



IPO Note

Paramatrix Technologies Limited

Recommendation: **AVOID!**

Company Background -

- Paramatrix Technologies Limited was originally formed and incorporated on March 08, 2004. The registered office is located at Navi Mumbai, Maharashtra.
- The Company is an IT Software Services Company, focusing on making software applications and technology solutions for large enterprises and mid-size businesses.
- The company had 209 permanent employees as of July 31, 2024.

Objects of the Issue -

- Capital Expenditure for building the infrastructure
- Investment in their suite of accelerators to enhance service offerings
- Geographical expansion in Middle East and East Asia
- General Corporate Purposes

Promoters Name -

Mukesh Keshubhai Thumar and Bhavna Mukesh Thumar

Rationale for recommendation -

- ✓ The top line, bottom line and EBITDA margin have been inconsistent over the years.
- ✓ The PAT margin has decreased over the years.
- ✓ The company has performed low compared to peers.
- ✓ The company does not provide any differentiating services.
- ✓ The concentration of customers is very high.
- ✓ The IT industry is highly fragmented.

IPO Details

Opening Date	Aug 27, 2024
Closing Date	Aug 30, 2024
Allotment Date	Sep 02, 2024
Listing Date	Sep 04, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹110
Issue Size	33.84 Cr.
Fresh Issue	30.35 Cr.
Offer for Sale	3.50 Cr.
Application Amt	₹ 1,32,000 (1,200 shares)

INDUSTRY - Information Technology

P/E Average - 38.80

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	2,732.71	2,836.48	2,799.48
EBITDA	872.41	477.68	504.58
Net Profit	678.94	707.56	413.17
RoCE	30.74%	13.53%	14.83%
ROE	27.55%	23.61%	13.63%
P/E	14.18	13.60	23.31

Promoter Share Holding Pattern

Pre-Issue	Post Issue
75.46%	57.37%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	4.72	3.59
BVPS	34.63	52.70
P/E	23.31	30.64
P/BV	3.18	2.09
Mkt Cap (In Cr)	96.25	126.60

Lead Managers -

Inventure Merchant Banker Services Private Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Paramatrix Technologies Limited is mainly engaged in making software applications and technology solutions for large and mid-sized firms. They served clients in BFSI sector, Retail, Manufacturing, Sports, Pharmaceuticals, and Logistics. Also, they cover various platforms and frameworks such as Microsoft.Net, Microsoft SQL, Microsoft Azure Cloud, AWS Cloud, Cross-Platform Mobile Application Development Technologies, Open-Source Technologies (Java, Python etc).

SERVICES -

I. Digital Transformation Services

- (i) Application Development and Maintenance (ADM)
- (ii) Solution Architecture and Design
- (iii) Enterprise Data Management & Data Analytics
- (iv) INSIGHT (Accelerator for Analysis, MIS & Reporting)
- (v) PERFORM (Accelerator for performance management of Employees)
- (vi) EPPM (Enterprise Framework to manage Allocation and Scheduling of Work)
- (vii) PACE (Middleware Framework for Centralized Control)
- (viii) ITCS (Accelerator for managing Employees Share Trading Compliance)
- (ix) DROANA (Virtual Classroom Platform)
- (x) EVENTJET (Event log monitoring & Management Solution)
- (xi) BULWARK (Cloud Security Posture Assessment)
- (xii) PLAYMITY (SaaS-based Gamification Platform)

II. Managed Services

- (i) Application Managed Services
- (ii) Cyber Security Services
- (iii) Cloud & Data Support Services

Revenue Bifurcation Geography-wise -

Particulars	FY 2022	FY 2023	FY 2024
	%	%	%
India	45.38	41.29	45.15
Hongkong	36.73	38.55	37.65
Singapore	5.47	6.65	2.09
UK	12.25	13.51	15.11
Canada	0.16	-	-
Total	100.00	100.00	100.00

Process Flow Chart -



Subsidiaries -

- 1. Paramatrix Technologies Limited, Hongkong (PTH) – 100% shareholding by PTL
- 2. Paramatrix PTE Limited, Singapore (PPS) – 100% shareholding by PTL

Revenue Bifurcation Service-wise -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Digital Transformation Services	1,954.91	71.54	2,123.55	74.87	2,255.84	70.26
Managed Services	777.80	28.46	712.93	25.13	543.64	16.93
Total	2,732.71	100.00	2,836.48	100.00	2,799.48	87.20

Competition -

Market Competition: The IT sector is highly competitive where the key factors of competition primarily comprise quality and price of the service and timely delivery.

Geographic Competition: The company faces competition from regional, national, and international players in both organized and unorganized sector.

Barriers to entry: Low barriers to entry.

Bargaining Power of Suppliers: The bargaining power is high with the suppliers.

Bargaining Power of Buyers: The bargaining power is high with the customers.

Business Strategies -

Global Business Strategy: The company intends to increase their global presence by tapping new industries and geographical areas like Middle East and East Asia.

Positioning and Marketing Strategy: The Company intends to advance their services including PLAYMITY, BULWARK, INSIGHT, and others like EPPM, DROANA, and PERFORM. Their investment will fuel research and development, ensuring these products lead the market in innovation and meet the latest demands.

Customer Account Retention and Growth Strategy: The Company plans to enhance their physical and digital infrastructure. This encompasses modernizing the workspaces, upgrading technology platforms, and maintaining high service standards.

Risk Factors -

The company has 18 outstanding cases for taxation matters and civil matters amounting to Rs. 64.22 lakhs.

The company derived its majority of its revenue from top 10 customers which accounted to 94.33%, 92.70% and 90.76% for FY 2024, FY 2023 and FY 2022 respectively.

PEER ANALYSIS

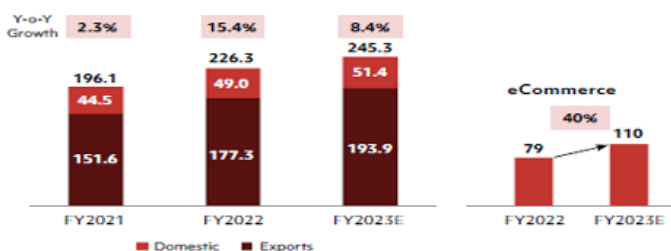
Particulars	Paramatrix Technologies Limited			All E Technologies Limited			Softsol India Limited			KSolves India Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	24.8%	24.9%	14.8%	11.9%	12.7%	15.9%	16.1%	0.1%	13.0%	32.9%	31.3%	31.3%
EBITDA Margin	32%	17%	18%	17%	18%	22%	31%	7%	22%	44.7%	42.7%	42.9%
RoCE	31%	14%	15%	24%	15%	21%	4%	3%	9%	121.7%	139.7%	175.9%
ROE	28%	24%	14%	19%	12%	20%	3%	-	6%	95.3%	110.4%	142.2%
EPS (INR)	7.76	8.09	4.72	6.98	6.52	9.75	2.45	0.04	7.36	13.41	20.85	28.81
P/E	14.18	13.60	23.31	-	13.37	25.79	73.47	3,688.75	33.99	28.76	21.21	38.84

Indian IT Industry -

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 and was estimated to have touched US\$ 245 billion in FY23. In 2022, the Indian domestic IT & Business Services market was valued at US\$ 13.87 billion and recorded a 7.4% year-over-year (YoY) growth as compared to 7.2% in 2021.

Market Size -

India's Technology¹ Market set to Achieve \$245 Bn (\$ Bn)



(source:RHP)

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. India's IT industry is likely to hit the US\$ 350 billion mark by 2026 and contribute 10% towards the country's gross domestic product (GDP), Infomerics Ratings said in a report.

Road Ahead -

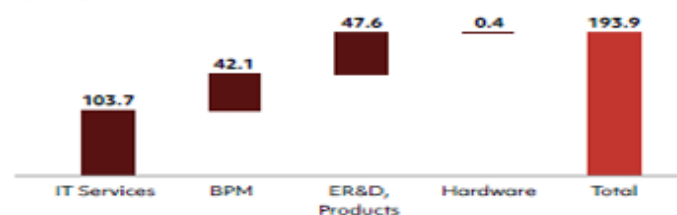
India is the topmost offshoring destination for IT companies across the world. Having proven its capabilities in delivering both on-shore and off-shore services to global clients, emerging technologies now offer an entire new gamut of opportunities for top IT firms in India. The Indian IT & business 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 Exports -

Indian technology exports are set to reach \$190 billion (excl. hardware exports), a growth of ~9.4% and an addition of ~\$17 billion over FY2022. ER&D at 11.1%, Software Products at 9.1%, BPM at 9.0% and IT services at 8.9% are driving growth.

Export of IT services has been the major contributor, accounting for more than 53% of total IT exports (including hardware). BPM and engineering and R&D (ER&D) and software products exports accounted for 22% and 25%, respectively of total IT exports during FY23. Exports from the Indian IT industry stood at US\$ 178 billion in FY22. Export of IT services was 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 was expected to grow to US\$ 42 billion by 2022.

FY2023E: Exports closing in on \$200 Bn (\$ Bn)



(Source:RHP)

Key Management -

Key Management Persons Name -	Mukesh Keshubhai Thumar
Age	45
Designation and No. of years of experience	Promoter, Managing Director and CEO, 25 years of experience in integrating technology in BFSI sector companies
Qualification	Diploma in Computer Engineering, Diploma in Computer Technology, Completed Executive Education Program (Managing and Transforming Professional Service Firms – India)
Roles and Responsibility	Responsible for business development, strategic planning, leadership and overall management of the Company.
Other Directorships	Kalpana Struct-Con Infra LLP
Key Management Persons Name -	Bhavna Mukesh Thumar
Age	43
Designation and No. of years of experience	Promoter and Executive Director, 20 years of experience in finance and administration management
Qualification	Bachelor's in commerce
Roles and Responsibility	Involved in financial decision making, budgeting, financial planning and administration management at the Company.
Other Directorships	-
Key Management Persons Name -	Mahesh Pandurang Goriwale
Age	45
Designation and No. of years of experience	Executive Director, 23 years of experience in the IT Industry of delivering IT solutions for BFSI domain with special focus on Capital Markets and Banking
Qualification	Diploma in Computer Engineering, Bachelor's in Engineering (Computer Engineering branch), Master's degree in Information Management
Roles and Responsibility	Handles Solution Architecting, Business Analysis, Database and Data Warehouse Designing, Project Management, and Project Delivery of the company.
Other Directorships	-
Key Management Persons Name -	Abhishek Agrawal
Age	32
Designation and No. of years of experience	Independent Director, 8 years of experience in finance and Investment Banking
Qualification	Qualified CA, Completed CFA Level 3
Roles and Responsibility	-
Other Directorships	Sabeena Foods Private Limited, Ducol Organics and Colours Limited, Shree OSFM E-Mobility Limited and BEW Engineering Limited
Key Management Persons Name -	Sangita Bhamesh Kamble
Age	53
Designation and No. of years of experience	Non-Executive Independent Director, 20+ years of experience finance, accounts and financial reporting
Qualification	B. Com degree, Passed CA Intermediate Examinations held by ICAI, Passed all sections of Uniform CPA Examinations, Passed AICPA's Ethics Examination
Roles and Responsibility	-
Other Ventures	On Door Concepts Limited, Shree OSFM E-Mobility Limited and BEW Engineering Limited
Key Management Persons Name -	Shivani Shivshankar Tiwari
Age	35
Designation and No. of years of experience	Independent Director, 5+ years of experience in the field of secretarial and legal compliances
Qualification	B.Com and M.Com degree, Qualified CS
Roles and Responsibility	-
Other Ventures	Ducol Organics and Colours Limited, On Door Concepts Limited and Shanthala FMCG Products Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	2,732.71	2,836.48	2,799.48
Other Income	91.95	495.96	60.45
Total Income	2,824.66	3,332.44	2,859.93
Expenses			
Employee Benefit Expenses	1,436.54	1,848.81	1,676.11
Finance Cost	3.03	0.24	-
Depreciation and Amortisation	80.52	59.42	41.03
Other expenses	423.76	509.99	618.79
Total Expenses	1,943.85	2,418.46	2,335.93
EBITDA	872.41	477.68	504.58
EBITDA Margin	31.92%	16.84%	18.02%
Profit/(Loss) before tax	880.81	913.98	524.00
Tax Expense			
Provision for tax	192.89	205.82	111.57
Provision of Deferred Tax	8.98	0.60	-0.74
Total Tax	201.87	206.42	110.83
Profit/(Loss) for the year	678.94	707.56	413.17
Net Profit Margin	24.84%	24.95%	14.76%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	35.00	35.00	875.00
Reserves and surplus	2,429.27	2,961.55	2,155.25
Total Equity	2,464.27	2,996.55	3,030.25
3. Non-current liabilities			
Long-term borrowings	-	-	-
Long-term provisions	88.70	94.27	95.88
Other Non-Current Liabilities	13.50	-	-
Total Non-current liabilities	102.20	94.27	695.88
4. Current liabilities			
Short-term borrowings	-	-	-
Trade Payables	9.63	22.70	20.72
Other Current Liabilities	466.81	315.98	191.76
Short-term provisions	9.66	9.21	15.59
Total Current liabilities	486.10	347.89	228.07
Total Liabilities	588.30	442.16	923.95
Total Equity and Liabilities	3,052.57	3,438.71	3,354.20
ASSETS			
1. Non-current assets			
Tangible Assets	598.60	109.21	185.15
Capital Work-In-Progress	-	-	114.80
Intangible Assets	7.96	6.58	1.51
Non Current Investments	469.88	933.86	908.52
Deferred Tax Assets (Net)	29.98	29.39	30.13
Long term loans and advances	-	100.00	100.00
Other Non-current Assets	11.95	14.32	33.31
Total Non-Current assets	1,118.37	1,193.36	1,373.42
2. Current assets			

Particulars	FY 22	FY 23	FY 24
Investments	0.00	329.44	38.93
Trade Receivables	452.10	481.65	449.80
Cash & Cash equivalents	1,210.94	1,219.39	1,306.86
Short term loans and advances	211.34	91.20	7.10
Other Current Assets	69.82	123.67	178.09
Total Current assets	1,944.20	2,245.35	1,980.78
Total Assets	3,062.57	3,438.71	3,354.20

*Note: The FY 2022 balance sheet does not match. RHP is the referenced source for the same.

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	886.71	117.24	352.33
Net Cash Flow from Investing Activities	-72.09	90.95	134.14
Net Cash Flow from Financing Activities	-398.86	-199.74	-399.00

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	7.76	8.09	4.72	EV/EBITDA	1.44	3.72	4.60
BV per share	28.16	34.25	34.63	Market Cap / Sales	4.63	4.46	4.52
Operating Ratios				P/E	14.18	13.60	23.31
EBITDA Margins	31.92%	16.84%	18.02%	Price to Book Value	3.91	3.21	3.18
PAT Margins	24.84%	24.95%	14.76%	Solvency Ratios			
Inventory days	-	-	-	Debt / Equity	-	-	-
Debtor days	60.39	61.98	58.65	Current Ratio	4.00	6.45	8.68
Creditor days	-	-	-	Quick Ratio	4.00	6.45	8.68
Return Ratios				Asset Turnover	0.89	0.82	0.83
RoCE	30.74%	13.53%	14.83%	Interest Coverage Ratio	261.35	1,742.75	-
RoE	27.55%	23.61%	13.63%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Inventure Merchant Banker Services 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

Inventure Merchant Banker Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Clinitech Laboratory Limited	5.78	96.00	Aug 01, 2024	89.03
2.	Varyaa Creations Limited	20.10	150.00	April 30, 2024	79.64
3.	Grill Splendour Services Limited	16,47	120.00	April 23, 2024	90.40
4.	Innovatus Entertainment Networks Limited	7.74	50.00	Aug 04, 2023	62.00
5.	Vilin Bio Med Limited	12.00	30.00	Jun 30, 2023	18.50
6.	Maagh Advertising and Marketing Services Limited	9.12	60.00	Oct 13, 2022	11.97
7.	Silver Pearl Hospitality & Luxury Spaces Limited	9.00	18.00	Jun 17, 2022	8.33
8.	Brandbucket Media & Technology Limited	8.25	55.00	Dec 31, 2021	8.94
9.	Omnipotent Industries Limited	18.90	63.00	Nov 29, 2021	10.40
10.	AA Plus Tradelink Limited	6.48	18.00	Jul 22, 2021	24.05

The company has handled 7 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 27th Aug 2024.

As per the offer document, from the above-mentioned mandates 5 have opened at a discount and the remaining all have opened at a premium on the listing day.

Recommendation -

Paramatrix Technologies Limited has been in the industry since 2004 and has a vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 30.64 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 38.80 times.

The company has seen inconsistency in the top line of their financials over the years. Also, the bottom line and profitability margins have seen inconsistent over the years and there was sudden dip in FY 2024. The increase in FY 2023 was mainly on account of increase in revenue from operations coupled with lower depreciation charge and finance charges and the sudden dip in FY 2024 was due to decrease in revenue from their services and onetime other income recorded.

The company's peers mentioned, All E Technologies Limited, Softsol India Limited and Ksolves India Limited are not comparable on an apple-to-apple basis as the market cap for these three companies are large compared to Paramatrix Technologies Limited.

The IT industry is highly fragmented and there are many big and established players. Also, the company doesn't offer any unique service or has any unique business strategy that differentiates it from other companies.

Thus, investors can **AVOID** this IPO.

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