

Initial Public Offering

Issue Details	
Listing	NSE & BSE
Open Date	07/09/2020
Close Date	09/09/2020
Price Band	INR 165-166

Issue Structure (In %)	
Fresh Issue	15.7
Offer for Sales	84.3

Shareholding Pattern (%)		
	Pre	Post
Promoters	61.8	53.3
Public	38.2	46.7
Total	100.0	100.0

Founded in April 2011 by Mr. Ashok Soota, the company focuses on delivering a seamless digital experience to its customers. Its offerings include, among others, digital business, product engineering, infrastructure management and security services. Its capabilities provide end-to-end solution in the digital space.

The company help its customers in finding new ways to interact with their users and clients enabling them to become more engaging, responsive and efficient. It also offer solutions across the spectrum of various digital technologies such as Robotic Process Automation (RPA), Software-Defined Networking/Network Function Virtualization (SDN/NFV), Big Data and advanced analytics, Internet of Things (IoT), cloud, Business Process Management (BPM) and security.

As on 30th June 2020, the company had 148 active customers. The repeat business (revenue from existing customers) has steadily grown and contributed a significant portion of revenue from contracts with customers over the years indicating a high degree of customer stickiness.

The company's agility and resilience has stood out in recent years. In the quarter ended June 2020 and in FY20, the company delivered 90.1% and 87.9% respectively of its projects through agile delivery methodology. Over the years and currently during the ongoing outbreak of Novel Coronavirus, it has successfully implemented its business continuity plans including to achieve efficient work-from-home practices to ensure connectivity across the enterprise.

In FY20, as per Frost & Sullivan Report, 96.9% of the company's revenues came from digital services. This is one of the highest among Indian IT companies.

Management team to drive the company

Key Person	Designation	Details
Ashok Soota	Executive Chairman and Director	He is the promoter of the Company and has been associated with the Company since its incorporation. Prior to founding the Company, Ashok was the Founding Chairman and Managing Director of MindTree Limited, a company that completed a successful IPO during his tenure. He was the vice chairman of Wipro Limited and senior vice president of Shriram Refrigeration Industries Limited prior to co-founding MindTree Limited.
Venkatraman Narayanan	Executive Director and Chief Financial Officer	He has been associated with the Company since April 23, 2015 and has over 25 years of experience in the area of finance and accounts. Prior to joining the Company, he was associated with Sonata Software Limited, TeamLease Services Limited, SAP India Private Limited, Oracle India Private Limited, Arthur Anderson and Associates, Petrot Systems TSI (India) Limited, Transwork Information Services Limited and MindTree Consulting Private Limited.
Avneet Singh Kochar	Non-Executive Director	He has been associated with the Company since April 23, 2015 and has 18 years of experience in investment management. Prior to joining the Company, he was associated with AT&T Corp. and AT&T Investment Management Corporation.
Anita Ramachandran	Additional Director (Independent)	She has been associated with the Company since June 4, 2020 and has over 35 years of experience as a management consultant. She has previously worked with A.F. Ferguson & Co (a former KPMG network company in India). She is also the founder and director of Cerebrus Consultants Private Limited, a human resources firm.
Rajendra Kumar Srivastava	Additional Director (Independent)	He has been associated with the Company since June 4, 2020 and many years of experience in marketing. He is currently the dean and novartis professor of marketing strategy and innovation at Indian School of Business.
Shubha Rao Mayya	Additional Director (Independent)	She has been associated with the Company since June 4, 2020 and has 30 years of experience in the banking and insurance sector.

Source : RHP

❖ Company Business:

The company's business is divided into following 3 business units:

- Digital Business Services (DBS):** DBS offerings are aimed at (i) driving digital modernisation and transformation for its customers through digital application development and application modernisation for an improved customer experience, enhanced productivity and better business outcomes; (ii) implementation of solutions, development and implementation of solution, capabilities for improving data quality of the customer's platform, assistance in designing and testing of operations and management of platform and modernisation of digital practices; and (iii) consulting and domain led offerings such as digital roadmap, mindful design thinking, and migration of on-premise applications to cloud.
- Product Engineering Services (PES):** PES BU aims to help customers capitalise on the transformative potential of 'digital' by building products and platforms that are smart, secure and connected. The company provides its 144 customers a blend of hardware and embedded software knowledge which combines with its software platform engineering skills to help create high quality, scalable and secure solutions. Its offerings extend across the development lifecycle from strategy to final roll out while ensuring quality. The company gets

its clients started on this journey with its digital foundry that allows to build rapid prototypes for customers and provide a scalable Minimum Viable Product (MVP). It embraces a cloud and a mobile friendly approach along with an agile model that is supported by test automation to help clients accelerate their time to market and build a competitive advantage.

- **Infrastructure Management & Security Services (IMSS):** IMSS offerings provide an end to end monitoring and management capability with secure ring fencing of its customers' applications and infrastructure. The company provides continuous support and managed security services for mid-sized enterprises and technology companies. Specialized in automation of business and IT operations with DevSecOps model and with NOC/SOC, it strives to ensure that the data center, cloud infrastructure and applications are safe, secure, efficient and productive. Our security offerings include cyber and infrastructure security, governance, risk & compliance, data privacy and security, identity and access management and threat and vulnerability management. The company's infrastructure offerings include DC and hybrid cloud services, workspace services, service automation (RPA, ITSM & ITOM), database and middleware services and software defined infrastructure services.

❖ **Financial Summary:**

For the year ended March 2020, the company reported a revenue of Rs. 698.21 Cr which was a growth of 18.3% on YoY basis. The revenue growth has been 22.82% CAGR from FY18 to FY20. EBITDA margins stood at 13.9%. PBT (before adjustment of exceptional item) stood at Rs. 84.87 Cr as against 25.56 Cr in FY19 which was a growth of 232% on YoY basis. The company reported a PAT of Rs. 71.7 Cr on the backs of lower tax rates of 2.6%. **Going forward the company will have a higher effective tax rate due to which the net profits may remain flat or even decline as compared to FY20.**

❖ **Risk Factors:**

Following are the risk factors for the company which need to be kept in mind:

- **High dependence on USA region:** As on June 2020, US region's share in revenue accounted for 77.3% of total revenues. With such high concentration in one region, any adverse developments related to competition, as well as economic, political, regulatory and other changes may impact the business of the company.
- **Higher Attrition Rate:** The company has higher attrition rate of 18.7% as compared to its peers. A significant increase in the attrition rate among skilled IT professionals with specialised skills could decrease its operating efficiency and productivity and could lead to a decline in demand for its services.

- **Exposure to Impacted Industry Verticals:** For the FY20 the company has exposure to various impacted verticals which include BFSI (17.5%), Travel, Media and Entertainment (17.1%) and Retail (7.5%). With impact of COVID on these sectors such as restrictions on travels, government induced lockdown and economic disruptions may result in lower spendings.

❖ **Issue Structure:**

The proposed IPO issue size is of Rs. 702 cr. An aggregate of up to 4,22,90,091 equity shares of face value of Rs. 2 is being offered. Out of this, the Fresh issue constitutes of 66,26,506 Equity Shares of ₹2 (aggregating up to ₹110.00 Cr) and Offer for Sale constitutes 35,663,585 Eq Shares of ₹2 (aggregating up to ₹592.02 Cr). The price band for the issue is Rs. 165 per share (lower price band) to Rs 166 per share (upper price band), and the bid lot is 90 shares and multiple thereof

Category	No of shares	
	Offered (in '000)	% of shares offered
QIB	31,718	75
Non Institutional Bidders	6,343	15
Retail	4,229	10
Total	42,290	100

❖ **IPO money utilisation:**

The company intends to utilise the net proceeds of Rs. 101 Cr from fresh issue towards Long Term Capital Requirements for FY 2021 and remaining amount (not exceeding 25% of Gross Proceeds) for general corporate purposes.

Valuation:

The price band for the stock is Rs. 165 – 166. Considering the FY20 EPS of Rs. 7, the PE would be at 23.6X. **During the quarter ended June 2020, a Series A 14% Non Cumulative compulsorily convertible preference (CCPS) shares holder has converted 3,58,728 CCPS into equity at a ratio of 1:163. This led to an addition in equity shares numbers by 5,84,72,664. The total number of equity shares as on June 30, 2020 of Rs. 2 Face Value stands at 10,21,61,172.**

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