



IPO Report

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09th Dec 21

Snapshot

CE Infosystems is a data and technology products and platforms company, offering proprietary digital maps as a service (“MaaS”), software as a service (“SaaS”) and platform as a service (“PaaS”). Company is India’s leading provider of advanced digital maps, geospatial software and location-based IoT technologies. Having pioneered digital mapping in India in 1995, company have earned its market leadership position in this industry and built a strong moat by capitalizing on company’s early mover advantage, developing proprietary and integrated technologies, full stack product offerings, continuous innovation and robust sustainable business model.

VALUATION

Company is bringing the issue at price band of Rs 1000-1033 per share at p/e multiple of 93 on FY21 eps.

Company being B2B and B2B2C market leader in India with a comprehensive suite of SaaS, PaaS and MaaS offerings is capitalizing on early mover advantage. Company being independent, global geospatial products and platforms company, with strong data governance has market position built around proprietary technology and network effect resulting in strong entry barriers. Also, company’s marquee customers across sectors with strong relationships and capability to up-sell and cross-sell has profitable business model with consistent financial track record, high operating leverage and strong cash flows .

Hence we recommend “Subscribe” on issue for both listing gain & long term purpose.

Price Band (Rs./Share)	1000-1033
Opening date of the issue	09th Dec 2021
Closing Date of the issue	13th Dec 2021
No of shares pre issue	53,242,967 Eq Shares
Issue size	Rs 1006-1040 Cr
Offer For Sale (No)	10,063,945 Eq Shares
Face Value (Rs/ share)	2
Bid Lot	14

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 5031972 Eq Shares)
Non-Institutional	15% of the offer (Approx 1509592 Eq Shares)
Retail	35 % of the offer (Approx 3522381 Eq Shares)
Lead managers	Axis Capital, JM Financial, Kotak Mahindra Capital, DAM Capital
Registrar to the issue	Link Intime India Pvt. Ltd.

WHAT WE LIKE

B2B and B2B2C market leader in India with a comprehensive suite of SaaS, PaaS and MaaS offerings capitalizing on early mover advantage

Company pioneered digital mapping in India in 1995 and have earned leading market position in the B2B and B2B2C market for digital maps and location intelligence technologies and services by capitalizing on company’s early mover advantage, creating a niche market, developing proprietary and integrated technologies, full stack product offerings, continuous innovation and robust sustainable business model.

Marquee customers across sectors with strong relationships and capability to up-sell and cross-sell

Many of company’s customers are leading market players and renowned brands in their respective fields such as Hyundai, MG Motor, PhonePe, Flipkart, GSTN, AVIS, Safexpress, Airtel, HDFC Bank, Yulu etc. and company’s strong relationship with them help it to up-sell and cross-sell.

Profitable business model with consistent financial track record, high operating leverage and strong cash flows

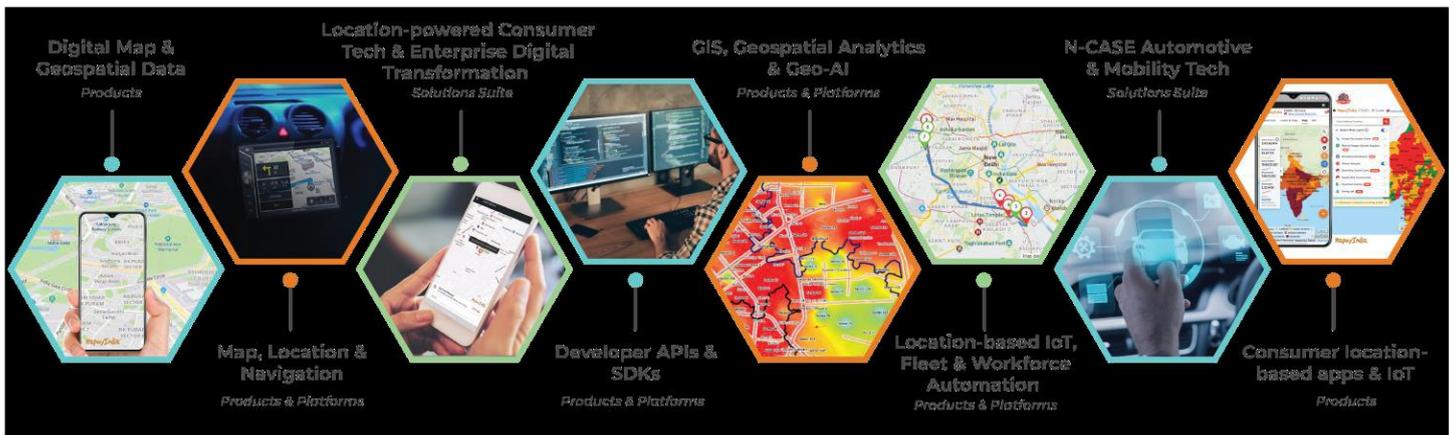
Company’s business model is to charge its customers fees per period based on per vehicle, per asset, per transaction, per use case, per user, as applicable. These take the form of subscription fees, royalties, annuities in return for providing licenses and usage rights to its proprietary digital MaaS, PaaS and SaaS offerings. Subscription fee, royalty and annuity payments together contributed over 90% of company’s revenue from operation for Fiscal 2021.

Since most of company’s products, platforms and solutions are digital, created in-house, and then deployed and delivered over the cloud, company as a business are asset light, with relatively low variable cost base. This enables company to have a high operating leverage in the business. For the Financial Year 2021, company’s contribution margin was 83%, EBITDA margin (excluding other income) was 35% and PAT margin was 31%.



COMPANY BACKGROUND

Company provide products, platforms, application programming interfaces (“APIs”) and solutions across a range of digital map data, software and IoT for the Indian market under the (MapmyIndia) brand, and for the international market under the (Mappls) brand. As of September 30, 2021, company had serviced over 2,000 enterprise customers since its inception. During Financial Year 2021 and the six month period ended September 30, 2021, company had over 500 customers on its SaaS, PaaS and MaaS platforms.



Company’s digital maps comprehensively cover India, and company’s digital maps cover 6.29 million kilometres of roads in India, representing 98.50% of India’s road network which was 6.39 million kilometres as at March 31, 2019 on a provisional basis as per the Annual Report of the Ministry of Road Transport & Highways, Government of India for the year 2020–2021. Company’s digital map data provides location, navigation, analytics and other information for 7,933 towns, 6,37,472 villages, 17.79 million places across many categories such as restaurants, retail shops, malls, ATMs, hotels, police stations, electric vehicle charging stations etc., and 14.51 million house or building addresses.

Company’s AI-powered, four-dimensional (“4D”), high-definition (“HD”), information-rich (“IR”), multi-lingual, hyperlocal digital map twin digitally and geospatially represents the dynamically changing real world in near real time. Company’s ‘RealView’ maps provide actual roadside and on-ground views based on over 400 million geo-referenced photos, videos and 360-degree panoramas across India. Although company’s core business focuses on the Indian market, company’s geospatial software and location-based IoT platforms, products, APIs and solutions are geography and data agnostic, enabling company to offer global solutions.

Company derive majority of its revenue from B2B and B2B2C enterprise customers. Company’s business model is to charge company’s customers fees per period on a per vehicle, per asset, per transaction, per use case or per user basis, as applicable. Company’s arrangements with automotive OEMs typically envisage payments on a per vehicle basis for the contract period and top-up payments for internet services as subscription charges. For C&E customers, payments are typically received on a per geospatial transaction (or API query) basis, i.e. when the feature requiring geospatial element is used by an end consumer, for instance, a search result for the nearest service centre or merchant. Company charge on a fixed price per term on a per use case basis, when the geospatial queries are not specified or known to company. For company’s Move IoT devices, payments are typically received for the sale of devices and subscription fees which are periodic in nature.

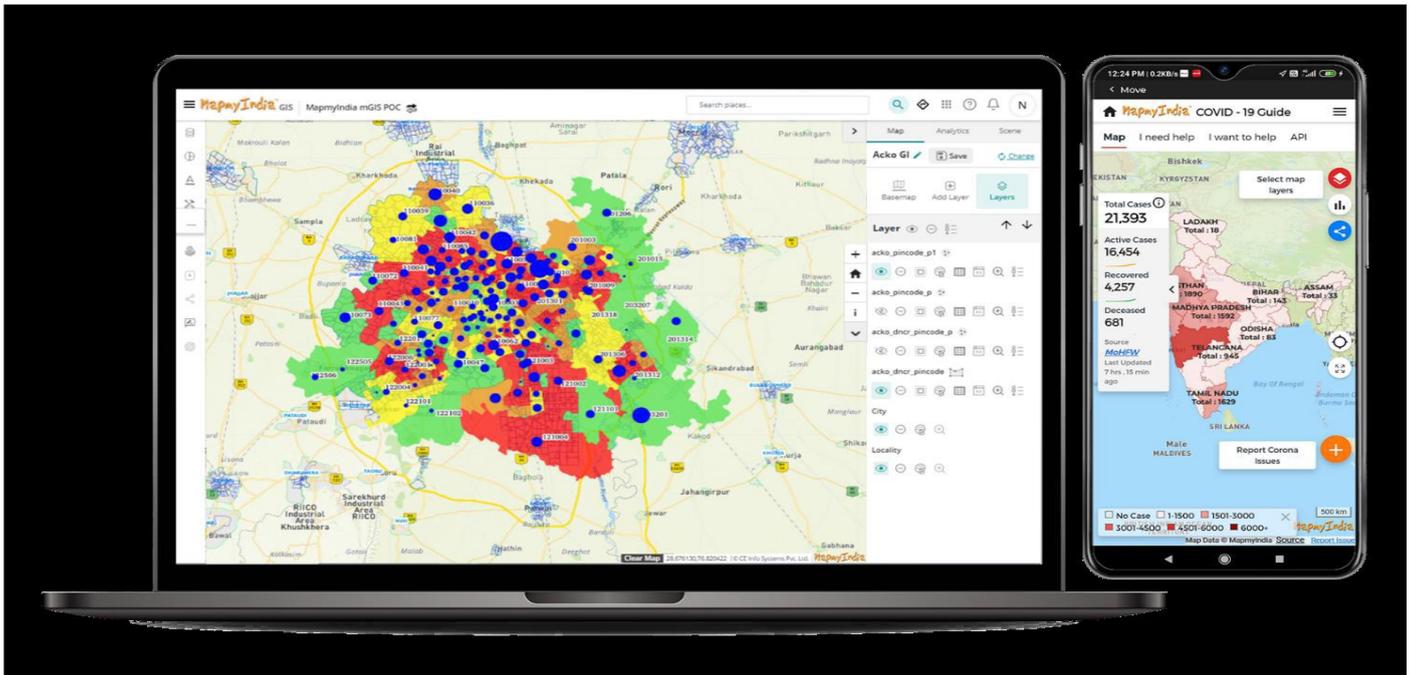
Source:RHP



INVESTMENT RATIONALE	
Independent, global geospatial products and platforms company, with strong data governance	Company is an independent maps, geospatial and location based IoT technology company which positions to work with various partners across industries. The independent nature of company allows company to freely innovate for its customers. The data company collect is used to provide direct value to its customers and users. With company’s products, company enable its customers to leverage and deliver location and navigation products that meet the demand in their own markets. Additionally, company is able to provide its solutions over the cloud, as well as through hybrid and in-premise deployments.
Market position built around proprietary technology and network effect resulting in strong entry barriers	Company have been able to create, update and maintain digital map data products for India, the world's second-largest country by population, and thereby built is a highly differentiated, unique digital asset that is difficult to replicate. Company’s technological capabilities of building and offering platforms, APIs, products, and solutions which integrate and leverage its high-quality maps, have furthered company’s ability to grow its business as well as grow the value of its products.
Profitable business model with consistent financial track record, high operating leverage and strong cash flows.	Company have built its business since inception in a sustainable, customer-funded manner. In the book ‘Customer-funded Business Models’, Professor John Mullins of London Business School describes company’s initial business model as an example of customer centric ‘Develop-and-License’ model. This model, as described, for company entailed first winning a customer contract to develop solution for the specific customer need and then entrenching deep into creating more functionalities to address other use cases of similar nature. In company’s earlier phase of business growth, company saw opportunities through international companies such as leading beverage and cellular companies that faced a practical challenge in operating in India on account of limited availability of accurate maps. Company’s promoters approached such companies starting in 1995 and obtained contracts to create digital maps that contained specific company information such as bottlers’ territories or topographic features such as high ground suitable for cell towers. Company received advance payments from such companies, which enabled company to make high-quality maps to meet their requirement on one side while developing its own products for wider set of clients. Company then expanded in terms of geographical coverage beyond the coverage under its early contracts and kept the IP rights with company to be able to license it to wider set of clients across industries.



Company's mGIS SaaS product and platform, which provides geospatial analytics, AI and visualisation capabilities



Source : RHP

OBJECTS OF ISSUE

To carry out the Offer for Sale of up to 10,063,945 Equity Shares

RISKS

A part of company's business is dependent on the performance of the automotive sector, including in company's key market, India. Any adverse changes in the conditions affecting the sector can adversely impact company's business, results of operations and financial condition.

Source:RHP



INDUSTRY OVERVIEW

Global & India Total Addressable Market, CY 2019–2025, (in USD billion)



Geo-spatial Analytics Market Forecast (2020-2025)

After experiencing a below average growth in 2020, the geo-spatial analytics market would witness a considerable growth in 2021 and the following years. With governments across the globe actively using maps and geo-spatial analytics solutions to provide citizen services like healthcare, vaccination centres, contamination zones and other basic services, the geo-spatial market is expected to bounce back and close on a positive note. The revised global GDP prediction that was published by the International Monetary Fund’s (IMF) and the recent economic stimulus packages announced by several governments to bring economy back on track would influence the growth of geo-spatial analytics market.

With the emergence of mobile devices, location sensors and advancement of social media, the analytics would not be restricted just to building of data to form meaningful insights on datasheets. Instead, with the help of geo-spatial analytics, the data captured at various points can be used to build maps, statistics, cartograms, graphs and to create viewable data maps that are easy to comprehend and analyse. Businesses are realizing the benefits associate with geo-spatial analytics as they would be able to understand the accumulated data in a simpler manner when it is spread across maps. For example, for an on-field sales professional, the sales data spread over a map would be more meaningful and understandable as it would be better for enhanced sales planning and execution without operational complexities.

Growth in geo-spatial analytics market would mostly be driven by increased usage in sectors like government, e-commerce, agriculture, land mapping, healthcare, and similar others. In the post pandemic world, most businesses will start digitizing their business and digital maps would become an integral part of this transformation. The data gathered through maps would further be used to build insights and in-depth information using geo-spatial analytics solutions.

As per Frost and Sullivan estimates, the geo-spatial analytics market is expected to recover from the below average growth experienced in 2020 and is estimated to double up in next 5 years. Most of this growth would be from extensive adoption of these solutions by governments and other businesses that would be looking to digitally transform their business processes.



(Rs in Mn)

Financials	H1FY22	FY21	FY20	FY19
Total Revenue (A)	1000.27	1524.63	1486.29	1352.55
Total Expenditure (B)	547.74	1010.54	1192.77	1097.51
EBIDTA	452.53	514.09	293.52	255.04
EBIDTA Margin	45.24	33.72	19.75	18.86
Other Income	225.52	398.11	148.49	280.80
Depreciation	38.73	98.97	97.69	91.50
EBIT	639.32	813.23	344.32	444.34
Interest	10.84	25.57	28.36	26.32
PBT	628.48	787.66	315.96	418.02
Tax	160.82	193.33	84.01	82.36
PAT	467.66	594.33	231.95	335.66
NPM	46.75	38.98	15.61	24.82
ROE %	11.51	16.60	7.79	11.51
EPS	8.78	11.16	4.36	6.30
Eq Cap	79.86	1,327.96	1,327.96	1,327.96
Net Worth	4061.59	3579.97	2977.39	2851.99

Source: RHP



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