

SUMMARY

Infollion Research Services was incorporated in September 2009 by promoter Gaurav Munjal. The company is a tech-oriented marketplace where it caters to on-demand contingent hiring & work arrangements with senior management talents, subject matter experts, c-suite executives and seasoned professionals for short durations of time. The company positions itself as a marketplace in the premium section of the gig economy where the volumes are less, but is very high margin.

If one calculates with the FY23 reported numbers, the business is generating ~46% Gross Margins, ~20% EBITDA Margins, and is generating RoCE [EBIT / (Total Debt + Equities)] of 44%. Its earnings have been on an increasing trend & have grown at ~39% CAGR from FY21 to FY23 due to smaller base. At the upper price band of Rs 82, its post issue implied market capitalization would be ~Rs 80 crores and its asking valuation are 11x FY23 PE Pre Money and 14x FY23 PE Post Money.

Infollion Research Services ticks all the boxes w.r.t it being a good issue. It's completely debt free, earnings are on an increasing trend, RoCE >40%, clean independent directors & its asking valuations are quite attractive. ~96% of its revenues comes from India & Management is guiding towards the same as they are optimistic about the Indian gig economy.

Total IPO size is about ~Rs 21.45 crores of which the fresh issue is ~Rs 18.2 crores and offer for sale (OFS) is ~Rs 3.2 crores. OFS is by Blume Ventures who were one of the early backers of Infollion & are now part selling their stake. There is no stake sell by promoter or any other investor. Currently, the gray market premium (GMP) is around 60% which is indicating a very robust response from the market participants.

Anchor Issue was fully subscribed by Zinnia Global Fund PCC & India Max Investment Fund wherein each took stake worth ~Rs 2.96 crores. Notable stake held by Zinnia Global include 1.2% stake in Karnataka Bank. India Max Investments held stakes at Control Print (3.8%), Keynote Financials (7.35%).

An investor investing in this issue should ask the management following questions to get better understanding of the issue & its business model –

1. Who are the top 5 clients of the company? RHP mentions that top 5 clients contribute ~80% of the total revenues which is quite high. Therefore, proper understanding & knowledge about clients & their industries would be helpful.
2. What is the initial cost to empanel custom experts.
3. What is the Pre-Empaneled to Custom-Empaneled experts' ratio? Understanding this is very important as higher ratio of custom empaneled experts would indicate lower gross margins.
4. What is the pie of revenue that Infollion gets from its clients compared to its competitors.
5. What is the average billable amount that is paid to the experts?
6. Since one of the objects of the offer is expanding business in USA & Western Europe, an investor must understand the margin profiles of Indian and foreign operations.

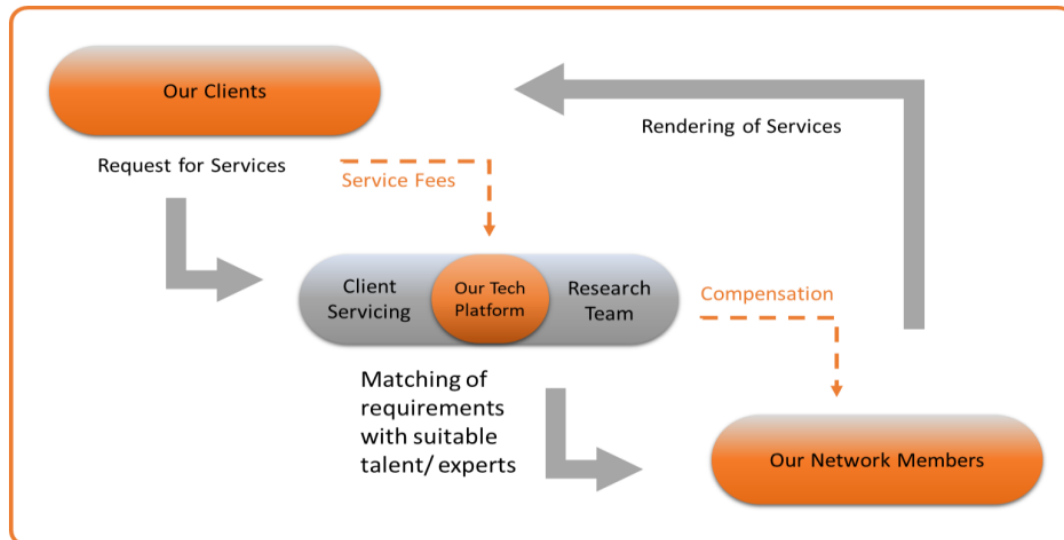
MANAGEMENT

Gaurav Munjal is the MD & Promoter of the company. He has B. Tech & M. Tech degree from IIT Bombay. He has been working at the junction of technology and HR in the on-demand employment space for more than a decade. It is under his leadership that the company has grown to 100+ members. He has led multiple ventures in researching and flexi – staffing.

Ritika Naithani is the CHRO of the company. She is an experienced Human Resource professional with expertise in talent acquisition, employee engagement, compensation analysis. She has completed MBA from IMT Ghaziabad.

Varun Khandelwal is the Vice President of Research and has completed his post-graduation from BIT, Mesra. He takes care of the research to improve the quality of experts that are empanelled.

BUSINESS MODEL



Company has more than 60,000 experts globally empanelled. They have a predetermined hourly price that they pay to the experts whenever they are employed for any short-term contract. They add a take rate & bill the hours to the clients and the spread is what Infollion makes. The company does 400 odd projects a month and is engaged with more than 100 clients.

Infollion has 5 revenue models –

1. **Short Micro Concentration** – This is the bread & butter of the company. Businesses need regular access to market insights, expert opinions to carry out important business activities. Infollion does this by enabling companies to connect with experts & allow knowledge sharing between C- Level executive, subject matter experts & its clients.
2. **Knowledge Tours** – This service is often taken by clients in the Investment Management Industry as many funds require on ground realities / understanding of the business operations of many companies that they are likely to invest. Infollion caters to this by organizing research trips to facilitate exclusive meetings with key stakeholders.
3. **1 – 1 Sit Ins** – Allows businesses to gain knowledge from Subject Matter Experts (SMEs). These learning sessions often take place in 1-1 meetings which may last from few hours to few days.
4. **Webinars** – Infollion provides its clients informative webinars on topics such as regulatory changes, on other industry trending topics, any recent events that has altered the dynamics of an industry etc.
5. **Pex Panel** – This is a temporary talent pools that allows businesses to use the services of ex – CXOs & other top professionals.

Attrition rate is very low for senior members, however for junior members: attrition is close to 40%.

Out of the 60000 clients, 10% of experts are engaged with the firm. Also, the company has no plans to enter into Blue Collar Workforce anytime in future.

INVESTMENT THESIS

It is very rare to find a SME IPO which is attractively priced & where the business has been growing its top & bottom line at >40%, RoCE >40%, 0x D/E, strong independent directors on board, absence of any material related party transactions & the business is extremely asset light with it being in an industry with massive headroom to grow.

Key management team has been with the firm for more than 5 years. This is a highly qualitative factor that must be considered before investing in this issue.

The company currently operates in “Low Volume & High Margin” section of the gig economy. They further plan to extend their operations into middle of “High Volume & Low Margin” & “Low Volume & High Margin.” This side of the industry offers even more addressable market & if the management can duplicate its past execution, it should add another revenue drivers for the firm.

Fresh Issue from the IPO would go into catering business expansions in USA & Western Europe and into technological developments. Tech upgrades would add as a competitive advantage as whole market place is tech enabled and is the only differentiating factor. Higher matches between clients & experts will create competitive advantages.

Market share transfer from staffing companies to market places like Infollion is already playing out & is likely to garner more speed in the future.

As per the investor roadshow presentation call, 80-85% of their clients have been using Infollion’s services for more than 5 years. This is really an indicator of the quality of service that is provided.

ANTI THESIS

Experts play a huge role in the business model where Infollion operates & lack of exclusivity with experts poses operational risk to the firm.

Due to the sensitive nature of the work performed by the experts, they may have certain material non-public information & any compliance issues with the same would entail lot of legalities and other issues which would be material in nature. Although there is proper documentation in place, however, this is one risk that an investor investing in this issue should be mindful about.

Top 5 clients contribute ~80% of the revenues. Any implication in the client relationship can lead to revenue degrowth substantially. It is important to note that top 5 concentration has increased from 68% in FY22 to 80% in FY23.

Inability to retain experts in the platform will result in diminishing value to the clients & will lead to lower profitability.

SHAREHOLDING & FINANCIALS

Particular (In crores)	2021	2022	2023
Total Revenues	16	22	35
EBITDA	3	4	7
PBT	3	4	7
PAT	2	3	6
Total Debt	0	0	0
Total Equity	7	10	16
D/E Ratio	0	0	0
Gross Margins	45%	48%	46%
EBITDA Margins	17%	20%	20%
Net Profit Margins	13%	15%	16%
RoCE	39%	42%	44%
Cash & Bank	3	4	6
Working Capital (Ex Cash)	4	7	10

* Gross Margins are calculated using Experts Cost instead of COGS

Post Issue Shareholding			
Category	Name of Investor	Number of Shares	% of Total
Promoters	Gaurav Munjal	50,08,998	51.7%
	Aayara Shaheer	501	0.0%
Public	Blue Ventures	3,93,568	4.1%
	Gaurav Balram Songara	7,80,057	8.0%
	Karamveer Singh	7,80,057	8.0%
	Kanika Behl	1,11,222	1.1%
	Others	26,16,501	27.0%
Total Shares		96,90,904	