



## IPO Note

# Sahasra Electronics Solutions Limited

Recommendation: **APPLY!**

### Company Background -

- **Incorporation:** Sahasra Electronics Limited was incorporated as on February 22, 2023 to take over the business of its proprietorship concern, and has its registered office in New Delhi.
- **Business Model:** The company engaged in the business of providing solutions towards electronic system design and manufacturing (ESDM) services.
- **Geographical Presence:** The company made exports to certain global manufacturers located in countries like United States of America, Rwanda, Tunisia, United Kingdom, Germany, Canada, Austria & Belgium to over 80% of the revenue during FY 2024.
- The company had 160 fulltime employees as of March 31, 2024.

### Objects of the Issue -

- Funding Capital Expenditure towards the installation of additional plant and machinery at a new manufacturing facility situated at Bhiwadi, Rajasthan
- Funding working capital requirements of the Company
- Investment in the Subsidiary.
- General Corporate Purposes.

### Promoters Name -

Amrit Lal Manwani, Arunima Manwani and Varun Manwani

### Rationale for recommendation -

- ✓ The company is relatively fairly priced.
- ✓ The company has a good geographical presence.
- ✓ The company has used an inorganic growth strategy.
- ✓ The company has agreements with companies.
- ✓ The company has good objectives.
- ✓ Positive CFO for all three years.

### IPO Details

Opening Date	Sep 26, 2024
Closing Date	Sep 30, 2024
Allotment Date	Oct 01, 2024
Listing Date	Oct 04, 2024
Stock Exchange	NSE SME
Lot Size	400 Shares
Issue Price Per Share	₹269 to ₹283
Issue Size	186.16 Cr.
Fresh Issue	172.01 Cr.
Offer for Sale	14.15 Cr.
Application Amt	₹ 1,13,200 (400 shares)

### INDUSTRY - Electronic Industry P/E Average of Peers - 167.77 times

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	2,175.65	6,908.33	10,341.55
EBITDA	386.53	2,138.89	3,311.26
Net Profit	250.17	2,025.10	2,712.25
RoCE	14.61%	94.56%	26.58%
ROE	16.44%	99.88%	44.97%
P/E	200.71	24.80	15.68

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
95.00%	69.90%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	18.05	10.85
BVPS	31.89	92.96
P/E	15.68	26.08
P/BV	8.87	3.04
Mkt Cap (In Cr)	535.29	707.30

### Lead Managers -

**Hem Securities Limited**

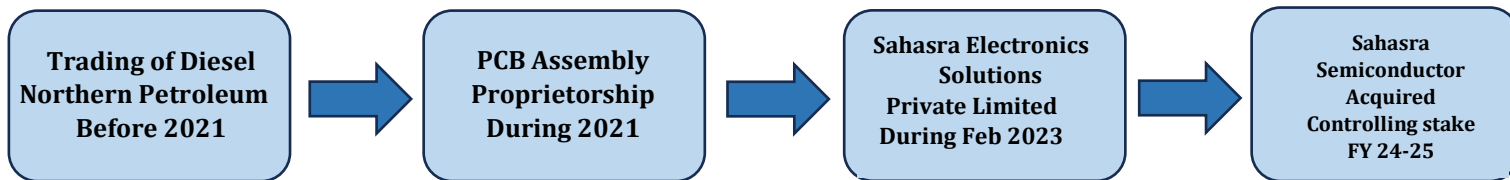
### Registrar -

**Bigshare Services Private Limited**

**Business Overview -**

Sahasra Electronics Solutions Limited was incorporated as of February 22, 2023. The company is engaged in the business of providing solutions towards electronic system design and manufacturing (ESDM) services.

**History of the company:**



**Product Portfolio:**

**PCBA (Printed Circuit Board Assembly) -**

PCBAs are used in products manufactured in the automotive, medical, industrial, IT and consumer products industries, and shall include box-build products such as laptop and tablets.



**LED Lighting Solutions -**

Includes LED Chip – the source of the lightning, power supply or the driver, printed circuit board for LED’s, housing or the frame.



**Computer and IT accessories -**

DRAM modules, Solid State Drives (SSD), USB flash storage device, Motherboard, laptop, Computer, Tablets, and other accessories.



**Financial Performance:**

The company does exports to almost 8 countries as of March 2024 where 83% of the revenue is derived from the export sales and the remaining from domestic sales. The company exports to countries such as USA, African Countries, UK, European Countries, Canada, China, Gulf Countries, and Hongkong.

**Agreements:**

The company as of June 2023 has entered into an agreement for a term of 3 years with a “company” engaged in the business of designing and marketing of hardware.

**Manufacturing Facility:**



The company operates with 1 unit located in Noida, Uttar Pradesh with a total capacity of around 18,00,000 units. The company’s capacity utilization of the manufacturing facility at Noida SEZ for the FY ended 2022, 2023, and 2024 is at 30.20%, 42.06%, and 55% respectively.

**Raw Materials:**

Raw materials such as Electronic Components (like microcontrollers, ICs, resistors, capacitors, LED, PCB and other semiconductors) are procured directly from overseas manufacturers from countries like the United States, China, Taiwan etc. Many times, PCB is also procured from the group company namely Infopower Technology Private Limited.

**Export Obligations:**

Particular	FY				
	2025	2026	2027	2028	2029
FOB	13,000	13,800	14,500	15,000	15,500
Foreign Exchange Outgo	8,390	8,802	9,244	9,565	9,880
NFE Earnings	4,610	4,998	5,256	5,435	5,620

### Net Proceeds Utilization –

Particulars	Amt in Lakhs
Funding Capital Expenditure towards the installation of additional plant and machinery at a new manufacturing facility situated at Bhiwadi, Rajasthan	Rs. 6,596.63
Investment in the Subsidiary Sahasra Semiconductors Private Limited, for financing its capital expenditure requirements for the installation of additional plant and machinery	Rs. 2,292.58
Meet Working Capital Requirements	Rs. 4,000.00
General Corporate Purposes	Not more than 25% of Gross Proceeds

### Competition -

**Market Competition: High,** The ESDM industry is highly fragmented with intense competition from both organized and unorganized domestic and international players.

**Barriers to entry: Low,** High growth in the industry attracts new entrants with innovative business models, increasing competitive pressure.

**Bargaining Power of Suppliers: Moderate,** Suppliers of specialized components can exert influence, but the large number of suppliers tempers their overall power.

**Bargaining Power of Buyers: High,** Buyers have strong negotiating power due to numerous alternatives and the ability to push for lower prices, especially in a price-sensitive market.

**Threat of Substitutes: Low to Moderate,** while there are few direct substitutes for high-quality ESDM products, competitors may offer lower-cost alternatives or more efficient solutions.

### Strategies -

- The company intends to further diversify into products with prospects for increased growth and profitability by leveraging the R&D capabilities.
- The company plans to continue to increase offerings in the current business segments as well as diversify into new products by tapping into segments.
- The company intends to continue the strategic expansion plans through inorganic growth opportunities in sectors that complement the existing operations
- The company is seeking cost-competitive alternatives, giving opportunities for manufacturing of high complex PCBA with high tech, high mix, BGA/Micro BGA, Flex circuit, System Integrated Turnkey Assembly, Mechanical Assembly, Cable Assembly and testing of all electrical Assemblies.

### Risk Factors -

The company's top 10 customers contributed to 99.74%, 89.15%, and 95.78% for FY Ended 2022, 2023, and 2024 respectively.

The subsidiary company, Sahasra Semiconductor Private Limited has had negative operating cash flow for all three FYs from 2022 to 2024.

The above-mentioned subsidiary company has had losses for FY ended 2021, and 2023. Several other group companies have also had losses.

The company, Management, Group, and Subsidiaries have certain legal proceedings amounting to Rs. 1,356.55 lakhs.

The company has contingent liabilities amounting to Rs. 4,463.81 lakhs.

**PEER ANALYSIS**

Particulars	Sahasra Electronics Solutions Limited			Kaynes Technology India Limited			Trident Techlabs Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	11.50%	29.31%	26.23%	5.87%	8.37%	9.85%	1.8%	5.8%	5.9%
EBITDA Margin	17.77%	30.96%	32.02%	13.98%	15.93%	16.80%	16.1%	16.0%	22.4%
RoCE	14.61%	94.56%	26.58%	15.22%	11.82%	8.91%	12.04%	28.12%	26.54%
ROE	16.44%	99.88%	44.97%	20.57%	9.93%	7.37%	4.04%	20.32%	9.24%
EPS (INR)	1.41	11.41	18.05	9.59	18.25	30.03	0.54	3.98	4.30
P/E	200.71	24.80	15.68	0.00	52.76	95.64	-	-	55.81

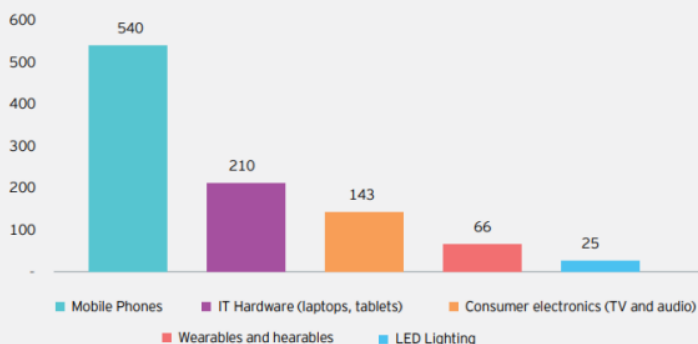
**Electronic Industry -**

**Market Overview -**

The electronics industry is one of the largest and fastest growing industries in the world. Electronic products continue to impact and shape the lifestyle prominently in today’s digital era. With the world being more connected than ever and the digital push induced by COVID-19 pandemic; the demand for electronic devices is expected to grow steadily and continue to be a major economic driver across the globe. The global electronics industry is estimated at US\$ 2.9 trillion in 2020. For comparison, the global value of electronics industry is almost equal to the economy size of India, which currently stands at US\$ 2.9 trillion.

On an overall basis, electronics manufacturing had grown from US\$37.1 billion in 2015-16 to US\$ 67.3 billion in 2020-21. However, COVID-19 related disruptions impacted the growth trajectory in 2020-21 and led to a decline in the manufacturing output to US\$67.3 billion.

Exhibit 1: Global market size of key product segments in 2020-21 (US\$ billion)<sup>a</sup>



Source: RHP

**Electronic Industry -**

The National Policy on Electronics (NPE) 2019 set a target of achieving a turnover of US\$ 400 billion by 2025. However, the COVID-19 pandemic brought with it unforeseen and unprecedented challenges. In light of this, the NPE 2019 targets for electronics production in 2025-26 at US\$ 300 billion appears to be more realistic considering the disruption on account of COVID-19 in the past 18 months which has been aggravated with the new variants of the COVID-19 virus such as the Omicron. In keeping with the targets envisioned in the NPE 2019, there have been numerous consultations and deliberations between industry, industry bodies and the Government to reach at the above revised target for the electronics sector

**Opportunities -**

- India is committed to reach US\$ 300 billion worth of electronics manufacturing and exports of US\$ 120 billion by 2025-26.
- Addressable market for domestic OEMs is projected to be >₹ 10 lakh crore (US\$ 131.99 billion) by 2025.
- AI is expected to add US\$ 967 billion to Indian economy by 2035 and US\$ 450-500 billion to India’s GDP by 2025, accounting for 10% of the country’s US\$ 5 trillion GDP target.
- The Government is promoting the development of Electronics Manufacturing Clusters (EMCs) throughout the country to provide world-class infrastructure and facilities.
- The government intends to incentivise and attract investments to set up semiconductor FABs (fabrication plants) in India.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Amrit Lal Manwani</b>
<b>Age</b>	74
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, work experience of more than 50 years in the field of Electronics Industry
<b>Qualification</b>	Bachelor of Technology in Electrical Engineering and Master of Business Administration
<b>Roles and Responsibility</b>	Looks after functions such as business development and project execution
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Arunima Manwani</b>
<b>Age</b>	42
<b>Designation and No. of years of experience</b>	Promoter and Director, 10 years of work experience in the electronic industry.
<b>Qualification</b>	Bachelor of Commerce
<b>Roles and Responsibility</b>	Research & development as well as compliance and legal operations.
<b>Other Ventures</b>	-

<b>Key Management Persons Name -</b>	<b>Varun Manwani</b>
<b>Age</b>	42
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, with 23 years of experience in the field of manufacturing, operations sales and marketing
<b>Qualification</b>	B.A. (Honours) in Economics
<b>Roles and Responsibility</b>	Responsible for growth and expansion
<b>Other Directorships</b>	Beyond Entrepreneurship Private Limited, Chrysalis Private Limited.

**Independent Directors -**

**Abhislasha Gaur**, aged 44 years, has completed her BBA, and Doctor of Philosophy in Management. She has an overall experience of more than 19 years in the field of Business Development, Operations, Planning and implementation and Team Management.

**Pradeep Kumar**, aged 75 years, has completed his Bachelor of Technology, and Post-Graduate Diploma in Business Administration. He has experience of more than 50 years in the field of business strategy and management consultancy.

**Udayan Mukerji**, aged 72 years, has completed his M.Sc. (Chemistry), and Bachelor of Law and is currently senior lawyer. He is a retired IPS Officer of the batch of 1980, and from the year 2013, and he has been handling litigation/ legal counselling in diverse areas.



## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

<b>Profit and Loss Statement</b>	<b>Proprietorship</b>	<b>Private Limited</b>	<b>Proforma</b>
<b>Particulars</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>
Revenue from Operations	2,175.65	6,908.33	10,341.55
Other Income	37.15	158.50	205.48
<b>Total Income</b>	<b>2,212.80</b>	<b>7,066.83</b>	<b>10,547.03</b>
<b>Expenses</b>			
Cost of Material Consumed	1,633.82	4,432.84	5,762.17
Changes in Inventories of Stock in Trade	-64.12	-482.81	-240.66
Employee Benefit Expenses	130.11	390.16	1,064.30
Finance Cost	17.35	52.96	333.72
Depreciation and Amortization Expense	161.56	197.00	487.35
Other expenses	89.31	429.25	444.48
<b>Total Expenses</b>	<b>1,968.03</b>	<b>5,019.40</b>	<b>7,851.36</b>
<b>EBITDA</b>	<b>386.53</b>	<b>2,138.89</b>	<b>3,311.26</b>
<b>EBITDA Margin</b>	<b>17.77%</b>	<b>30.96%</b>	<b>32.02%</b>
<b>Profit/(Loss) before tax</b>	<b>244.77</b>	<b>2,047.43</b>	<b>2,695.67</b>
<b>Tax Expense</b>			
Current tax	40.86	355.86	597.51
Deferred Tax	-9.87	-6.46	-177.98
Mat Credit Entitlement	-36.39	-327.07	-436.11
<b>Total Tax</b>	<b>-5.40</b>	<b>22.33</b>	<b>-16.58</b>
<b>Profit/(Loss) for the year</b>	<b>250.17</b>	<b>2,025.10</b>	<b>2,712.25</b>
<b>Net Profit Margin</b>	<b>11.50%</b>	<b>29.31%</b>	<b>26.23%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

<b>Particulars</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	-	1,796.95	1,891.48
Reserves and surplus	-	230.55	4,140.21
Proprietor's Fund	1,521.57		
<b>Total Shareholder's Fund</b>	<b>1,521.57</b>	<b>2,027.50</b>	<b>6,031.69</b>
<b>2. Minority Interest</b>	<b>-</b>	<b>-</b>	<b>2,381.11</b>
<b>Total Equity</b>	<b>1,521.57</b>	<b>2,027.50</b>	<b>8,412.80</b>
<b>3. Non-current liabilities</b>			
Long-term borrowings	-	-	2,173.24
Deferred Tax Liabilities (Net)	16.86	-	-
Long-term provisions	1.65	26.11	39.95
<b>Total Non-current liabilities</b>	<b>18.51</b>	<b>26.11</b>	<b>2,213.19</b>
<b>4. Current liabilities</b>			
Short-term borrowings	30.96	689.84	4,324.81
Trade Payables			
Total outstanding dues of MSME	9.97	386.53	253.12
Total outstanding dues of creditors other than MSME	444.98	905.75	1,781.68
Other Current Liabilities	70.94	640.88	956.61
Short-term provisions	88.46	143.62	128.81
<b>Total Current liabilities</b>	<b>645.31</b>	<b>2,766.62</b>	<b>7,445.03</b>
<b>Total Liabilities</b>	<b>663.82</b>	<b>2,792.73</b>	<b>9,658.22</b>
<b>Total Equity and Liabilities</b>	<b>2,185.39</b>	<b>4,820.23</b>	<b>18,071.02</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	879.92	1,136.16	8,154.99
Intangible Assets	-	-	1.60

Particulars	FY 22	FY 23	FY 24
Goodwill	-	-	378.95
Capital Work-In-Progress	-	-	954.72
Non-current investments	11.00	659.00	12.00
Deferred Tax Assets (Net)		13.85	146.11
Long term Loans and Advances	401.15	-	1,122.09
Other Non- current Assets	80.78	22.80	489.92
<b>Total Non-Current assets</b>	<b>1,372.85</b>	<b>1,831.81</b>	<b>11,260.38</b>
<b>2. Current assets</b>			
Inventories	304.05	801.69	2,319.66
Trade Receivables	459.89	1,764.74	2,714.02
Cash & Cash equivalents	47.44	316.60	798.99
Short term loans and advances	0.12	60.05	877.49
Other Current Assets	1.04	45.35	100.49
<b>Total Current assets</b>	<b>812.54</b>	<b>2,988.43</b>	<b>6,810.65</b>
<b>Total Assets</b>	<b>2,185.39</b>	<b>4,820.24</b>	<b>18,071.03</b>

Cash Flow Statement	Amt in Lakhs.		
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	125.37	182.56	94.66
Net Cash Flow from Investing Activities	-435.27	72.52	-839.15
Net Cash Flow from Financing Activities	347.58	-116.82	2,137.96

### Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	1.41	11.41	18.05	EV/EBITDA	3.89	1.12	3.54
BV per share*	-	112.86	31.89	Market Cap / Sales	32.51	10.24	6.84
<b>Operating Ratios</b>				P/E	200.71	24.80	15.68
EBITDA Margins	17.77%	30.96%	32.02%	Price to Book Value*	-	2.51	8.87
PAT Margins	11.50%	29.31%	26.23%	<b>Solvency Ratios</b>			
Inventory days	51.01	42.36	81.87	Debt / Equity	0.02	0.34	1.08
Debtor days	77.15	93.24	95.79	Current Ratio	1.26	1.08	0.91
Creditor days	97.20	309.84	112.45	Quick Ratio	0.79	0.79	0.60
<b>Return Ratios</b>				Asset Turnover	1.00	1.43	0.57
RoCE	14.61%	94.56%	26.58%	Interest Coverage Ratio	12.97	36.67	8.46
RoE	16.44%	99.88%	44.97%				

\*BV cannot be calculated due to the company then being a proprietorship concern.

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Hem Securities 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 –

**Hem Securities Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Shubhshree Biofuels Energy Limited	16.56	119.00	Sep 16, 2024	245.05
2.	Vision Infra Equipment Solutions Limited	106.21	193.00	Sep 13, 2024	185.10
3.	My Mudra Fincorp Limited	33.26	110.00	Sep 12, 2024	106.30
4.	Namo eWaste Management Limited	51.20	85.00	Sep 11, 2024	156.65
5.	Aeron Composite Limited	56.10	125.00	Sep 04, 2024	142.50
6.	Sunlite Recycling Industries Limited	30.24	105.00	Aug 20, 2024	157.95
7.	Aprameya Engineering Limited	29.23	58.00	Aug 01, 2024	61.50
8.	Chetana Education Limited	45.90	85.00	July 31, 2024	92.80
9.	Ganesh Green Bharat Limited	125.23	190.00	July 12, 2024	383.70
10.	Aimtron Electronics Limited	87.02	161.00	June 06, 2024	430.35

The company has handled 54 mandates in the past three years (including the current year).

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

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



## Recommendation -

Sahasra Electronics Solutions Limited was formed to take control over the proprietorship firm which has good experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 26.08 times which makes it fairly priced by looking at the performance of the company and compared to its peer companies.

The company operates in a competitive and fragmented industry. The company has seen an increase in the top and bottom line of its financials which looks sustainable going forward. The company has a good geographical presence. The company is utilising its net proceeds for setting up Manufacturing Plants and Machinery for both its own and its subsidiary company which we believe will help in the growth of the company. The company has also had positive operating cash flow, and the financial outlook looks sustainable going forward.

Thus, we have an **APPLY** opinion of this IPO.

## Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

## OUR WEBSITE:

[www.tiareconsilium.com](http://www.tiareconsilium.com)

## OUR APP AVAILABLE ON:



## CONNECT WITH US ON :

