

JINANAND
Research Analyst

Stock Conviction
Tracxn Technologies Ltd
Data is the new oil



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SEBI Registration No.: INH000008215

October 18, 2023

Key Data	
Rating	Buy - Initiating New Buy
Sector	Services - Data Processing Services
Current Market Price	Rs. 73
Target Price	Rs. 97
Time Horizon	3 to 4 Quarters

Stock Data	
Shares Outstanding	10.25 crores shares
Market Capitalisation	Rs. 748 crores
52 Week High / Low	High Rs. 103 / Low Rs. 60
Face Value	Rs. 1
Exchange Code	NSE: TRACXN / BSE: 543638

Investment Highlights

- ❖ Tracxn is among the leading global B2B information service / market intelligence provider for private company data and rank among the top five players globally in terms of number of companies profiled across sectors and geographies. They have one of the largest coverage of private companies in emerging technology sectors including IoT, artificial intelligence, virtual reality, robotics, block chain and electric vehicles.
- ❖ Tracxn offer customers private company data for deal sourcing, identifying Mergers & Acquisitions targets, deal diligence, analysis and tracking emerging themes across industries and markets, among other uses, through their subscription-based platform, Tracxn.
- ❖ Tracxn customers include private market investors, venture capital funds, PE investors, investments bankers, corporates, government agencies, universities, start-up accelerators and incubators.
- ❖ Tracxn launched their platform in 2015 with a particular focus on the global emerging technology sector, providing users with detailed profiles of companies including detailed information of funding rounds and acquisition related information, taxonomy and market maps, global competitor benchmarking, financial information, valuation and capitalization tables, employee count, investor profiles, competitor mapping, information about founders, key team and board member, company and sector specific reports and news events.
- ❖ Tracxn serve customers globally with nearly 70% of their revenue coming from international customers. Since their entire operations are based out of

India they enjoy a significant cost advantage because they make-in-India while selling globally. Also, since the subscription fee is collected on pre-paid basis, the business has a negative working capital.

- ❖ The unique aspect of Tracxn is the intellectual property (IP) that they have generated. With the available data/information, they effectively slice and dice the data to generate unique valuable insights. Tracxn with the help of several technology concepts like analytics, Artificial Intelligence and Machine Learning utilizes the available information or data to the fullest extent and generates insights that provide critical or intrinsic information.
- ❖ Platform type information service model provided by Tracxn is highly robust with real-time information update at the backend. It provides information in advanced visual analytics that makes data presentation more appealing. On such platforms users are free to slice and dice data and run their own analytics.
- ❖ The key growth drivers for the company are globalization of business, need for better business decision making by investors, platform approach provided by Tracxn where users get advanced keyword search option, per month / per user subscription based pricing model, growing digitization of information and cost and time saving by subscribers.
- ❖ Tracxn mine information from over 700 million web domains at the backend and add over around 60 million new web domains every year. They extract and process data across these millions of pages to identify interesting companies across sectors every day.
- ❖ In FY2023, Tracxn had over 9 million organic visits across their website, which is approx. 19X increase between FY20 and FY23.
- ❖ Tracxn provide proprietary and detailed industry taxonomy for the private market sectors and companies. Taxonomy helps map the industry, sector, sub-sector, technology and business model for the companies; and also provides a top-down map of all the sectors. Each of the 24 industries is mapped into over 2400 sectors, and these sectors are further split into more than 52000 taxonomy nodes. As of March 31, 2023 Tracxn had over 2.1 million companies with taxonomy mapping. Every day over 1400 companies are added onto the platform and mapped to their corresponding nodes through a mix of inputs from technology and sector-based analysts.
- ❖ Tracxn enjoys high operating leverage. Post the initial investment in building the technology platform, data and workflow software, the cost to serve incremental customers is very low and hence the significant portion of

incremental revenue goes into bottom-line. It has been observed that for the FY20 to FY23, the revenue grew at a CAGR of 28% while the total expense grew only at 8% leading to margin expansion.

- ❖ The EBITDA and PAT margins have been continuously increasing for the last 3 financial years. In FY23, the EBITDA margin expanded by 6.3% and the PAT margin expanded by 7.4% YoY. The company had a positive EBITDA of Rs. 2.57 Cr and a positive PAT of Rs. 5.34 Cr. The free cash flow also increased by 143% YoY from Rs. 4.90 Cr to 11.90 Cr. Cash & cash equivalents have been increasing continuously and at the end of FY23 it stood at Rs. 60.30 Cr, a 32% increase YoY. Looking at all these positives we expect the price to go to Rs 97, an increase of 32% in next 3 to 4 quarters.

Catalyst

- ❖ Private Market, Asset Under Management (AUM) has grown from 3.4 USD trillion in 2015 to 10.2 USD Trillion in 2022 giving a CAGR of 17%. It is estimated to be 12.5 USD Trillion by 2025 according to Frost and Sullivan analysis. Growth in private market AUM is mostly driven by increased focus of private equity (PE) firms and venture capital (VC) firms who look to enhance their investments in private companies even as the numbers of private companies continue to grow every year.

Challenges

- ❖ Data needs to be continuously updated in these types of services. Failing to do so can result in businesses out-dated data which in-turn can be of no assistance to user businesses.
- ❖ As some of the information remains private to businesses, there could be possibilities that the information being looked for may not be available for businesses.
- ❖ Since this market deals with critical company information or market information, the rights to share data is reserved with the company owning it. This could be another challenge for B2B information services market.

Believe it or not!

- ❖ 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 compound annual growth rate of around 6.16% according to Frost and Sullivan estimates.
- ❖ Tracxn has been fortunate to get a backing of some marquee angel investors like Mr. Ratan Tata, NRJN Family Trust, Sachin Bansal & Binny Bansal (Flipkart), Sahil Barua (Delhivery) & Suresh Mathrubootham (Freshworks).

Quarterly Updates

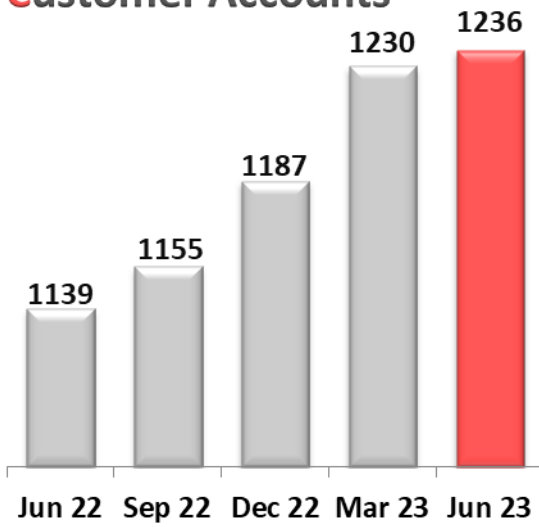
Quarterly P&L (crores)	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23
Revenue from Operations	18.40	19.11	20.25	20.34	19.82
Employee Cost	16.17	16.25	16.98	17.58	17.38
Other Expenses	2.05	1.96	2.48	2.07	2.43
Total Expenditure	18.22	18.21	19.46	19.64	19.80
% of Sales	98.99	95.31	96.08	96.58	99.92
EBITDA	0.19	0.90	0.79	0.70	0.02
EBITDA Margin (%)	1.01	4.69	3.92	3.42	0.08
Depreciation	0.02	0.04	0.06	0.07	0.04
EBIT	0.16	0.85	0.74	0.63	-0.03
Finance Cost	0.00	0.00	0.00	0.00	0.00
Other Income	0.68	0.97	0.70	0.73	0.95
PBT	0.84	1.83	1.43	1.36	0.92
Tax Expense	0.00	0.00	0.00	-23.14	0.23
PAT	0.84	1.83	1.43	24.50	0.69
Earnings Per Share (Rs.)	0.08	0.15	0.62	2.44	0.07

Quarterly Highlights	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23
Average Employees	815	818	856	892	825
Deferred Revenue Growth (%)	27.00	23.00	21.00	15.00	17.00
Contract Price (cr)	18.90	17.80	23.10	22.40	21.40
Free Cashflow (cr)	1.50	5.30	7.80	11.90	0.60
Cash & Cash Equivalents (cr)	47.80	52.40	55.40	60.30	61.90

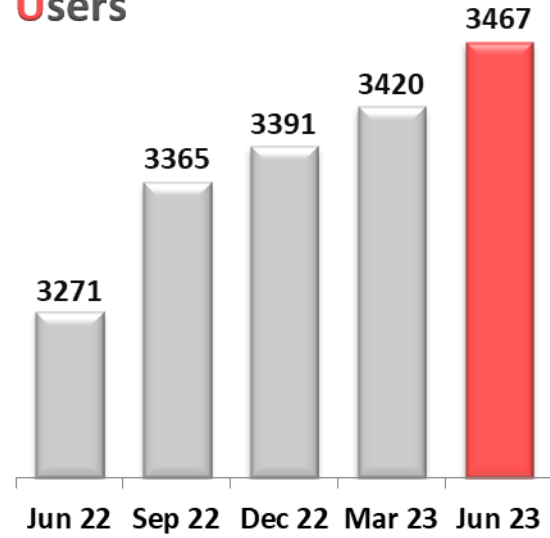
- ❖ The total revenue is Rs. 19.82 Cr in Q1FY24 as compared to Rs. 18.40 Cr in Q1FY23 Cr (+7.70% YoY). The incremental revenue has been offset by increase in employee and overhead expenses. Employee expenses account for 88% of total expenses.
- ❖ The revenue from International accounts is 66% whereas from India it is 34%.
- ❖ The deferred revenue is Rs. 30.70 Cr in Q1FY24 as compared to Rs. 26.10 Cr in Q1FY23 (+17.60% YoY).
- ❖ The platform engagement looks healthy and increasing. In last 8 quarters the usage (customer exports & myanalyst queries) has been nearly doubled from 16327 in Q1FY22 to 31892 in Q1FY24.
- ❖ The customer accounts (net additions) have been only 6 in Q1FY24 as compared to 47 in Q1FY23.
- ❖ The company has currently covered private company financials across 15+ countries and captables across 10+ countries.

Quarterly Charts

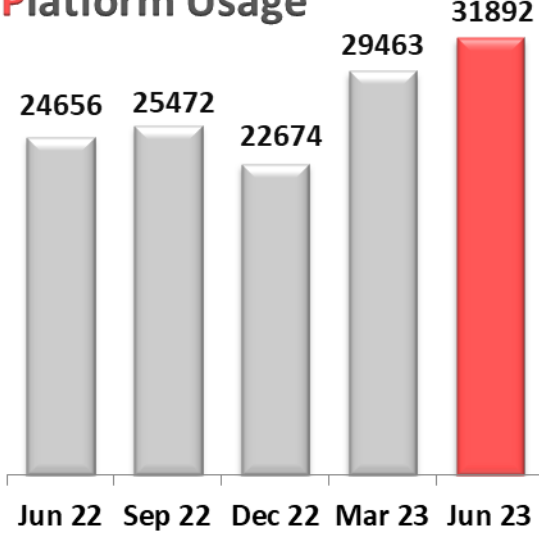
Customer Accounts



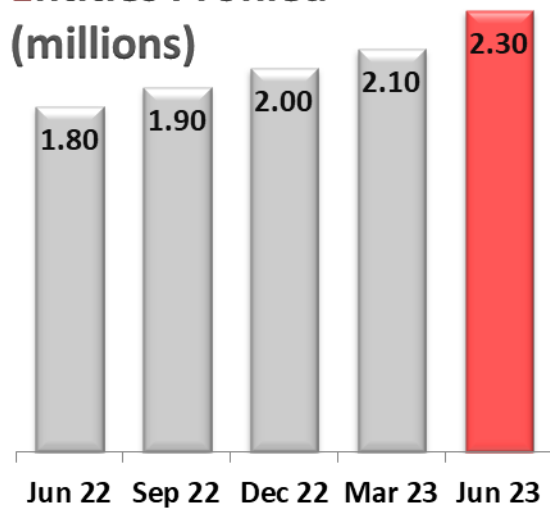
Users



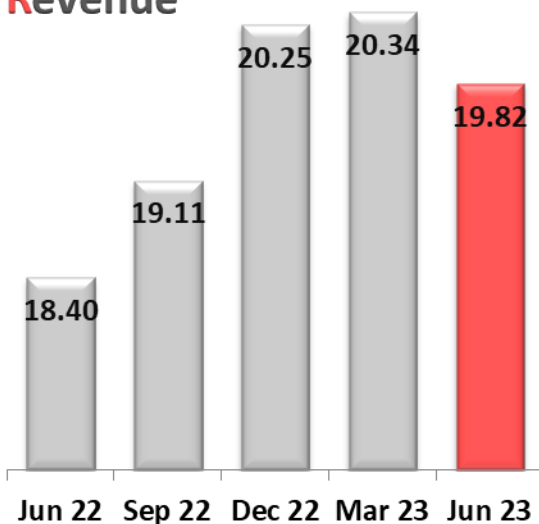
Platform Usage



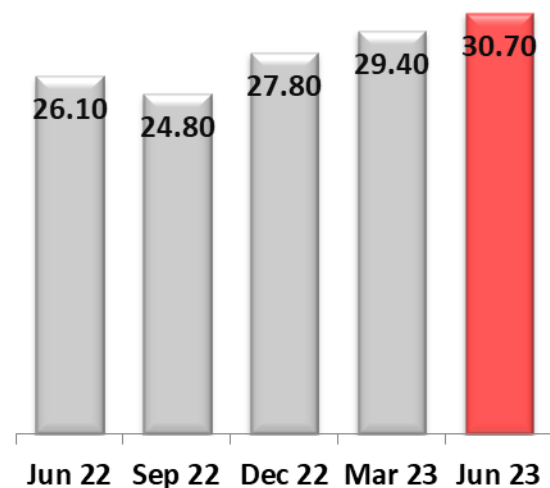
Entities Profiled (millions)



Revenue



Deferred Revenue



Financials (Consolidated)

Balance Sheet (crores)	Mar 19	Mar 20	Mar 21	Mar 22	Mar 23
Equity Share Capital	0.11	0.11	0.11	10.03	10.03
Preference Share Capital	0.71	0.78	0.79	0.00	0.00
Reserves and Surplus	24.40	28.27	21.33	10.61	49.66
Networth	25.22	29.17	22.22	20.64	59.69
Interest Bearing Liabilities	0.00	0.00	0.00	0.00	0.00
Contract Liabilities	0.00	0.00	0.09	0.11	0.26
Other Liability	1.86	3.19	2.79	3.42	2.79
Non-Current Liabilities	1.86	3.19	2.88	3.53	3.05
Interest Bearing Liabilities	0.00	0.00	0.00	0.00	0.00
Contract Liabilities	0.00	0.00	19.41	25.44	29.16
Trade Payables	0.36	0.44	1.42	0.66	0.91
Other Liability	10.88	14.57	2.53	3.75	4.49
Current Liabilities	11.24	15.01	23.36	29.85	34.56
Equity & Liabilities - Total	38.32	47.37	48.46	54.01	97.30
Net Fixed Assets	1.12	0.57	0.27	0.27	0.36
Intangible Assets	0.00	0.00	0.00	0.00	0.00
Other Assets	3.23	2.97	2.58	4.53	26.05
Non-Current Assets	4.36	3.54	2.84	4.79	26.41
Cash & Cash Equivalents	2.50	2.30	1.80	3.19	2.63
Investments	26.82	36.71	16.76	16.40	37.38
Trade Receivables	3.78	4.05	5.69	7.17	9.77
Other Assets	0.86	0.76	21.37	22.46	21.11
Current Assets	33.96	43.82	45.61	49.22	70.88
Assets - Total	38.32	47.37	48.46	54.01	97.30

- ❖ The Networth of the company has grown from Rs. 25.22 Cr in FY2019 to Rs. 59.69 Cr in FY2023 giving a CAGR of 24.03% .
- ❖ There is no interest bearing liabilities either short term or long term in the books of the company since inception.
- ❖ The company has an asset-light business model and operates Software as a Service (“SaaS”) based platform.
- ❖ The cash and cash equivalents have been increasing continuously and at the end of Q1FY24 it stood at Rs. 61.90 Cr.

Financials (Consolidated)

P&L Account (crores)	Mar 19	Mar 20	Mar 21	Mar 22	Mar 23
Revenue from Operations	33.19	37.33	43.78	63.45	78.11
Employee Cost	47.79	51.85	53.81	58.57	66.98
Other Expenses	7.57	8.62	7.02	6.80	8.55
Total Expenditure	55.37	60.46	60.84	65.37	75.53
% of Sales	166.83	161.96	138.96	103.02	96.71
EBITDA	-22.18	-23.13	-17.06	-1.92	2.57
EBITDA Margin (%)	-66.83	-61.96	-38.96	-3.02	3.29
Depreciation	0.65	0.56	0.25	0.15	0.19
EBIT	-22.83	-23.70	-17.31	-2.06	2.38
Finance Cost	0.00	0.00	0.00	0.00	0.00
Other Income	1.17	4.32	11.96	1.70	3.08
PBT	-21.66	-19.37	-5.35	-0.36	5.46
Tax Expense	0.00	0.00	0.00	0.00	-23.14
PAT before Exceptional Item	-21.66	-19.37	-5.35	-0.36	28.60
Exceptional Item	0.00	0.00	0.00	4.49	-4.49
PAT	-21.66	-19.37	-5.35	-4.85	33.09
Earning Per Share (Rs.)	0.00	-5.54	-1.52	-0.48	2.99

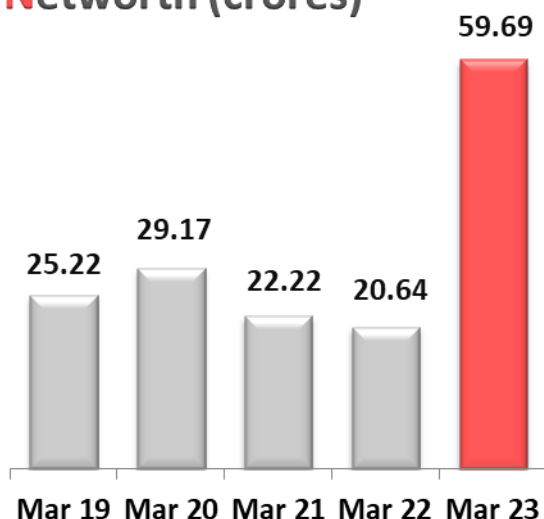
- ❖ The revenue of the company has grown from Rs. 33.19 Cr in FY2019 to Rs. 78.11 Cr in FY2023 giving a CAGR of 23.86%.
- ❖ The company major expense is employee cost, which is around 88% of total expense. Cloud hosting charges are the 2nd largest expense after employee cost.
- ❖ The actual PAT for the FY2023 comes to Rs. 5.34 Cr if we remove deferred tax assets adjustments of Rs. 23.26 Cr and IPO expense of Rs. 4.49 Cr. If one excludes non-cash ESOP expense of Rs. 5.41 Cr the PAT increases to Rs. 10.87 Cr.
- ❖ The company has turned EBITDA and PAT positive for the first time in FY2023.
- ❖ Since the company follows an asset-light business model, the depreciation amount is negligible.
- ❖ The deferred revenue of the company has grown from Rs. 19.50 Cr in FY2021 to Rs. 29.40 Cr in FY2023 giving a CAGR of 23%. In Q1FY2024 deferred revenue growth saw acceleration.

Financials (Consolidated)

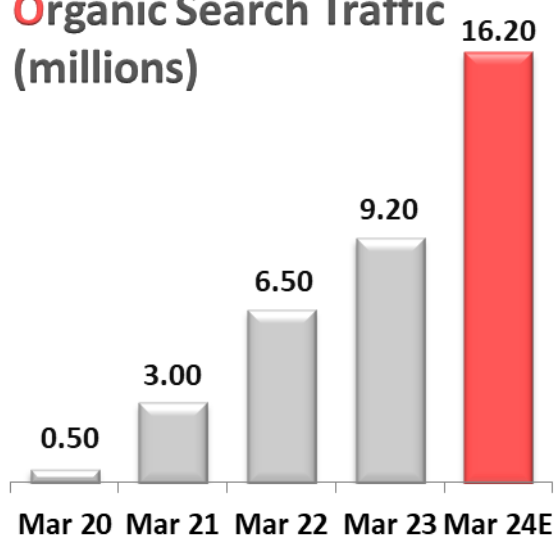
Cash Flow (crores)	Mar 19	Mar 20	Mar 21	Mar 22	Mar 23
Profit Before Tax	-21.66	-19.26	-5.35	-4.85	9.95
Depreciation	0.65	0.56	0.25	0.15	0.19
Other Operating Activities	2.33	-1.82	-9.47	2.13	2.89
Change in Working Capital	3.29	4.99	8.75	5.09	0.42
Total Tax Paid	-0.36	0.14	-0.24	-1.96	1.71
Cash Flow from Operating Activities (A)	-15.75	-15.39	-6.06	0.56	15.16
Capital Expenditure	51.64	55.87	0.01	-0.16	-0.28
Change in Investments	-35.17	-61.69	5.45	-0.05	-16.52
Other Investing Activities	0.00	0.05	0.00	1.06	1.02
Cash Flow from Investing Activities (B)	16.47	-5.76	5.46	0.84	-15.77
Equity/Preference Capital Raised	0.00	20.95	0.19	0.00	0.00
Debt Raised / Repaid	0.00	0.00	0.00	0.00	0.00
Other Financing Activities	0.00	0.00	-0.08	-0.02	0.06
Cash Flow from Financing Activities (C)	0.00	20.95	0.11	-0.02	0.06
Net Change in Cash (A + B + C)	0.72	-0.20	-0.49	1.39	-0.56

Yearly Charts

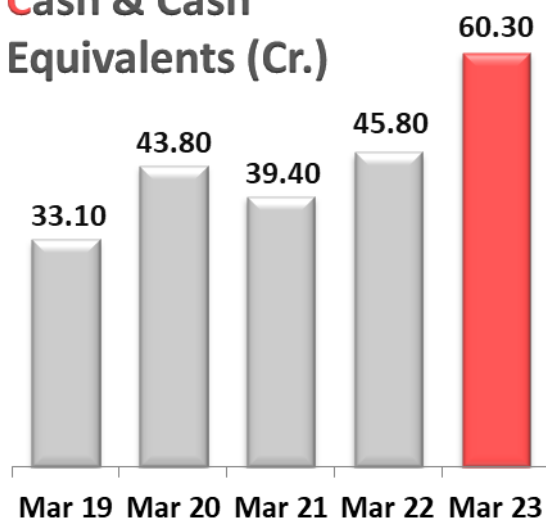
Networth (crores)



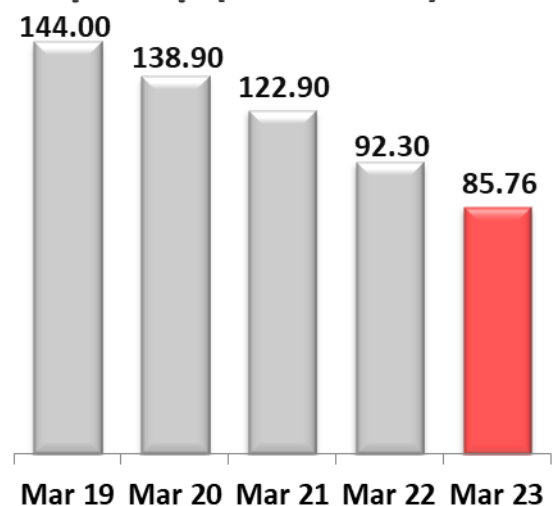
Organic Search Traffic (millions)



Cash & Cash Equivalent (Cr.)



Empl. Exp (% of Sales)



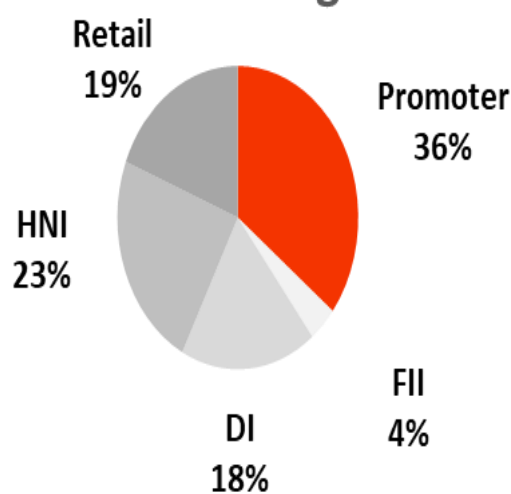
Shareholding Pattern

Shareholding (%)	Sep 22	Dec 22	Mar 23	Jun 23
Promoters	35.65	35.65	35.65	35.56
FII's	6.78	6.19	4.50	3.82
DII's	24.19	22.90	20.87	18.26
Public	33.37	35.26	38.98	42.36
TOTAL	100.00	100.00	100.00	100.00

Main Investors (%)	
Elevation Capital V Limited	10.90
Nippon Life - Smallcap Fund	7.56
ICICI Prud. Smallcap Fund	4.91
Seabright LI LTD	4.22
KB Global Platform Fund	3.73
Franklin (I) Smaller Co. Fund	2.54
Mukul Mahavir Agarwal	1.98
Timesquare Cap Mgmt. LLC	1.29
Prashant Chandra (KMP)	1.27
Nita Goyal	1.25
Kotak Pioneer Fund	1.24

Source: BSE

Shareholding Pattern



Key Managerial Personnel

Prashant Chandra is the Chief Financial Officer of the company. He holds a B.Tech from IIT Kanpur & MBA from IIM Lucknow. He has been associated with the company since Sep, 2013. He handles the financial and legal functions of the company. He has previously worked with Infosys Tech and Amdocs Development Centre India.

Amit Agarwal is the Chief Operating Officer of the company. He holds a B.Tech from MNNIT-Allahabad & MBA from XLRI. He has been associated with the company since March, 2017. He handles sales, customer success, analysis, human resources and data operations in the company. He had previously served at Amba Research, Emanation Advisors, Goldman Sachs and Centrum Broking.

Neeraj Chopra is the Chief Technology Officer of the company. He holds a MS from University of Pune. He has been associated with the company since May, 2014. He has previously worked with Amazon Development, Decho Technology, Arcot R&D Software and Roam Space Travel Solutions.

Bhaskar Sharma is the Chief Product Officer of the company. He holds a B.Tech from IIT Kharagpur & PGPM from ISB. He has been associated with the company since May, 2015. He has previously worked with CEAT, FlexAlgo and Nomura.

Board of Directors

Neha Singh, Chairperson and Managing Director

Neha holds a B.Tech & M.Tech from IIT Mumbai and MBA from Leland Stanford Junior University. She has previously served as an associate with The Boston Consulting Group (India) Pvt Ltd. and an investment analyst with Sequoia Capital India Advisors Pvt Ltd. In 2016, she was profiled as an 'Outstanding Woman' by Outlook Business, and as being amongst 'The 40 who matter in the Indian start-up ecosystem' by Mint. She was recognised as part of the '40 under 40' list by Fortune India in 2018 and 2019. She was also recognised as being amongst 'The Most Powerful Women', as part of the 'Rising Stars' category by Business Today in 2019.

Abhishek Goyal, Vice Chairman and Executive Director

Abhishek holds a B.Tech from IIT Kanpur. He has previously served as a consultant with 3i Infotech Ltd and Erasmic Consulting Pvt Ltd. and has also worked with organisations such as Amazon Development Centre (India) Pvt Ltd, Yahoo Software Development India Pvt Ltd, Accel India Management LLP and Andale Information Technologies Pvt Ltd. He has been recognised as part of the '40 under 40' list by Fortune India in 2018 and 2019.

Brij Bhushan, Independent Director

Brij holds a B.Tech from Maharshi Dayanand University & PGP from IIM Bangalore. He has previously worked with Bain, Flextronics, Infosys and Nexus India. He is the co-founder and chief executive officer of Samast Technologies Pvt Ltd.

Nishant Verman, Independent Director

Nishant holds a B.S. from University of Michigan & MBA from Northwestern University. He has previously worked with Flipkart Internet and Canaan Advisors. He is currently the chief executive officer of Overleap Networks Pvt Ltd.

Payal Goel, Independent Director

Payal holds a BA from University of Delhi & PGPM from ISB, Hyderabad. She has previously worked at Peepul Capital, Aspada Investment and Flipkart Internet. She is currently working as a corporate development manager at Google India Pvt Ltd.

Rohit Jain, Independent Director

Rohit holds a B.Tech from IIT Delhi & MS from University of North Carolina at Chapel Hill. He has previously worked with Microsoft Corporation, IBM India and Google India in software engineering and research roles. He has also worked as a principal at SAIF Advisors and is currently the managing partner of JSM Advisors.

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