

IPO Note: Spectrum Talent Management Limited

Lead Manager: Sarthi Capital Advisors Private Limited



Issue Dates: 09 June 2023 to 14 June 2023

Issue Type: Book Building Issue

Fresh Issue: 51,85,600 Equity Shares

Offer for Sale: 8,92,000 Equity Shares

Price Band: Rs 169 – Rs 173

IPO Size: Rs. ~105.14 cr at upper price band.

Bid size: 800 equity shares and in multiples thereof

QIB: 5,76,000 Equity Shares

Non Institutional: 25,98,400 Equity Shares

Retail Individual: 25,99,200 Equity Shares

Market Maker: 3,04,000 Equity Shares

Face Value: Rs 10

Book value: Rs 27.05 (December 31, 2022)

Capital Structure:

Pre Issue Equity: Rs 1,790.75 Lakhs

Post Issue Equity: Rs 2,309.31 Lakhs

Listing: NSE Emerge

Book Running Lead Manager: Sarthi Capital Advisors Private Limited

Registrar to Issue: Skyline Financials Services Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	*Post issue %
Promoters & Promoter Group	100.00	73.68
Public (incl. institutions & employees)	-	26.32
Total	100.00	100.00

Background of the Company

Headquartered in Delhi, Spectrum Talent Management Limited was incorporated on May 09, 2012.

Spectrum Talent Management is one of the leading global recruitment companies in India which offers a wide array of services for human resource solution for Retail, Engineering, IT-ITeS, Logistics, Pharma, Manufacturing, BFSI & Consulting.

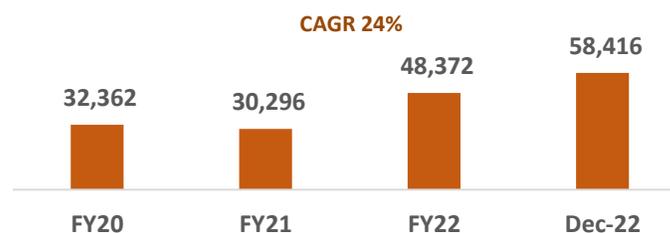
During COVID it added new lines of businesses and started exporting Mobile Phones of various brands from India to the UAE.

Services Offered

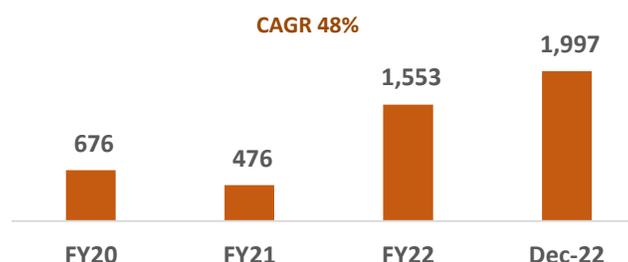
- **General Staffing:** It includes Flexi Staffing, Industrial Apprentice Solution, Payroll & Compliance Management.
- **Recruitment Process Outsourcing:** Permanent hiring for IT&ITeS, Telecom, Semiconductor, Life science, Automobile, FMCG, Retail, BFSI etc.
- **Global HR Services:** This vertical is based on leveraging the cost differences in delivering services in the international markets using India as a base.
- **Export:** Exporting Mobile Phones of various brands from India to the UAE

Financial Snapshot

Revenue in Rs Lakhs



PAT in Rs Lakhs



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Promoters

- **Mr. Vidur Gupta**, aged 38 Years, is the Promoter and Managing Director. He is the Co-Founder of Spectrum Talent Management Limited. He holds a bachelors degree in Hospitality and has then studied Entrepreneurship from Amity University. He has done his MBA in Entrepreneurship and is a specialist in Strategy & Business Development. He has extensive experience in management at all levels both in India and Overseas and Expertise in Talent Management in USA, APAC and MEA. He handles the Permanent Recruitment, Sales and Marketing and the International Business for the company.
- **Mr. Sidharth Agarwal**, aged 38 Years, is the Promoter, Whole-Time Director & CFO of the Company. He studied for his Bachelors in Business and Masters in Business from Amity Business School. He has worked with Reliance Capital for a year. This is where he gained excellent exposure towards finance and numbers. He is very strong with his finance and forecasting skills. His ability to tightly handle resources makes him the perfect person for handling the Finance function along with contract staffing for the company. He has been instrumental in ramping up Contract staffing operations and maintaining overall profitability for the company. He handles the Contract staffing, Finance, and operations for the company.

Technology

Built a robust ecosystem of technological capabilities and an integrated in-house technological platform, supplemented by third party software through partnerships.

Associate Tools:

- **STM +:** It is a self-service portal for employee's where an employee can download salary slip, leave details, ESIC card and other documents; User can also punch online attendance through Geo Tagging and Geo Fencing.
- **STM NEXT:** This is an application which is being used as sales workforce management especially for the in shop promoter in FMCG/CD sectors. Sales people may punch their daily sales from this application by punching the necessary details.

HRMS Tools:

- **STMPL HR SUITE/Payroll/HRMS**
- **EPAY/Employee Self Service (ESS):**

Competitive Strength

Volume business of General Staffing to help with overall efficiencies and stable growth:

Proven third- party payroll provider to meet the manpower staffing demands on the fly. Helps clients increase their management bandwidth. It provides stable revenue and profitability growth.

High Margin service lines of RPO

Offers recruitment solutions that are custom built for specific projects as well as to support employers on an ongoing basis.

Export of services leveraging India based manpower for diversification in reach

Provide locally available talent to companies in multiple countries giving them the added advantage of dealing with 1 vendor for multiple geographies. This is based on leveraging the cost differences in delivering services in the international markets using India as a base.

Long Term business of IT Staffing

Leveraging on scale, scope and knowledge which allows to address a wide range of industries and structure solutions successfully for their current recruitment needs

Object of the Issue

- Funding Working Capital Requirement.
- Acquisitions of Businesses in similar or complementary areas.
- General Corporate Purposes.
- Offer Expenses.

Particulars	Estimated (Rs in Lakhs)
Funding Working Capital Requirement	[●]
Acquisitions of Businesses in similar or complementary areas	[●]
General Corporate Purposes	[●]
Offer Expenses	[●]

For further details, refer to RHP

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Key Concerns

- Top 10 customers contributed 63.23%, 67.09% and 73.31% of revenues during the financial year 2021-22, 2020-21 and 2019-20 respectively, whereas, top 5 customers contribute 47.07%, 52.28% and 51.20% revenues during the financial year 2021-22, 2020-21 and 2019-20 respectively. Any decline in services and any change in the demand for services by these customers may adversely affect ability to retain them.
- Subject to the fulfilment of prescribed conditions as provided in Section 80JJAA of Income Tax Act, 1961, is entitled to claim deduction of an amount equal to 30.00% of additional employee cost. Any change or abolition of in rules may impact financials.
- As on March 2022 and December 2022, mobile export business generated revenue of Rs. 10,064.29 lakhs & Rs. 20,165.41 lakhs respectively from export of Mobiles. There is a possibility of discontinuing the electronics exports business in the future to focus on the core HR Services business.

For further details, refer to RHP

Income Statement (Amount in Rs Lakh)

Particulars	For the Period Ended December 31,	For the Year Ended March 31		
	2022	2022	2021	2020
INCOME				
(a) Revenue from Operations	58,402.80	48,322.10	30,238.90	32,331.61
(b) Other Income	12.94	50.08	57.10	30.76
Total Income	58,415.74	48,372.17	30,296.00	32,362.37
EXPENSES				
(a) Purchases of Stock In Trade	20,136.31	10,155.61	-	-
(b) Changes in Inventories of finished goods	26.28	(200.36)	-	-
(c) Employee Benefits Expenses	34,920.99	35,899.90	29,065.03	30,862.60
(d) Other Operating Expenses	514.94	474.55	444.21	365.62
(e) Selling & Distribution Expenses	250.41	135.01	-	-
(f) Depreciation and Amortization Expenses	105.36	87.88	87.38	76.47
(g) Finance Costs	48.33	11.94	13.93	11.65
(h) Other Expenses	397.61	264.74	231.35	211.42
Total Expenses	56,400.23	46,829.28	29,841.90	31,527.76
Profit before exceptional items and extraordinary items and tax	2,015.51	1,542.90	454.09	834.61
Less/(Add): Exceptional items	-	-	-	-
Profit before tax	2,015.51	1,542.90	454.09	834.61
Tax Expense:				
(a) Current tax expense	25.09	5.66	0.00	171.01
(b) Deferred Tax	(6.81)	(14.62)	(22.32)	(12.36)
Profit after tax	1,997.23	1,551.86	476.41	675.96
Less: Profit/(Loss) attributable to minority interest	(0.23)	(0.85)	-	-
Profit/ (Loss) for the year	1,997.46	1,552.71	476.41	675.96
Earning per Equity Share in Rs.(Nominal value of share is Rs. 10):				
(a) Basic	11.15	9.07	10.03	14.23
(b) Diluted	11.15	9.07	10.03	14.23

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Particulars	As at Dec 31, 2022	For The Year Ended March 31,		
		2022	2021	2020
Return on Net Worth (%)	41.23%	54.89%	24.11%	45.05%

For further details,
refer to RHP.

Balance Sheet (Amount in Rs Lakh)

Particulars	As at 31st December	As at 31st March,		
	2022	2022	2021	2020
EQUITY AND LIABILITIES				
Shareholders' Funds				
(a) Share Capital	1,790.75	855.00	950.00	475.00
(b) Reserves and Surplus	3,053.82	1,972.37	1,026.30	1,025.36
(c) Minority Interest	3.93	4.14	-	-
Non-Current Liabilities				
(a) Long -Term Borrowings	17.22	34.34	30.84	60.71
(b) Long -Term Provisions	78.20	68.14	54.71	22.96
(c) Deferred Tax Liabilities (Net)	-	-	-	-
Current Liabilities				
(a) Short -Term Borrowings	237.87	992.54	29.88	361.48
(b) Trade Payables				
(i) Total outstanding dues of micro enterprises and small enterprises	-	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	288.50	149.50	98.61	29.91
(c) Other Current Liabilities	3,167.21	2,401.30	2,438.28	2,105.62
(d) Short -Term Provisions	20.18	1.95	1.59	0.07
TOTAL	8,657.66	6,479.29	4,630.20	4,081.10
ASSETS				
Non-Current Assets				
(a) Property, Plant & Equipment and Intangible Assets				
(i) Property, Plant & Equipment	311.58	262.93	170.12	215.59
(ii) Intangible Assets	5.19	9.25	9.13	16.17
(b) Non -Current Investments	0.70	81.10	79.79	-
(c) Deferred Tax Assets (Net)	65.17	58.36	43.74	21.42
(d) Other Non-Current Assets	32.58	59.51	38.78	21.97
Current Assets				
(a) Current Investment	-	-	409.45	-
(b) Inventories	174.08	200.36	-	-
(c) Trade Receivables	5,966.61	4,082.59	2,487.84	2,020.19
(d) Cash and Cash Equivalents	511.06	542.71	774.96	1,103.59
(e) Short -Term Loans and Advances	1,036.61	1,003.62	616.41	682.16
(f) Other Current Assets	554.07	178.86	-	-
TOTAL	8,657.66	6,479.29	4,630.20	4,081.10

For further details, refer to RHP.



Industry Overview

It is observed that despite COVID-19's horrible impact on business around the world. The organized staffing business in India has continued to expand at a rapid pace. According to a survey, the Indian staffing business grew by 3.6% in fiscal year 2020-21, owing to a comeback in the fourth quarter of the previous fiscal year.

According to the report, post-pandemic flexi-employment market trends and it has influenced women, young, and high-skilled employees in a good way. It is also noted that regardless the pandemic situation, temporary staffing grew in IT, E-commerce, Logistics and Manufacturing sectors.

Flexi Staffing is growing trend in an Indian job economy. Around 72% of Flexi workers want to keep working as same, and 85% of Flexi workers are happy with their current situation.

The term "flexi staffing" describes a situation in which a corporation hires workers on a temporary basis, either for a long-specified period of time or until the task is completed. These employees could be via employment agencies or referrals on a contract basis. These type of services helps to hire people when the company is out of staff. If a company doesn't have enough employees, they can look for a new permanent employee, but they can also use flexible staffing services in which they can hire independent contractors, part-time employees, or temporary worker.

Staffing industry added new employment at a sharp 21.9% YoY (2021-22), compared to a 3.6% new employment generated in the previous year. General Staffing Industry net new employment grew at 21%, adding 1.57 lakhs new formal workforce, from the year before at 18.1%. General Staffing Industry was primarily driven by demands from FMCG, E-commerce, Manufacturing, Healthcare, Retail, Logistics, Banking, Energy etc.

Staffing Industry witnessed a sharp jump with 30.7% growth, adding further new employment, than the year before at 14.1%. The demands were driven primarily with the digital adoption across sectors. A few promising impact sectors to continue will be Fintech, IT, Infra etc.

Global Staffing Industry

The private employment services industry was one of many sectors to see a decline in the first year of the pandemic. Turnover of the entire industry, bringing together the five service segments agency work, direct recruitment, career management, Managed Services Providers (MSP) and Recruitment Process Outsourcing (RPO), contracted by 9% in 2020. This decline marks a halt to the positive annual growth seen for the past couple of years but comes as no surprise.

In 2021, industry experienced strong growth in the private employment services industry, as many of the largest markets began their recovery quickly after the initial and unprecedented downturn of the second quarter of 2020. As conditions improved and businesses adapted to the new uncertainty brought about by the pandemic, economies and labour markets picked up again. Higher-frequency indicators for the private employment services sector show that as of the end of 2021, several of the largest markets are already back to pre-crisis levels in terms of activity and turnover.

In 2020, when the global COVID-19 pandemic turned economies, labour markets and societies upside down, the private employment services industry, like many other sectors, was heavily impacted. Turnover for the global industry declined by 9.0% in 2020, compared with a 3.1% contraction of global GDP (International Monetary Fund). Agency work turnover, the largest segment of the private employment services industry, was down by 10.0% globally. Direct recruitment turnover dropped by 16.3%, while the MSP and RPO markets contracted by 3.3% and 10.3% respectively.

The largest 15 agency work markets generated 93% of global sector revenues, while the 15 largest direct recruitment markets accounted for 95% of the global turnover in that segment of the private employment services industry. Nearly all of these markets declined in 2020. Most of them saw drops in the double-digit range, with the US agency work and direct recruitment turnover down by 12% and 29% respectively.² The UK markets contracted by 9% and 38%³ and Germany, France and the Netherlands fared similarly, at least when looking at the agency work markets. Japan, the second largest agency work market after the United States, is the only market to have grown in 2020 when looking at revenues.

For further details, refer to RHP



Sarthi Capital Advisors Private Limited

(Category – 1 Merchant Banker)

Bridging the Gap



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