

The company compete with a number of entities that provide similar services in each of the business lines in which the company operate. Company's competitors may be able to respond more quickly to new or changing opportunities, technologies, and client requirements and may offer better technological services, more attractive terms to clients and adopt more aggressive pricing policies than the company will be able to offer or adopt. There are no entry barriers in the industry which puts company to the threat of competition from new entrants as there are numerous players operating in the industry.

### Peer Analysis

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

Particulars	HRH Next Services Limited	Platinumone Business Services Limited	Kandarp Digi Smart BPO Limited	We Win Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1.0%	5.4%	1.1%	3.2%
EBITDA Margin	6.3%	12.9%	3.5%	8.2%
Return on Capital Employed	10.0%	25.7%	3.9%	8.5%
Return on Equity	4.2%	16.0%	1.6%	6.1%
EPS (INR)	3.22	9.31	1.58	1.13

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

Particulars	HRH Next Services Limited	Platinumone Business Services Limited	Kandarp Digi Smart BPO Limited	We Win Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2%	10%	7%	5%
EBITDA Margin	7%	16%	12%	10%
Return on Capital Employed	21%	25%	19%	14%
Return on Equity	13%	19%	11%	10%
EPS (INR)	2.60	14.35	1.42	2.07

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

Particulars	HRH Next Services Limited	Platinumone Business Services Limited	Kandarp Digi Smart BPO Limited	We Win Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	7%	9%	6%	5%
EBITDA Margin	14%	13%	13%	10%
Return on Capital Employed	45%	18%	9%	13%
Return on Equity	33%	16%	6%	10%
EPS (INR)	5.44	14.53	1.14	2.36

**Industry Overview**

Exhibit 1: Market size of IT industry in India (US\$ billion).

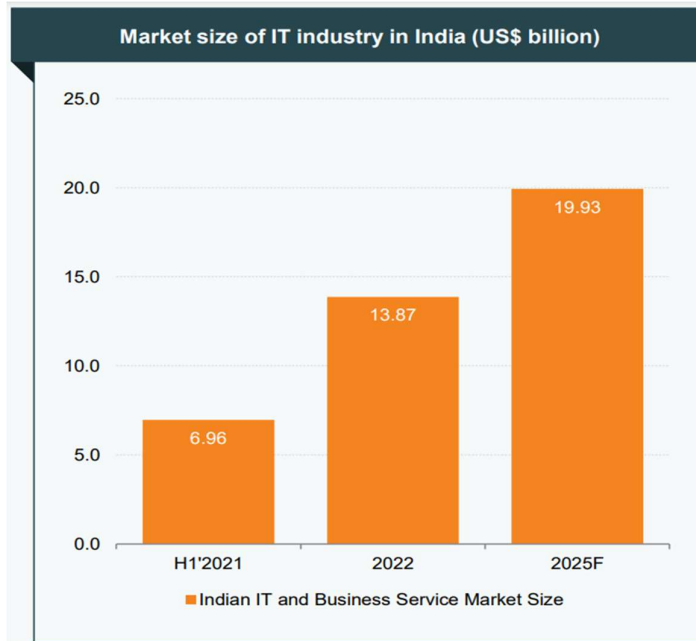
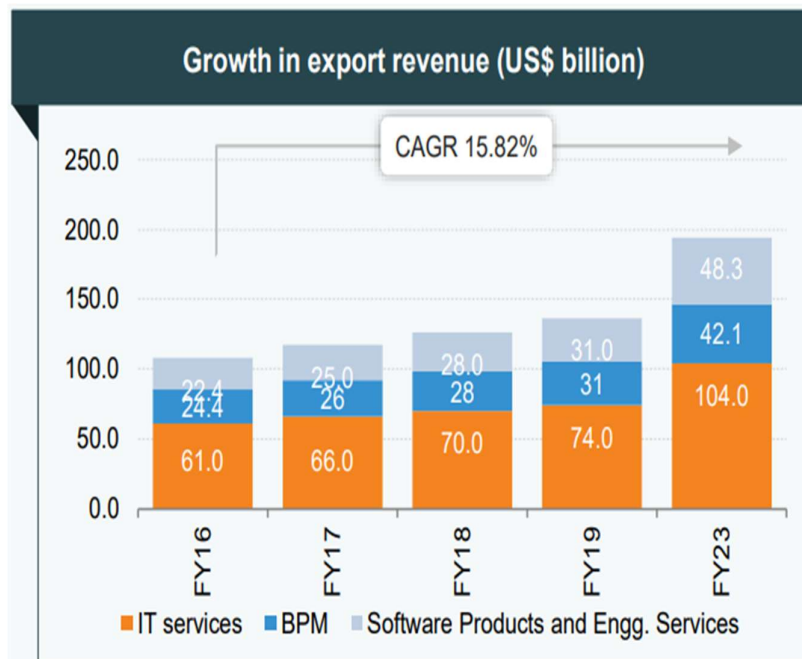


Exhibit 2: Growth in export revenue (US\$ billion).



(Source: ibef.org)

## **IT & BPM Industry**

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. 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.

### **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. Exports 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. The ER&D market is expected to grow to US\$ 42 billion by 2022. The IT industry added 4.45 lakh new employees in FY22, bringing the total employment in the sector to 50 lakh employees.

### **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. He further added that service exports from India have the potential to reach US\$ 1 trillion by 2030.

(Source: Prospectus)

### Key Managerial Personnel

**Ankit Sanjay Shah**, aged 44 years, is one of the Promoters and Managing Director of the company. He has been on the Board of Directors since the inception of the company. He holds the degree of Master of Business Administration. He spearheads HRH Next's business development programme, while providing oversight in the day-to-day operations of critical shared services functions.

**Trishla Shah**, aged 41 years, is the Wholetime Director of the company. She has been on the Board of the company since July 24, 2023. She holds a diploma in Business Finance, a bachelor's degree in commerce, and diploma in Business Finance from the Institute of Chartered Financial Analytics of India. She is associated as Head-Business Development for more than 3 years in the Company. The main job responsibilities of her involves new business development, client retention, and business development planning.

**Parikshit Pankaj Shah**, aged 49 years, is one of the Promoters, and Non-Executive Director of the company. He holds the degree of Bachelor of Commerce. He has an experience of over 25 years, founding and running multiple businesses.

**Srikanth Punati**, aged 45 years, is the Independent Director of the company. He has been on the Board of the company since August 26, 2023. He holds the degree of Bachelor of Commerce, a Post Graduate Diploma in Business Management. He has over 14 years of experience in the field of Fashion, event management, software, sports management and exhibition management etc.

**Neha Agarwal**, aged 41 years, is the Independent Director of the company. She has been on the Board of the company since August 21, 2023. She holds the degree of Bachelor of Commerce. She has over 5 years of experience in jewellery design and business development.

To conclude, the company has 3 promoters out of which 2 are involved in the management of the company. They have decent experience in the industry. The remaining directors do have good experience in their respective fields, which does not include the operations of the company.

**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>	<b>Sep-23</b>
Revenue from Operations	2,416.24	4,415.23	5,113.63	2,139.16
Other Income	8.02	13.19	11.33	13.34
<b>Total Income</b>	<b>2,424.26</b>	<b>4,428.42</b>	<b>5,124.96</b>	<b>2,152.51</b>
<b>Expenses</b>				
Employee benefits expense	1,642.39	2,852.55	2,963.22	1,131.84
Finance costs	38.83	47.96	91.41	79.13
Depreciation and Amortization expense	83.90	111.74	162.70	106.94
Other expenses	622.18	1,274.85	1,413.71	633.14
<b>Total Expenses</b>	<b>2,387.31</b>	<b>4,287.11</b>	<b>4,631.05</b>	<b>1,951.06</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>151.67</b>	<b>287.83</b>	<b>736.69</b>	<b>374.18</b>
<b>EBITDA Margin</b>	<b>6%</b>	<b>7%</b>	<b>14%</b>	<b>17%</b>
<b>Profit/(Loss) before exceptional items and tax</b>	<b>36.95</b>	<b>141.31</b>	<b>493.91</b>	<b>201.45</b>
Exceptional Items	-	-	-	-
<b>Profit/(Loss) before tax</b>	<b>36.95</b>	<b>141.31</b>	<b>493.91</b>	<b>201.45</b>
<b>Tax Expense</b>				
Current tax	15.88	30.08	93.09	39.75
Deferred Tax	-4.11	8.50	34.84	10.85
Earlier years tax	-	9.70	18.19	-
Total Tax Expense	11.77	48.28	146.12	50.61
<b>Profit/(Loss) for the year</b>	<b>25.18</b>	<b>93.03</b>	<b>347.79</b>	<b>150.84</b>
<b>Net Profit Margin</b>	<b>1.04%</b>	<b>2.10%</b>	<b>6.79%</b>	<b>7.01%</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>Sep-23</b>
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	20.00	20.00	20.00	654.74
Reserve and Surplus	583.97	677.00	1,024.79	665.96
<b>Total Equity</b>	<b>603.97</b>	<b>697.00</b>	<b>1,044.79</b>	<b>1,320.71</b>
<b>2. Non-current liabilities</b>				
Long Term Borrowings	40.71	76.68	134.83	108.08
Deferred Tax Liabilities (net)	12.76	21.25	56.10	66.95
Other Long-Term Liabilities	23.12	32.14	35.61	37.79
<b>Total Non-current liabilities</b>	<b>76.58</b>	<b>130.07</b>	<b>226.53</b>	<b>212.82</b>
<b>3. Current liabilities</b>				
Short-term borrowings	361.17	365.90	855.74	975.70
Trade payables	51.18	217.59	127.97	100.50
Other Current Liabilities	165.16	356.26	411.33	455.28
Short-term Provisions	40.04	98.03	215.93	48.85
<b>Total Current liabilities</b>	<b>617.55</b>	<b>1,037.78</b>	<b>1,610.97</b>	<b>1,580.33</b>
<b>Total Liabilities</b>	<b>694.13</b>	<b>1,167.86</b>	<b>1,837.50</b>	<b>1,793.15</b>
<b>Total Equity and Liabilities</b>	<b>1,298.10</b>	<b>1,864.85</b>	<b>2,882.29</b>	<b>3,113.86</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
Property, Plant and Equipment				
-Tangible Assets	240.73	350.86	500.09	461.21
-Intangible Assets	273.31	372.68	816.35	764.34
Non-Current Investments	65.17	90.78	92.56	15.00



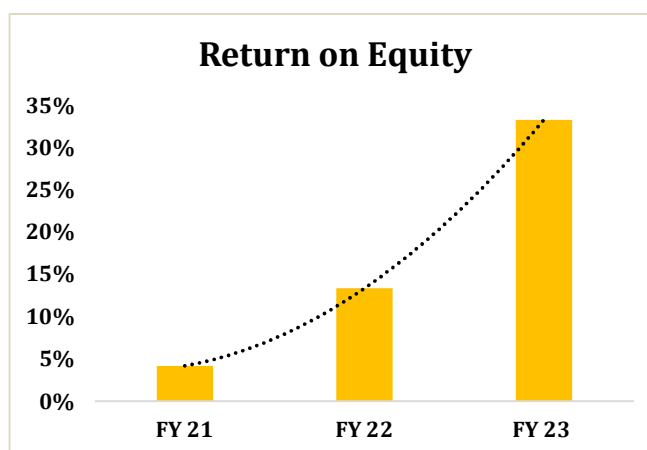
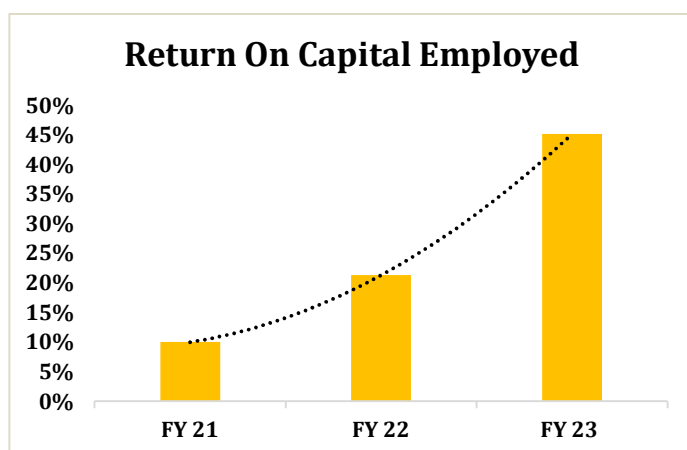
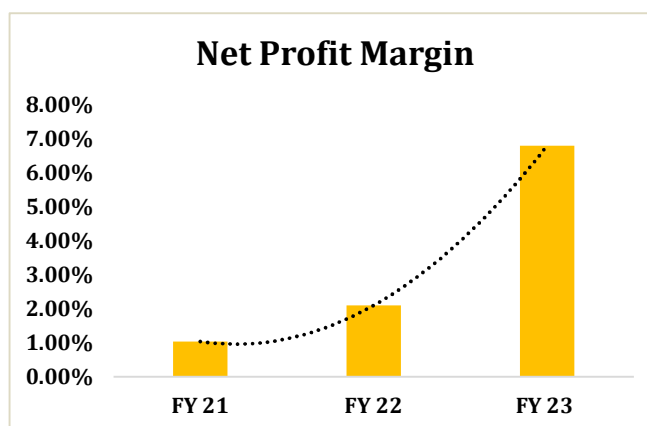
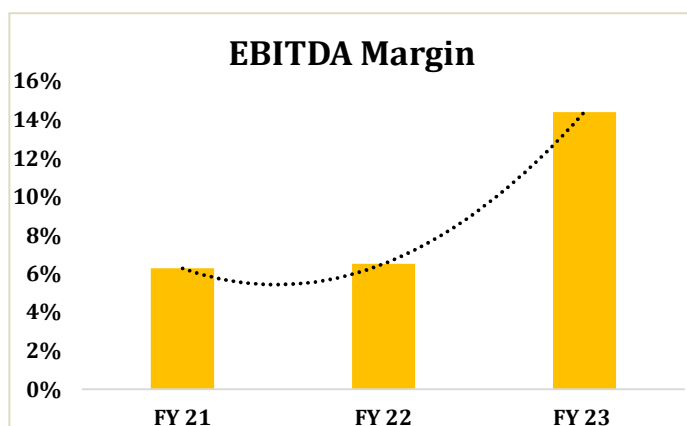
<b>Balance Sheet</b>				<b>(In Lacs)</b>
Deferred Tax Assets	-	-	-	-
Long Term Loans and Advances	23.87	23.87	23.87	23.87
<b>Total Non-Current assets</b>	<b>603.07</b>	<b>838.18</b>	<b>1,432.86</b>	<b>1,264.42</b>
<b>2. Current assets</b>				
Inventories	-	-	-	-
Trade receivables	315	678.41	1,215.24	1,631.36
Cash and Bank Balances	154.52	17.82	12.53	13.20
Short-term loans and advances	99.29	111.69	62.96	49.48
Other Current Assets	126.02	218.76	158.71	155.39
<b>Total Current assets</b>	<b>695.03</b>	<b>1,026.67</b>	<b>1,449.43</b>	<b>1,849.44</b>
<b>Total Assets</b>	<b>1,298.10</b>	<b>1,864.85</b>	<b>2,882.29</b>	<b>3,113.86</b>

<b>Cash Flow Statement</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Sep-23</b>
Net Cash Flow from Operating Activities	224.23	206.13	772.00	-185.52
Net Cash Flow from Investing Activities	-314.62	-339.32	-757.38	37.55
Net Cash Flow from Financing Activities	-118.62	-3.51	-19.91	148.65

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Sep-23*</b>
<b>Per Share Data</b>				
Diluted EPS	3.22	2.6	5.44	3.04
BV per share	6.56	7.57	11.35	26.14
<b>Operating Ratios</b>				
EBITDA Margins	6.28%	6.52%	14.41%	17.49%
PAT Margins	1.04%	2.10%	6.79%	6.50%
Debtor days	47.61	56.08	86.74	139.56
Creditor days	7.73	17.99	9.13	8.60
<b>Return Ratios</b>				
RoCE	9.96%	21.29%	45.15%	15.68%
RoE	4.17%	13.35%	33.29%	11.63%
<b>Valuation Ratios (x)</b>				
EV/EBITDA	5.61	3.90	2.75	4.54
Market Cap / Sales	1.37	0.75	0.65	0.77
P/E	11.18	13.85	6.62	11.84
Price to Book Value	5.49	4.75	3.17	1.38
<b>Solvency Ratios</b>				
Debt / Equity	0.67	0.63	0.95	0.82
Current Ratio	1.13	0.99	0.90	1.17
Quick Ratio	1.13	0.99	0.90	1.17
Asset Turnover	1.86	2.37	1.77	0.69
Interest Coverage Ratio	1.75	3.67	6.28	3.38

\*Annualized Figures

## Financial Charts



## Key Risk Factors

1. The company's top ten customers have contributed 97.45%, 95.16%, 98.60% and 99.90% of the revenues for the six-month period ended on September 30, 2023, and for the year ended March 31, 2023, March 31, 2022, and March 31, 2021, respectively. Any loss of business from one or more of them may adversely affect the revenues and profitability.
2. The company has certain legal proceedings involving the Company amounting to Rs. 80.03 Lakhs. Any adverse decisions in any of the proceedings may have a significant adverse effect on the business, results of operations, cash flows and financial condition.
3. The Company had negative operating cash flow for the Period Ended September 2023. Sustained negative cash flow could adversely impact the business, financial condition and results of operations.
4. The company's business is subject to seasonal and other fluctuations that may affect the cash flows and business operations.

### Track Record of Lead Manager

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

#### Finshore Management Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Presstonic Engineering Limited	23.20	72.00	December 18, 2023	137.00
2.	Holmarc Opto-Mechatronics Limited	11.40	40.00	September 25, 2023	102.0
3.	Alphalogic Industries Limited	12.88	96.00	July 14, 2023	164.0
4.	ITCONS E-Solutions Limited	8.67	51.00	March 13, 2023	45.8
5.	Indong Tea Company Limited	13.01	26.00	February 21, 2023	21.0
6.	Arham Technologies Limited	9.58	42.00	December 15, 2022	213.0
7.	AMBO Agritec Limited	10.20	30.00	December 02, 2022	26.2
8.	Containe Technologies Limited	2.62	15.00	September 30, 2022	100.0
9.	Mega Flex Plastics Limited	11.40	40.00	September 19, 2022	31.5
10.	Naturo Indiabull Limited	10.92	30.00	September 02, 2022	14.4

\*CMP for the above-mentioned companies is taken as of 27<sup>th</sup> December 2023.

As per the offer document, Finshore Management Services Limited has had 33 mandates in the last three fiscal years (including the current year). For Finshore Management Services Limited above-mentioned mandates 3 have opened at discounts, 1 has opened at par and the remaining mandates have opened at premiums on the listing day.

### **Recommendation**

The company has been in the industry since 2007 and has vast experience in the industry. The company has shown an exponential increase of its bottom line of its financials. The company's management overview is decent. The company also faces significant competition in the industry.

The P/E on annualized and Post IPO basis is around 11.84 times which seems to be fairly priced looking at the performance and size of the company. The P/E on average for the peer companies is 41.60 times.

The Company have had good growth in its revenue, whereas has shown exponential growth in its profits and its margin which will be difficult to sustain going forward. The business segment in which the company operates is not unique and it is highly fragmented. Thus, one can **Avoid** applying for this IPO.

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