

Company Overview

eMudhra Limited was incorporated on June 2006. It is India's largest licenced Certifying Authority ("CA"). The company's business is divided into two verticles Digital Trust Services and Enterprise Solutions. eMudhra Limited is engaged in the business of providing services like individual/organizational certificates, digital signature certificates, SSL/TLS certificates and device certificates, a portfolio of digital security and paperless transformation solutions, multi-factor authentication, mobile application security, website security testing, IT policy assessment, etc. The company has strong digital signature certificate expertise and is the only Indian company to be directly recognised by renowned browsers and document processing software companies such as Microsoft, Mozilla, Apple, and Adobe, allowing it to sell digital identities to individuals and organisations worldwide and issue SSL/TLS certificates for website authentication. The company has issued over 50 million digital signature certificates through the network of 88,457 channel partners spread across India. As of September 30, 2021, the company is serving 36,233 retail customers and 563 enterprises.

Objects of the issue

The net proceeds from the Fresh Issue are proposed to be utilized by the company for the following objects:

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

Investment Rationale

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 in FY2021. The company is the only Indian company to be directly recognized by renowned browsers and document processing software companies such as Microsoft, Mozilla, Apple and Adobe. eMudhra is the only Indian company to be accredited to Webtrust which makes their digital signature certificates directly recognized by browsers across the world allowing them to issue digital signature certificates in many countries. They are 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 FY2021. As part of their signature and authentication solutions, they also offer digital products such as, secure domain validation certificates with capabilities of securing sensitive information stored on websites through padlock and business information authentication services.

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

As of December 31, 2021, eMudhra has 91,259 channel partners for Digital Trust Services spread across various States and Union Territories in India and out of their 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. Their enterprise solution partners are broadly categorized into system integrators which comprise of large IT companies who bundle their solution as part of a larger turnkey offering to the end customer; technology partners with whom eMudhra has a direct integration for selling their products on their platform; and lastly, resellers and distributors, who resell or distribute their digital products and solutions to their customer base. They have built strong partner network which includes few of the world's largest system integrators to pitch in to government projects.

Valuation and Outlook

Extensive experience of the promoter in the information technology industry and Emudhra Limited's (Emudhra) established track record of operations and strong market position as a leading licensed certifying authority for issuing digital signature certificate (DSC) in India, supported by its wide sales and distribution network across the country. Its diversified customer base in the DSC segment given it is largely retail in nature and established relationship with reputed customer base and strong order book in the enterprise solutions segment. Further, the company has invested a total amount of ~INR 303mn in its overseas subsidiaries to increase its market share in the foreign market. At the upper end of the price band, the issue is valued at a P/E of 96x based on FY22 annualized sales, which we believe is fully priced. Therefore, we suggest investors to "Avoid" this issue.

Issue Details	
Offer Period	20 th May - 24 th May 2022
Price Band	INR.243 to INR.256
Bid Lot	58
Listing	BSE&NSE
Issue Size (no. of shares in mn)	16.1
Issue Size (INR. in bn)	4.13
Face Value	5

Issue Structure	
QIB	50 %
NIB	15 %
Retail	35 %
BRLM	IIFL Securities, Yes Securities, Indorient Financial
Registrar	Link Intime India Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters	67.94%	52.47%
Pro-moterGroup	11.25%	8.56%
Public – Selling S/h	2.34%	1.33%
Public	10.03%	29.88%
Employee Trust	8.44%	7.76%
Total	100%	100%

(Assuming issue subscribed at higher band)

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Income Statement (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Revenue				
Revenue from operations	1,016	1,165	1,316	1,372
Total Revenue	1,016	1,165	1,316	1,372
Expenses				
Operating expenses	111	131	129	82
Purchase of stock-in-trade	204	259	180	272
Changes in stock of finished goods	1	(12)	8	(14)
Employee benefit expenses	259	292	417	349
Other expenses	120	175	183	191
Total Operating Expenses	694	845	917	879
EBITDA	322	319	399	493
Depreciation and amortisation expense	85	86	88	101
Other income	1	3	9	11
EBIT	238	237	320	402
Exceptional items	19	-	-	-
Finance Costs	3	7	8	35
Profit before tax	216	230	312	367
Current tax	41	42	52	67
Deferred Tax Charge/ (charge)	1	4	6	(3)
Total Tax	42	46	58	64
PAT	174	184	254	303
Diluted EPS	2.2	2.4	3.2	3.9

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Cash flow from operating activities	168	232	409	226
Cash flow from investing activities	(320)	(287)	(471)	(301)
Cash flow from financing activities	105	123	47	134
Net increase/(decrease) in cash and cash equivalents	(48)	69	(15)	59
Cash and cash equivalents at the beginning of the period	71	23	92	77
Cash and cash equivalents on acquisition of subsidiary	-	-	-	-
Cash and cash equivalents at the end of the period	23	92	77	136

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Liabilities				
Share capital	351	351	351	351
Other equity	406	571	723	1,054
Non-controlling interests	-	9	93	10
Net worth	756	931	1,166	1,415
Borrowings	188	262	221	222
Lease liabilities	-	-	128	113
Other non-current liabilities	18	16	15	6
Provisions	19	22	33	23
Deferred tax liabilities (net)	3	8	14	10
Total Non current liabilities	229	308	410	374
Borrowings	77	125	87	225
Lease liabilities	-	-	26	23
Trade payables	46	78	35	160
Other financial liabilities	24	45	66	117
Other current liabilities	30	40	36	41
Provisions	33	61	93	185
Total Current liabilities	210	349	343	752
Total Liabilities	1,195	1,587	1,919	2,541
Assets				
Property, plant & equipment	150	150	657	662
Right-of-use asset	-	-	134	112
Capital work in progress	218	405	45	219
Goodwill	-	52	53	21
Other intangible assets	466	423	402	489
Financial assets				
(i) Investments	2	1	138	-
(ii) Other non-current assets	10	23	37	84
Total Non Current Assets	845	1,053	1,466	1,586
Inventories	3	15	7	22
Investments	-	1	1	-
Trade receivables	213	234	149	532
Cash and cash equivalents	23	92	77	136
Loans	31	31	31	31
Others current assets	79	162	188	234
Total Current Assets	350	535	453	955
Net Current Assets	140	186	110	203
Total Assets	1,195	1,587	1,919	2,541

Source: RHP, BP Equities Research

Key Risks

- ⇒ The company are dependent on one channel partner for a significant portion of their revenues and a loss of such partner could adversely affect their business, financial condition and results of operations.
- ⇒ If their solutions fail to perform properly due to defects, delays or similar problems, and if they fail to develop enhancements to resolve any defect or other problems, they could lose customers, become subject to service performance or warranty claims or incur significant costs.
- ⇒ Their expansion into new product categories and an increase in the number of products offered by the company may expose them to new challenges and more risks .



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Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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