



**IPO Report**

19<sup>th</sup> May' 22

**Snapshot**

eMudhra Ltd is the largest licensed Certifying Authority (“Certifying Authority” or “CA”) in India with a market share of 37.9% in the digital signature certificates market space in Financial Year 2021 having grown from 36.5% in Financial Year 2020.

**VALUATION**

Company is bringing the issue at price band of Rs 243-256 per share at p/e multiple of 49x on post issue annualized 9Months FY22 eps basis.

Company being largest licensed Certifying Authority in India is a one stop shop solution provider in secure digital transformation and is well-positioned to capture the favourable industry dynamics in India and globally. eMudhra being one unique Indian company with presence across all the three segments of Digital Trust Services, Digital Security Solutions and Paperless Transformation Solutions is one of the largest players in the Indian Digital Trust Services market with a market share of 17.8% . Despite being just 12 years in the market, eMudhra has better brand recognition and stronger channel partner relationship.

Looking after decent financial performance of company & unique business model, we recommend “Subscribe” on issue .

<b>Price Band (Rs./Share)</b>	<b>243-256</b>
<b>Opening date of the issue</b>	<b>20<sup>th</sup> May 2022</b>
<b>Closing Date of the issue</b>	<b>24<sup>th</sup> May 2022</b>
<b>No of shares pre issue</b>	71,783,309 Equity Shares
<b>Issue Size</b>	Rs 400-413 Cr
<b>Offer For Sale</b>	98,35,394 Equity Shares
<b>Fresh Issue</b>	Rs 200 Cr
<b>Face Value (Rs/ share)</b>	5
<b>Bid Lot</b>	58

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 8062227 Eq Shares)
<b>Non-Institutional</b>	15% of the offer ( Approx 2418669 Eq Shares)
<b>Retail</b>	35 % of the offer ( Approx 5643560 Eq Shares)
<b>Lead managers</b>	IIFL Securities, Yes Securities, Indorient Financial
<b>Registrar to the issue</b>	Link Intime India Pvt Ltd.

**WHAT WE LIKE**

**Largest licensed Certifying Authority in India**

eMudhra is the largest licensed Certifying Authority in India with a market share of 37.9% in the digital signature certificate market space. It is the only Indian company to be admitted as a member of European Cloud Signature Consortium as well as Certifying Authority / Browser Forum, a global forum that governs the use of SSL/TLS certificates. eMudhra is the only Indian company to be directly recognized by renowned browsers and document processing software companies such as Microsoft, Mozilla, Apple and Adobe, allowing company to sell digital identities to individual/organization and issue SSL/TLS certificates for website authentication, globally. eMudhra is one of the largest players in the Indian Digital Trust Services market with a market share of 17.8% and enjoy 19.0% market share in the Digital Transformation Solutions market in India for Financial Year 2021

**Diverse, longstanding and growing customer base**

Company services marquee customers through its Digital Trust Services and Enterprise Solutions and has been able to form a portfolio of renowned customers in private as well as in public sectors, including, Infosys Limited, Hindalco Industries Limited, Mashreq Bank, Baud Telecom Company, Cholamandalam MS General Insurance Company Limited, Thales DIS CPL India Private Limited, Larsen & Toubro Infotech Limited, DB Schenker, JSW Steel Limited, Bharti AXA Life Insurance Company Limited, TATA Consultancy Services Limited, etc. Company works closely with large government and banking customers, 20+ public and private sector banks and state governments

**Partnerships with leading Indian and global channel partners and enterprise solution partners**

As of December 31, 2021, company have 91,259 channel partners for Digital Trust Services spread across various States and Union Territories in India and out of company’s 539 system integrator partners, 267 are present in India and 272 are present internationally in United States of America, Europe, Middle East and Africa and Asia Pacific.



## COMPANY BACKGROUND

eMudhra Ltd is engaged in the business of providing Digital Trust Services and Enterprise Solutions to individuals and organisations functioning in various industries. As part of its Digital Trust Services, company issue a range of certificates including individual/organizational certificates, SSL/TLS certificates and device certificates (used in IoT use cases) to build a digital trust backbone. Under company's Enterprise Solutions vertical, company offer a diverse portfolio of Digital Security and Paperless Transformation Solutions, complementing its Digital Trust Services business, to customers engaged in different industries, thereby making company a 'one stop shop' player in secure digital transformation to provide a wide spectrum of services and solutions from issuance of certificates as a certifying authority to offering identity, authentication and signing solutions. With more than 50 million digital signature certificates issued since inception, company caters to all kind of subscribers who use digital signature certificates for income tax return filing, filings with the Ministry of Corporate Affairs (Registrar of Companies), tenders, foreign trade, banking, railways and many other needs. Company works closely with large government and banking customers like the 20+ public and private sector banks and state governments.

Further, since the inception of company's business, company have issued over 50 million digital signature certificates through its network of 88,457 channel partners spread across all States and Union Territories in India. Company have been consistently designing and developing diverse products at competitive price points under its business verticals which has contributed towards its growth and expansion of its customer base in recent years. Company's retail customers grew from 58,872 as of March 31, 2019 to 115, 905 as of March 31, 2021. Company's enterprise customers grew from 249 as of March 31, 2019 to 518 as of March 31, 2021. Further, as of December 31, 2021, company cater to 143,406 retail customers and 626 enterprises.

As a part of company's Enterprise Solutions, company provide identity, authentication and authorization solutions, that are both web and mobile app enabled, thereby enabling enterprises to secure, manage, and govern identities of their consumers, employees/ partners and IoT. Company provide the ability to manage the following identity types: Consumer: Company's platform enables enterprises to provide secure digital identity experiences for their consumers and accelerates their digital journeys while ensuring compliance and governance. User journeys built on company's platform provide recognition and personalization across channels and devices, which leads to better customer acquisition, loyalty, and retention while reducing friction and fraud. Consumer use cases as part of company's Digital Trust Services include, an individual trying to authorize a fund transfer for banking or digitally signing documents to file taxes. Other consumer use cases as part of the Enterprise Solutions cut across customer interaction, etc. For customer interaction, use cases including, customer onboarding, digital lending, payment instructions, channel on-boarding and trade finance. Employees/ Partners: Company's platform helps enterprises increase the productivity of their employees by enabling access to appropriate systems during their lifecycle with the enterprise. Company's platform also helps reduce enterprise risk by securing system access through multi factor authentication. Use cases include, an employee trying to access CRM or ERP systems or authorizing/signing documents as part of various internal or external approvals. Other use cases include, operations related approvals for compliance reporting, internal audit and policy creation, legal and risk functions and operations, etc. For legal and risk use cases would include supplier contracts, agreements, approval letters, etc. IoT: Company's platform helps enterprises secure non-human identities, including IoT, machine identities, and bots. IoT use cases include devices such as electric vehicles or smart city devices securely interacting with central command centers or with other devices. Other IoT use cases cut across manufacturing and healthcare in which IoT devices, such as industrial and medical devices, respectively, need to securely communicate. As of December 31, 2021, company have 91,259 channel partners for Digital Trust Services spread across various States and Union Territories in India and out of company's 539 system integrator partners, 267 are present in India and 272 are present internationally in United States of America, Europe, Middle East and Africa and Asia Pacific. Company's retail customers grew from 58,872 as of March 31, 2019 to 115, 905 as of March 31, 2021. Further, company's enterprise customers grew from 249 as of March 31, 2019 to 518 as of March 31, 2021. Company's enterprise solution partners are broadly categorized into system integrators which comprise of large IT companies who bundle its solution as part of a larger turnkey offering to the end customer; technology partners with whom company has a direct and seamless integration for selling its products on their platform (for instance, signing invoices originating in technology partners' ERP systems or sales quotations originating from their CRM systems seamlessly via emSigner); and lastly, resellers and distributors, who resell or distribute company's digital products and solutions to their customer base.

Source:RHP



## INVESTMENT RATIONALE

<p><i>Company is a one stop shop solution provider in secure digital transformation and is well-positioned to capture the favourable industry dynamics in India and globally</i></p>	<p>Company, with a view of capitalising opportunity ventured into the business of providing Enterprise Solutions in the year 2012 to customers engaged in different industries. Company’s Enterprise Solutions are majorly divided into three broad categories viz., eSignature workflow solutions for paperless office (emSigner), authentication solutions (emAS) and public key infrastructure solutions (emCA). As part of these offerings, company provide capabilities, such as password-less authentication that free users from the challenges and security risks associated with weak and forgotten credentials. As part of company’s Enterprise Solutions, company provide eSignature solutions with global, full service, enterprise delivery capabilities that allows company to cater to paperless transformation of large enterprises with complex enterprise workflows going beyond simple document signing use cases with support for scalability, data security and ease of use.</p>
<p><i>Technology certifications, accreditations and membership in international bodies</i></p>	<p>Company have obtained a variety of accreditations, security/compliance certifications which it maintain on an ongoing basis for example, Webtrust Accreditation to provide services as a public certifying authority globally and list its digital signature certificate roots with renowned browsers. All the services provided under trust solutions, are compliant with the quality standard of ISO 9001 and are certified by the applicable certification body. Further, company’s cloud offerings are compliant with SOC2 Type 2 and its eSignature workflow solutions, emSigner is listed on the SAFE Identity Qualified Product List (QPL).</p>
<p><i>Technology backed infrastructure to support quality and security of services and solutions</i></p>	<p>The digital signature certificates issued by company are based on asymmetric cryptographic key pairs (private and public key) which have the following properties: (a) a private key can only have one and only one corresponding public key and therefore a document signed with a private key can only be validated with its corresponding public key; (b) the process of affixing the identity to a public key results in a certificate and the process of signing involves hashing the document and then encrypting the hash with the private key; and (c) for hashing and encryption secure algorithms are used which make it mathematically complex for current computing to crack using brute force methods. Consequently, these technological infrastructure makes company’s Digital Trust Services and Enterprise Solutions resilient and secure and digital signatures legally non-repudiable.</p>
<p><i>Experienced promoter, board of directors and senior management team</i></p>	<p>Venkatraman Srinivasan, company’s Promoter and Executive Chairman was an early pioneer in the information technology industry and devised company’s go-to-market strategy and business model, and has over three decades of experience in the industry, in which company operate. Further, he is a board member of European Cloud Signature Consortium, Chairman of Asia PKI Consortium and was the Chairman of India PKI Forum for a period of six years. Company is also supported by its senior management team that has a significant expertise in the markets company serve and in developing similar businesses. Company’s management team operates under the leadership of Executive Chairman. Company’s Wholetime Director, Venu Madhava, has been with Company for over 11 years. Its Senior Vice President – Product Development, Kaushik Srinivasan has a master’s degree in engineering in Networked Information Systems and is a member of the CFA Institute.</p>



## OBJECTS OF ISSUE

### Offer comprises the Fresh Issue and an Offer for Sale

#### Fresh issue

1. Repayment or pre-payment, in full or in part, of all or certain borrowings availed by company .
2. Funding working capital requirements of company
3. Purchase of equipments and funding of other related costs for data centers proposed to be set-up in India and overseas locations
4. Funding of expenditure relating to product development
5. Investment in eMudhra INC for augmenting its business development, sales, marketing and other related costs for future growth

## RISKS

Company's industry is competitive and it face significant competition from both established and new companies offering trust services, digital security and paperless transformation solutions, which may have a negative effect on company's ability to add new customers, retain existing customers and grow its business. Company's inability to compete effectively will adversely affect company's business, results of operations, financial condition and cash flows.

Source:RHP

## INDUSTRY OVERVIEW

### The Way Ahead in Technology Transformation

#### *Role of Digital Signature in Blockchain*

Blockchain is one of the next-generation technologies that the world is talking about. By definition, blockchain is a shared, distributed and decentralized ledger for recording transactions, tracking assets and most importantly a trust mechanism. All transactions on a Blockchain are digitally signed so as to ensure transaction immutability and non-tamperability of data. As Blockchain systems gain adoption, Identity backed digital signatures are likely to become a critical component in ensuring traceability of parties to transactions such as Smart Contracts that get executed on Blockchain. Trust in blockchain through the usage of digital signatures also ensures that the message/information that has originated from the source and has travelled all the way to reach the destination is secured and any concerns around hacking could be ruled out. The imperative of a Digital Signature in blockchain centers around 2 things : • Non-repudiation : Digital Signatures ensure that the message received by the recipient has come from the sender who is believed to have sent the message • Integrity : Digital Signatures provides assurance to the recipients about the fact that the data has not been tampered or changed while in transit eMudhra is one of the few Indian companies positioned to tap the opportunity around digital signatures in blockchain.

#### *Role of Digital Certificates in IoT*

In the connected world, IoT devices are likely to become central to many technology products that play a critical role in one's everyday lives. Embedded IoT devices collect and transfer terabytes of data over the internet everyday. From smart watches to industrial setups, IoT finds a place for itself in all fields. However, what bother users is the concern around cybersecurity in the context of IoT devices authenticating and exchanging data. Cyber criminals are always on the hunt to target the vulnerabilities on IoT devices and compromise them to launch massive attacks. Typical attacks on the IoT devices includes DDoS, PDoS, Spamming, MITM, RFID Skimming, and more. IoT devices with default passwords are often the easy target for miscreants. Legacy security techniques fail to provide the best possible security for IoT devices and hence need advanced technologies for fool proof protection.

With the advent and popularity of digital technologies, digital signatures certificates issued to devices are likely to become an integral part of IoT systems to restrict illegal users. Device certificates embedded in IoT devices allow devices to identity and authenticate themselves as part of the IoT network. Further, using digital signature certificates data sent over public/private networks can be signed and encrypted to ensure data integrity and confidentiality. Software developers are resorting to code signing in the software release process to ensure integrity of the IoT device software and firmware updates and to defend against risks connected to code tampering or code change. In public key cryptography, code signing is the specific use of digital signatures that help organizations to identity of the software developer and ensures/certifies that the software has not been tampered/changed after it has been released. Moving ahead, digital signatures certificates are likely to become central to ensure security of IoT ecosystems.

#### *Role of Digital Signature Certificates in Quantum Computing*

Enterprises are fast becoming aware of the fact that quantum computers will make existing encryption techniques obsolete. The future is quantum safe algorithms which is likely to pick up very soon. In July 2020, NIST (National Institute of Standards and Technology) announced the completion of second round in its selection of quantum safe crypto algorithms. From 69 submissions received (from various cryptographic experts around the world), NIST has narrowed down to 15. The 3rd round has begun and this selection round would help NIST to decide on the first post-quantum cryptography standard. The 3rd round is expected to be complete by 2022. Once the final algorithms are finalized, it will be important for enterprises to discover and categorize the full set of certificates in use, replace them with quantum safe algorithms and implement automated certificate management solutions to manage this rollout effectively. This will present an opportunity for vendors to design solutions that support deployment of quantum-safe cryptography and benefit from adoption of quantum computing in the future.

(Source:RHP)



**(Rs in Mn)**

<b>Financials</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>As at 31 Dec'21</b>
Total Revenue (A)	1015.84	1164.50	1315.93	1372.44
Total Expenditure (B)	693.7	845.11	916.66	879.48
EBIDTA	322.14	319.39	399.27	492.96
EBIDTA Margin	31.71	27.43	30.34	35.92
Other Income	0.96	3.49	8.61	10.60
Depreciation	85.00	86.02	87.67	101.18
EBIT	238.10	236.86	320.21	402.38
Interest	2.64	6.68	8.41	34.96
PBIT	235.46	230.18	311.80	367.42
E/O Items	18.99	0.00	0.00	0.00
PBT	216.47	230.18	311.80	367.42
Tax	42.11	46.02	58.21	64.02
PAT	174.36	184.16	253.59	303.40
NPM	17.16	15.81	19.27	22.11
ROE %	23.05	19.79	21.75	21.44
EPS	2.48	2.62	3.61	4.32
Eq Cap	350.90	350.90	350.90	350.90
Net Worth	756.43	930.77	1166.18	1415.18
BV	10.78	13.26	16.62	20.17

(Source:RHP)



## DISCLAIMER

HEM Securities Limited ("Research Entity or HSL") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services, merchant banking services, Portfolio Management Services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.