



IPO Note

Trafiksol ITS Technologies Limited

Recommendation: **APPLY!**

- Incorporated in 2018, Trafiksol has their registered office in Noida, Uttar Pradesh.
- **Business Activity:** Trafiksol ITS Technologies is an EPC contractor specializing in Intelligent Transportation Systems (ITS), defense solutions, and renewable energy, offering end-to-end services from design to commissioning.
- **Revenue Generation:** In FY 2024, the company's revenue was geographically concentrated in Uttar Pradesh (57.77%), Odisha (31.39%), and Himachal Pradesh (3.29%). The primary contributors to revenue were Electrical Work (30.62%), Defense (33.51%), and ATMS (17.56%).
- **Customer Base:** The company serves a diverse clientele, including government agencies, transportation authorities, and prominent companies such as TP Central Odisha Distribution Limited, Shapoorji Pallonji Infrastructure Capital Pvt Ltd, and others.
- As of March 31, 2024, the company had a total of 104 permanent employees in various departments.

Objects of the Issue -

- Purchase of Software.
- To meet working capital requirements
- Repayment/prepayment, in part or full of certain borrowings;
- General Corporate Purposes.

Promoters Name -

Jitendra Narayan Das and Poonam Das

Rationale for recommendation -

- ✓ Growing Revenue. (CAGR @ 54%)
- ✓ Fairly priced.
- ✓ Increasing profitability and return ratios.
- ✓ Growing industry.
- ✓ Raising funds towards the growth of the company.

IPO Details

Opening Date	September 10, 2024
Closing Date	September 12, 2024
Allotment Date	September 13, 2024
Listing Date	September 17, 2024
Stock Exchange	BSE SME
Lot Size	4,000 Shares
Issue Price Per Share	₹66 to ₹70
Issue Size	44.87 Cr.
Fresh Issue	44.87 Cr.
Offer for Sale	-
Application Amt	₹ 1,40,000 (2,000 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	2,791.21	3,629.59	6,581.12
EBITDA	247.40	501.96	1,778.35
Net Profit	205.19	477.85	1,209.31
RoCE	20.45%	28.21%	41.73%
ROE	28.07%	39.53%	35.44%
P/E	60.87	26.12	10.34

Promoter Share Holding Pattern

Pre-Issue	Post Issue
60.71%	44.72%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	6.77	4.97
BVPS	19.04	14.02
P/E	10.34	14.09
P/BV	3.68	4.99
Mkt Cap (In Cr)	125.48	170.35

Lead Managers -

Ekadrisht Capital Private Limited

Registrar -

Maashitla Securities Private Limited

Business Overview -

- **History:** Incorporated in 2018, Trafiksol began by offering intelligent transportation systems (ITS) and automation solutions. It expanded its expertise into EPC (Engineering, Procurement, and Construction) projects in ATMS, TMS, and tunnel management, and later diversified into the defense sector.
- **Mission:** To provide exceptional, customized services across various sectors, including ITS, defense, and renewable energy.
- **Values:** Commitment to quality, innovation, sustainability, and customer satisfaction.

Competitive Advantage

- **Deployment Agnostic Platform:** Adaptable to various deployment models, providing flexibility and agility.
- **In-house Capabilities:** Reduces reliance on subcontractors and enables cost-effective operations.
- **Diversified Portfolio:** Caters to various sectors, mitigating market risks.
- **Customized Solutions:** Tailored to specific client needs, unlike standardized solutions offered by larger MNCs.
- **Sustainable Advantages:** Trafiksol's focus on innovation, customer relationships, and cost-effectiveness can provide a lasting competitive edge in the market.

Product Category	Sub-Category	Features	Current Projects/Other Relevant Details
Intelligent Transportation Systems (ITS)	Advanced Traffic Management System (ATMS)	Real-time traffic monitoring, traffic signal control, incident management, data analytics.	Improves traffic flow, safety, and efficiency. Current Projects: Six Lane Badakumari-Karki Section of NH-120-CD Road, Four Lanning of Ahmednagar-Mirajgain-Karmala-Tembhurni section of NH-561 A, Construction of 6-Lane access-controlled Greenfield highway.
	Toll Management System (TMS)	Electronic toll collection, manual toll collection, toll plaza operations, violation enforcement.	Facilitates efficient toll collection and revenue management. Current Projects: Rehabilitation and Up-gradation of Malkapur-Buldhana-Chikhli-Deulgaonraja-Jalna (Aurangabad) NH- 753-A Road, Rajasthan/ Gujarat Border section of NH-754K.
	Tunnel Management System	Real-time monitoring, emergency response, ventilation control.	Ensures safe and efficient tunnel operations.
	Highway Lighting	Energy-efficient LED lighting solutions.	Improves visibility and safety while reducing energy consumption.
	Speed Limit Violation Detection System	Real-time monitoring and detection of speed limit violations.	Enhances road safety and enforces speed regulations.
	Integrated Command & Control Centres (ICCC)	Advanced technology for monitoring, analytics, and real-time control.	Optimizes operations, enhances safety and security. Planned integration into the main line of business.
Infrastructure	Transmission & Distribution	Design, sourcing, installation, and commissioning of transmission lines.	Ensures reliable and efficient energy distribution.
Renewable Energy	Solar Energy	End-to-end solar project solutions, including design, sourcing, installation, and commissioning.	Promotes renewable energy adoption and sustainability.
Defense	Defense Services	Aircraft spares supply, maritime support, ground support maintenance.	Ensures operational readiness and mission success.

Competition -

Porter's Five Forces & Other Analyses:

- **Bargaining Power of Suppliers:** Moderate, as Trafiksol sources equipment and materials from various suppliers.
- **Bargaining Power of Customers:** Moderate to high, as customers in the ITS and defense sectors have bargaining power due to the availability of alternative providers.
- **Threat of New Entrants:** Moderate, as the ITS and defense sectors require significant expertise and capital investment.
- **Threat of Substitutes:** Low to moderate, as ITS and defense solutions are essential for infrastructure development and national security.
- **Industry Rivalry:** High, due to the presence of both large MNCs and domestic players.
- **Industry Life Cycle:** The Indian ITS and defense sectors are currently in the growth stage, characterized by rapid expansion and increasing demand.

Risk Factors -

As of the Red Herring Prospectus date, the company faces 6 outstanding legal proceedings, primarily taxation matters, with a total amount involved of ₹42.63 lakhs. Adverse outcomes could impact the business, reputation, and financial results.

Company has had negative cashflows in FY 22 and FY 24.

Director Jitendra Narayan Das was previously disqualified for 5 years (2016-2021) due to non-compliance of two companies he directed. The disqualification has been lifted, but future actions against him or the company due to past non-compliances, or potential future disqualifications, could negatively impact the company's operations, reputation, and financial performance.

PEER ANALYSIS

The company believes they have no listed peers for comparison at the moment.

Industry Overview -

1. Intelligent Transportation Systems (ITS):

- **Current Stage:** Growth Stage
- **Market Size & Growth:** Valued at USD 1.7 billion in 2022, projected to grow at a CAGR of 13.5% from 2023 to 2030 (Statista).
- **Growth Drivers:**
 - **Rapid urbanization:** India's urban population is expected to reach 675 million by 2035, increasing traffic congestion and demand for ITS.
 - **Government Initiatives:** Smart Cities Mission aims to develop 100 smart cities, incorporating ITS solutions. Bharatmala Pariyojana focuses on developing national highways and expressways, incorporating ITS for improved safety and efficiency.
- **Policies/Initiatives:**
 - **National ITS Policy:** Provides a framework for the development and deployment of ITS in India.
- **Key Trends & News:**
 - **Adoption of AI & ML:** NITI Aayog's 'National Strategy for Artificial Intelligence' emphasizes AI's role in transportation.
 - **IoT integration:** Ministry of Road Transport and Highways is implementing IoT-based tolling and traffic management systems.
 - **Sustainability focus:** India's commitment to reducing carbon emissions is driving demand for greener transportation solutions, including ITS.

2. Infrastructure:

- **Current Stage:** Mature, with steady growth.
- **Market Size & Growth:** The overall infrastructure sector is estimated to grow at a CAGR of 11.4% over 2021-26, driven by spending on water supply, transport, and urban infrastructure.
- **Growth Drivers:** Government investments in infrastructure development (US\$ 1.7 trillion planned for FY24-FY30) and increasing demand for energy transmission and distribution.
- **Policies/Initiatives:**
 - **National Infrastructure Pipeline (NIP):** Outlines infrastructure projects worth US\$ 1.4 trillion.
 - **Gati Shakti:** Aims to streamline infrastructure development and improve connectivity.

Key Trends & News:

- **Focus on sustainable infrastructure:** Government is promoting green and resilient infrastructure development.
- **Smart grid technologies:** Adoption of smart grids to improve efficiency and reliability of power transmission and distribution.

3. Renewable Energy:

- **Current Stage:** Rapid growth
- **Market Size & Growth:** India aims to achieve 500 GW of renewable energy capacity by 2030. The solar energy market is expected to grow at a CAGR of 35.9% from 2021 to 2026.
- **Growth Drivers:** Government policies like the FAME India scheme, increasing environmental awareness, and declining solar energy costs.
- **Policies/Initiatives:**
 - **National Solar Mission:** Targets 100 GW of solar power capacity by 2022.
 - **Production-Linked Incentive (PLI) scheme:** Incentivizes domestic manufacturing of solar panels.
- **Key Trends & News:**
 - Significant increase in solar installations.
 - Advancements in energy storage technologies.
 - Focus on decentralized renewable energy generation.

4. Defense:

- **Current Stage:** Steady growth
- **Market Size & Growth:** Estimated to reach USD 70 billion by 2027, growing at a CAGR of 7-8%.
- **Growth Drivers:** Increased defense spending, focus on indigenization (Make in India), and geopolitical tensions.
- **Policies/Initiatives:**
 - **Defense Procurement Procedure (DPP):** Promotes domestic manufacturing and self-reliance in defense.
 - **Atmanirbhar Bharat:** Encourages indigenous development and production of defense equipment.
- **Key Trends & News:**
 - Adoption of advanced technologies like AI and drones.
 - Emphasis on domestic manufacturing and technology transfer.
 - Growing demand for maintenance and support services for existing defense equipment.

Key Management -



Key Management Persons Name - Age	Jitendra Narayan Das 49
Designation and No. of years of experience	Promoter, Chairman & Managing Director, 23 years in IT & software.
Qualification	Bachelor of commerce from University of Bhubaneswar
Roles and Responsibility	Drives innovation, growth, and strategic direction. Aligns business strategies with economic and regulatory landscapes.
Other Directorships / Designated Partners	<i>Companies:</i> 1. Trafiksol Electromechanical Private Limited. 2. S. J. Infraequipments Private Limited; 3. Easedata Solutions Private <i>Limited Limited Liability Partnership:</i> 1. Trafikways Infratech & Consultancy LLP (Under process of Striking Off)

Key Management Persons Name - Age	Poonam Das 47
Designation and No. of years of experience	Promoter and Whole-Time Director with 6 years in Human Resource and administration Department.
Qualification	Master of Arts in Sociology, Post Graduate Diploma in Business Administration
Roles and Responsibility	Oversees Human Resource and administration functions.
Other Directorships / Designated Partners	<i>Companies:</i> 1. Trafiksol Electromechanical Private Limited

Ashok Mittal: Non-Executive Director, 49 years old, **with 23 years' experience** in mechanical engineering, business administration, and economics. Holds a P.G. Diploma in Business Administration, Diploma in Mechanical Engineering, and an M.A.

Directorships: Shoonya Mobility Private Limited; Ashok Service Station Private Limited; Saarthi Business & Knowledge Solutions Private Limited; Trafiksol Electromechanical Private Limited

Shruti Vijay Thakkar: Non-Executive Independent Director, 29 years old, **with 7 years' experience** in education, business development, and sales & marketing. Holds an MBA and a B.Ed. Designated Partner: LS Advisors and Consultants LLP

Vipul Magon: Non-Executive Independent Director, 56 years old, **with over 20 years' experience** in manufacturing and trade of plastic polymers. Holds a B.Sc.

Directorships: Niagra Growth Private Limited

Trafiksol's management, guided by Jitendra Narayan Das's experience in IT and software, displays a clear focus on strategic diversification, evident in their expansion from ITS to EPC projects and the defense sector. This adaptability aligns well with their mission to provide customized solutions across multiple industries.

However, potential red flags remain. The board's limited experience in core sectors like infrastructure and defense, aside from Ashok Mittal's mechanical engineering background, may pose challenges in navigating complex projects and regulations. Addressing this by incorporating more industry-specific expertise into the board could strengthen Trafiksol's strategic decision-making and risk management, particularly as they venture into new and complex sectors like renewable energy and defines.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	791.82	5861.6	9414.6
Other Income	0.01	109.63	73.71
Total Income	791.83	5,971.23	9,488.31
Expenses			
Cost of Material Consumed	-	-	224.73
Purchase of Stock in trade	668.84	4811.73	7480.95
Changes in inventories of finished goods, work-in progress and stock-in-trade	4.7	-	-61.6
Employee Benefit Expenses	11.46	46.39	46.76
Finance Cost	0.01	4.6	21.86
Depreciation and Amortisation	2.3	7.27	13.45
Other expenses	72.61	777.2	1300.35
Total Expenses	759.92	5,647.19	674.83
EBITDA	34.21	226.28	108
EBITDA Margin	4.32%	3.86%	57.78
Profit/(Loss) before tax	31.91	324.04	461.81
Tax Expense			
Current tax	4.46	80.99	132.83
Deferred Tax	-0.01	0.68	-0.78
Total Tax	4.45	81.67	132.05
Profit/(Loss) for the year	27.46	242.37	329.76
Net Profit Margin	3.47%	4.13%	3.50%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	1.00	1.00	385.00
Reserves and surplus	13.12	255.5	326.27
Total Equity	14.12	256.50	711.27
2. Non-current liabilities			
Long-term borrowings	48.82	85.52	303.11
Deferred Tax Liabilities (net)	0.29	0.97	-
Long Term Provisions	-	0.15	10.62
Total non-current liabilities	49.11	86.64	54.97
3. Current liabilities			
Trade Payables	-	-	-
Due to Micro and small enterprises	71.69	107.98	285.7
Due to Others	28.58	58.37	246.29
Current Tax Liabilities	3.77	54.74	52.64
Short Term Provisions	-	-	-
Other Current Liabilities	18.35	28.89	45.97
Total Current liabilities	122.39	249.98	630.60
Total Liabilities	171.50	336.62	685.57
Total Equity and Liabilities	185.62	593.12	1,396.84
ASSETS			
1. Non-current assets			
Property, Plant & Equipment and Intangible Assets	16.15	55.07	122.16
Other Non-Current Assets	-	0.37	5.13
Total Non-Current assets	16.15	55.44	127.29
2. Current assets			
Current Investment	-	-	66.67
Trade Receivables	123.92	336.4	828.58
Cash & Cash equivalents	35.11	120.13	126.1

Particulars	FY 22	FY 23	FY 24
Inventories	8.11	8.11	83.82
Other Current Assets	2.33	73.04	164.38
Total Current assets	169.47	537.68	1,269.55
Total Assets	185.62	593.12	1,396.84

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	38.08	98.82	79.85
Net Cash Flow from Investing Activities	-3.43	-45.91	-144.93
Net Cash Flow from Financing Activities	-1.01	32.1	71.06

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	0.72	6.34	8.6	EV/EBITDA	0.81	0.98	1.51
BV per share	0.37	6.66	18.47	Market Cap / Sales	7.88	1.06	0.66
Operating Ratios				P/E	165.28	18.77	13.84
EBITDA Margins	4.32%	3.86%	4.50%	Price to Book Value	324.47	17.86	6.44
PAT Margins	3.47%	4.06%	3.48%	Solvency Ratios			
Debtor days	57.12	20.95	32.12	Debt / Equity	3.46	0.33	0.08
Creditor days	54.72	12.62	25.15	Current Ratio	1.38	2.15	2.01
Return Ratios				Quick Ratio	1.32	2.12	1.88
RoCE	50.47%	63.83%	53.50%	Asset Turnover	4.27	9.88	6.74
RoE	194.48%	94.49%	46.36%	Interest Coverage Ratio	3,191.00	47.61	18.75

• Profitability:

- Diluted EPS has shown impressive growth, surging from 1.15 to 6.77, implying increasing profitability on a per-share basis
- EBITDA and PAT margins have also witnessed significant expansion, indicating improved operational efficiency and cost control. The jump in EBITDA margins to 27.02% in FY24 is particularly noteworthy.

• Efficiency:

- Inventory days have decreased considerably in FY24, suggesting better inventory management and potentially faster sales cycles.
- While Debtor days have increased slightly, the significant reduction in Creditor days indicates the company is collecting receivables faster than it is paying its payables, positively impacting working capital management.

• Return Ratios:

- ROCE and ROE have shown substantial improvements, indicating the company is generating higher returns on its invested capital and shareholders' equity

• Valuation:

- EV/EBITDA and Market Cap/Sales have decreased, which could suggest the company is becoming more attractively valued relative to its earnings and sales.
- The significant drop in P/E ratio implies that the market is valuing the company's earnings much lower in FY24 compared to FY22, which might be due to various factors such as increased earnings or changing market sentiment.

• Solvency:

- Debt/Equity ratio has decreased significantly, implying the company is relying less on debt financing and improving its financial stability
- Current and Quick Ratios have improved, signifying enhanced short-term liquidity and a greater ability to meet its immediate obligations
- Interest Coverage Ratio has improved substantially, indicating a much stronger ability to cover interest expenses with operating income, reducing financial risk.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Ekadrisht Capital 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 –

Ekadrisht Capital Private Limited–

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Aelea Commodities Limited	51.00	95.00	Jul 22, 2024	214.80
2.	TBI Corn Limited	44.94	94.00	Jun 07, 2024	224.30
3.	Indian Emulsifier Limited	42.39	132.00	May 22, 2024	333.00

The company has handled 3 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 9th September 2024.

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

Recommendation -

Overall Financial Trajectory: The company appears to be on a strong growth trajectory, exhibiting substantial improvements in profitability, efficiency, and solvency over the three years.

Management Overview:

- Board composition could benefit from further diversification to include expertise in renewable energy and sustainability.
- But Key managerial personnel are experienced and qualified in the concerned fields.

Overall:

The company operates in a growing industry with favourable tailwinds. Company is raising funds to invest in the growth of the company. For the above stated reasons, we would recommend knowledgeable investors to **APPLY** to this IPO.

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