

Rating: Subscribe for Long Term

Issue Offer

Offer For Sale of 38,672,208 equity shares taking the total issue size at INR 309 cr (on the basis of upper price band).

Issue Summary	
Price Band (INR)	75-80
Face Value (INR)	1
Implied Market Cap (INR cr)	752-802
Market Lot	185
Issue Opens on	10 th Oct, 2022
Issue Close on	12 th Oct, 2022
No. of share pre-issue	100,310,185
No. of share post issue	100,310,185
Listing	BSE/NSE

Issue Break-up (%)	
QIB Portion	75
NIB Portion	15
Retail Portion	10

Book Running Lead Managers

IIFL Securities Ltd

Registrar

Link Intime India Pvt. Ltd.

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	50.93%	35.65%
Public	49.07%	64.35%

Objects of the issue

➤ To achieve the benefits of listing on the Stock Exchanges and the sale of up to 38,672,208 Equity Shares by the selling shareholders

Tracxn Technologies Ltd (Tracxn) is engaged in providing company data and ranks among the top five players globally in terms of companies profiled offering data of private market companies across sectors and geographies. The company works on an asset light model with the largest coverage of private companies in emerging technology sectors including IoT, artificial intelligence, virtual reality, robotics, block chain and electric vehicles.

Investment Rationale:

High tech leading global platform developed with continuous research: Tracxn is a leading global platform private market intelligence SaaS Platform with 1.80 mn entities profiled, a presence in 55 countries, has 50,012 Investors profiles and a customer base of 1,139 as on June 2022. The platform includes personalization for enhanced tracking and data driven insights, sourcing dashboards both locally and globally, portfolio tracking, data intelligence and data analytics.

Cost arbitrage advantage: The company operates in India which gives them significant cost advantages vs their competitors as remuneration in India is almost 10x lower than in the United States and around 6x lower than the UK. The revenue has grown at 3yr CAGR of 30% as against 3yr cost CAGR of 3-4%, which shows that the company can scale up at a low operating cost.

Diverse Global customer base: Tracxn has diversified customer base across geographies and no single country contributes to more than 31.6% of the revenue in the last three FYs and as of June 2022. This geographically diversified customer account base comprises of: (i) private market investors and investment banks viz., venture capital and private equity investors, investment banks, (ii) corporates across industries, and (iii) others including government agencies, universities, accelerators and incubators.

Comprehensive data coverage: The platform is a combination of technology and human analysts, and is capable of processing vast amounts of data. The platform has been designed and built by primarily using new-age technologies, for hosting on cloud infrastructure. Tracxn is a data and market intelligence platform with over a million curated entity profiles mapped to over 49,000 different business models, searchable in near real-time through a set of search tools built in-house using an open search engine and analytics solutions.

The company has growing base of longstanding customers: The company has a 23.44% repeat customer rate for the last 3 years and 74% repeat customer base for the last 2 years. Number of users as on June 2022 stood at 3,271 and the number of customer accounts stood at 1,139. The customer accounts have grown at a 3 year CAGR of 30.42%- all due to increased visibility, trust and comprehensive data available across sectors and geographies.

Outlook and Valuation: The company is a leading global player, ranking amongst the top 5 in its segment. With cost arbitrage advantages, high operating leverage, a strong technology platform, and comprehensive data coverage strengthening Tracxns position. It has achieved breakeven and reported gains in Q1FY23.

The stock is currently valued at P/S of 12.7x to its FY22 sales of INR 63.43 cr, the issue is fairly priced and we recommend that investors subscribe for long term.

Abhishek Jain

abhishek.jain@arihantcapital.com

+91-22-42254800

Anupama Bhootra

About the Company:

Tracxn provides detailed private market intelligence platform for global customer base.

Competition:

Tacxn's current competitors include free online and offline sources of information on companies and businesses, including government records, company websites, and open online databases, our current and potential customers' internal and homegrown company databases. Private market data service providers such as Crunchbase, CBInsights, PrivCo and Pitchbook are also into similar services as Tacxn which can be considered as their competitors. In listed space there are not many competitors.

Industry opportunity – B2B Information Services Market Landscape

The global B2B information services market which was close to around USD 140 billion in 2020 is estimated to be a USD 190 billion market in 2025 growing at CAGR of around 6.16% according to Frost and Sullivan estimates.

The total addressable market for private market data was USD 1,322 million in 2021 and revenue is expected to grow at a CAGR of 11.96% to USD 2,097 million in 2025. The growing private market data presents the company with a significant opportunity to address the information requirements for such customers that rely on data.

These data show increasing demand in B2B information services and huge opportunity for Information Service Providers.

Company and Directors:

- The company was founded by Neha Singh and Abhishek Goyal, was incorporated as 'Tracxn Technologies Private Limited' on August 11, 2012.
- **Neha Singh is the Chairperson and Managing Director, and founder.** She holds a bachelor's and master's degree in technology, with specializations in computer science and engineering, from the IIT Bombay, as part of its dual degree program, as well as a master's degree in business administration from the Leland Stanford Junior University.
- **Abhishek Goyal is the Vice Chairman and Executive Director, and founder.** He holds a bachelor's degree in technology, specializing in computer science and engineering, from the Indian Institute of Technology, Kanpur. He has previously served as a consultant with 3i Infotech Limited and Erasmic Consulting Private Limited.
- They are supported by investments from angel investors such as Ratan Tata, the NRJN Family Trust, Neeraj Arora, Sachin Bansal, Binny Bansal, Amit Ranjan, Girish Mathrubootham, Anand Rajaraman, Amit Singhal and Ashish Gupta. They have also received investments from Elevation Capital, Accel Partners, Sequoia Capital, Prime Venture Partners and KB Investments.

Financial Performance

INR Cr	Quarterly		Yearly		
	Q1FY22	Q1FY21	FY22	FY21	FY20
Equity Share	10.03	0.11	10.03	0.11	0.11
Revenue	18.40	14.97	63.45	43.78	37.33
EBITDA	0.19	(1.15)	(6.41)	(17.06)	(22.45)
EBITDA Margin (%)	1.01%	(7.65)%	(10.10)%	38.97%	(60.12)%
PBT	0.84	(0.72)	(4.85)	(5.35)	(54.03)
PAT	4.57%	(4.81)%	(7.64)%	(12.22)%	(144.74)%
EPS - Basic	0.08				
RONW (%)	3.64	(3.27)%	(23.49)%	(24.06)%	(39.95)%
Net worth	22.98	22.04	20.64	22.22	(135.24)
Reserves	12.95	21.15	10.61	21.33	(135.45)

Source: RHP document

Key operational performance indicators

Categories	Quarterly		Yearly		
	Q1FY22	Q1FY21	FY22	FY21	FY20
Customer Accounts	1,139	946	1,092	855	642
Users	3,271	2,720	3,117	2,358	2,075
Entities Profiled	1,838,928	1,420,055	1,759,902	1,345,311	937,698

Source: RHP document

Growing Global customer base

The break up of the Customer Accounts across geographies:

INR Cr	Quarterly		Yearly		
	Q1FY22	Q1FY21	FY22	FY21	FY20
Americas	230	247	242	207	145
APAC	119	99	118	92	58
EMEA	276	267	166	241	276
India	497	349	456	315	273

Source: RHP document

Management interaction highlights:

- **Total number of employees** as on 30th June 2022 stood at 800+.
- The company generates more than **14,000 reports** every year and add more than 1,200 companies every day which makes them one of the leading players providing large repository of reports globally across all emerging technology sectors.
- Customers include consulting companies, universities, accelerators and incubators, government agencies and other companies.
- **Average revenue per account** is INR 6.5 lakhs and there has been only 10% of price variation since last 3 years.
- 60% of the revenue comes from annual contract and 40% comes from quarterly contracts.
- **The Moat** includes large sales team in different time zones, cost arbitrage advantage, deep domain experienced team and huge data coverage on Industries, Sectors and Companies.
- Total expenses as a % of operating revenue stood at 162%, 140%, 103%, 99% for FY20, FY21, FY22 and Q1FY22 respectively.
- The revenue has grown at 30% 3 year CAGR as compared to increase in cost at 4% 3 year CAGR. The margins have expanded YoY, achieved almost break even in FY22.
- The business has high operating leverage as the incremental costs for any addition in customer base is very low leading to expansion in margins YoY.

Key strategies

- Capitalize on industry opportunity to expand coverage of customers
- To expand operations through inorganic growth channels.
- The company is also considering investment opportunities to acquire new technologies or generate cross selling opportunities in order to grow its platform and expand internationally.

Risk Factors

- Revenue comes from subscription by customers and if customers do not renew their subscriptions or only few customers renew than the company's revenue may get adversely affected.
- If there is problem in the technology infrastructure due to human or software errors, the business will have negative impact. For example, there were five instances of downtime of platform that resulted in a total downtime of 23 minutes with the maximum downtime in a particular instance being 8 minutes, cumulatively in Fiscal 2022 and the three months ended June 30, 2022 in such cases it may leave a negative impression on the customers.
- Some larger competitors have more diverse product and service offerings which will effect company's market share adversely.
- Data needs to be accurate, comprehensive, or reliable data to a great extent, failure of this could lead to decrease in customer base.
- Company has 70% share of revenue coming from International business, any fluctuations in foreign exchange rates may have an impact on profits generated from these markets.
- The company's attrition rate was 13.7% for Q1FY23, failure to attract and retain highly skilled professionals may materially adversely affect the business, financial condition, cash flows and results of operations.
- The company utilizes third party cloud servers to store data and host the platform, and any security issues that may arise in the systems of cloud service provider or with their application programming interfaces may impact the Company.

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

Arihant House
E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880