

C.E. Info Systems Limited: Listing pop likely

Keeping in mind the high grey market premium, which is in excess of 2/3rd of the issue price, applying for the shares would be rewarding for retail investors

C.E. Info Systems Limited (Map my India) is tapping the capital markets with its offer for sale of 1,00,63,945 shares in a price band of Rs1,000-1,033. The issue opened on Thursday (December 9) and closes on Monday (December 13). The company completed allocation to anchor investors by allotting 30,19,183 equity shares at Rs 1,033 which is the top end of the price band to 22 anchor investors comprising 34 entities.

The highest allocation was made to Fidelity, which was allotted 4,64,688 shares or 15.40 per cent of the anchor book. This was followed by Nomura with allotment of 5.77 per cent or 1,74,258 shares. This was followed by an equal allotment of 1,54,896 shares or 5.13 per cent to four anchor investors. The top six anchors were allotted 12,58,530 shares or 41.69 per cent of the anchor book. In terms of domestic mutual fund participation, 10,06,395 shares or 33.33 per cent of the anchor book was allotted to nine anchors comprising 17 schemes. The anchor book is encouraging and shows interest of marquee investors.

C.E. Info Systems is better known as Map my India by its popular digital mapping device. The



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company is India's leading provider of advanced digital maps, geospatial products in India with a comprehensive suite of MaaS, (maps as a service), SaaS (software as a service) and PaaS (platform as a service). The company has built capabilities with marquee customers across sectors where they are able to up-sell and cross sell products. The business model ensures that subscription fees, royalties and annuities account for over 90 per cent of revenues for FY 21. The company charges fees per period based on per vehicle, per transaction, per use case, and or/per user, as applicable. This ensures a very good revenue visibility which is recurring in nature. The company has a strong order book and order intake on a regular basis.

The order intake has grown 3.3 times to Rs 468 crs for FY21. Of the orders, 30 per cent are fixed price and the balance 70 per cent are based on volume projections. The company targets customers in the B2B and B2B2C enterprise customers across all industry verticals, and the company has 500+ customers. It has long term mutually renewable contracts of 3-5 years duration.

Some of the key applications which the company has developed include maps for vehicle owners, on the co-WIN platform they assist in directing you to the nearest vaccination centre, applications for the GST and IT departments, logistics support for various apps in ensuring last mile delivery and also powers I-phones with road maps. It also does a lot of work for the defence forces. The company has been spreading itself into geographies outside India as well.

In terms of financials, the company has very high contribution margins and earned 82.5 per cent for the year ended March 2021 and 85.5 per cent for the first half of FY22. Its EBITDA margins were at 35.4 per cent for FY21 and at 45.7 per cent for the first half of FY22. Its net margins were at 30.9 per cent for FY21 and at 46.8 per cent for the first half of FY22. Revenues for the year ended March 21 were at Rs 192.27 crore and PAT at Rs 59.67 cr. In the first

half of FY22, revenues were at Rs 122.57 cr and PAT at Rs 46.18 cr.

The EPS for the year ended March 2021 was Rs 11.30, while on a fully diluted basis it was Rs 10.99. For the first half year of FY22 the EPS is Rs 8.78 while on a diluted basis it is Rs 8.61. The PE for the issue at the top end of the band based on fully diluted EPS of Rs 10.99 for FY21 is 93.99 times. If one were to consider the same on the basis of first half FY22 fully diluted EPS on an annualised basis the same would reduce significantly to 59.88 times. The company is debt free and has investments which earn it other income as well. Further the issue is entirely an offer for sale and the entire proceeds would go to selling shareholders.

Considering the growth prospects, the business model and the fact that the investments made on mapping and creating the database are expensed and not capitalised, this company is one where it would continue to earn high margins going forward as well.

Keeping in mind the high grey market premium, which is in excess of 2/3rd of the issue price, there is substantial pop available on listing. Applying for the shares would be rewarding for retail investors.

(The author is the founder of Kejriwal Research and Investment Services, an advisory firm)