

SoftTech Engineers Limited

26th April 2018

Rating:



Issue Summary:

Price Band (Rs)	78 – 80 per share
Face Value (Rs)	10
Market Lot	1600 shares
Opens	27 th April, 2018
Closes	3 rd May, 2018
Issue Size (Rs)	22.24 - 22.81 crore
Fresh issue	2,371,200 shares
Offer for sale	480,000 shares
Total issue	2,851,200 shares
Listing	NSE Emerge SME platform

Issue Break Up:

QIB Portion	50%
NIB Portion	15%
Retail Portion	35%

Book Running Lead Managers:

➤ Pantomath Capital Advisors Private Limited
➤ Small Industries Development Bank Of India

Registrar

➤ Link Intime India Private Limited

Incorporated in 1996, Pune based **SoftTech Engineers Limited** is software company which caters to the Architecture, Engineering, and Construction ("AEC") verticals.

The Company specializes in developing the product for e-governance and construction of ERP products for smart city projects, municipal corporations, urban local bodies, development authorities and work organizations. It also offers 2D and 3D CAD based intelligent and machine learning driven technology which eliminates entire human intervention along with providing Cloud Technology enabled products offered as "SaaS".

SEL is Leader in Construction Company's services business.

Total order book is Rs 80 Cr, it takes 2 years to complete the order and total pipeline is around Rs 90 Cr.

Products of Company:

PWIMS: Launched in year 2004, PWIMS provides a complete online solution to Public Works Department (PWD) for e-procurement and work management.

AutoDCR: Launched in year 2005, AutoDCR is software for automation of building layout plan approvals which is used by the government authorities in scrutinizing and automating the building permits based on the CAD based building plan which works on an online system and environment.

Opticon: Launched in year 2010. It caters to the needs of construction contractors and real estate companies by helping them in cost estimating, construction management and overall automation.

Product-wise revenue distribution:

Products as % of revenue	Sep-17	Mar-17	Mar-16
AutoDCR	48%	60%	46%
PWIMS	22%	20%	14%
Opticon	19%	1%	4%
Others	11%	18%	36%
Total Revenue (In Cr)	23.75	47.11	44.32

SEL has posted total revenue of 47.11Cr (FY17) and 23.75Cr (6 month ended FY18) and company is expecting good growth on YOY basis.

SoftTech Engineers received VC funding from Rajasthan Venture Capital Fund in the year 2014. It holds 26.77% stake in the company.

Upcoming Products from Company:

- **BIM-DCR:**

BIM-DCR is an upcoming product, which is a new and updated version of AutoDCR with a new 3D BIM based technology. The product is currently under R&D phase. BIMDCR will serve the same set of customers but with advanced technology, which will serve the purpose of Smart City projects. It is an innovative 3D Building Model based Online Single window system.

It is BIM integrated **Building Approval System** enabling automatic scrutiny of building proposal by reading building models submitted by applicant. BIM model approach will help development authorities track unauthorised construction.

- **RuleBuddy:**

RuleBuddy is another upcoming product by Company, which is currently in R&D phase. It is an e-commerce platform aiming to help customers solve their queries prior to commissioning of any construction activities for particular area. By leveraging the database of AutoDCR and technical expertise in the construction industry, it will analyse and assess the feasibility of any construction activity, further validating DC rules, NOC fees and other documentary requirements.

The key users for this product will be project owners, project developers, construction companies, architects, engineers among others.

Objectives of Issue:

- Product development and enhancement costs – **INR 6.62 crore**
- Funding of the domestic and international product penetration and marketing costs – **INR 5.98 crore**
- Repayment/Pre-payment of certain unsecured borrowings – **INR 2.03 crore**
- General corporate purposes - **INR 4.33 crore**

Company Promoters:

Mr. Vijay Gupta is the sole promoter of the company. He holds a Master's degree in Technology in the stream of Civil Engineering from the Indian Institute of Technology, Mumbai (IIT, Bombay).

He holds 36,81,234 equity shares in aggregate, which is equivalent to 52.21% of the pre-Offer issued, subscribed and paid-up equity share capital of the company.

Business Operation:

- Company is engaged in the business of providing software products to various governmental authorities and departments. Receive work orders on the long term contract basis and major portion of the contract and work order are generated during the last quarter.
- Company requires significant amount of working capital for a continued growth:

<i>Particulars (In Cr)</i>	<i>Sep-17</i>	<i>Mar-17</i>	<i>Mar-16</i>
Current Assets(CA)	46.76	40.03	37.86
Current Liabilities(CL)	18.89	16.18	17.52
Working Capital(CA-CL)	27.93	23.85	20.34

Working capital for the company has increased to 27.93Cr from 20.34Cr

- Cash flows:

<i>Particulars (In Cr)</i>	<i>Sep-17</i>	<i>Mar-17</i>	<i>Mar-16</i>
Cash flow from operation(CFO)	0.62	9.43	-0.47
Cash flow from Investing Activity(CFI)	-1.76	-5.10	-4.20
Cash flow from financing activity(CFF)	-0.63	-3.68	-5.78
Free Cash Flow (FCF)	2.19	6.21	-4.66

Company has generated Cash flow from operation around 9.43Cr during the year against PAT of 6.16Cr

- Key Financials:

<i>Particulars (In Cr)</i>	<i>Sep-17(6 months ended)</i>	<i>Mar-17</i>	<i>Mar-16</i>
Total Revenue	23.75	47.11	44.32
PAT	2.59	6.16	3.80
EPS	2.75*(post IPO)	8.75	6.10
PAT Margin	11%	13%	9%
Total Equity	33.00	30.82	24.87

With Fresh Issue of 23, 71,200 Equity Shares, total O/S shares will increase to 97, 22,476 Equity Shares and EPS for Sep-17 is 2.75. Annualized EPS on post issue equity work out to 5.50.

Valuation:

The issue has been offered at a price band of Rs 70-80 per equity share. At the upper price band of Rs 80, the stock is available at price-to-earnings multiple of 14.55(x) to its FY18 annualized EPS of Rs 5.5 and stock is available at price-to-earnings multiple of 9.15(x) to its FY17 EPS of Rs 8.75. We have a "3 star" rating for the issue.

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