

Novus Loyalty IPO

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Reviewed on 12 March 2026

- The company is a technology driven loyalty and rewards solution provider to strengthen customer-corporate relations.
- Boosted margins from FY24 onwards and bumper profits of H1-FY26 raise eyebrows and concern over its sustainability.
- There appears to be a window dressing for fancy valuations for the IPO.
- Based on recent financial data, the issue appears aggressively priced.
- Only well-informed/cash surplus/risk seekers may park moderate funds for medium term .

About the Company

Novus Loyalty Ltd. (NLL) is a technology-driven company offering loyalty and rewards solutions tailored for industries such as Fintech, E-commerce, Software, Finance, Banking, FMCG and Real Estate. Focused on enhancing customer engagement, retention, and acquisition, the company has developed a modern, scalable loyalty platform using the latest technology stack. This platform delivers comprehensive, data-driven solutions that help enterprises build meaningful relationships with their customers. The company provides both customizable and ready-to-use program models, including point-based rewards, event-triggered campaigns, cashback systems, purchase-linked promotions, and digital vouchers.

The platform is built to be flexible and efficient, making it easy to connect with a company's existing systems. It ensures customers have a smooth and consistent experience whether they interact through a website, mobile app, or in a physical store. The company offers both On-premises with infrastructure and SaaS (software as a service) models along with AI powered analytics to its clients. With the On-Premises model, the platform is installed on the client's own servers or private cloud. This gives full control over data, allows for custom setups, and is ideal for large businesses with strict security or compliance needs.

The SaaS model is cloud-based, meaning clients can use the platform through a subscription without worrying about servers or maintenance. It's faster to set up, easier to manage, and great for businesses that want a ready-to-use solution. The company operates in both Domestic Market as well as International Market. In the Domestic markets, its customer base is spread in states namely Uttar Pradesh, Rajasthan, Karnataka, Telangana, Maharashtra, Haryana, Punjab, Delhi and Tamil Nadu. In the international markets, its spread across the globe with presence in countries majorly in UAE, USA, Australia and Puerto Rico.

Beyond banking, Novus has also built a flexible loyalty solution for retailers, modern trade stores, and digital retailers. This allows them to reward their customers effectively and use data analytics to focus on the most profitable areas of their business. In addition, Novus offers digital voucher solutions that enable real-time tracking of customer behaviour and usage. For eCommerce businesses, its platform helps monitor customer activity and reward them - supporting cross-selling and customer retention strategies. This is especially valuable in today's highly competitive digital market, where earning customer loyalty is more important than ever. As of January 31, 2026, it had 50 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of 4120000 equity shares of Rs. 10 each to mobilize Rs. 60.15 cr. at the upper cap. The issue consists of 3300000 fresh equity shares issue (worth Rs. 48.18 cr. at the upper cap), and an Offer for Sale L(OFS) of 820000 equity shares (worth Rs. 11.97 cr. at the upper cap). The company has announced a price band of Rs. 139 – Rs. 146. The IPO opens for subscription on March 17 2026, and will close on March 20, 2026. The minimum application to be made is for 2000 shares and in multiple of 1000 shares thereon, thereafter. Post allotment, shares will be listed on BSE SME. The issue constitutes 26.49% of post-IPO paid-up equity capital of the company. From the net proceeds of the fresh equity issue, the company will utilize Rs. 13.00 for capex on investment in upgrading enhancement of and development of new products, and Rs. 9.62 cr. for business development and marketing activities, and the rest for general corporate purpose and unidentified inorganic acquisition.

The IPO is solely lead managed by Smart Horizon Capital Advisors Pvt. Ltd., and KFin Technologies Ltd. is the registrar to the issue. Shreni Shares Ltd., is the market maker, as well as a syndicate member.

The company has issued initial equity shares at par value. It issued further equity capital in the price range of Rs. 2738 – Rs. 3000 per share between June 2016 and June 2017. The company has also issued bonus equity shares in the ratio of 1200 for 1 in May 2025. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. NIL, and Rs. 0.01 per share.

Post-IPO, company's current paid-up equity capital of Rs. 12.25 cr. will stand enhanced to Rs. 15.55 cr. Based on the upper price band of the IPO, the company is looking for a market cap of Rs. 227.03 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit, of Rs. 59.61 cr. / Rs. 0.55 cr. (FY23), Rs. 73.61 cr. / Rs. 2.96 cr. (FY24), Rs. 104.63 cr. / Rs. 3.58 cr. (FY25). For H1 - FY26 ended on September 30, 2025, it earned a net profit of Rs. 5.80 cr. on a total income of Rs. 71.43 cr.

For the last three fiscals, the company has reported an average EPS of Rs. 2.34, and an average RoNW of 25.48%. The issue is priced at a P/BV of 9.47 based on its NAV of Rs. 15.42 as of September 30, 2025, but its post-IPO NAV data is missing from the offer documents.

If we attribute its FY26 annualized earnings on post-IPO expanded equity base, then the asking price is at a P/E of 16.54, and based on its FY25 earnings, the P/E stands at 63.20. Thus, the issue appears aggressively priced. Thanks to bumper FY26 first half profits that indicates attractive valuations, but its nothing but an eyewash.

The company has posted PAT margins of 0.92% (FY23), 4.04% (FY24), 3.43% (FY25), 8.13% (H1-FY26), and RoCE Margins of 11.39 %, 42.76%, 40.40%, 40.64%, respectively, for the referred periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Pelatro Ltd., as its listed peer. It is currently trading at a P/E of 22.8 (as of March 12, 2026). However, they are not comparable on an apple-to-apple basis.

MERCHANT BANKER'S TRACK RECORDS:

This is the 22nd mandate from Smart Horizon in the last two fiscals. From the last 10 listings, 3 opened at discount, 1 at par, and the rest with premium ranging from 2.14% to 6.36% on the date of listing. The lead manager has an average track record.

Conclusion / Investment Strategy

NLL is a technology driven loyalty and rewards solution provider to strengthen customer-corporate relations. Boosted margins from FY24 onwards and bumper profits of H1-FY26 raise eyebrows and concern over its sustainability. There appears to be a window dressing for fancy valuations for the IPO. Based on recent financial data, the issue appears aggressively priced. Only well-informed/cash surplus/risk seekers may park moderate funds for medium term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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