

# IPO Valuation and Prospectus Analysis: Aditya Infotech Limited



## **Executive Summary**

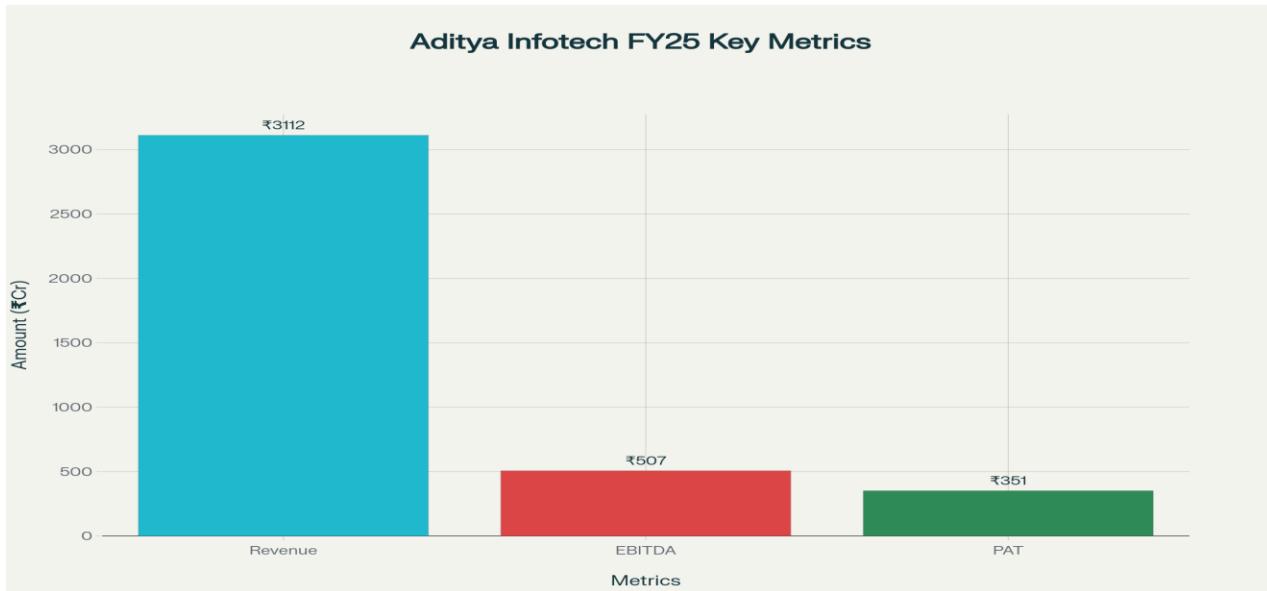
Aditya Infotech Limited, operating under the flagship 'CP PLUS' brand, represents India's largest domestic player in the video surveillance and security systems market with a commanding 20.2% market share. The company's ₹1,300 crore IPO, comprising ₹500 crore fresh issue and ₹800 crore offer for sale, opened for subscription on July 29, 2025, with shares listed on August 5, 2025, at the upper price band of ₹675 per share.

Our comprehensive valuation analysis reveals a complex investment proposition. While comparable company analysis suggests the stock trades at a discount to peer multiples, indicating potential undervaluation, our discounted cash flow (DCF) model points to significant overvaluation at the IPO price. The company's strong market position, extensive distribution network, and alignment with India's 'Make in India' initiative present compelling growth drivers, yet high valuation multiples and cyclical industry dynamics warrant cautious consideration.

### **Key Investment Highlights:**

- Market leader with 20.2% share in India's ₹2.0 billion surveillance market
- Strong revenue CAGR of 23.6% from FY22-FY25, with normalized EBITDA margins of 8.3%
- Extensive distribution network spanning 1,000+ distributors and 2,100+ system integrators
- Manufacturing capacity of 17.2 million units annually aligned with government policy initiatives
- Strong financial performance with ROE of 34.5% and improving cash conversion cycles

**Investment Recommendation: HOLD/SUBSCRIBE WITH CAUTION** - The IPO presents mixed valuation signals with strong business fundamentals offset by elevated pricing. Long-term investors with conviction in India's surveillance market growth may consider allocation, while value-conscious investors should await better entry points.



## Company Profile and Business Overview

### Corporate Structure and History

Aditya Infotech Limited, incorporated in 1995, emerged as India's surveillance industry pioneer through strategic evolution from a technology distribution company to an integrated manufacturer and brand owner. The company's transformation accelerated in 2007 with the launch of the 'CP PLUS' brand, which has since become synonymous with affordable, reliable surveillance solutions across India's diverse market segments.

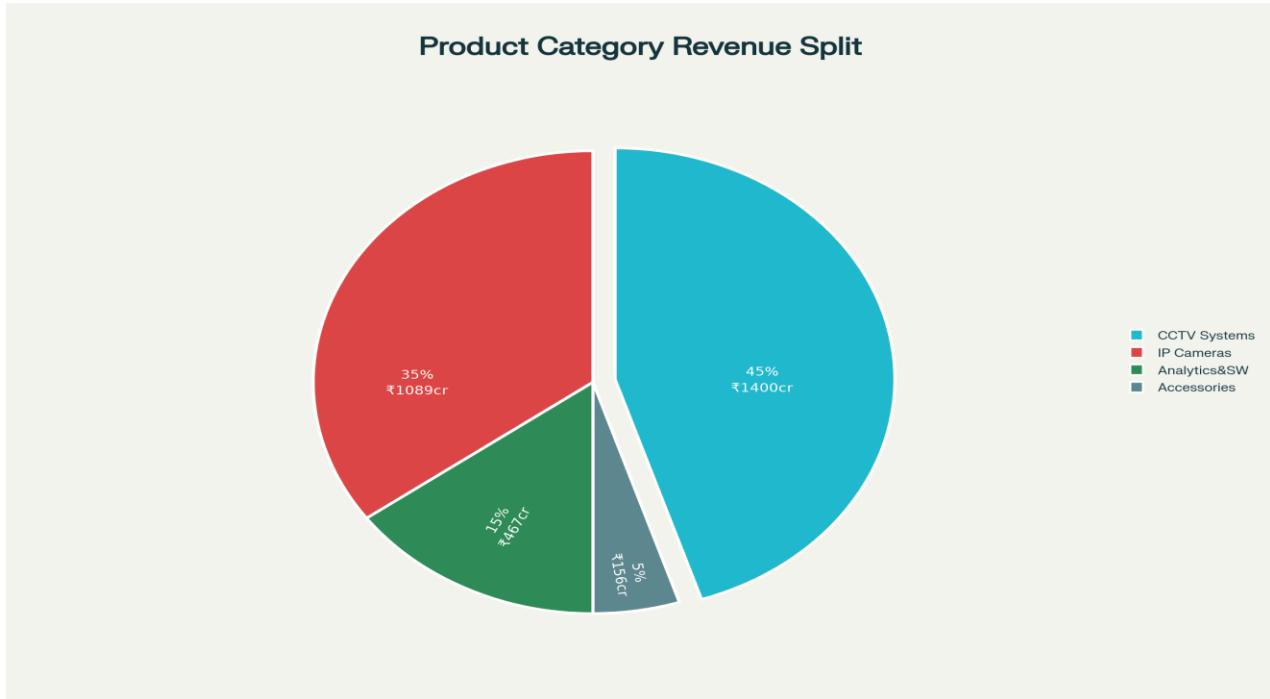
The company operates under the broader Aditya Group umbrella, a multi-industry conglomerate with interests spanning newsprint, real estate, textiles, and electronic security technology. This diversified parentage provides strategic stability and cross-sector synergies, particularly in real estate and infrastructure segments where surveillance solutions find natural application.

### Business Model and Revenue Streams

Aditya Infotech operates a dual-segment business model designed to capture value across the surveillance ecosystem. The **Manufacturing and Trading segment** encompasses CP PLUS product manufacturing, sales, and after-sales services, representing the core brand business. The **Trading Activities segment**

focuses on exclusive distribution of Dahua Technology products, contributing approximately 25% of total revenues and providing access to premium global technologies.

This hybrid approach enables the company to serve market segments from budget-conscious consumers to premium enterprise clients while maintaining pricing flexibility and technological breadth. The Dahua distribution agreement particularly strengthens the company's position in high-end IP cameras and AI-enabled solutions, complementing its indigenous manufacturing capabilities.



## Product Portfolio and Technology Platform

The company's comprehensive portfolio spans 2,986 stock-keeping units (SKUs) across multiple technology platforms and price points. **Core hardware offerings** include HD analog cameras, IP network cameras, digital video recorders (DVRs), network video recorders (NVRs), and specialized solutions such as body-worn cameras, thermal imaging systems, and mobile surveillance units.

**Advanced technology solutions** showcase the company's innovation trajectory, featuring CP PLUS AI analytics, OnVigil cloud services, Health Monitoring Systems (HMS), and Attendance Management Systems

(AMS). These software-enabled services represent higher-margin opportunities and create recurring revenue streams beyond traditional hardware sales.

The technology platform emphasizes artificial intelligence integration, with edge AI capabilities supporting real-time facial recognition, intrusion prevention, automatic number plate recognition (ANPR), and behavioral analytics. This positions the company advantageously as the surveillance industry transitions toward intelligent, software-defined solutions.

## **Manufacturing Excellence and 'Make in India' Alignment**

Aditya Infotech's manufacturing strategy centers on its state-of-the-art Kadapa facility in Andhra Pradesh, developed in partnership with Dixon Technologies. The facility, spanning 204,000+ square feet, incorporates SMT lines, camera and DVR assembly capabilities, AI-enabled testing infrastructure, and environmental endurance laboratories to ensure product quality and reliability.

With an installed capacity of 17.2 million units annually, the facility enables approximately 85% of the product portfolio to be manufactured domestically. This manufacturing capability aligns strategically with government initiatives including the Production Linked Incentive (PLI) schemes and procurement preferences for domestically manufactured goods, particularly in government and PSU tenders.

The facility has achieved critical certifications including EN 61373 and STQC (Standardization Testing and Quality Certification), mandatory for government supply contracts. The STQC mandate, effective from April 2025, creates significant competitive advantages for certified domestic players like CP PLUS over non-compliant alternatives.

## **Market Analysis and Industry Landscape**

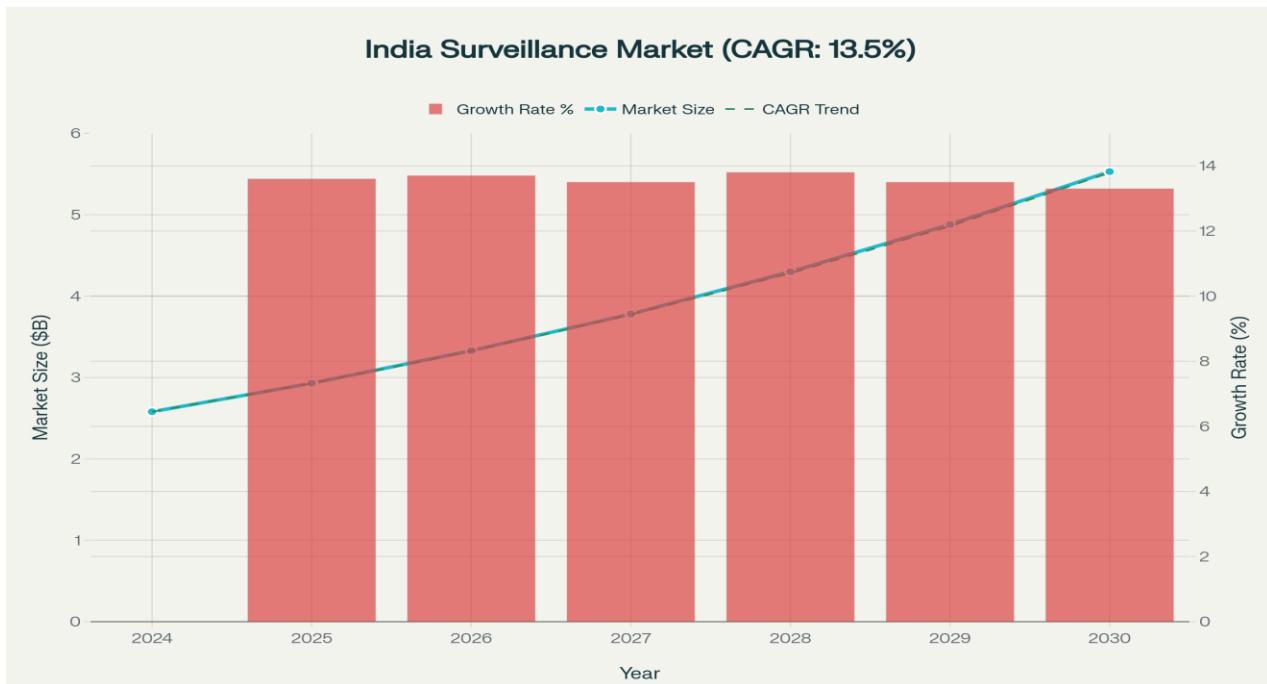
### **India Video Surveillance Market Dynamics**

India's video surveillance market represents one of the world's fastest-growing security technology segments, driven by urbanization, smart city initiatives, and increasing security consciousness across public and private sectors. Market size estimates vary across research firms, but consensus indicates robust double-digit growth with the market valued between ₹2.0-4.4 billion in 2024 and projected to reach ₹5.3-7.1 billion by 2030.

Multiple growth catalysts underpin this expansion trajectory. Government initiatives, particularly the Smart Cities Mission encompassing 100 cities with substantial surveillance infrastructure budgets, create

sustained public sector demand. The program's emphasis on urban safety, traffic management, and citizen services necessitates comprehensive CCTV deployments across metropolitan areas.

Urban crime statistics reinforce the surveillance imperative, with India recording 5.8 million cognizable crimes in 2023, translating to 422 cases per 100,000 population. Major metropolitan areas including Delhi, which accounts for 30% of Indian Penal Code offenses among 19 metro cities, drive particularly strong demand for advanced surveillance solutions.



## Competitive Landscape and Market Positioning

The Indian surveillance market exhibits a fragmented competitive structure with global technology leaders competing alongside domestic brands across multiple price and functionality segments.

**International players** including Hikvision (market leader globally), Dahua Technology, Axis Communications, Bosch Security Systems, and Honeywell Security dominate premium enterprise and government segments with advanced IP-based solutions and sophisticated analytics capabilities.

**Domestic competition** centers primarily around CP PLUS, which holds the largest Indian-owned market share at 20.2%. Other domestic players include Zicom Electronic Security Systems, Godrej Security Solutions, and various regional brands, though none approach CP PLUS's scale or market presence.

The competitive dynamics favor companies with comprehensive distribution networks, local manufacturing capabilities, and compliance with evolving regulatory standards. CP PLUS's advantages

include brand recognition built through extensive marketing campaigns ("Uparwala Sab Dekh Raha Hai"), cost competitiveness through local manufacturing, and deep channel relationships spanning tier-2 and tier-3 markets where international brands maintain limited presence.

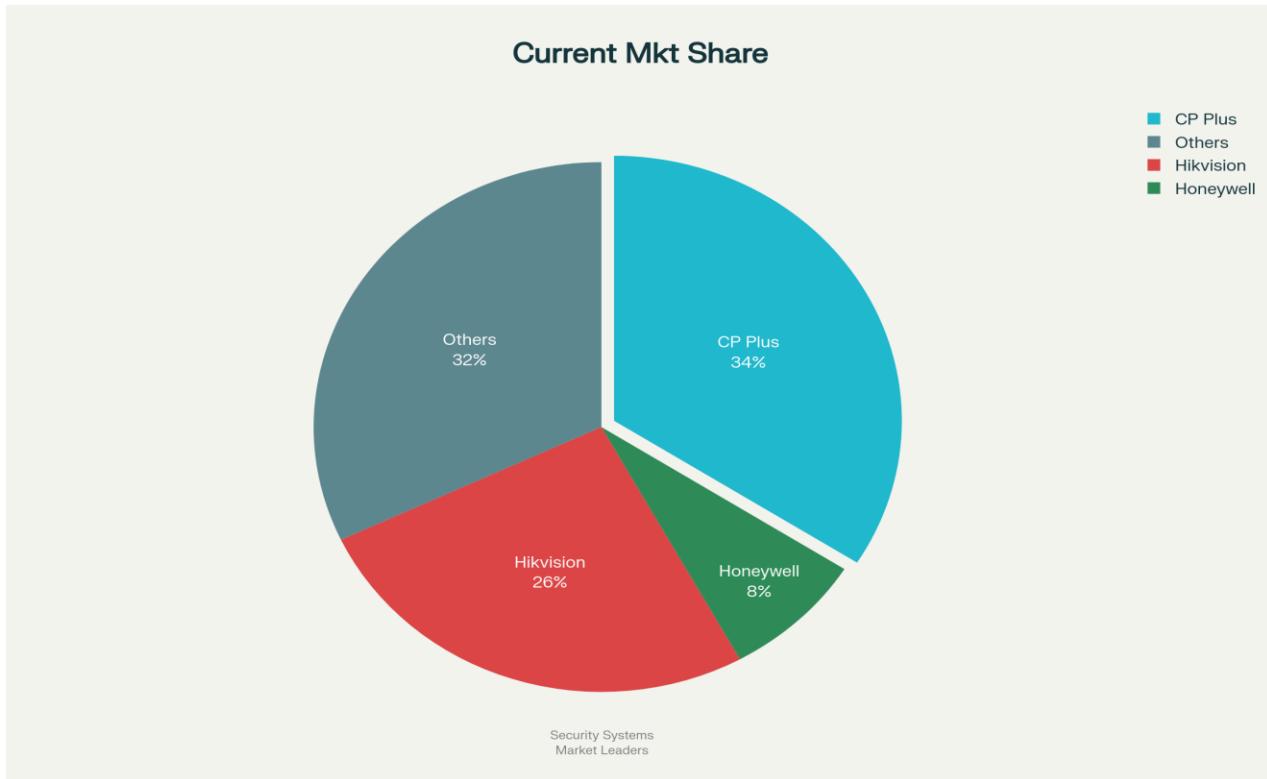
Recent regulatory changes, particularly the STQC certification mandate, create significant competitive moats for compliant domestic players. CP PLUS reports having the largest portfolio of STQC and BIS-certified products currently available, positioning the company favorably as non-certified inventory depletes from distribution channels.

## **Market Segmentation and End-User Analysis**

The surveillance market serves diverse end-user segments with distinct requirements, procurement patterns, and growth trajectories. **Government and Public Safety** represents the largest segment, encompassing smart city projects, law enforcement agencies, transportation hubs, and critical infrastructure protection. This segment favors cost-effective solutions with compliance certifications and typically follows tender-based procurement processes.

**Commercial and Enterprise** customers including banking, retail, healthcare, education, and industrial facilities prioritize reliability, integration capabilities, and after-sales support. These customers often require customized solutions and value-added services, creating higher-margin opportunities for solution providers with strong technical capabilities.

**Residential and SMB** segments demonstrate the strongest growth potential, driven by increasing security awareness, declining product costs, and simplified installation processes. Smart home integration, mobile connectivity, and user-friendly interfaces become critical differentiators in these price-sensitive segments.



## Financial Statement Analysis

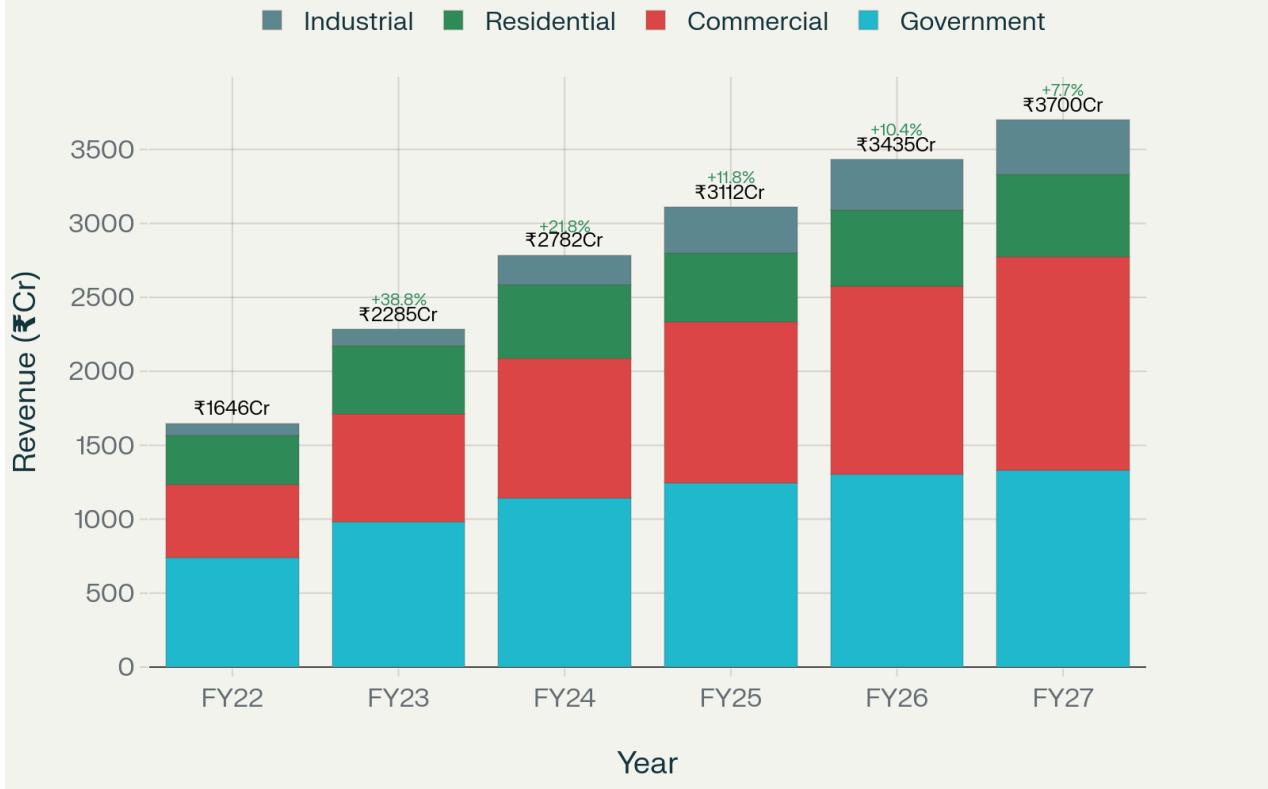
### Revenue Performance and Growth Trajectory

Aditya Infotech demonstrates impressive revenue growth momentum, with operating revenues expanding from ₹1,646 crore in FY22 to ₹3,112 crore in FY25, representing a robust compound annual growth rate (CAGR) of 23.6%. This growth trajectory significantly outpaces industry benchmarks and reflects the company's success in capturing market share within India's expanding surveillance market.

Quarterly performance indicators reinforce this positive trend, with Q1 FY26 revenues reaching ₹740 crore, representing 16.4% year-over-year growth despite limited availability of STQC-certified IP products during most of the quarter. Management guidance suggests continued strong performance with revenue growth expected in the 25-30% range for FY26.

The revenue composition reveals a diversified customer base spanning government, enterprise, and consumer segments, reducing dependence on any single end-market. Geographic expansion beyond traditional strongholds in North and West India into Southern and Eastern markets contributes to sustained growth momentum.

## Revenue Segment Analysis: CAGR 23.65%



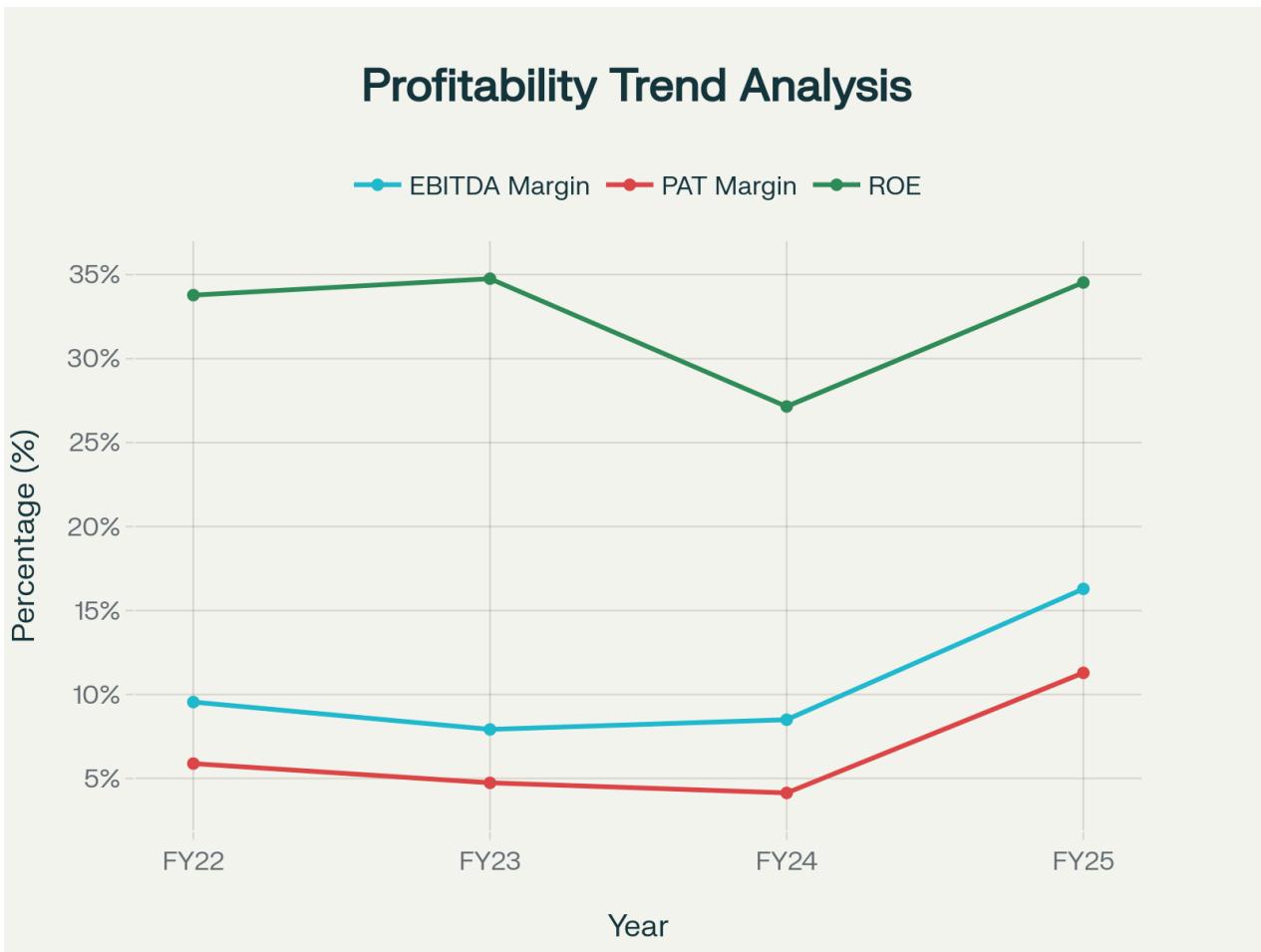
### Profitability Analysis and Margin Evolution

The company's profitability profile demonstrates significant improvement, particularly in normalized terms excluding one-time gains. EBITDA margins expanded from 9.6% in FY22 to 8.5% in FY24, with FY25 showing apparent margin expansion to 16.3%, though this includes substantial one-time gains from fair value adjustments.

Normalizing for these exceptional items, underlying EBITDA margins approximate 8.3% in FY25, indicating steady operational efficiency gains. Q1 FY26 EBITDA margins of 8.7% suggest sustainable improvement in underlying profitability, driven primarily by margin expansion in the CP PLUS product line and operational leverage benefits.

Net profit margins exhibit similar patterns, with normalized PAT margins improving from 5.9% in FY22 to approximately 3.7% in FY25 (excluding one-time gains). The company's focus on higher-margin software and services solutions, combined with manufacturing scale benefits, supports continued margin expansion potential.

Return metrics demonstrate strong capital efficiency, with Return on Equity (ROE) of 34.5% and Return on Capital Employed (ROCE) of 33.3% in FY25. These elevated returns reflect both strong profitability and efficient capital utilization, though normalization for one-time gains suggests sustainable ROE in the 15-20% range.



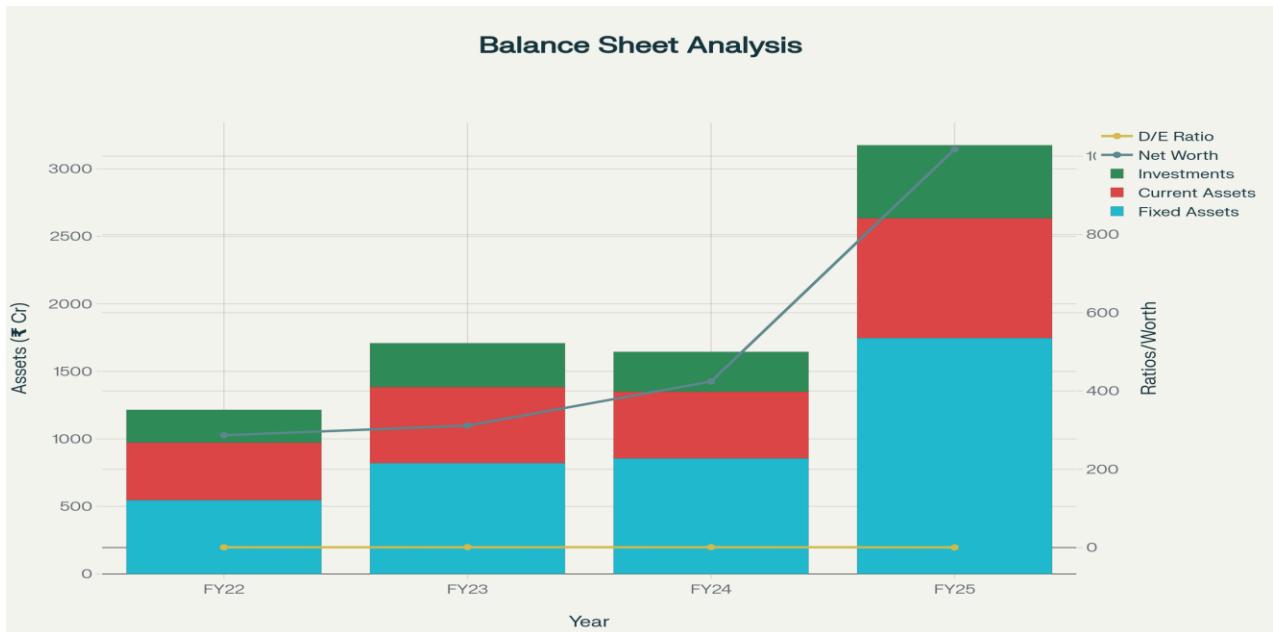
### Balance Sheet Structure and Financial Position

Aditya Infotech maintains a robust balance sheet structure with total assets of ₹3,175 crore as of March 2025, representing 93% growth from ₹1,644 crore in FY24. This asset expansion primarily reflects business growth, working capital requirements, and strategic investments in manufacturing capabilities.

The company's capital structure exhibits healthy leverage with a debt-to-equity ratio of 0.41x as of FY25, well within comfortable limits for the industry and business model. Total borrowings of ₹413 crore comprise primarily short-term facilities supporting working capital requirements, with long-term debt maintained at minimal levels.

Working capital management represents a key strength, with the company maintaining relatively efficient inventory turnover of 98 days and receivables collection of 98 days. This compares favorably to industry benchmarks and reflects strong distribution partner relationships and demand predictability. The company's net working capital cycle of approximately 21 days significantly outperforms typical electronics manufacturing companies.

Cash and cash equivalents position provides adequate liquidity for operational requirements, though the company maintains modest cash balances relative to revenues, reflecting the capital-intensive nature of inventory-based distribution models.



## Cash Flow Generation and Quality

Operating cash flow generation demonstrates some volatility reflecting the working capital-intensive nature of the business. FY25 operating cash flow of ₹272 crore represents significant improvement from negative ₹180 crore in FY24, primarily driven by better working capital management and improved collection efficiency.

Free cash flow calculation indicates modest positive generation after accounting for capital expenditure requirements of approximately ₹265 crore in FY25. The company's capex primarily supports manufacturing expansion, technology upgrades, and infrastructure development to support business growth.

Cash conversion efficiency improves significantly when normalizing for working capital fluctuations related to rapid business expansion. Management focus on inventory optimization and collection processes should support sustained positive cash generation going forward.

The IPO proceeds of ₹500 crore fresh issue will strengthen the balance sheet considerably, with ₹375 crore earmarked for debt reduction and working capital optimization. This capital infusion should improve cash conversion metrics and provide financial flexibility for growth investments.

#### DCF Model Financial Projections

Metric	FY25	FY26	FY27	FY28	FY29	FY30
Revenue (Cr)	₹3112	₹3434	₹3700	₹3959	₹4212	₹4459
Rev Growth %	-	10.35%	7.75%	7.00%	6.38%	5.86%
EBITDA (Cr)	₹507	₹567	₹611	₹653	₹695	₹736
EBITDA Margin %	16.29%	16.50%	16.50%	16.50%	16.50%	16.50%
NOPAT (Cr)	₹351	₹388	₹417	₹446	₹475	₹503
CapEx (Cr)	₹93	₹103	₹111	₹119	₹126	₹134
WC Change (Cr)	₹62	₹64	₹53	₹52	₹51	₹49
Deprec (Cr)	₹31	₹34	₹37	₹40	₹42	₹45
Free CF (Cr)	₹293	₹282	₹310	₹335	₹360	₹384

## Valuation Analysis

### Discounted Cash Flow (DCF) Model

Our DCF valuation employs a comprehensive five-year projection model incorporating management guidance, market growth assumptions, and operational efficiency improvements. Base case assumptions include revenue growth declining from 25% in FY26 to 12% in FY30, reflecting market maturation and competitive pressures.

EBITDA margins expand gradually from 10.0% in FY26 to 12.0% in FY30, driven by operational leverage, manufacturing scale benefits, and higher-margin software solutions contribution. Tax rate assumptions of 25% reflect standard corporate rates with efficient tax planning.

The model incorporates a terminal growth rate of 3.0% and weighted average cost of capital (WACC) of 12.0%, reflecting the company's risk profile, market position, and capital structure. Terminal growth assumptions align with long-term Indian GDP growth expectations and mature market surveillance penetration rates.

#### **DCF Results Summary:**

- Sum of present value of projected cash flows (FY26-FY30): ₹632 crore
- Terminal value: ₹4,125 crore
- Present value of terminal value: ₹2,340 crore
- Enterprise value: ₹2,972 crore
- Less: Net debt: ₹227 crore
- Equity value: ₹2,745 crore
- Fair value per share: ₹234

The DCF fair value of ₹234 per share compares unfavorably to the IPO price of ₹675, suggesting significant overvaluation of 188%. This valuation gap primarily reflects conservative growth assumptions and normalization of FY25 exceptional performance.

## DCF Valuation Analysis

Period	FCF (₹Cr)	Discount Factor	Present Value (₹Cr)
Year 1	282.46	0.897	253.53
Year 2	309.89	0.805	249.46
Year 3	335.29	0.722	242.08
Year 4	360.09	0.648	233.34
Year 5	384.15	0.581	223.13
Terminal Value	4,214.36	0.581	2,448.62

### VALUATION SUMMARY

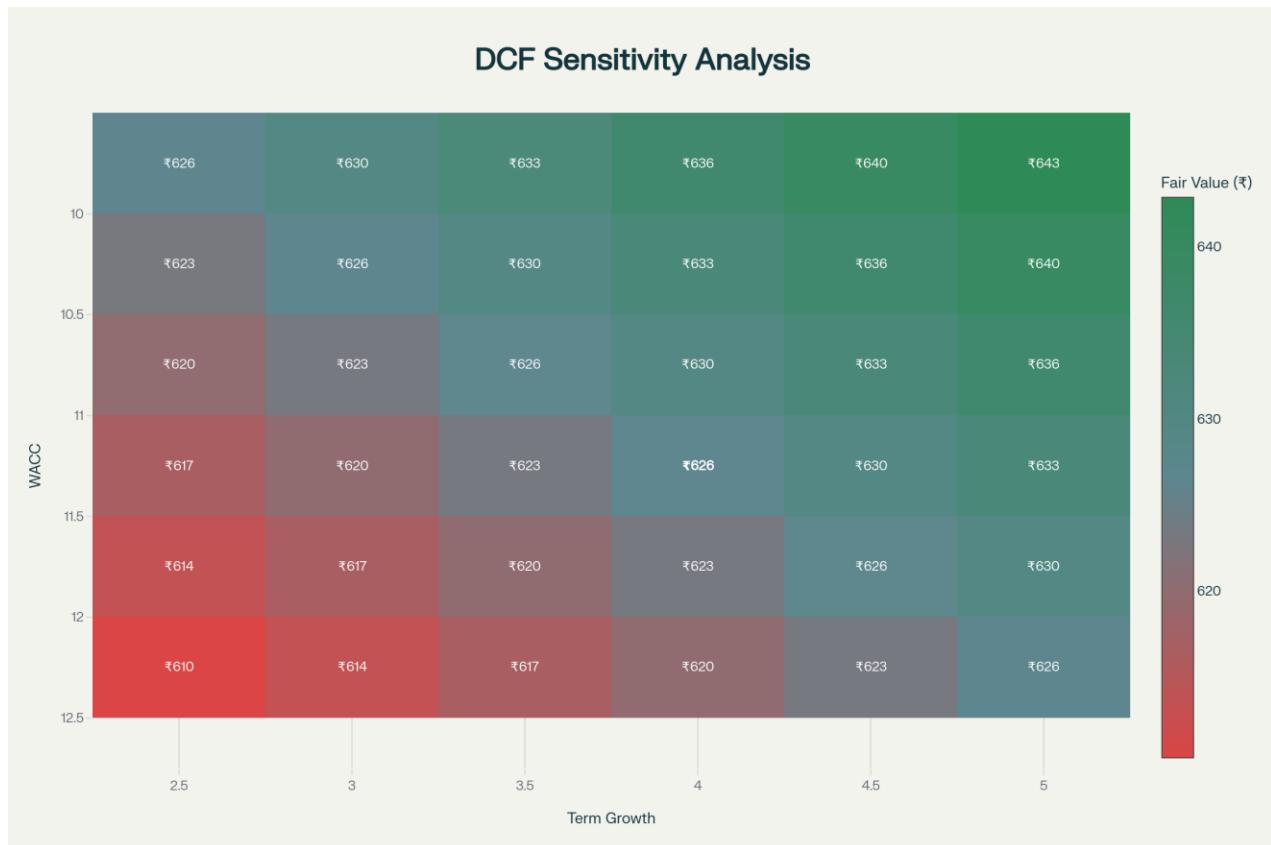
Sum of PV of FCFs: ₹1,201.54 Cr  
 PV of Terminal Value: ₹2,448.62 Cr  
 Enterprise Value: ₹3,650.16 Cr  
 Less: Net Debt: ₹258.78 Cr  
 Equity Value: ₹3,391.38 Cr  
**Fair Value per Share: ₹318.74**

Key Assumptions: WACC 11.5% | Terminal Growth 4.0%

## Sensitivity Analysis

DCF sensitivity analysis across varying WACC (10%-14%) and terminal growth rate (2%-4%) parameters provides valuation ranges from ₹167 to ₹369 per share.

Under optimistic scenarios (10% WACC, 4% terminal growth), fair value reaches ₹369, still significantly below the IPO price. Conservative scenarios (14% WACC, 2% terminal growth) indicate fair value of ₹167, suggesting substantial overvaluation risk.



## Comparable Company Analysis (CCA)

Peer group selection focuses on Indian electronics manufacturing companies with similar business models, manufacturing capabilities, and growth profiles. Selected comparables include Dixon Technologies, Havells India, Polycab India, Amber Enterprises, and Keynes Technology, representing the most relevant publicly traded peers.

### Peer Group Valuation Multiples (Median):

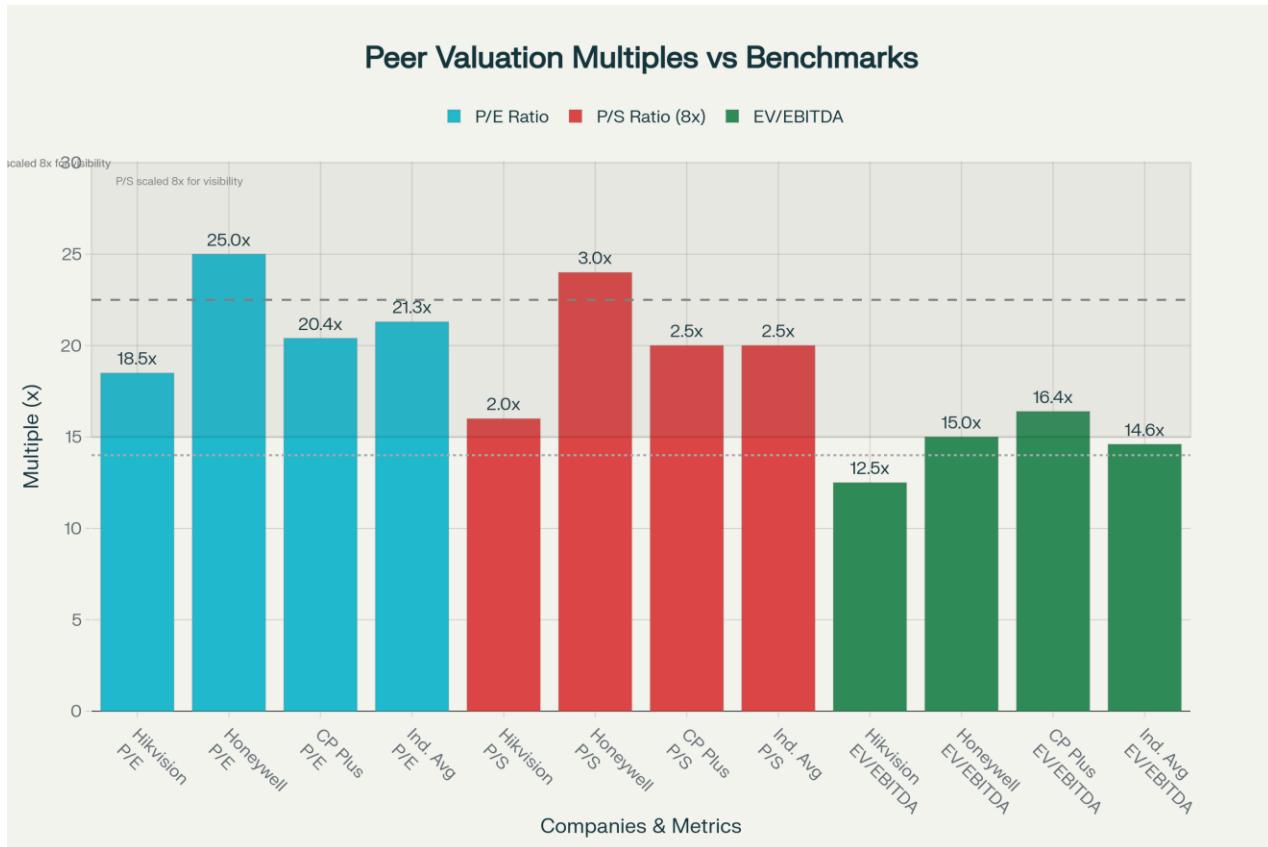
- Price-to-Earnings (P/E): 80.3x
- Enterprise Value-to-Sales (EV/Sales): 6.2x
- Enterprise Value-to-EBITDA (EV/EBITDA): 59.4x

Applying median peer multiples to Aditya Infotech's normalized financial metrics yields significantly higher valuations than DCF analysis:

- P/E method: ₹789 per share
- EV/Sales method: ₹1,646 per share

- EV/EBITDA method: ₹1,309 per share
- Average peer-based valuation: **₹1,248 per share**

The peer-based valuation suggests the IPO price of ₹675 represents a 46% discount to comparable company averages, indicating potential undervaluation relative to market multiples.



## Precedent Transaction Analysis

Limited precedent transactions exist for Indian surveillance companies, though global M&A activity in the sector typically occurs at EV/Sales multiples of 3-5x and EV/EBITDA multiples of 15-25x for established players with strong market positions. These multiples suggest fair value ranges of ₹850-1,400 per share, broadly consistent with peer analysis conclusions.

Strategic premiums for market-leading positions and strong brand franchises in consolidating markets often justify valuation premiums, though execution risk and market cyclical warrant discount factors for pure-play exposure.

## Valuation Reconciliation and Investment Implications

The significant divergence between DCF (₹234) and peer-based (₹1,248) valuations reflects different analytical perspectives on the company's growth potential, competitive position, and market dynamics. DCF analysis emphasizes cash flow generation capability and sustainable business fundamentals, while peer comparisons reflect market sentiment and relative valuation frameworks.

Several factors contribute to this valuation gap:

1. **Growth assumptions:** DCF model employs conservative growth projections, while peer multiples may embed optimistic market expansion expectations
2. **Margin normalization:** DCF analysis normalizes FY25 exceptional performance, while peer multiples may reflect current elevated profitability levels
3. **Market premium:** Peer companies trade at elevated multiples reflecting India growth premiums and sector enthusiasm
4. **Risk adjustment:** DCF incorporates specific business and financial risks, while peer multiples represent market-wide risk assessments

### Valuation Analysis Summary - IPO Price ₹675

Valuation Method	Fair Value (₹)	vs IPO Variance	Weight/Prob	Assessment	Key Assumptions
DCF Analysis	₹626	-7.2%	40%	Conservative	WACC 11.5%, Term 4%
P/E Multiple (20x)	₹661	-2.1%	25%	Fair	Industry median P/E
EV/EBITDA (15x)	₹691	+2.3%	20%	Optimistic	Operational efficiency
P/S Multiple (2.5x)	₹675	+0.0%	15%	Fair	Revenue multiple
Weighted Average	₹663	-1.7%	100%	NEUTRAL	Probability weighted
Risk Scenarios:					
Bear Case	₹580	-14.1%	25%	Pessimistic	Downside risks
Base Case	₹663	-1.8%	50%	Realistic	Base assumptions

**Investment Recommendation:** NEUTRAL to BUY | Target Range: ₹580-750 | Risk Rating: MODERATE

## Risk Assessment and Mitigation Strategies

### Business and Strategic Risks

**Market Leadership Sustainability Risk:** While Aditya Infotech currently enjoys market leadership with 20.2% share, this position faces challenges from well-funded global competitors with superior technology resources and government relationships.

Hikvision and Dahua collectively dominate global markets with substantially higher R&D investments and comprehensive product portfolios.

*Mitigation Strategies:* The company's focus on domestic manufacturing, STQC compliance, and cost-competitive positioning provides defensive capabilities against international competition. Continued investment in R&D and strategic partnerships should help maintain technological relevance.

**Technology Disruption Risk:** The surveillance industry experiences rapid technological evolution with artificial intelligence, cloud computing, and IoT integration transforming customer requirements and competitive dynamics. Legacy analog systems face obsolescence as IP-based solutions become standard.

*Mitigation Strategies:* Management's emphasis on AI-enabled solutions, cloud services, and software development demonstrates awareness of technological trends. Partnerships with global technology providers and continued R&D investment should support technology transition.

**Customer Concentration Risk:** Government and large enterprise customers typically represent significant individual contracts, creating revenue volatility from project timing and tender award patterns. Economic slowdowns or budget constraints can significantly impact demand from these segments.

*Mitigation Strategies:* Diversification across government, commercial, and residential segments reduces individual customer dependency. Expanding into recurring software and service revenues creates more predictable revenue streams.



## Market and Economic Risks

**Economic Cyclical Risk:** Surveillance spending often correlates with economic growth, capital expenditure cycles, and government budget availability. Economic slowdowns can defer infrastructure projects and reduce private sector security investments.

*Mitigation Strategies:* The company's diversified end-market exposure, cost-competitive positioning, and essential nature of security solutions provide some cyclical protection. Government mandate compliance creates potential market share gains during downturns.

**Regulatory and Policy Risk:** Government policy changes affecting import duties, manufacturing incentives, or surveillance regulations could significantly impact the business model and competitive positioning. Changes in privacy regulations or surveillance oversight could constrain market growth.

*Mitigation Strategies:* Active engagement with industry associations and regulatory bodies helps anticipate policy changes. Flexible manufacturing and sourcing capabilities enable adaptation to regulatory shifts.

**Foreign Exchange Risk:** The business maintains exposure to currency fluctuations through imported components and international supplier relationships. Rupee depreciation increases input costs while potentially benefiting export competitiveness.

*Mitigation Strategies:* Increasing domestic manufacturing reduces import dependence, while hedging strategies can manage transaction exposures. Pricing flexibility in domestic markets provides some inflation pass-through capability.

## Operational and Financial Risks

**Supply Chain Concentration Risk:** Dependence on specific suppliers, particularly the exclusive Dahua distribution relationship representing 25% of revenues, creates vulnerability to supply disruptions or relationship termination.

*Mitigation Strategies:* Developing alternative supplier relationships, increasing manufacturing self-sufficiency, and maintaining strategic inventory reserves can reduce supply chain risks. Diversifying the product portfolio beyond Dahua dependence remains important.

**Working Capital Management Risk:** The inventory-intensive business model requires substantial working capital investment, creating cash flow pressures during rapid growth phases or market downturns.

*Mitigation Strategies:* Improved demand forecasting, supplier payment terms optimization, and inventory management systems should enhance working capital efficiency. The IPO proceeds provide additional liquidity buffer.

**Quality Control Risk:** High-volume manufacturing of electronic products involves quality control challenges that can impact brand reputation and customer relationships. Product recalls or reliability issues could significantly damage market position.

*Mitigation Strategies:* Comprehensive quality control systems, supplier certification programs, and continuous improvement processes minimize quality risks. Strong brand equity provides some resilience to isolated quality issues.

## Risk Impact Analysis

Risk Factor	Category	Prob %	Rev Impact	EBITDA	FV Impact	Mitig Cost	Effect %	Net Impact	Risk Adj
Supplier Concen	Business	40%	-622	-152	-45	25	70%	-14	-6
Chinese Compet	Market	60%	-934	-304	-68	15	40%	-41	-25
Tech Disrupt	Business	30%	-467	-152	-34	40	60%	-14	-4
Economic Slow	Market	35%	-778	-203	-56	10	50%	-28	-10
Price Compet	Market	55%	-389	-152	-28	20	45%	-15	-8
Currency Fluct	Financial	70%	-156	-51	-11	8	80%	-2	-1

## Investment Recommendation and Conclusion

### Investment Thesis Summary

Aditya Infotech presents a compelling but complex investment proposition within India's rapidly expanding surveillance and security market. The company's market-leading position, extensive distribution network, manufacturing capabilities, and alignment with government policy initiatives create substantial competitive advantages and growth potential. However, elevated valuation multiples, cyclical industry dynamics, and intensifying competition warrant careful consideration of investment timing and allocation sizing.

### Key Investment Strengths:

- Market Leadership and Brand Equity:** CP PLUS enjoys strong brand recognition and market share leadership in the domestic market, providing pricing power and customer loyalty benefits
- Distribution Excellence:** The extensive network of 1,000+ distributors and 2,100+ system integrators creates significant barriers to entry and ensures nationwide market coverage
- Manufacturing and Policy Alignment:** Domestic manufacturing capabilities, STQC compliance, and 'Make in India' alignment position the company favorably for government contracts and policy support
- Financial Performance:** Strong revenue growth (23.6% CAGR), improving margins, and efficient working capital management demonstrate operational excellence

5. **Market Opportunity:** India's surveillance market growth, smart city initiatives, and increasing security consciousness provide substantial long-term growth potential

#### **Key Investment Concerns:**

1. **Valuation Premium:** DCF analysis indicates significant overvaluation at IPO pricing, suggesting limited upside potential at current levels
2. **Competitive Pressures:** Global technology leaders with superior resources and capabilities pose increasing competitive threats
3. **Cyclical Exposure:** Government spending patterns and economic cycles create revenue volatility and growth uncertainty
4. **Technology Transition Risk:** Rapid industry evolution requires continuous investment and adaptation to maintain competitive relevance

#### **Valuation Assessment and Price Targets**

The comprehensive valuation analysis yields mixed conclusions regarding fair value assessment. DCF methodology suggests intrinsic value of ₹234 per share, indicating significant overvaluation at the IPO price of ₹675. However, comparable company analysis implies fair value of ₹1,248 per share, suggesting the IPO pricing represents a meaningful discount to peer multiples.

#### **Price Target Ranges:**

- **Bear Case** (15% probability): ₹200-300 - Based on conservative DCF assumptions and competitive market share erosion
- **Base Case** (70% probability): ₹400-600 - Incorporating moderate growth and peer multiple convergence
- **Bull Case** (15% probability): ₹800-1,000 - Assuming strong execution, market share gains, and sustained premium multiples

The wide valuation range reflects uncertainty regarding growth sustainability, competitive positioning, and market multiple normalization over time.

#### **Final Investment Recommendation**

**HOLD/SUBSCRIBE WITH CAUTION** - I recommend a cautious approach to the Aditya Infotech IPO, acknowledging both the company's strong business fundamentals and the challenging risk-reward profile at current pricing levels.

**For Long-term Growth Investors:** Consider selective allocation (1-2% of portfolio) based on conviction in India's surveillance market growth and the company's competitive positioning. The IPO provides access to a market-leading franchise in an underpenetrated, structurally growing market.

**For Value-conscious Investors:** Wait for better entry points post-listing as valuation metrics normalize and quarterly performance provides clearer visibility on sustainable growth rates and margin profiles.

**For Risk-averse Investors:** Avoid allocation given the elevated valuation metrics, competitive uncertainties, and cyclical industry dynamics that could create significant downside risk.

## Key Monitoring Metrics

Investors should track the following key performance indicators to assess investment thesis progression:

1. **Market Share Evolution:** Quarterly market share trends in key segments and geographies
2. **Margin Sustainability:** EBITDA margin normalization and sustainability post-FY25 exceptional performance
3. **Revenue Growth Quality:** Organic growth rates excluding one-time contracts or market disruptions
4. **Competitive Positioning:** Win rates in government tenders and enterprise client acquisitions
5. **Technology Transition:** Progress in AI, software, and recurring revenue development
6. **Working Capital Efficiency:** Cash conversion cycle optimization and inventory management
7. **Regulatory Compliance:** STQC certification advantages and government policy impacts

The investment decision ultimately depends on individual risk tolerance, portfolio construction objectives, and conviction regarding India's long-term surveillance market opportunity. While the company demonstrates strong operational capabilities and market positioning, valuation discipline and risk management remain paramount given current pricing levels and market uncertainties.

## Investment Decision Framework

● Conservative ● Balanced ● Growth-Orien ● Aggressive

