



## IPO Note

### Pelatro Limited

Recommendation: **APPLY!**

#### Company Background -

- Pelatro Limited was originally formed and incorporated as “Kivar Infotech Private Limited” on March 21, 2013. The registered office is located at Bangalore, Karnataka.
- The company offers a comprehensive customer engagement platform, mViva, which enables customer-centric interactions between companies or brands and their end users.
- The company had 296 permanent employees as of May 31, 2024

#### Objects of the Issue -

- Funding capital expenditure requirement of the company
- Investment in subsidiary
- To meet Working Capital Requirements
- General Corporate Purposes

#### Promoters Name -

Subash Menon, Sudeesh Yezhuvath, Kiran Menon and Varun Menon

#### Rationale for recommendation -

- ✓ The top line has increased consistently over the years.
- ✓ The PE ratio is negative post-issue as the subsidiary company has incurred loss. It is because the subsidiary company’s profit booking occurs from Sep to Dec and the PE is might increase in the future.
- ✓ The company has incurred loss and profitability margins have reduced for FY2024 which should not a major concern.
- ✓ The company intends to utilize the net proceeds for expansion purpose by investing in subsidiary.
- ✓ The company has good experience in the industry.
- ✓ The company’s management overview is decent.

#### IPO Details

Opening Date	Sep 16, 2024
Closing Date	Sep 19, 2024
Allotment Date	Sep 20, 2024
Listing Date	Sep 24, 2024
Stock Exchange	NSE SME
Lot Size	600 Shares
Issue Price Per Share	₹190 to ₹200
Issue Size	55.98 Cr.
Fresh Issue	55.98 Cr.
Offer for Sale	-
Application Amt	₹ 1,20,000 (600 shares)

#### INDUSTRY - IT - Software

P/E Average - 40

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24*
Revenue	4,075.47	4,898.23	5,499.22
EBITDA	719.49	876.73	311.14
Net Profit	357.66	463.89	-195.63
RoCE	32.28%	23.15%	2.91%
ROE	41.79%	35.02%	-16.26%
P/E	19.61	15.09	-38.83

\*Consolidated

#### Promoter Share Holding Pattern

Pre-Issue	Post Issue
73.30%	53.59%

#### Valuation Parameters

Particulars	Pre-Issue*	Post Issue
EPS	-5.15	-1.88
BVPS	17.18	65.35
P/E	-	-
P/BV	11.64	3.06
Mkt Cap (In Cr)	152.15	208.13

\*Consolidated

#### Lead Managers -

**Cumulative Capital Private Limited**

#### Registrar -

**Bigshare Services Private Limited**

**Business Overview -**

Pelatro Limited is a global technology business and has developed a comprehensive Customer Engagement Platform i.e. **mViva** that empowers enterprises to understand the behaviour and needs of their customers deeply with a view to enhance their engagement with end users. As on May 31, 2024, Customer Engagement Platform has been implemented or is under implementation in 38 telecom networks spread across 30 countries, including India. Out of these networks, 16 are in Asia, 5 are in Middle East, 15 are in Africa, 1 in the Caribbean and 1 in Europe.

**Subsidiary -**

The company has acquired the entire shareholding of Pelatro Pte. Ltd., a Singapore corporation primarily engaged in the business of software product development. Pelatro Limited indirectly acquired the patents registered by Pelatro Pte in relation to the mViva platform.

**Services:**

**mViva Customer Engagement Platform services -**

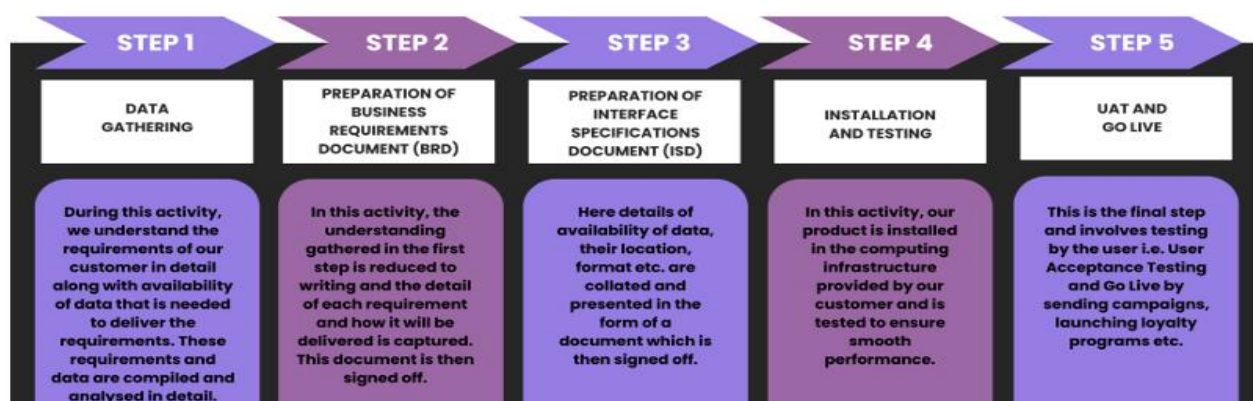
1. **Campaign Management Solutions** – Analyses large volume of data of enterprises by applying intelligent algorithms in real time and provides relevant offer to customers and help achieve accurate marketing.
2. **Loyalty Management Solutions** – Analyses the data of the customers and suggests optimum loyalty program for each customer. These include:
  - Points: Accumulate points based on spending
  - Affinity/Tier: Accumulate points and categorised into various tiers based on amount of spending.
  - Lifestyle: Consumers categorized into specific groups (woman, youth etc.).
  - Coalition: Partnership is forged with several brands and points can be earned and spent across entities.
  - Community: Related communities are identified and programs are designed to reward community.
  - Hybrid: Different aspects from various types of programs can be combined to form hybrid program.
3. **Lead Management Solution** - Identifies leads who visit the website or apps and then bundles them into cases and then handed over to different teams for driving conversions.
4. **Data Monetization Solutions** - Enterprises have extensive data on each consumer and the same is collected and analyzed by mViva Platform. This rich data can be used by other B2C entities like banks, insurance companies, retail, brands etc. to send campaigns and promotions.

**Managed Services -**

1. **Business Consulting** – This activity includes analysis of data, study of market and designing appropriate campaigns.
2. **Business Operations** – This includes activities wherein the campaigns that are designed in the earlier stage and put into action.
3. **IT Operations** - This is the part wherein the health of the application and the ecosystem is monitored on a 24x7 basis. The inflow of data, processing, communication and other activities need to monitored continuously to ensure smooth operation.

**IMPLEMENTATION AND DELIVERY PROCESS FOR PRODUCTS**

All the products offered by us are implemented and delivered through the same process which is detailed below



**Utilization of Net Proceeds -**

The net proceeds of the issue will be utilized for funding capital expenditure requirement of the company (Rs. 1,011.56 lakhs), investment in subsidiary (Rs. 1,000 lakhs), funding working capital requirements (Rs. 1,500 lakhs), and remaining for general corporate purposes.

**Competition -**

- 1. Market Competition:** The industry is highly competitive where the key factors of competition primarily comprise of availability of software, customer support resources, more mature intellectual properties, technical resources etc.
- 2. Geographic Competition:** The company faces competition in regional, national, and international players from large and small niche players.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.

**Business Strategies -**

- 1. Setting up a new office for centralising operations:** The company's customer engagement platform mViva collects and processes large amount of data for each enterprise on a daily basis across almost a billion consumers in 30 countries. So, they are planning to relocate to new office premise.
- 2. Geographic Expansion:** The Company intends to expand sales and marketing activities to other geographies through subsidiary. They intend to continue to target larger companies and implement the land and expand strategy to spread business operations across their sister concerns.
- 3. Service Expansion:** The company intends to enter new sectors apart from telecom and banking.

**Risk Factors -**

The company's significant portion of revenue is dependent on limited customers mainly in Asia which contributed to 65.02%, 87.51% and 93.53% for FY2024, 2023 and 2022 respectively.

The company is largely dependent on top 10 customers which contributed to 48.70%, 82.09% and 100.00% for FY2024, 2023 and 2022 respectively.

The company had negative cash flow from operations for FY 2023.

**PEER ANALYSIS -**

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Cumulative Capital Private Limited. This is their first mandate.

**INDUSTRY OVERVIEW -**

**Telecommunication and BFSI -**

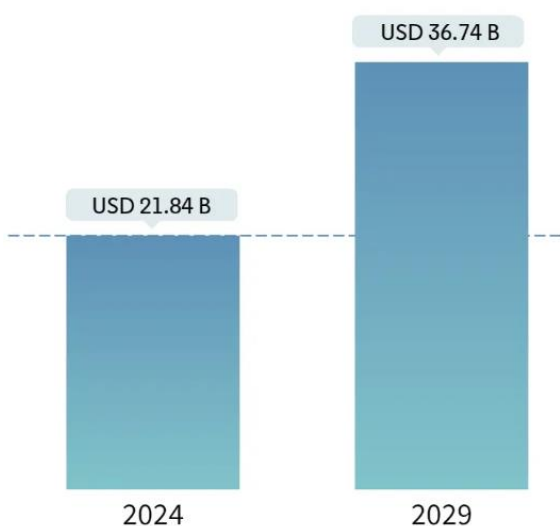
**Global Scenario:**

The telecommunication and BFSI customer engagement solutions market was valued at \$7,029.961 million in 2023 and is estimated to reach \$16,125.378 million by 2033, exhibiting a CAGR of 8.4% from 2024 to 2033. The telecommunications and BFSI (Banking, Financial Services, and Insurance) customer engagement market is characterized by a strategic focus on enhancing customer interactions through innovative technologies and personalized service offerings.

**Customer Engagement Solutions Market**

Market Size in USD Billion

CAGR 10.97%



(Source: Mordor Intelligence)

**Indian Scenario:**

The telecommunication and BFSI customer engagement solutions market for India was valued at \$161.31 million in 2023 and is projected to reach \$778.71 million by 2033, registering a CAGR of 16.4% from 2024 to 2033.

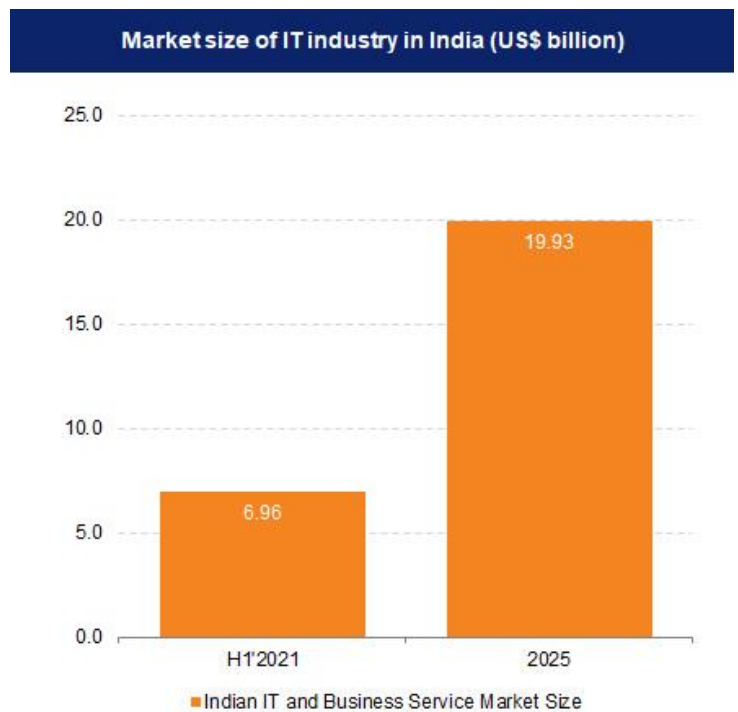
**IT Industry -**

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 7.5% of India’s GDP in FY23, and it is expected to contribute 10% to India’s GDP by 2025.

According to the 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.

The IT spending in India is estimated to record a double-digit growth of 11.1% in 2024, totalling US\$ 138.6 billion up from US\$ 124.7 billion last year.

The 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.



(Source: RHP)

**Key Management -**

- The overall management of the company is decent.
- The promoter and management have decent experience.
- There is an evidence of dual chairmanship, which is not favourable.



<b>Key Management Persons Name -</b>	<b>Subash Menon</b>
<b>Age</b>	59
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, 30+ years of experience in sales, finance, marketing and general management
<b>Qualification</b>	Bachelor's degree in engineering
<b>Responsibility</b>	Heads sales and marketing divisions and is responsible for supervision of the overall operations of the Company.
<b>Other Directorships</b>	Bannix Acquisition Corp.

<b>Key Management Persons Name -</b>	<b>Anuradha</b>
<b>Age</b>	59
<b>Designation and No. of years of experience</b>	Non-Executive Director, 20+ years of experience in building and managing software and related products
<b>Qualification</b>	Bachelor's degree in engineering and master's degree in science
<b>Present Association</b>	Mistral Solutions Private Limited

<b>Key Management Persons Name -</b>	<b>D V Prasad</b>
<b>Age</b>	63
<b>Designation and No. of years of Experience</b>	Independent Director, 35+ years of experience as an IAS officer and has experience in administrative operations and management
<b>Qualification</b>	Bachelor's degree in arts
<b>Other Association</b>	Served the Central Government and various State Governments in various positions

<b>Key Management Persons Name -</b>	<b>Kalpathi Ratna Girish</b>
<b>Age</b>	66
<b>Designation and No. of years of experience</b>	Independent Director, 27+ years of experience in advisory and consultancy in taxation matters
<b>Qualification</b>	Bachelor's degree in science, bachelor's degree in law and Qualified CA
<b>Other Directorships</b>	Credens Fiduciary Solutions Private Limited, Qess Corp Limited and International Tax Research and Analysis Foundation.



**FINANCIAL SNAPSHOT****Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	FY 24*
Revenue from Operations	4,075.47	4,898.23	5,880.82	5,499.22
Other Income	12.54	6.85	34.53	37.32
<b>Total Income</b>	<b>4,088.01</b>	<b>4,905.08</b>	<b>5,915.35</b>	<b>5,536.54</b>
<b>Expenses</b>				
Employee Benefit Expenses	2,874.11	3,372.27	4,167.37	4,434.18
Finance Cost	25.99	20.46	115.63	120.45
Depreciation and Amortisation	215.87	220.14	225.34	226.34
Other expenses	481.87	649.23	668.25	753.90
<b>Total Expenses</b>	<b>3,597.84</b>	<b>4,262.10</b>	<b>5,176.59</b>	<b>5,534.87</b>
<b>EBITDA</b>	<b>719.49</b>	<b>876.73</b>	<b>1,045.20</b>	<b>311.14</b>
<b>EBITDA Margin</b>	<b>17.65%</b>	<b>17.90%</b>	<b>17.77%</b>	<b>5.66%</b>
<b>Profit/(Loss) before tax</b>	<b>490.17</b>	<b>642.98</b>	<b>738.76</b>	<b>1.67</b>
<b>Tax Expense</b>				
Current tax	141.71	197.90	239.69	239.69
Prior Year tax	-0.63	4.50	0.34	0.34
Deferred Tax	-8.57	-23.31	-42.73	-42.73
<b>Total Tax</b>	<b>132.51</b>	<b>179.09</b>	<b>197.30</b>	<b>197.30</b>
<b>Profit/(Loss) for the year</b>	<b>357.66</b>	<b>463.89</b>	<b>541.46</b>	<b>-195.63</b>
<b>Net Profit Margin</b>	<b>8.78%</b>	<b>9.47%</b>	<b>9.21%</b>	<b>-3.56%</b>

\*Consolidated

**Statement of Assets and Liabilities**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	FY 24*
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	10.00	10.00	700.00	700.00
Other Equity	845.92	1,314.79	1,243.22	502.89
<b>Total Equity</b>	<b>855.92</b>	<b>1,324.79</b>	<b>1,943.22</b>	<b>1,202.89</b>
<b>2. Non-current liabilities</b>				
Financial Liabilities				
(i) Borrowings	504.55	1,274.91	1,386.56	1,386.56
(ii) Other financial liabilities	-	4.69	42.51	42.51
Provisions	199.46	231.37	283.61	283.61
<b>Total Non-current liabilities</b>	<b>704.01</b>	<b>1,510.97</b>	<b>1,712.68</b>	<b>1,712.68</b>
<b>3. Current liabilities</b>				
Financial Liabilities				
(i) Borrowings	8.32	72.95	481.02	481.02
(ii) Trade Payables				
(a) Total outstanding dues of MSME	1.89	2.75	2.03	2.03
(b) Total outstanding dues of creditors other than MSME	6.82	28.24	310.56	1,204.71
(iii) Other financial liabilities	-	10.30	62.83	106.21
Other Current Liabilities	107.55	99.77	432.10	909.12
Provisions	-	30.28	165.55	162.29
<b>Total Current liabilities</b>	<b>124.58</b>	<b>244.29</b>	<b>1,454.09</b>	<b>2,865.38</b>
<b>Total Liabilities</b>	<b>828.59</b>	<b>1,755.26</b>	<b>3,166.77</b>	<b>4,578.06</b>
<b>Total Equity and Liabilities</b>	<b>1,684.51</b>	<b>3,080.05</b>	<b>5,109.99</b>	<b>5,780.95</b>

**ASSETS****1. Non-current assets**

Property, Plant & Equipment	669.11	505.89	662.62	666.34
Right of use asset	-	13.59	90.38	90.38
Other Intangible assets	15.10	10.62	7.27	7.42
Goodwill (consolidation)/ Investment (standalone)	-	-	0.29	1,896.02

Particulars	FY 22	FY 23	FY 24	FY 24*
Deferred tax assets (net)	2.44	24.07	74.55	74.55
Other non-current assets	79.27	57.06	62.45	62.45
<b>Total Non-Current assets</b>	<b>765.92</b>	<b>611.23</b>	<b>897.56</b>	<b>2,797.16</b>
<b>2. Current assets</b>				
Financial Assets				
(i) Trade Receivables	691.65	1,870.66	3,633.97	2,176.87
(ii) Cash & Cash equivalents	159.16	547.67	527.54	754.69
Deferred tax assets (net)	30.60	-	-	-
Other Current Assets	37.17	50.48	50.91	52.21
<b>Total Current assets</b>	<b>918.58</b>	<b>2,468.81</b>	<b>4,212.42</b>	<b>2,983.77</b>
<b>Total Assets</b>	<b>1,684.50</b>	<b>3,080.04</b>	<b>5,109.98</b>	<b>5,780.93</b>

\*Consolidated

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	FY 24*
Net Cash Flow from Operating Activities	96.09	-280.94	374.35	2,502.04
Net Cash Flow from Investing Activities	-50.31	-374.59	-374.59	-2,270.32
Net Cash Flow from Financing Activities	-93.86	733.86	-19.89	-24.71

\*Consolidated

**Key Ratios**

<u>Per Share Data</u>	FY 22	FY 23	FY 24	FY 24*	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	FY 24*
Diluted EPS	10.20	13.25	14.26	-5.15	EV/EBITDA	0.98	0.97	1.81	2.99
BV per share	855.92	1,324.79	27.76	17.18	Market Cap / Sales	5.11	4.25	3.54	3.78
<u>Operating Ratios</u>					P/E	19.61	15.09	14.03	-38.83
EBITDA Margins	17.65%	17.90%	17.77%	5.66%	Price to Book Value	0.23	0.15	7.20	11.64
PAT Margins	8.78%	9.47%	9.21%	-3.56%	<u>Solvency Ratios</u>				
Inventory days	-	-	-	-	Debt / Equity	0.01	0.06	0.25	0.40
Debtor days	61.94	139.40	225.55	144.49	Current Ratio	7.37	10.11	2.90	1.04
Creditor days	-	-	-	-	Quick Ratio	7.37	10.11	2.90	1.04
<u>Return Ratios</u>					Asset Turnover	2.42	1.59	1.15	0.95
RoCE	32.28%	23.15%	22.43%	2.91%	Interest Coverage Ratio	19.38	32.09	7.09	0.70
RoE	41.79%	35.02%	27.86%	-16.3%					

\*Consolidated

**INTERPRETATION –**

- The top line has seen an increase for FY2023 by 20.19% which was majorly due to increase in export of sales of services and addition of 8 new clients. For FY2024 (Standalone) the company had seen an increase of 20.06% due to increase in exports and addition of 11 new customers. For FY2024 (Consolidated) there was an increase of 12%.
- The net profit had seen an increase (by 29.70% in FY 2023 and by 16.72% in FY2024).
- For FY2024 (consolidated) there was a decrease of 142.17% and the subsidiary company has incurred loss.
- The PAT margin and EBITDA margin have also seen a sudden decrease for FY2024 (consolidated).
- The RoCE and ROE has seen a slight dip for FY2024 (standalone) and a sudden decrease for FY2024 (consolidated).
- The PE ratio is negative for FY2024 (consolidated) and should not be a major concern.
- The company had negative cash flow from operations for FY 2023.

**NOTE: The company's bottom line and profitability margins have reduced suddenly for FY2024 (consolidated) is because the company had acquired Pelatro Pte. Ltd. which is a Singapore based company and the financial year in Singapore starts from Jan to Dec. Also, their profit booking usually happens during Sep to Dec. Since, the consolidated data only contains financials from Jan to March, the company has shown a loss for FY2024.**

## Recommendation -

Pelatro Limited has been in the industry since 2013 and has good experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is negative for the consolidated data.

The company's top line has increased consistently over the years. The company's profitability margins have seen a sudden decrease in FY2024 and the company has incurred loss for FY2024. This should not be a major concern as the company had acquired Pelatro Pte. Ltd. which is a Singapore based company and the financial year in Singapore is from Jan to Dec. Also, their profit booking usually happens during Sep to Dec. Since, the consolidated data only contains financials from Jan to March, the company has shown a loss for FY2024.

The company has good global presence and also intends to diversify their service portfolio.

The company is raising IPO funds for investment in their subsidiary for expansion and also investing in technology which will help in the growth of top line.

Thus, investors can **APPLY** to this IPO.

## Disclaimer

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