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IPO Note
2nd Sep 2025

# Austere Systems Limited

**Netural**

**Rating: Netural**

**Issue Offer**

**Fresh Issue of 28,30,000 equity shares amounting to INR 155.7 Mn**

| **Issue Summary** | |
|---|---|
| Price Band INR | 52-55 |
| Face Value INR | 10 |
| Implied Market Cap INR Mn. | 576.3 |
| Market Lot | 2,000 |
| Issue Opens on | Sep 3, 2025 |
| Issue Close on | Sep 8, 2025 |
| No. of share pre-issue | 76,48,134 |
| No. of share post issue | 1,04,78,134 |
| Listing | BSE SME |

| **Issue Break-up %** | |
|---|---|
| QIB Portion | 49.70% |
| Retail Portion | 35.12% |
| NII Portion | 15.18% |

**Registrar**

KFIN Technologies Limited

**Book Running Lead Managers**

GYR Capital Advisors Private Limited

| **Shareholding Pattern** | | |
|---|---|---|
| | Pre-Issue | Post-Issue |
| Promoters | 91.66% | 66.90% |
| Public & Others | 8.34% | 33.10% |

**Objects of the issue**

- Funding working capital requirements
- General Corporate Purposes

**Austere Systems Limited, founded 10 years ago, is a diverse service provider in the IT & BPM sector offering software development, SaaS, IT solutions, database management (as an AWS public partner), web development & operations, ERP/MIS solutions, data analytics & AI, process automation, and more. It operates both domestically and internationally, catering to USA, UK, Egypt, and UAE. The in-house products are also used by state government and gram panchayats tapping into an underserved market and opening B2G stability. Company plans to utilize over 70% of proceeds for funding working capital requirements needed to accelerate growth and capitalize on the strong growth of the Indian IT industry.**

## Investment Rationale

**Diverse service offerings and healthy portfolio:** Company has been shifting strategically towards service-based operations instead of in-house products. Service-based revenue contribution rose was 53.20%, 72.42%, 82.80% in FY23, FY24, FY25 respectively. Their products, while a smaller contribution, caters to state governments, gram panchayats and various private clients offering a consistent revenue stream from a standardized product. The services offered cater to specific needs ranging from digital marketing and web development to PoS systems and data analytics.

**Domestic contribution and industry growth:** Company primarily serves its customers domestically with India's clients contributing 85.05% of revenue in FY25. This is close to the 85.38% contribution in FY23 which reflects a stagnated growth in international clientele. This could reflect poorly for an IT company looking to expand its network reach. Nonetheless, India's technology sector should nearly double its revenue by 2030 owing to fast paced growth and government pushes towards digitization.

**Strong margins :** Company has highest margin in comparison to listed industry peers reporting 32.06% EBITDA margin in FY25 compared to the peers' next highest EBITDA margin of 20.29%. This does reflect strong profitability and good efficiency further seen by the highest RoCE of 33.12% compared to next highest 21.17%. This efficiency also does not come at a cost of high liabilities seen by the extremely low debt-to-equity ratio of 0.03 making the firm highly liquid and sustainably growing.

**Volatile nature of industry and business:** Company operates in the IT sector whose fast-paced R&D forces company to continuously improve offerings. This involves extensive training for employees and customers. The global presence of the firm also opens the company to various legal frameworks especially considering high volume of sensitive data handled by an IT solutions business. Additionally, the sector is highly competitive, with constant technological disruptions and evolving customer preferences requiring agility in operations. Rapid shifts in cybersecurity threats and compliance standards also pose ongoing challenges.

**Valuation and View:** Austere Systems has a diversified portfolio of service offerings, with an increased focus on expanding its capabilities. The company is seeking to leverage these industry tailwinds by expanding its working capital base. Additionally, its relatively higher margins and lower debt levels compared to peers provide a degree of financial resilience. However, sustained execution will depend on the company's ability to translate its broad service offerings into consistent demand, effectively manage competition, and adapt to the fast-evolving technology landscape. The company's positioning remains stable, though clarity on long-term growth initiatives would help strengthen . **At the upper band of INR 55, the issue is valued at a P/E ratio of 14.36x, based on Annualized PAT of FY25 EPS of INR 3.83. We are recommending a "Netural" for this issue currently.**


**Abhishek Jain**
abhishek.jain@arihantcapital.com
022-422548871

**Natasha Singh**
natasha.singh@arihantcapital.com
022-42254876

## Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

| Head Office | Registered Office |
|---|---|
| #1011, Solitaire Corporate Park | |
| Building No. 10, 1st Floor | 6 Lad Colony, |
| Andheri Ghatkopar Link Road | Y.N. Road, |
| Chakala, Andheri (E) | Indore - 452003, (M.P.) |
| Mumbai – 400093 | Tel: (91-731) 4217100/101 |
| Tel: (91-22) 42254800 | CIN: L66120MP1992PLC007182 |

| Stock Rating Scale | Absolute Return |
|---|---|
| BUY | >20% |
| ACCUMULATE | 12% to 20% |
| HOLD | 5% to 12% |
| NEUTRAL | -5% to 5% |
| REDUCE | -5% to -12% |
| SELL | <-12% |

| Research Analyst Registration No. | Contact | Website | Email Id |
|---|---|---|---|
| **INH000002764** | **SMS: 'Arihant' to 56677** | www.arihantcapital.com | instresearch@arihantcapital.com |

**Arihant Capital Markets Ltd.**
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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**Arihant Capital Markets Ltd.**
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800