



Trust Fintech Limited

IPO Note
Recco – **APPLY**



IPO Details			Company Background				
Opening Date	Mar 26, 2024		<ul style="list-style-type: none"> Trust Fintech Limited was originally incorporated in the year 1998 and had its registered office in Nagpur, Maharashtra, India. The Company is a SaaS product-focused company which has carved a niche in providing Core Banking Software, IT Solutions, ERP Implementation and Customized Software Solutions Development, SAP B1 and Offshore IT services for the BFSI sector. The company offers more than 10+ (ten) banking-related products. The company is majorly involved in the Implementation, and deployment of Core banking Software i.e. TrustBankCBS or MicroFinS. As of March 19th, 2024, the Company had 263 employees out of which 228 are on a payroll basis and 35 are on contract basis. 				
Closing Date	Mar 28, 2024						
Stock Exchange	NSE SME						
Lot Size	1,200 Shares						
Issue Price	₹ 95 to ₹ 101 per share						
Issue Size	Aggregating up to 63.45 Cr.						
Fresh Issue	Aggregating up to 63.45 Cr.						
Offer for Sale	-						
Application Amount (Price at Upper Band)	₹ 1,21,200						
IPO Objective							
Set up additional development facility, instalment of fit-outs and interior design.			Pre-Issue		Post-Issue		
Investment in procuring hardware and upgrading IT infra.			₹ 177		₹ 241		
Funding expenditure related to enhancement, maintenance, and upgrading existing products.			Financial Summary (In Lacs)				
General corporate purposes.			For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Meet global and domestic business development, sales and marketing expenses of the company.			Total Assets	1,590.02	1,958.73	3,118.90	3,989.44
Pre-Issue Shareholding			Net Assets	1,382.74	1,516.39	2,718.60	3,446.55
Category	No. of Shares	% of Total Shares	Total Borrowing	-44.34	118.69	-3.80	-34.32
Promoter & Promoter Group	1,64,04,717	93.51%	Total Revenue	2,417.94	1,800.00	2,270.19	1,883.13
Public	11,38,483	6.49%	Profit After Tax	219.65	133.66	402.21	727.94
Promoter of the Company			Tentative Timeline				
1. Hemant Padmanabh Chafale			Opening Date	Mar 26, 2024			
2. Sanjay Padmanabh Chafale			Closing Date	Mar 28, 2024			
3. Heramb Ramkrishna Damle			Basis of Allotment	Apr 02, 2024			
4. Anand Shankar Kane			Initiation of Refunds	Apr 03, 2024			
5. Mandar Kishor Deo			Credit of Shares to Demat	Apr 03, 2024			
Competitive Strengths			Listing Date	Apr 04, 2024			
1. One-stop shop solution provider in secure core banking solutions, ERP implementation, and customized software solutions development.							
2. Strong customer relationships							
3. Government Empanelment.							
4. Quality assurance and quality certification.							
5. Experienced Promoter and senior management.							

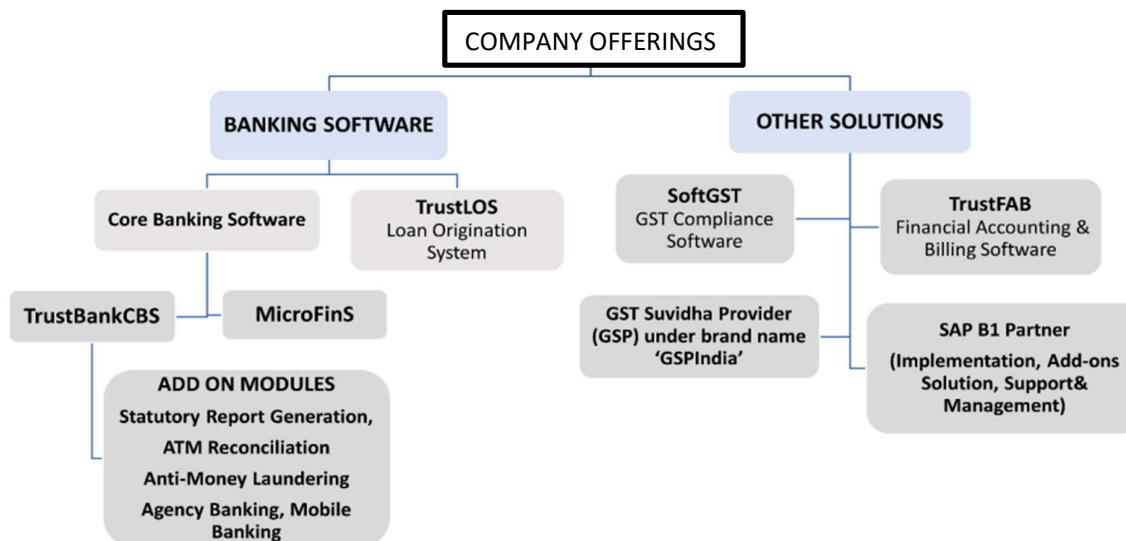


Company Background and Analysis

Trust Fintech Limited was originally incorporated on December 15, 1998. Trust Fintech is a Nagpur based SaaS Product focused company which has carved a niche in providing Core Banking Software, IT Solutions, ERP Implementation and Customized Software Solutions Development, SAP B1 and Offshore IT services for the BFSI sector. The company has evolved in the last 25 years and adapted to the technological and market shifts to reach the current business model and product version. Trust Fintech is consistently expanding its business footprints in India and Globally by adapting to ever-changing regulatory compliances for the global BFSI sector.

Company has invested in developing more than 10+ (ten) banking related products for Commercial and Cooperative Banks and Financial Institutions, which comprise Core Banking Software, Loan Origination software, GST compliance software, Financial Accounting & Billing Software, GST Suvidha provider, SAP B1 Services (for Implementation, Support and Add-on Development), Various add-on modules for Statutory Report Generation, ATM Reconciliation, Anti-Money Laundering, Agency Banking, Mobile Banking leveraging end to end solutions to address the evolving needs of banking Solutions. Since it provides banking solutions, therefore all the product solutions are built by keeping in mind the RBI compliance requirements, which the banks must follow and the product is designed in configurable architect, which gives the flexibility to incorporate the changes which may be required to be complied by the banks, pursuant to the change in the policy and compliances as notified by the RBI.

Below chart shows the services offered by the company:



Company provides advanced software services to Public Sector Banks, Co-Operative Banks, District Co-Operative Banks, Regional Rural Banks, Large Credit Societies, NBFC, Large commercial Banks (Add-on Business), PACS, Credit Unions in USA and South American countries that meet international quality. Currently, it is serving customers in more than 15 States of India and in more than 10 countries including California, Nepal, Gambia, Ghana, Liberia, Nigeria, Sri Lanka, Tanzania, Zimbabwe, Siberia, Central Africa Republic.

To conclude, Trust Fintech Limited was incorporated in 1998 and has vast experience in the industry. Currently company derives most of its revenue from the TrustBankCBS AMC services i.e., 25% of revenue, and the company is more concentrated in the region of Maharashtra.



Business Strategies

1. Customizing Trust Bank CBS for NBFCs to Seize Mandatory CBS Opportunity in India -

The company is targeting the emerging market in CBS for NBFCs in India. The company plans on completing the customization of CBS for NBFCs within the next 3-4 months i.e. By July 2024. The company is tapping into a substantial market share in India by offering a comprehensive end-to-end solution. The company's goal is to meet regulatory requirements and to provide an extensive and efficient solution that caters to the unique needs of NBFCs.

2. Elevating Market Presence: Unleashing the Potential of the Product Portfolio -

The company is planning to employ a sales strategy to cater to the growing demand for innovative software solutions for BFSI organizations in India. By combining a customer-centric sales approach with strategic territorial targeting, the company aims to position Trust Fintech Limited as a leading provider of innovative BFSI software solutions in the Indian market.

3. Increasing the Global presence in the US and North America -

The company intends to expand its global footprint in the US and North America by providing Customized CBS for Credit Unions in North America USA, CBS for Credit Union in South America (Spanish), and Loan Origination for the North American Market. The company is planning to employ full time two Marketing Managers in the East & West Coast of the USA

4. Establishing a Robust Facility at Mihan SEZ, Nagpur to accommodate additional personnel.

The company propose to develop the new facilities at Mihan SEZ, Nagpur to increase the ability to accommodate additional personnel and create additional space for the business.



Competitive Scenario and Peer Mapping

Competition

The market in which the company serves is highly competitive. The company is exposed to competition from onshore and offshore CBS and ERP providers. Principal competitive factors in the markets are reputation and track record, industry expertise, breadth and depth of software solutions offerings, language, marketing and selling skills, scalability of infrastructure, ability to address customers' timing requirements and price, and etc. The company does not have high barriers to entry. The bargaining power of the consumers is slightly lower in the industry in which the company operates in.

Peer Analysis

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

Particulars	Trust Fintech Limited	Network People Services Technologies Limited	Veefin Solutions Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	18%	16%	29%
EBITDA Margin	26%	30%	39%
Return on Capital Employed	19%	29%	12%
Return on Equity	15%	39%	17%
EPS (INR)	7.76	3.36	2.60

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

Particulars	Trust Fintech Limited	Network People Services Technologies Limited	Veefin Solutions Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	7.58%	7.77%	13.89%
EBITDA Margin	11%	20%	17%
Return on Capital Employed	9%	9%	7%
Return on Equity	9%	15%	93%
EPS (INR)	2.58	0.77	1.25

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

Particulars	Trust Fintech Limited	Network People Services Technologies Limited	Veefin Solutions Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	9.17%	7.0%	9.2%
EBITDA Margin	12.0%	19.5%	11.8%
Return on Capital Employed	19.8%	20.1%	0.9%
Return on Equity	15.9%	16.0%	100.0%
EPS (INR)	4.24	0.80	67.18



Industry Overview

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

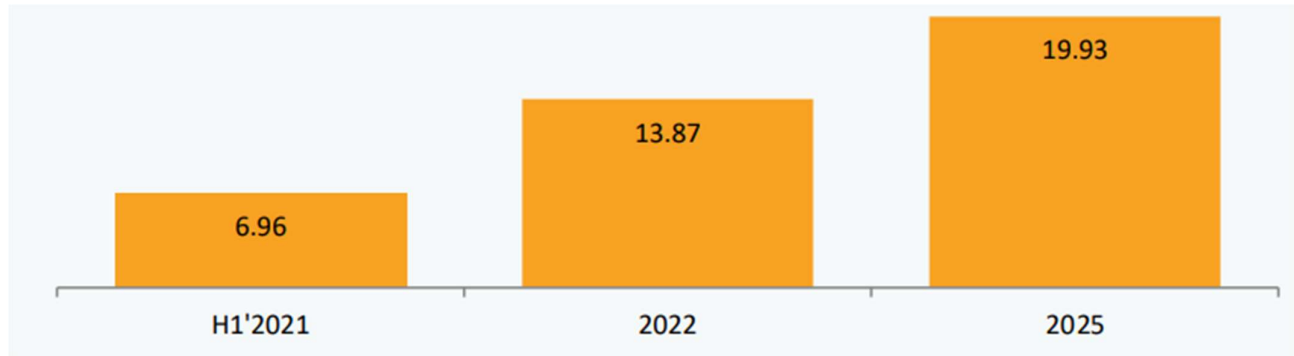
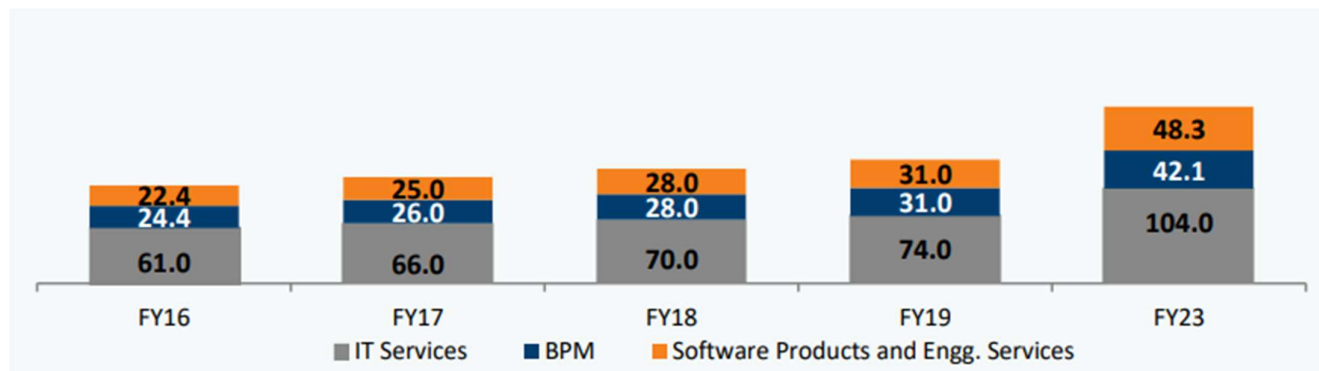


Exhibit 2: Growth in Export Revenue (US\$ billion)



(Source: ibef.org)



Indian IT Market –

The IT 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).

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.

Exports in Indian IT Sector –

According to NASSCOM's report, India's IT industry has been exceptionally resilient during the pandemic, driven by increased technology spending, accelerated technology adoption, and digital transformation. This is evident in the swift and wide-scale remote working adoption of one of the world's largest IT workforces. Capitalising on the learnings from the first wave, the industry's response to the second wave has moved beyond addressing the immediate challenges to significantly enhancing capabilities to become a future-ready organisation. An obsession with customer-centricity, domain-specific solutions, a digital-first talent pool, and a laser-sharp focus on creating future-ready solutions have been the key pillars that enabled technology firms to respond proactively to emerging customer demand throughout the pandemic.

(Source: prospectus)



Key Managerial Personnel

Hemant Padmanabh Chafale, aged 54 years, is one of the Promoters and Managing Director of the company. He holds a bachelor's degree in Instrumentation Engineering. He has experience in Control Systems in various industries such as Chemicals, Petrochemicals and Steel. He has more than 31 years of experience in Software delivery.

Mandar Kishor Deo, aged 54 years, is one of the Promoters, Whole-time director, and Technical Head of the company. He holds a bachelor's degree in science and an Associate Member of Institute of Engineers (AMIE, equivalent to an Engineering degree) plus a Professional Diploma holder in Computer Programming and Applications (PDCPA). He has over 31 years of professional experience.

Heramb Ramkrishna Damle, aged 47 years, is one of the Promoters, Whole-Time Director, and Marketing Head of the company. He is having bachelor's degree in mechanical engineering, and Master of Business Administration. He has over 23 years of professional experience.

Anand Shankar Kane, aged 60 years, is one of the Promoters, Executive Director and CFO of the company. He has Graduated in Commerce and Management Professional Service course. He Headed the Business & Solutions team as director for Global Sales at Oracle financial services Ltd (TDMS Group). He has over 40 years of experience

Sanjay Padmanabh Chafale, aged 55 years, is one of the Promoters of the company. He is holding bachelor's degree in computer science with Project Management Profession. He has g more than 31 years of experience. He has been advisor and Investor of Trust since inception.

Sandhya Narendra Gulhane, aged 57 years, is the Non-Executive Director of the Company. She is having Master of Science (Applied Electronics). She is having expertise in the GST domain, including comprehensive knowledge of GST laws, rules, and notifications. She has 25 years of experience.

Nitin Dattatraya Alshi, aged 54 years, is the Non-Executive Independent Director of the company. He is having more than 22 years of experience as Chartered Accountant and also having a professional degree in accountancy and costing.

Kapil Dilip Chandrayan, aged 41 years, is a Non-Executive Independent Director of the company. He is a consultant to the CEO office at the National Skill Development Corporation. He has experience in strategic communication, stakeholder engagement, and sustainable development. He is a Founder President of Not-for-Profit Advocacy and Research Organization Centre for Development Research.

Prasad Annaji Dongarkar, aged 53 years, is the Non-executive Independent Director of the company. He holds degree in Bachelor of Engineering (Instrumentation). He is having experience of 18 plus years in providing Consultancy, Awareness & Advance training, and Management System Assessment in facilitations, trainings & assessments of various management systems.

To conclude, the company has 5 promoters, out of which 4 are involved in management and have vast experience in the fields, which helps in the overall growth and the industry directly linked to the operations. The Directors of the company also have good experience in fields which will also help in the growth of the company.



Financial Snapshot

Profit and Loss Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23	
Revenue from Operations	2,394.66	1,763.25	2,254.34	1,882.14	
Other Income	23.28	36.75	15.85	0.99	
Total Income	2,417.94	1,800.00	2,270.19	1,883.13	
Expenses					
Cost of raw materials consumed	947.14	371.71	435.66	175.88	
Change in inventories of finished goods and work-in-progress	-26	-	-175.12	-150	
Employee benefits expense	845.21	861.04	1,055.48	598.09	
Finance costs	3.94	1.72	3.78	1.13	
Depreciation and Amortization expense	13.29	47.04	49.48	22.43	
Other expenses	340.35	339.96	359.86	262.83	
Total Expenses	2,123.93	1,621.47	1,729.14	910.36	
Earnings Before Interest, Taxes, Depreciation & Amortization	287.96	190.54	578.46	995.34	
EBITDA Margin	12%	11%	26%	53%	
Profit/(Loss) before extraordinary items and tax	294.01	178.53	541.05	972.77	
Profit/(Loss) before tax	294.01	178.53	541.05	972.77	
Tax Expenses:					
Current Tax /MAT Payable	73.43	46.82	134.94	244.83	
Deferred Tax	0.93	-3.25	3.9	-	
Earlier years	-	1.3	-	-	
Total Tax Expense	74.36	44.87	138.84	244.83	
Profit/(Loss) for the year	219.65	133.66	402.21	727.94	
Net Profit Margin	9.08%	7.43%	17.72%	38.66%	

Balance Sheet					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23	
EQUITY AND LIABILITIES					
1. Shareholders' funds					
Share Capital	518.49	518.49	518.49	518.49	
Reserve and Surplus	864.25	997.90	2,200.11	2,928.06	
Total Equity	1,382.74	1,516.39	2,718.60	3,446.55	
2. Non-current liabilities					
Long Term Borrowings	4.03	135.30	-	-	
Deferred Tax Liabilities (Net)	0.58	-	1.23	1.23	
Total Non-current liabilities	4.61	135.30	1.23	1.23	
3. Current liabilities					
Short-term borrowings	-48.37	-16.61	-3.8	-34.32	
Trade payables	179.90	180.51	146.65	39.23	
Other Current Liabilities	1.09	1.09	5.88	6.53	
Short-term Provisions	15.33	82.57	122.52	154.56	
Duties and Taxes	54.72	59.47	127.82	375.66	
Total Current liabilities	202.67	307.03	399.07	541.66	
Total Liabilities	207.28	442.33	400.30	542.89	
Total Equity and Liabilities	1,590.02	1,958.72	3,118.90	3,989.44	
ASSETS					
1. Non-current assets					
Property, Plant and Equipment	140.07	170.11	1006.28	1053.29	
Intangible Assets under development	262.81	262.81	437.93	587.93	



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Balance Sheet				(In Lacs)
Non-current investments	36.17	36.17	36.17	42.8
Deferred Tax Assets (net)	-	2.67	-	-
other non-current assets	222.41	238.83	258.93	298.69
Total Non-Current assets	661.46	710.59	1,739.31	1,982.71
2. Current assets				
Current Investments	257.08	511.1	324.92	324.92
Trade receivables	396.37	479.99	849.31	1455.13
Cash and Bank Balances	236.68	100.29	112.58	29.32
Other Current Assets	38.43	156.76	92.78	197.36
Total Current assets	928.56	1,248.14	1,379.59	2,006.73
Total Assets	1,590.02	1,958.73	3,118.90	3,989.44

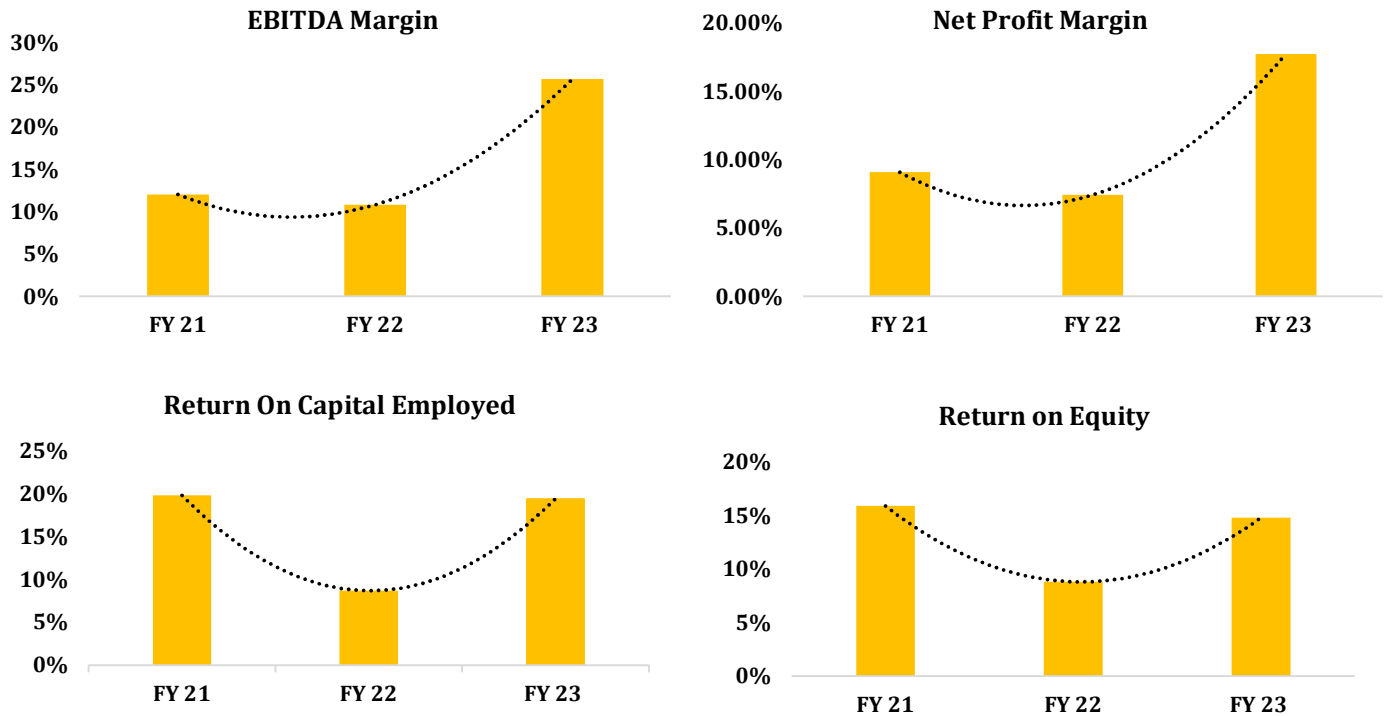
Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
Net Cash Flow from Operating Activities	483.96	16.32	76.96	66.03
Net Cash Flow from Investing Activities	-373.86	-310.77	61.59	-117.64
Net Cash Flow from Financing Activities	55.4	158.06	-126.27	-31.65

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23*
<u>Per Share Data</u>				
Diluted EPS	4.24	2.58	7.76	6.11
BV per share	5.80	6.36	11.41	44.15
<u>Operating Ratios</u>				
EBITDA Margins	12.03%	10.81%	25.66%	52.88%
PAT Margins	9.08%	7.43%	17.72%	38.65%
Debtor days	60.42	99.36	137.51	141.48
Creditor days	69.33	177.25	122.86	81.41
<u>Return Ratios</u>				
RoCE	20%	9%	19%	18%
RoE	16%	9%	15%	14%
<u>Valuation Ratios (x)</u>				
EV/EBITDA	3.83	8.05	4.50	5.25
Market Cap / Sales	10.05	13.65	10.67	6.39
P/E	23.82	39.15	13.02	16.53
Price to Book Value	17.40	15.87	8.85	2.29
<u>Solvency Ratios</u>				
Debt / Equity	-	0.08	-	-
Current Ratio	4.58	4.07	3.46	3.70
Quick Ratio	4.58	4.07	3.46	3.70
Asset Turnover	1.51	0.90	0.72	0.47
Interest Coverage Ratio	69.71	83.43	139.94	860.98

*Ratio sheet for Sept-23 is annualized.



Financial Charts



Key Risk Factors

1. A substantial portion of the revenues has been dependent upon the Core Banking software i.e. TrustBankCBS. The loss of any one or more of the major clients would have a material effect on the business operations and profitability.
2. A substantial portion of the revenues has been dependent upon top 10 clients, and they have contributed approximately 80.05 %, 82.10%, 78.78% and 86.87% of the revenue from operations based on Restated Financial Statements for the period ended September 30, 2023, and the Fiscals 2023, 2022 and 2021 respectively. The loss of any one or more of the major clients would have a material effect on the business operations and profitability.
3. The majority of the domestic sales are dependent majorly on Maharashtra. The revenue from the state of Maharashtra contributed to 70.38%, 61.68%, 65.41%, and 60.04% for the FY ended 2021, 2022, 2023, and the Period ended September 2023 respectively. Any loss of business may adversely affect revenues and profitability.
4. The Company and Promoters are involved in certain legal proceedings(s) and potential litigations amounting to Rs. 94.22 lakhs. Any adverse decision in such proceeding(s) may render them liable to liabilities/penalties.
5. The company have certain contingent liabilities amounting to Rs. 45.30 lakhs and financial condition and profitability may be adversely affected if any of these contingent liabilities materialize.



Track Record of Lead Manager

The lead manager to the issue is Corporate Capital Ventures Private 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 –

Corporate Capital Ventures Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Esconet Technologies Limited	28.22	84.00	February 23, 2024	201.00
2.	Alpex Solar Limited	74.52	115.00	February 15, 2024	277.00
3.	Accent Microcell Limited	78.40	140.00	December 15, 2023	259.00
4.	Rockingdeals Circular Economy Limited	21.00	140.00	November 30, 2023	413.00
5.	Oriana Power Limited	59.66	118.00	August 11, 2023	761.00
6.	Crayons Advertising Limited	41.80	65.00	June 02, 2023	180.00
7.	Droneacharya Aerial Innovations Limited	33.97	54.00	December 23, 2022	142.00
8.	Phantom Digital Effects Limited	29.10	95.00	October 21, 2022	468.00
9.	Swastik Pipe Limited	62.52	100.00	October 12, 2022	78.03
10.	Annapurna Swadisht Limited	30.25	70.00	September 27, 2022	350.00

*CMP for the above-mentioned companies is taken as of 21st March 2024.

As per the offer document, Corporate Capital Ventures Private Limited has had 12 mandates in the last three fiscal years. For Corporate Capital Ventures Private Limited above-mentioned mandates 1 has opened at a discount and the remaining has opened at premiums on the listing day.



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Recommendation

The company has been in the industry since 1998 and has vast experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on an annualized and post-IPO basis is 16.53 times which seems to be slightly highly priced by looking at the performance of the company and the sector. The Sector P/E is 32.2 times.

The industry in which the company operates is highly competitive. The industry in which the company operates has a potential growing market. The company's management is also satisfactory with good experience in the industry. The company is also expanding as per geography which will drive additional growth to the company in the future. Thus, we believe one can **APPLY** to this IPO.



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