



## IPO Details

Opening Date	July 26, 2024
Closing Date	July 30, 2024
Allotment Date	July 31, 2024
Listing Date	August 2, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹56 to ₹59
Issue Size	23.01 Cr.
Fresh Issue	23.01 Cr.
Offer for Sale	-
Application Amt	₹ 1,18,000 (2,000 shares)

## IPO Note

# S A Tech Software India Limited

Recommendation: **APPLY**

### Company Background -

- Incorporated in 2012, S A Tech Software India Limited is an IT consulting subsidiary of the foreign corporation SA Technologies Inc, USA. and has it's registered office in Pune, Maharashtra.
- The company provides application development, mobile app development, cloud infrastructure, software quality assurance, generative AI, machine learning, IoT solutions, data science and analytics.
- SAT boasts an impressive clientele, including notable companies such as Dell-EMC, Applied Materials India Pvt Ltd., Societe Generale Global Solution Centre Pvt Ltd., Toll (India) Logistics Private Limited, ABB Global Industries & Services Pvt Ltd, Whirlpool of India Ltd., KSB LIMITED, Learning Mate Solutions Private Limited, and Roche Information Solutions India Pvt. Ltd.
- Among these, the top three clients contributing the most sales in March 2024 were: **TrueBlue India LLP:** ₹920.99 lakhs; **Applied Materials India Pvt Ltd.:** ₹846.00 lakhs; **Inspera AS:** ₹754.71 lakhs
- The company had 356 permanent employees as of September 30, 2023.

### Objects of the Issue -

- Funding the working capital requirements of the Company.
- Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company.
- General Corporate Purposes.

### Promoters Name -

Manoj Joshi, Priyanka Joshi, M/s. Mindpool Technologies Limited, Ritesh Sharma And Poonam Sharma

### Rationale for recommendation -

- ✓ Growing topline at 25% CAGR.
- ✓ Better performance than peers.
- ✓ Experienced management.
- ✓ Growing Industry.

### KPIs

(Amt in Lakhs.)

KPI's	FY 22	FY 23	FY 24	Jun-24
Revenue	4,106.11	5,639.31	7,188.22	2,388.87
EBITDA	-421.47	487.45	838.32	534.60
Net Profit	-548.65	108.59	368.86	248.07
RoCE	-26.73%	25.94%	35.41%	20.35%
ROE	-82.64%	14.06%	31.63%	17.54%
P/E	13.79	10.93	11.05	17.72

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.02%	69.45%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	5.34	2.82
BVPS	12.74	36.12
P/E	11.05	20.89
P/BV	4.63	1.63
Mkt Cap (In Cr)	54.03	77.04

### Lead Managers -

GYR Capital Advisors Pvt. Ltd.

### Registrar -

Bigshare Services Pvt Ltd

Recommendation: **APPLY**

**Business Overview -**

**Company Overview**

Incorporated in Pune and Bengaluru as a subsidiary of SA Technologies Inc, USA, SAT is an AI-driven IT consulting company founded by industry veterans Manoj Joshi and Priyanka Joshi. With over a decade of experience, the company specializes in scalable IT outsourcing solutions and Global Development Centers (GDCs). SAT has built a strong reputation serving a diverse clientele, including Fortune 500 companies, both domestically and globally.

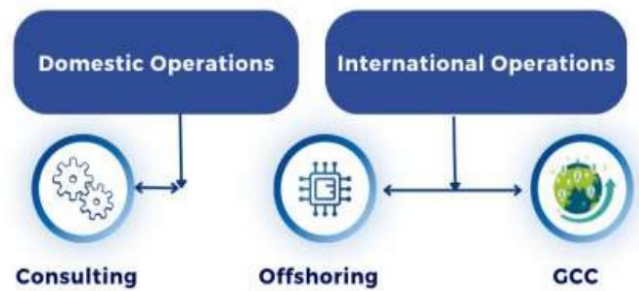
**Key Service Offerings:**

- **Artificial Intelligence and Machine Learning:** Generative AI, data science and analytics, machine learning, and chatbot development.
- **Software Development and Engineering:** Application development (web and mobile), UI/UX design, AI-powered code generation.
- **Digital Transformation and Automation:** Robotic Process Automation (RPA), Internet of Things (IoT) solutions, cloud migration and optimization.
- **Cloud and DevOps Services:** Cloud migration, cloud operations across platforms (Google, Microsoft), AI-infused infrastructure, DevOps implementation.
- **Quality Assurance and Testing:** Functional, performance, security, automation, usability, and compatibility testing.
- **Global Capability Centers (GCC):** End-to-end setup, talent acquisition, operational management, and strategic advisory.

**Unique Value Proposition**

- **Strategic Partnerships:** Microsoft Gold Partner and Google Cloud Partner, providing access to cutting-edge technologies and resources.
- **CMMI Level 5 Certification:** Demonstrates commitment to process maturity and service excellence.
- **Customer-Centric Approach:** Tailored solutions, focus on long-term strategic partnerships, and collaborative engagement.
- **Scalable Business Model:** Ability to scale resources based on client needs, catering to both small and enterprise-level projects.
- **Global Presence:** Offices in the USA and Canada through parent and group companies, providing a wider reach and diverse talent pool.

**Business Model**



### Competition -

The IT consulting industry is highly competitive, driven by technological advancements, changing standards, and evolving customer needs. Key competitors include large IT consulting firms, multinational tech firms, Indian IT services companies, and local firms.

Technological influences like AI, cloud computing, and cybersecurity are crucial. Social influences include the demand for digital transformation and remote work. Macroeconomic factors like inflation and interest rates impact IT spending.

Porter's Five Forces:

- Threat of New Entrants:** Low, due to high entry barriers.
- Supplier Power:** Moderate, with reliance on advanced tech.
- Buyer Power:** High, with demand for cost-effective solutions.
- Threat of Substitutes:** Moderate, with DIY solutions.
- Industry Rivalry:** Intense, with frequent mergers enhancing competitors' capabilities.

The industry is in a growth phase on the experience curve, leveraging economies of scale for competitive pricing. Business cycles impact spending, with economic downturns potentially reducing budgets for IT services.

### Business Strategies -

- Build capacity and capabilities to increase business value.
- Strengthen relationships with existing clients.
- Expand digital engineering and embedded capabilities.
- Strengthen service delivery.
- Leverage strategic partnerships with tech giants like Microsoft and Google to access cutting-edge technologies and resources.
- Foster seamless collaboration with clients with a global mindset and can-do attitude.



### Risk Factors -

The income from the top 10 customers contributed to 78.00%, 74.00%, 69.98% and 84.27% of total revenue for FY22, FY23, FY24 and period ended June 30, 2024 respectively. The loss of any one or more of these key customers could materially impact SAT's business operations and profitability.

Company has had negative cashflow worth 416 lakhs in period ended June 2024.

### PEER ANALYSIS

Particulars	SA Tech Software India Limited			ASM Technologies Limited			Moschip Technologies Ltd		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	-13.4%	1.93%	5.13%	7.36%	4.22%	-2.07%	3.05%	3.05%	3.33%
EBITDA Margin	-10.26%	8.64%	11.66%	14.06%	11.94%	5.12%	18.13%	15.39%	12.66%
RoCE	-26.71%	25.94%	35.41%	29.43%	18.63%	-0.39%	18.07%	8.79%	5.69%
ROE	-82.58%	14.06%	31.63%	22.32%	13.84%	-4.16%	9.83%	5.48%	3.67%
EPS (INR)	-6.07	1.20	4.06	14.04	9.42	-3.88	0.40	0.38	0.55
P/E	-9.72	49.17	14.53	-9.72	40.63	-229.57	155.88	165.18	161.02

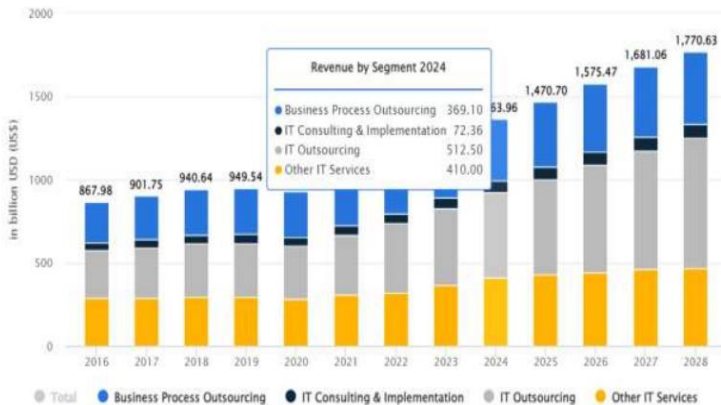
Particulars	Infobeans Technologies Ltd			Onward Technologies Ltd			3i Infotech Ltd		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
<b>NP Margin</b>	19.03%	9.02%	5.86%	7.20%	2.59%	7.1%	-8.31%	0.16%	-36.50%
<b>EBITDA Margin</b>	28.83%	21.20%	17.21%	13.06%	7.36%	12.4%	-4.25%	4.38%	-30.19%
<b>RoCE</b>	19.91%	15.50%	11.02%	18.40%	10.64%	20.0%	-5.29%	1.93%	-79.26%
<b>ROE</b>	23.72%	13.24%	7.60%	9.59%	6.61%	16.4%	-8.17%	0.21%	-101.65%
<b>EPS (INR)</b>	22.82	14.85	9.26	12.34	5.18	15.13	-0.64	0.08	-17.69
<b>P/E</b>	32.25	30.30	39.53	11.67	27.80	9.52	-84.06	343.13	-2.23



## Indian Overview -

### Global IT Services Market

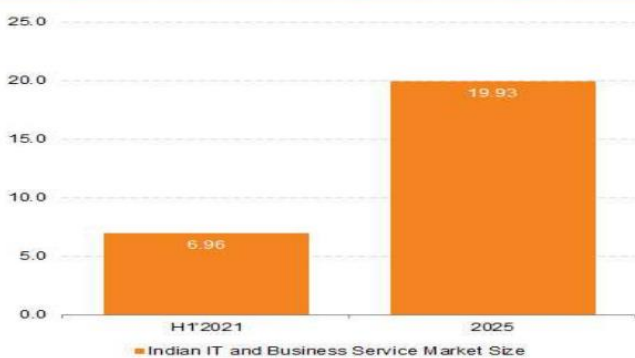
- **Market Size:** Projected to reach US\$1.24 trillion in 2023, growing to US\$1.77 trillion by 2028 (CAGR of 7.37%).
- **Dominant Segment:** IT outsourcing, with a projected market volume of US\$460.10 billion in 2023.



### Key Drivers

- Increased digital adoption due to factors like the COVID-19 pandemic.
- Ongoing shift towards cloud computing.
- Growing demand for IT services to ensure business continuity and resilience.

Market size of IT Industry in India (US\$ billion)



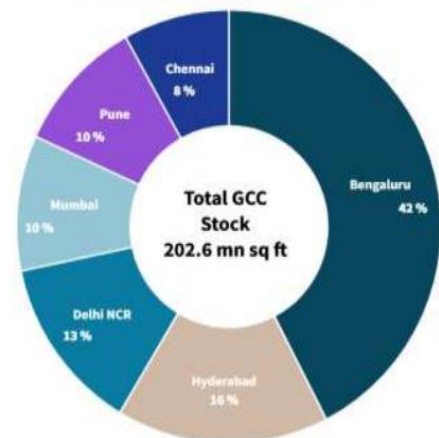
### Indian IT Industry

- **Economic Impact:** Contributed 7.4% to India's GDP in FY22, projected to reach 10% by 2025.
- **Revenue:** Touched US\$227 billion in FY22, with an estimated US\$245 billion in FY23.
- **Exports:** Estimated to rise by 9% to US\$194 billion in FY23, with IT services accounting for over 53% of total IT exports.
- **Employment:** Added 290,000 new jobs in FY23, reaching a total workforce of 5.4 million.
- **Market Growth:** IT spending in India is expected to increase to US\$110.3 billion in 2023 from an estimated US\$81.89 billion in 2021.

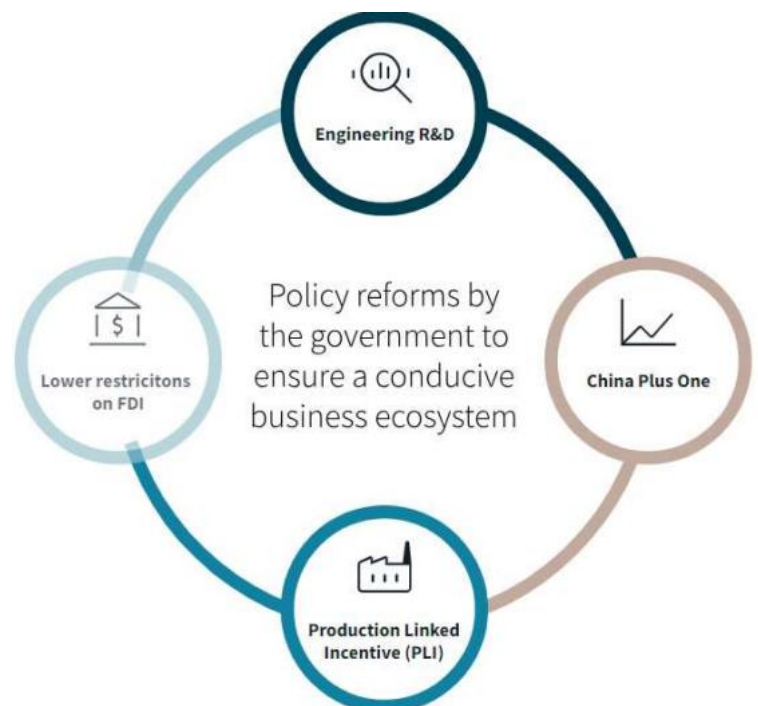
### Global Capability Centers (GCCs) in India

- **Number:** Over 1,800 GCCs in India, employing over 1.3 million people.
- **Economic Impact:** Significant contribution to India's economic growth, providing high-quality employment opportunities and contributing to GDP.
- **Key Drivers:** Availability of skilled talent, cost-effectiveness, government support, and a robust startup ecosystem.
- **Location:** Concentrated in major cities like Bengaluru, Hyderabad, Delhi NCR, Mumbai, Pune, and Chennai.
- **Sectoral Distribution:** Primarily focused on the technology sector, which employs over 5 million people, with GCCs accounting for a significant 50% share.

More than 55% of the GCC stock in India is concentrated in Bengaluru and Hyderabad



Source: CIE Matrix, JLL Research



**Key Management -**

<b>Key Management Persons Name -</b>	<b>Manoj Joshi</b>
<b>Age</b>	53
<b>Designation and No. of years of experience</b>	Founder, Promoter and CEO, 25+ Years of experience
<b>Qualification</b>	Bachelor of Commerce (B.COM) degree from Rajasthan University and is also a Chartered Accountant (CA)
<b>Roles and Responsibility</b>	Providing overall guidance and visionary leadership
<b>Interest in other entities:</b>	SA Technologies Inc., USA and Satincorp Technologies Inc., Canada

<b>Key Management Persons Name -</b>	<b>Priyanka Joshi</b>
<b>Age</b>	52
<b>Designation and No. of years of experience</b>	Promoter and Director, 20+ Years of experience
<b>Qualification</b>	Bachelor of Commerce
<b>Roles and Responsibility</b>	Overall Business operations, Human Resources and Finance.
<b>Interest in other entities:</b>	SA Technologies Inc., USA, Satincorp Technologies Inc., Canada and Opal Force Inc., USA

<b>Key Management Persons Name -</b>	<b>Ritesh Sharma</b>
<b>Age</b>	47
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, 16+ years of experience
<b>Qualification</b>	Bachelor of Commerce (B.COM) degree along with Diploma in Computer Management.
<b>Roles and Responsibility</b>	Overall finance function in the Company
<b>Interest in other entities:</b>	S A Tech Software India Limited, Mindpool Technologies Limited and Mindpool Technologies Inc. (Foreign company)

<b>Key Management Persons Name -</b>	<b>Poonam Sharma</b>
<b>Age</b>	43
<b>Designation and No. of years of experience</b>	Promoter
<b>Qualification</b>	Bachelor of Commerce (B.COM) along with B.ED
<b>Roles and Responsibility</b>	-
<b>Interest in other entities:</b>	Mindpool Technologies Limited and Mindpool Technologies Inc. (Foreign company)

<b>Key Management Persons Name -</b>	<b>Kaustubh Karwe</b>
<b>Age</b>	-
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 24+ years of experience
<b>Qualification</b>	Master of Business Administration (M.B.A). He is also a certified Master Trainer, Certified Software Test Manager (CSTM), International Certified Career Coach (L1)
<b>Roles and Responsibility</b>	-
<b>Experience</b>	24 years of professional experience across IT Projects, HR, Facility Administration including IT-Staffing

<b>Key Management Persons Name -</b>	<b>Sarika Sharma</b>
<b>Age</b>	-
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 16+ years of experience
<b>Qualification</b>	Bachelor of Commerce
<b>Roles and Responsibility</b>	Providing guidance with regards to Finance and Strategy
<b>Previous Associations</b>	-

## FINANCIAL SNAPSHOT

### Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	June-24
Revenue from Operations	4,106.11	5,639.31	7,188.22	2,388.87
Other Income	48.26	33.74	49.9	8.31
<b>Total Income</b>	<b>4154.37</b>	<b>5673.05</b>	<b>7238.12</b>	<b>2397.18</b>
<b>Expenses</b>				
Employee Benefit Expenses	4103.06	4824.91	5,497.47	1,773.38
Finance Cost	261.49	266.18	279.75	52.98
Depreciation and Amortisation	55.99	80.87	83.17	27.91
Other expenses	424.52	326.95	852.43	209.78
<b>Total Expenses</b>	<b>4,845.06</b>	<b>5,498.91</b>	<b>6,712.82</b>	<b>2,064.05</b>
<b>EBITDA</b>	<b>-421.47</b>	<b>487.45</b>	<b>838.32</b>	<b>534.60</b>
<b>EBITDA Margin</b>	<b>-10.26%</b>	<b>8.64%</b>	<b>11.66%</b>	<b>22.38%</b>
<b>Profit/(Loss) before tax</b>	<b>-690.69</b>	<b>174.14</b>	<b>525.30</b>	<b>333.13</b>
<b>Tax Expense</b>				
Current tax			72.44	85.91
Deferred Tax Expenses/(credit)	-142.04	65.55	84	-0.85
<b>Total Tax</b>	<b>-142.04</b>	<b>65.55</b>	<b>156.44</b>	<b>85.06</b>
<b>Profit/(Loss) for the year</b>	<b>-548.65</b>	<b>108.59</b>	<b>368.86</b>	<b>248.07</b>
<b>Net Profit Margin</b>	<b>-13.36%</b>	<b>1.93%</b>	<b>5.13%</b>	<b>10.35%</b>

### Statement of Equity, Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	June-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	42.98	42.98	915.73	915.73
Reserves and surplus	620.91	729.50	250.62	498.70
<b>Total Equity</b>	<b>663.89</b>	<b>772.48</b>	<b>1,166.35</b>	<b>1,414.43</b>
<b>3. Non-current liabilities</b>				
Long-term borrowings	1053.31	719.08	871.21	975.75
Other long term liabilities	2.70	2.70	2.70	2.70
Other long term Provisions	66.32	73.3	92.49	97.13
<b>Total Non-current liabilities</b>	<b>1,122.33</b>	<b>795.08</b>	<b>966.40</b>	<b>1,075.58</b>
<b>4. Current liabilities</b>				
Short -term borrowings	906.03	740.1	416.91	1,129.47
Trade Payables				
Total outstanding dues of micro enterprises & small enterprises	5.61	10.87	41.87	13.46
Total outstanding dues of creditors other than micro enterprises & small enterprises	67.69	278.21	93.83	97.34
Other Current Liabilities	448.95	859.53	892.61	766.28
Short term provisions	14.69	9.68	128.09	206.67
<b>Total Current liabilities</b>	<b>1,442.97</b>	<b>1,898.39</b>	<b>1,573.31</b>	<b>2,213.22</b>
<b>Total Liabilities</b>	<b>2,565.30</b>	<b>2,693.47</b>	<b>2,539.71</b>	<b>3,288.80</b>
<b>Total Equity and Liabilities</b>	<b>3,229.19</b>	<b>3,465.95</b>	<b>3,706.06</b>	<b>4,703.23</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
Property, Plant & Equipment	279.44	299.17	385.55	527.49
Intangible Assets	0.90	0.32	0.22	0.22

Recommendation: **APPLY**

Non-Current Investments	484.36	484.36	484.36	484.36
Deferred Tax Assets (Net)	183.18	117.63	33.62	34.48
Long-term Loans and Advances	224.06	286.95	52.26	64.84
Other Non Current Assets	8.13	10.21	89.69	68.12
<b>Total Non-Current assets</b>	<b>1,180.07</b>	<b>1,198.64</b>	<b>1,045.70</b>	<b>1,179.51</b>
<b>2. Current assets</b>				
Trade Receivables	980.29	602.84	1,575.59	2,025.60
Cash & Cash equivalents	121.88	610.79	60.64	240.77
Short-term loans and advances	132.55	164.12	101.99	111.64
Other Current Assets	814.4	889.56	922.14	1,145.71
<b>Total Current assets</b>	<b>2,049.12</b>	<b>2,267.31</b>	<b>2,660.36</b>	<b>3,523.72</b>
<b>Total Assets</b>	<b>3,229.19</b>	<b>3,465.95</b>	<b>3,706.06</b>	<b>4,703.23</b>

**Cash Flow Statement****Amt in Lakhs.**

<b>Particulars</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>June-24</b>
Net Cash Flow from Operating Activities	36.07	1334.66	61.05	-416.39
Net Cash Flow from Investing Activities	-248.46	-79.41	-138.58	-161.54
Net Cash Flow from Financing Activities	203.05	-766.34	-472.63	780.06

**Key Ratios**

<b>Particulars</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>June-24</b>
<b><u>Per Share Data</u></b>				
Diluted EPS	4.28	5.4	5.34	3.33
BV per share	7.25	8.44	12.74	40.57
<b><u>Operating Ratios</u></b>				
EBITDA Margins	-10.26%	8.64%	11.66%	22.38%
PAT Margins	-13.21%	1.91%	5.10%	10.35%
Inventory days	87.14	39.02	80.00	309.50
Debtor days	25.70	8.78	6.89	16.93
Creditor days	-10.26%	8.64%	11.66%	22.38%
<b><u>Return Ratios</u></b>				
RoCE	-26.73%	25.94%	35.41%	20.35%
RoE	-82.64%	14.06%	31.63%	17.54%
<b><u>Valuation Ratios (x)</u></b>				
EV/EBITDA	-5.93	3.33	2.86	6.13
Market Cap / Sales	1.88	1.37	1.07	3.22
P/E	13.79	10.93	11.05	17.72
Price to Book Value	8.14	6.99	4.63	1.45
<b><u>Solvency Ratios</u></b>				
Debt / Equity	2.95	1.89	1.10	1.49
Current Ratio	1.42	1.19	1.69	1.59
Quick Ratio	1.42	1.19	1.69	1.59
Asset Turnover	1.27	1.63	1.94	0.51
Interest Coverage Ratio	-1.83	1.53	2.70	9.56



**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is GYR Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**GYR Capital Advisors Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Petro Carbon and Chemicals Limited	113.16	171.00	July 02, 2024	311.75
2.	Medicamen Organics Limited	10.54	34.00	June 28, 2024	101.45
3.	HOAC Foods India Limited	5.54	48.00	May 24, 2024	146.50
4.	ABS Marine Services Limited	96.29	147.00	May 21, 2024	329.00
5.	Naman In-Store (India) Limited	25.35	89.00	April 02, 2024	117.35
6.	Koura Fine Diamond Jewelry Limited	5.50	55.00	March 14, 2024	44.50
7.	Thaai Casting Ltd	47.20	77.00	February 23, 2024	194.00
8.	Maxposure Limited	20.26	33.00	January 23, 2024	92.65
9.	Kay Cee Energy & Infra Limited	15.93	54.00	January 05, 2024	369.30
10.	Trident Techlabs Limited	16.03	35.00	December 29, 2023	709.00

The company has handled 26 mandates in the past three years (including the current year)

\*CMP for the above-mentioned companies is taken as of 24<sup>th</sup> July 2024.

As per the offer document, from the above-mentioned mandates all have opened at premium on the listing day.

**Recommendation -**

The company has been in the industry since 2010 and has a good amount of experience in the industry with an experienced management and employee base.

**Revenue:** Consistent growth with a CAGR of 25%. Total revenue increased from ₹2,581 lakhs in FY22 to ₹4,024.79 lakhs in FY24.

**Profitability:** Improving margins, with EBITDA margin increasing from 18.19% in FY22 to 25.79% in FY24 and Net profit margin grew from 12.90% in FY22 to 16.81% in FY24.

**Peer Comparison:** MIEL consistently improved its profitability (NPM: 12.9% in FY22 to 16.8% in FY24, EBITDA: 26% in FY24) surpassing REL, whose profitability declined (NPM: 18.4% in FY22 to 13.7% in FY24). MIEL's ROCE and ROE were significantly higher than REL's in FY22 and FY23, while remaining competitive in FY24 (ROCE: >17% standing at 48%, ROE: >11% standing at 40%).

The P/E on a post-IPO is around 14.57 times which makes it slightly under-priced by looking at the performance of the company and sector.

For the above stated reasons, we would recommend that a knowledgeable investor **MAY APPLY** to this IPO.

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