

### Company Overview

Tracxn Technologies Limited is a business and market intelligence data provider for private companies. The company's extensive global database, customized solutions, and features allow its customers to source and track companies across sectors and geographies to address their requirements. The business is one of the top five global players in terms of the number of companies listed that provide data on private market enterprises across industries and geographies. The company operates a Software as a Service ("SaaS")-based platform called Tracxn, which, as of June 30, 2022, has scanned over 662 million web URLs, and profiled over 1.84 million entities over 2,003 Feeds. The company has an asset-light business model and the platform has 3,271 Users across 1,139 Customer Accounts in over 58 countries, as of June 30, 2022, which includes several Fortune 500 companies and/or their affiliates. The company offers its customers data of private companies for deal sourcing, identifying M&A targets, deal diligence, analysis, and tracking emerging themes across industries and markets, among other uses, through its subscription-based platform. The company particularly focuses on the global emerging technology sector, providing its user's detailed profiles of companies, including information on funding rounds and acquisition-related information, taxonomies and market maps, global competitor benchmarking, financial information, valuation and capitalization tables, employee count, investor profiles, competitor mapping, information on founders, key team members, and board members, company and sector-specific reports, and news events.

### Objects of the issue

The following uses will be made of the IPO proceeds:

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

### Investment Rationale

#### Growth of Private Equity Firms/Funds

There is a constant growth in the number of PE firms globally as more and more private companies and start-ups are incorporated. Private equity businesses' Asset Under Management (AUM) has significantly expanded. As a result, the private equity market has seen an infusion of new participants who wish to target high-growth private market companies. Globally, PE firms are renowned for their use of manual analytics approaches and numerous paper-based processes and procedures. PE firms are required to expand digitally by the changing environment and intense competition in the investment space. The company caters to such PE firms by providing market intelligence, deal sourcing, identifying M&A targets along with tracking emerging themes across industries and markets.

#### High Technology-based platform developed with continuous research

The company's platform i.e Tracxn is a highly advanced tech-based platform developed by its in-house team. The platform, which uses both technology and human analysts, can process enormous amounts of data. For hosting on cloud infrastructure, the platform has been created and constructed primarily using cutting-edge technology. The platform already has profiled over 1.84 million entities and also adds approximately 1000+ entities on a daily basis. The platform's uptime percentage was 99.99% throughout Fiscal 2022 and 100% during the three months that concluded on June 30, 2022. Also for gathering private market data, the company has developed a data engine that scans 500+ million web domains in the back-end.

### Valuation and Outlook

The general growth in the private markets and rising need for accurate data on private companies put Tracxn Technologies in a strong position to further expand its reach. The company has a strong customer base due to its global presence which includes Fortune 500 companies. The in-house developed platform is technologically advanced along with scalable and secure. The company's repeat customer rate currently stands at 74% of its customer base. The company has a cost advantage due to the majority of its operations being based in India. However, the company was loss-making in FY22 with a high risk from the fluctuations in foreign currencies and stiff competition on a global level. On the upper end of the price band, the issue is valued at a PE of 285x based on FY23 annualised earnings, which we believe is aggressively priced. As company is loss making, we are not comfortable with current valuation which is being offered, we suggest investors to "AVOID" this issue.

### Issue Details

Offer Period	10 <sup>th</sup> Oct – 12 <sup>th</sup> Oct 2022
Price Band	INR.75 to INR.80
Bid Lot	185
Listing	BSE&NSE
Issue Size (no. of shares in mn)	38.672
Issue Size (INR. in bn)	3.09
Face Value	1

### Issue Structure

QIB	75%
NIB	15%
Retail	10%
BRLM	IIFL Securities Limited
Registrar	Link Intime India Private Limited

Particulars	Pre Issue %	Post Issue %
Promoter	50.93%	35.65%
Public (selling S/)	36.42%	13.14%
Public	12.66%	51.21%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



## Income Statement (INR in thousands)

Particulars(Rs in thousands)	Q1FY23	FY22	FY21	FY20
<b>Revenue</b>				
Revenue from Operations	1,84,045	6,34,535	4,37,787	3,73,342
<b>Total Revenue</b>	<b>1,84,045</b>	<b>6,34,535</b>	<b>4,37,787</b>	<b>3,73,342</b>
<b>Expenses</b>				
Employee benefit expenses	1,61,704	5,85,710	5,38,131	5,12,792
Other expenses	20,489	67,981	70,240	85,019
<b>Total Operating Expenses</b>	<b>1,82,193</b>	<b>6,53,692</b>	<b>6,08,371</b>	<b>5,97,811</b>
<b>EBITDA</b>	<b>1,852</b>	<b>(19,157)</b>	<b>(1,70,584)</b>	<b>(2,24,469)</b>
Depreciation and amortisation expense	249	1,457	2,523	5,649
Other income	6,756	17,044	1,19,631	(3,10,210)
<b>EBIT</b>	<b>8,359</b>	<b>(3,569)</b>	<b>(53,477)</b>	<b>(5,40,328)</b>
Finance costs	-	-	-	-
Exceptional Item	-	44,908	-	-
<b>PBT</b>	<b>8,359</b>	<b>(48,477)</b>	<b>(53,477)</b>	<b>(5,40,328)</b>
Current tax	-	-	-	-
Deferred Tax charge	-	-	-	-
MAT Credit reversed/(availed)				
<b>Total tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PAT</b>	<b>8,359</b>	<b>(48,477)</b>	<b>(53,477)</b>	<b>(5,40,328)</b>

## Cash Flow Statement (INR in thousands)

Particulars (Rs in thousands)	Q1FY23	FY22	FY21	FY20
Cash Flow from operating activities	15,673	5,586	(60,597)	(1,53,940)
Cash flow from investing activities	(28,338)	8,428	54,568	(58,149)
Cash flow from financing activities	-	-	1,873	2,09,461
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(12,665)</b>	<b>14,014</b>	<b>(4,156)</b>	<b>(2,628)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>31,868</b>	<b>18,008</b>	<b>22,956</b>	<b>24,990</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>19,405</b>	<b>31,868</b>	<b>18,008</b>	<b>22,956</b>

Source: RHP, BP Equities Research



## Tracxn Technologies Ltd.

IPO Note

## Balance Sheet (INR in thousands)

Particulars	Q1FY23	FY22	FY21	FY20
<b>Equity and Liabilities</b>				
Share Capital	1,00,310	1,00,310	1,107	1,107
Instruments entirely equity in nature			7,853	919
Other Equity	1,29,509	1,06,101	2,13,271	(13,54,453)
<b>Net worth</b>	<b>2,29,819</b>	<b>2,06,411</b>	<b>2,22,232</b>	<b>(13,52,427)</b>
Financial Liabilities				16,91,670
Contract Liabilities	1,071	1,112	940	
Employee Benefit Obligations	34,775	34,159	27,852	31,919
<b>Total Non Current Liabilities</b>	<b>35,846</b>	<b>35,272</b>	<b>28,792</b>	<b>17,23,589</b>
<b>Current Liabilities</b>				
Trade Payables	6,546	6,648	14,157	4,566
Other Financial Liabilities	1,731	1,862	1,421	1,140
Contract Liabilities	2,59,957	2,54,358	1,94,112	1,24,634
Employee Benefit Obligations	16,693	16,151	12,980	10,375
Other current liabilities	17,239	19,445	10,894	11,879
<b>Total Current Liabilities</b>	<b>3,02,165</b>	<b>2,98,463</b>	<b>2,33,564</b>	<b>1,52,593</b>
<b>Total liabilities</b>	<b>3,38,011</b>	<b>3,33,734</b>	<b>2,62,356</b>	<b>18,76,182</b>
<b>Total Equity and Liabilities</b>	<b>5,67,830</b>	<b>5,40,145</b>	<b>4,84,587</b>	<b>5,23,755</b>
<b>Assets</b>				
Property, plant and equipment	3,390	2,671	2,675	5,742
Current Tax Assets(Net)	50,684	45,262	25,662	22,222
Other non-current assets			104	606
<b>Total Non current assets</b>	<b>54,074</b>	<b>47,933</b>	<b>28,441</b>	<b>28,570</b>
Investments	1,93,468	1,64,050	1,67,568	4,14,690
Trade Receivables	74,108	71,722	56,854	43,998
Cash and cash equivalents	19,405	31,868	18,008	22,956
Other Financial Assets	2,23,621	2,21,061	2,11,522	10,899
Other current assets	3,153	3,512	2,195	2,641
<b>Total Current Asset</b>	<b>5,13,756</b>	<b>4,92,213</b>	<b>4,56,146</b>	<b>4,95,185</b>
<b>Total Assets</b>	<b>5,67,830</b>	<b>5,40,145</b>	<b>4,84,587</b>	<b>5,23,755</b>

Source: RHP, BP Equities Research

**Key Risks**

- ⇒ If the company is unable to attract new customers, maintain its existing Customer Account base or expand Users within existing Customer Accounts of its platform, its revenue growth and profitability may be adversely affected.
- ⇒ The company derives, and expects to continue to derive all of its revenues from operations from subscription by customers of the Tracxn platform. If its customers do not renew or expand their subscriptions, or if they renew on less favourable terms, its future revenue and operating results may be adversely affected.
- ⇒ Any fluctuations in foreign exchange rates may have an impact on the company's profits generated from overseas markets.

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

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**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392