

October 8, 2022

Among leading market intelligence providers for private company data

About the Company: Tracxn Technologies (Tracxn) is one of the leading global market intelligence providers for private company data and as per F&S, ranks among the top five players globally in terms of number of companies profiled offering data of private market companies.

- Tracxn has an asset light business model and operate a software as a service (SaaS) based platform. It offers customers private company data for deal sourcing, identifying M&A targets, deal diligence, analysis and tracking emerging themes across industries and markets, competitor bench marking, company and sector specific reports & news events, etc, through their subscription-based platform, Tracxn
- Revenue grew at CAGR of 30.4% in FY20-22 with ~70% revenue generated from international operations. Revenue growth was aided by growth in number of customers, which grew at 30% CAGR over FY20-22

Key triggers/Highlights:

- As per Frost & Sullivan, the total addressable market for private market data services is expected to grow at 12% CAGR in CY20-25 (resulting into market penetration of 65% in the next five years from current 50%)
- Private equity firms, venture capital firms and investment banking companies have been the biggest adopters of private data services. With growing users of private market data, the company is looking to capitalise on the opportunity by growing its customer base further. A good chunk of its business also comes from repeat business (74% retention) and the company is looking to capture that leg of growth as well
- The pricing has largely been stagnant over the last three years but with scale benefits in the future, we believe it could be one of growth levers in the medium to long term
- The company reported a profit only in Q1FY23 (minor). With operating leverage kicking in, profitability is likely to improve, going forward

What should investors do? Tracxn is one of the leading players providing private market data services with growing user base scaling the operations of the company. At the upper price band, it is valued at 240x P/E & 10.9x MCap/sales on Q1FY23 (annualised basis).

- We assign **UNRATED** rating to the IPO.

Key risk & concerns

- Attrition continues to remain at elevated levels
- Material defects or errors in the platform, could harm its business prospects
- The company uses open source software, which could be subject to litigations



IPO Details

Issue Details

Issue Opens	Oct 10, 2022
Issue Closes	Oct 12, 2022
Issue Size	₹ 309.38 crore
Fresh Issue	NIL
OFS	₹ 309.38 crore
Price Band	₹ 75-80
No. of shares (in crore)	3.87
QIB	75%
Non-Inst Bidders	15%
Retail	10%
Minimum Lot size (no. of shares)	185

Shareholding pattern (%)

	Pre-offer	Post-offer
Promoter	50.9	35.6
Public	49.1	64.4
Total	100.0	100.0

Objects of the issue

OFS	₹ 309.38 crore
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Key Financial Summary

(₹ Crore)	FY20	FY21	FY22	Q1FY23	2 Year CAGR (FY20-22) %
Net Sales	37.3	43.8	63.5	18.4	30.4
EBITDA	(22.4)	(17.1)	(1.9)	0.2	
EBITDA Margins (%)	(60.1)	(39.0)	(3.0)	1.0	
Net Profit	(54.0)	(5.3)	(4.8)	0.8	
EPS (₹)	(5.5)	(1.5)	(0.5)	0.1	
P/E (x)*	NM	NM	NM	239.9	
RoE (%)	NM	NM	NM		
RoCE (%)	NM	NM	NM		

Source: RHP, ICICI Direct Research, * P/E for Q1FY23 is on annualized

Company Background

Tracxn was incorporated in August 2012 by its founders Neha Singh and Abhishek Goyal. Tracxn is among the leading global market intelligence providers for private company data and ranks among the top five players globally in terms of number of companies profiled offering data of private market companies across sectors and geographies. It has one of the largest coverage of private companies in emerging technology sectors including IoT, artificial intelligence, virtual reality, robotics, blockchain and electric vehicles.

The company provides private company data for deal sourcing, identifying M&A targets, deal diligence, analysis and tracking emerging themes across industries and markets, through its subscription-based platform, Tracxn for its users. The platform was launched in 2015 and provides 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 capitalisation tables, employee count, investor profiles, competitor mapping, information about founders, key team and board member, company and sector specific reports and news events. Tracxn is among the few private market data service providers in the world to have proprietary taxonomy for technology sector companies & prepare market maps.

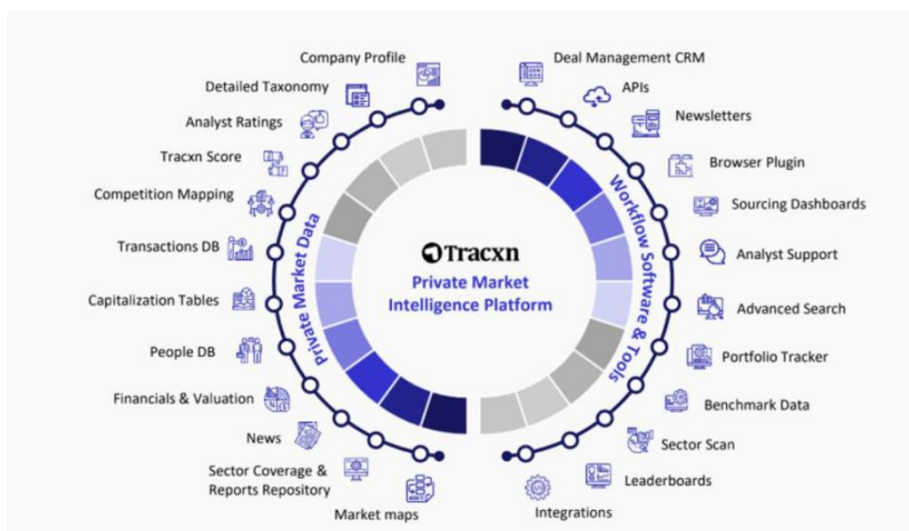
The company provides services to geographically diversified customers across the following segments:

- Private market investors and investment banks like venture capital funds, private equity (PE) investors and investment banks
- Corporates across industries
- Others like government agencies, universities, start-up accelerators and incubators

Some key clients of the company are Accel Management India LLP, growX Ventures Fund, Elevation Capital Limited & Kae Capital Management Pvt Ltd, Wipro, Lixil Corporation, Yamaha Motor Solutions India Pvt Ltd, Bank of Baroda & Tech City Ventures, UK.

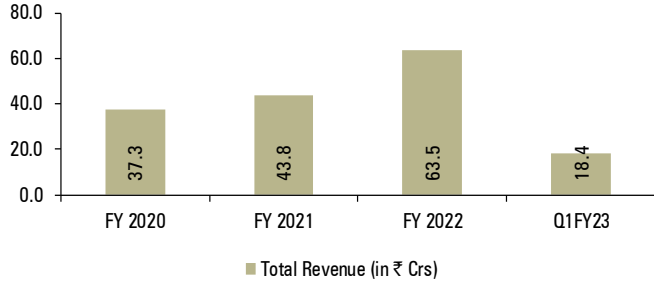
Exhibit 1: Company's Platform

Tracxn Platform



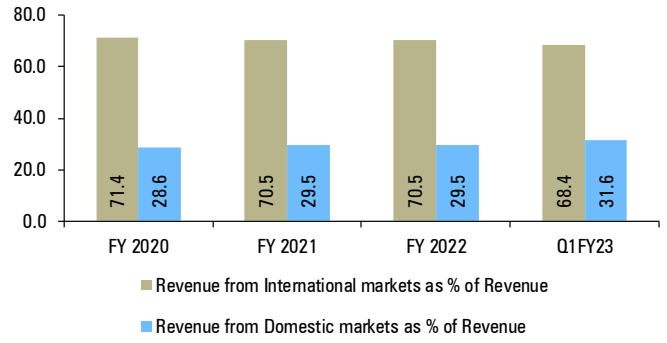
Source: RHP, ICICI Direct Research

Exhibit 2: Revenue grew at 30.4% CAGR over FY20-22



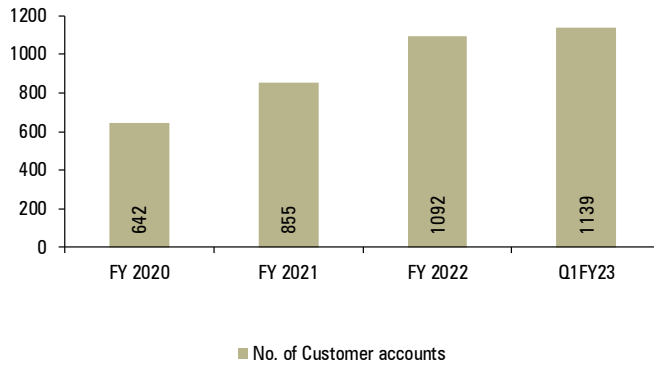
Source: RHP, ICICI Direct Research

Exhibit 3: International market contributes major revenue



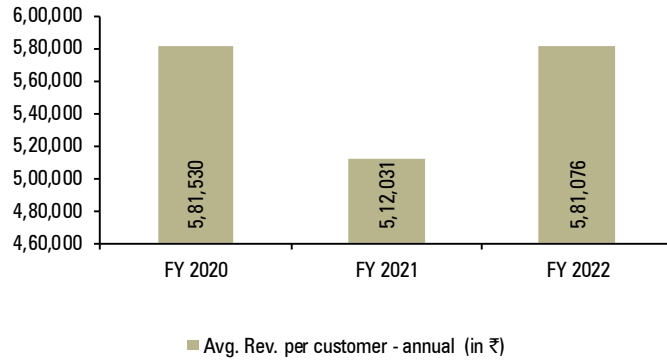
Source: RHP, ICICI Direct Research

Exhibit 4: Account addition aided growth over FY20-22



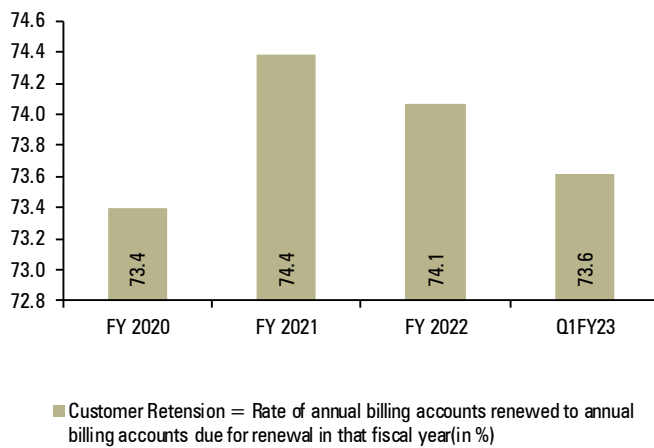
Source: RHP, ICICI Direct Research

Exhibit 5: While pricing remains largely stagnant



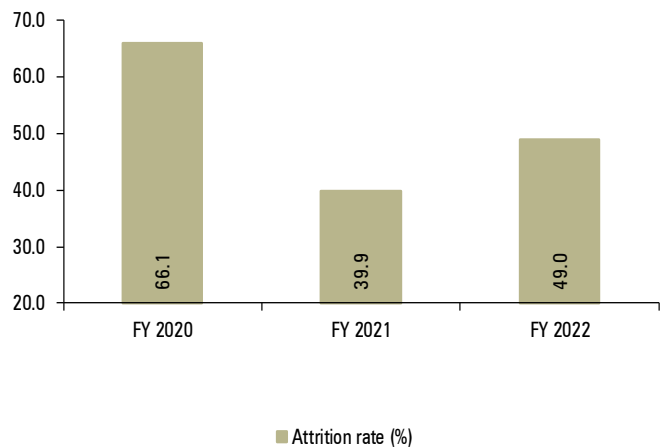
Source: RHP, ICICI Direct Research

Exhibit 6: It enjoys high retention



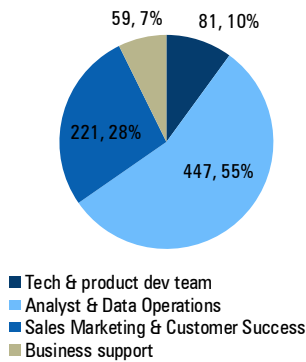
Source: RHP, ICICI Direct Research

Exhibit 7: With high annual attrition a concern



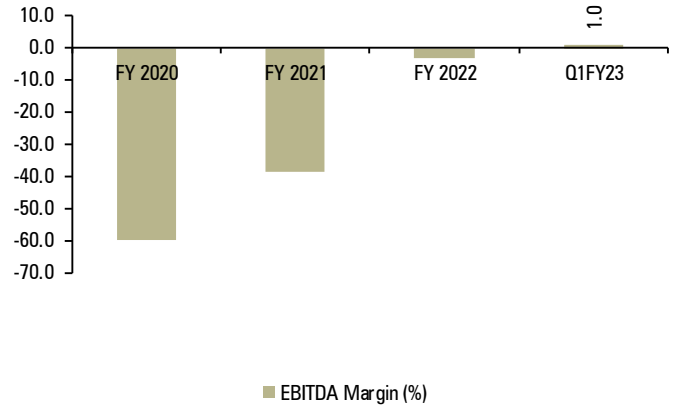
Source: RHP, ICICI Direct Research

Exhibit 8: Employee break-up as on June, 2022



Source: RHP, ICICI Direct Research

Exhibit 9: EBITDA losses till Q1FY23



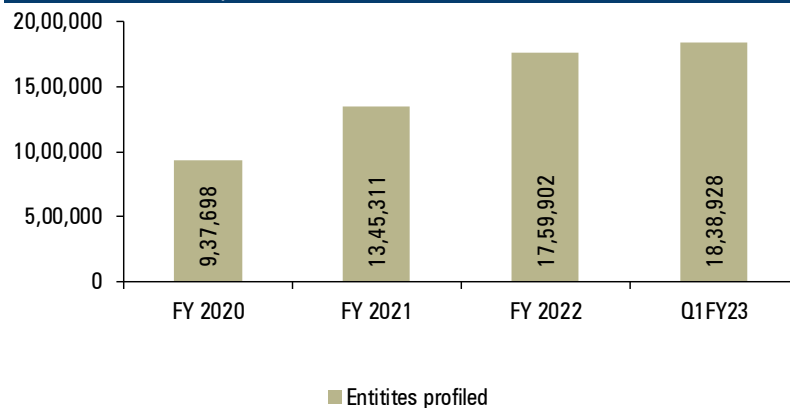
Source: RHP, ICICI Direct Research

Key Services Offered on platform

Private Company Data:

Tracxn provides extensive global database of private companies across sectors, geographies and stages. As of June 30, 2022, the company has profiled over 1.84 million entities across 2,003 feeds categorised across industries, sectors, sub-sectors, geographies, affiliations and networks globally. It offers analyst-curated profiles of private companies across various types of companies including private funded, private unfunded, public, acquired and dead pooled (i.e. entities that have shut down their operations). **Tracxn adds ~1200 companies every day to its database.**

Exhibit 10: Entities profiled increased at CAGR of 37% from FY20-FY22



Source: RHP, ICICI Direct Research

Emerging Technology Data

Tracxn provide one of the largest coverage of private companies in emerging technology sectors globally. The emerging technology sector coverage includes all the sectors tracked with comprehensive coverage of companies, detailed sector taxonomy, market map, sector trends, news and reports. Its detailed taxonomy tree also captures key sectors, technologies and business models within each industry. Each industry is divided into multiple sectors and further within each sector, multiple business models are mapped for its users.

Exhibit 11: Emerging technology sector



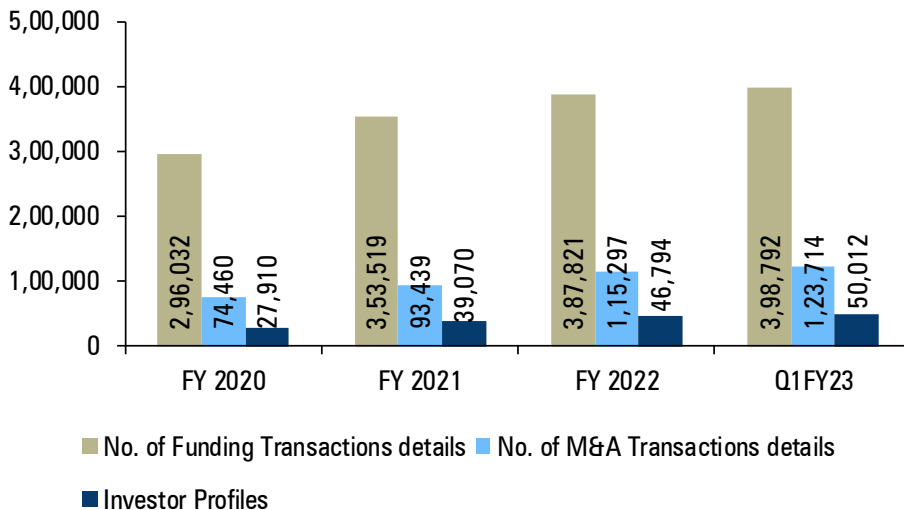
Source: RHP, ICICI Direct Research

Transactions & other data

Tracxn provides a comprehensive database of global private company transactions. The database covers private companies globally and provides information with respect to the following:

- Funding transactions,
- M&A transactions,
- Private company financials,
- Capitalisation tables,
- Fund and investor database
- Investment bank and facilitator database
- Company key team information including that of founders, board members and investors

Exhibit 12: Funding, M&A and Investor profile trends



Source: RHP, ICICI Direct Research

Industry Taxonomy

Tracxn provides proprietary and detailed industry taxonomy for the private market sectors and companies, with key focus on new-age emerging technology sectors. 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 44 industries are mapped into 2,003 sectors, and these sectors are further split into 49,922 taxonomy nodes.

Exhibit 13: Taxonomy nodes

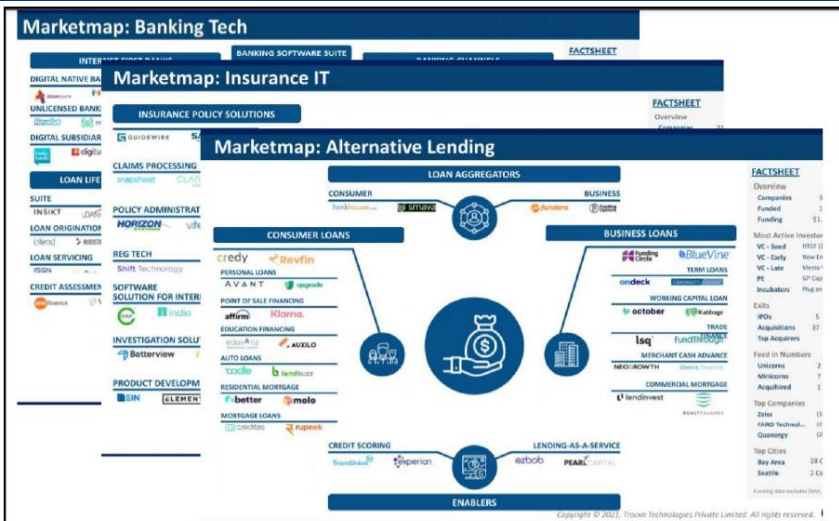


Source: RHP, ICICI Direct Research

Market maps

Market maps provide a quick visual overview of all emerging technology sectors, key sub-sectors and leading companies within a node or an industry. These maps are schematic representation with a factsheet containing sector overview, most active investors, exits, ratings, top companies and top geographies.

Exhibit 14: Taxonomy nodes

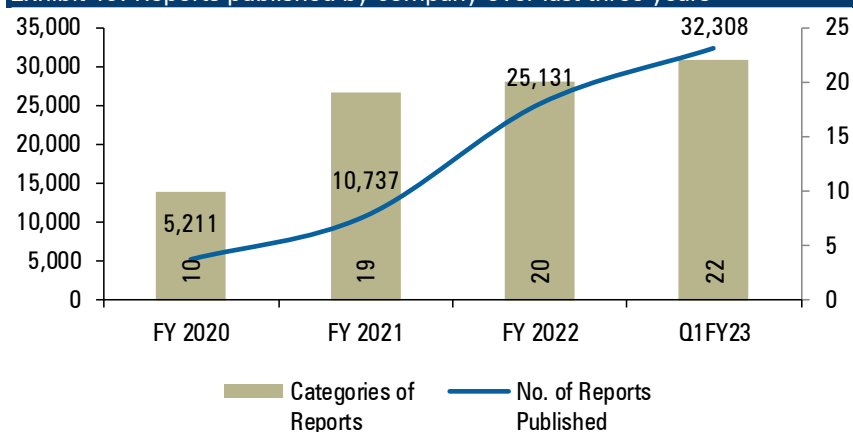


Source: RHP, ICICI Direct Research

Reports

Tracxn publishes more than 14,000 reports every year, which makes it one of the leading players providing large repository of reports globally across all emerging technology sectors. It publishes reports across multiple sectors, geographies, business models, emerging themes, investment activities and trends as well as fund wise mark-to-market reports which allows users to understand and be up to date on the start-up landscape as well as private market investment activity across various sectors. The reports are generated monthly and annually across various sectors and geographies.

Exhibit 15: Reports published by company over last three years



Source: RHP, ICICI Direct Research

Tracxn Score

Tracxn has developed an in-house rating system for 'investment attractiveness' of private companies. The score is based on various parameters and sub-scores across size, growth, execution, team, market and other parameters for each company. It is relative and updated real time based on new events and changes in any of the above specified metrics for the company or for its peers. "Tracxn Score" is available for a large number of entities that are profiled by the company on its platform.

Sources of Data

Tracxn highlighted following key sources of data

Online public information: Publicly available information on the internet such as company websites, fund websites etc.

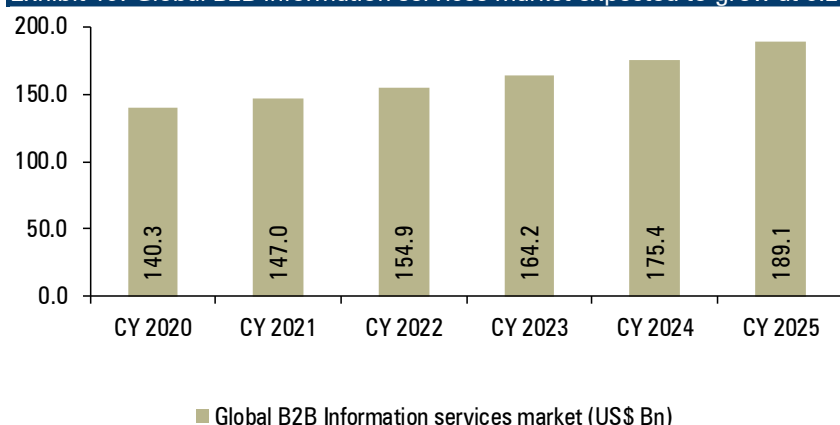
Regulatory filings: Data from regulatory filings that is available across various regulatory bodies under various statutes such as annual returns, investment related filings and other similar available information

Contributions: The company also receive contributions by company representatives, funds and investors

Industry Overview

The global B2B Information services market was worth about US\$140 billion (bn) in 2010 and is estimated to reach US\$190 bn by 2025 at CAGR of 6.2%.

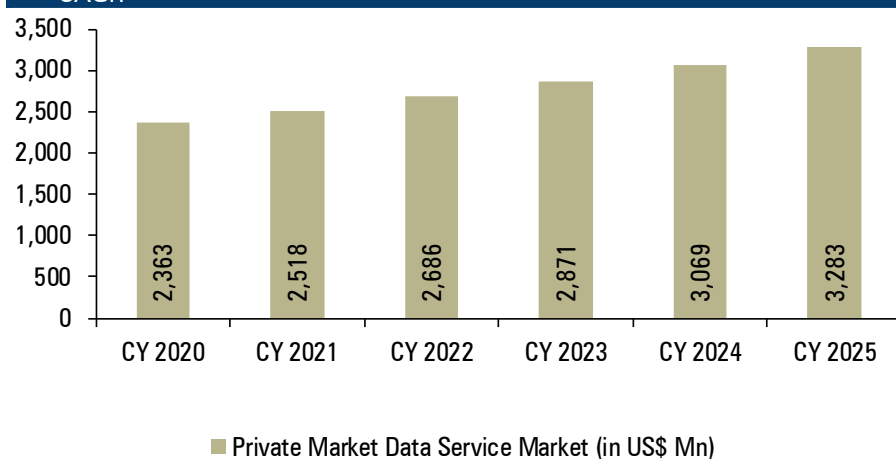
Exhibit 16: Global B2B Information services market expected to grow at 6.2% CAGR



Source: RHP, ICICI Direct Research

Private market data is a subset of B2B information services market. The total available Private Market data is the market that has not yet been fully penetrated and still has opportunities as there are many different PE, VC, M&A teams and public and private side research teams, which are getting incorporated but are not yet using private market data service. This market is expected to grow from US\$2.4 bn in CY20 to US\$3.3 bn in CY25 at a CAGR of 6.8%

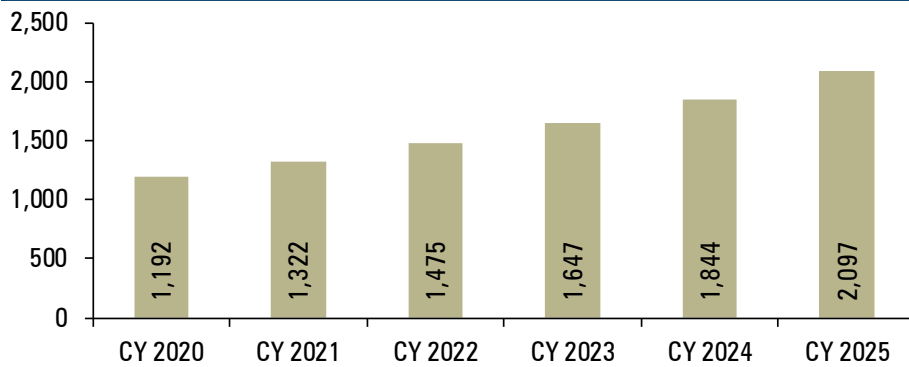
Exhibit 17: Available private market data services market expected to grow at 6.8% CAGR



Source: RHP, ICICI Direct Research

The total addressable market for private market data is the market that has been captured by private market data service providers. The providers are realising the revenue by serving the PE, VC and other investment firms who have been investing in private market data services. The total available market is depended on the pricing, the number of new investment firms incorporated every year & percentage of penetration that has happened in the market. As per Frost and Sullivan estimates, the market penetration in 2020 was at close to 52% and is expected to reach 65% in the next five years. Also, the market size of the total addressable market is expected to reach US\$ 2.1 bn in CY25 from US\$1.2 bn in CY20 at a CAGR of 12%.

Exhibit 18: Total addressable market for private market data services market expected to grow at CAGR of 12%



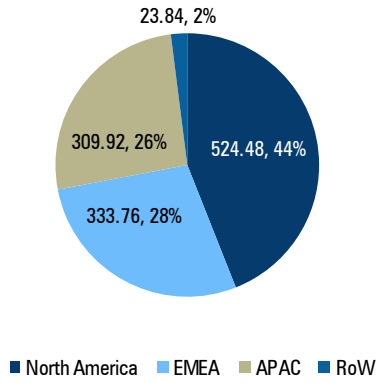
■ Addressable Market for Private Data services (in US\$ Mn)

Source: RHP, ICICI Direct Research

Region wise, North America is the biggest market contributing 44% of total revenue generated for private market data services providers in CY20 followed by EMEA & APAC regions with 28% and 26% revenue contributions, respectively. However, the APAC region is expected to soon surpass EMEA as Asia is one of the fastest growing regions witnessing highest number of business and investment activities.

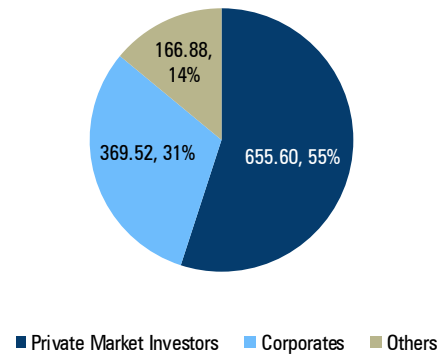
In terms of segments private market investors like PE firms, VC funds and investment bankers are largest contributors with 55% of revenue contributions as they are using the services for better decision making. Corporates contributes 31% of revenue as the M&A arm of corporates are on the lookout acquiring companies with disrupting or new technology to advance their offerings.

Exhibit 19: Break-up of US\$1,192 mn geography wise CY20



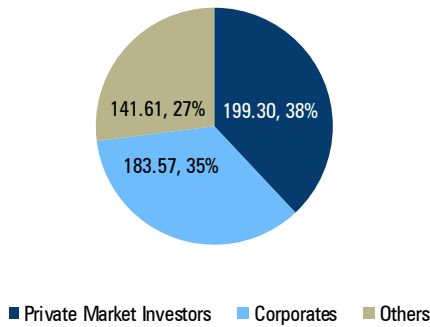
Source: RHP, ICICI Direct Research

Exhibit 20: Break-up user segment wise CY20



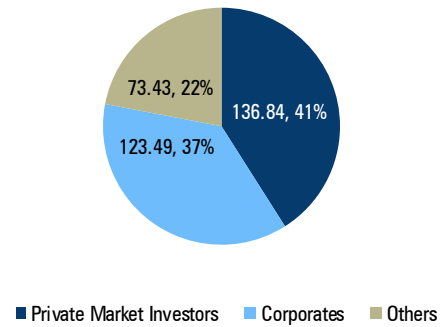
Source: RHP, ICICI Direct Research

Exhibit 21: Break-up of US\$524 mn North America market user segment wise - CY20



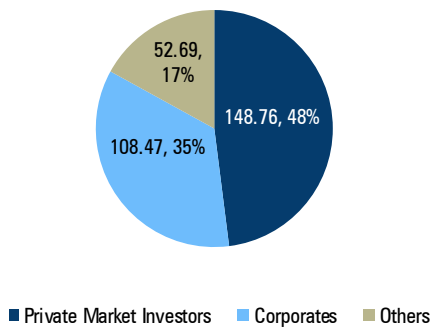
Source: RHP, ICICI Direct Research

Exhibit 22: Break-up of US\$334 mn EMEA market user segment wise - CY20



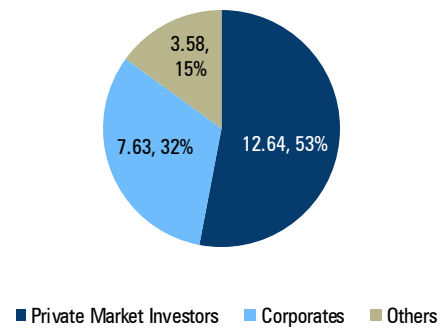
Source: RHP, ICICI Direct Research

Exhibit 23: Break-up of US\$310 mn APAC market user segment wise - CY20



Source: RHP, ICICI Direct Research

Exhibit 24: Break-up of US\$23 mn RoW market user segment wise - CY20



Source: RHP, ICICI Direct Research

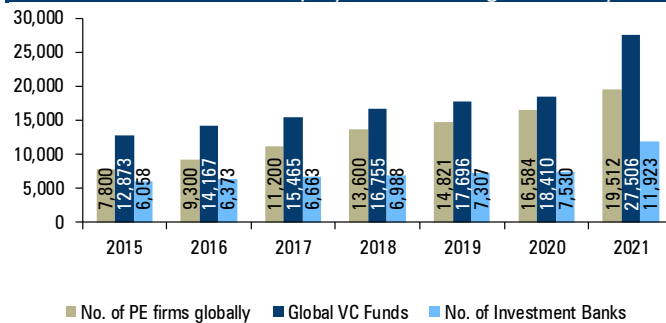
Key Strategies

Continue to grow account base

Private equity firms, venture capital firms and investment banking companies have been the biggest adopters of private market data services. Apart from them, the funding arms of M&A subsidiaries of large corporates are the next biggest users of private market data services. With the growing users of private market data, Tracxn intends to capitalise on the opportunity to serve the growing market by continuing to grow the customer base. Over the years, the number of private market players and deals by private market players is rising. Also, as per Frost & Sullivan the market penetration of the addressable market is expected to grow to 65% in the next five years, which will be a key driver for the company to grow its account base.

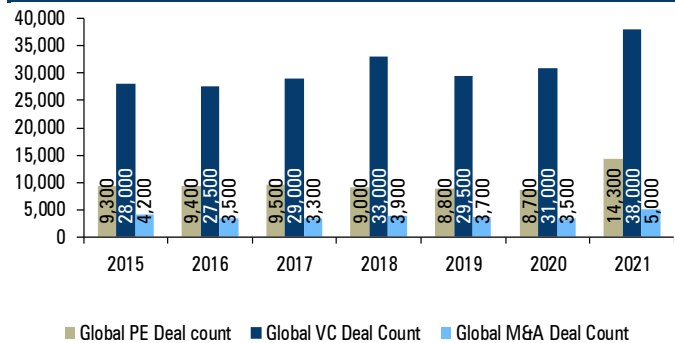
Tracxn has significantly grown its account base over the last three fiscal years, growing from 642 customer accounts in FY20 to 1092 customers in FY22 & 1139 customers in Q1FY23. The company historically incurred significant expenditure in expanding its sales and marketing team to increase customer acquisition and It intends to continue expansion of sales team to focus on further customer acquisitions. As part of its strategy to grow its account base, it also intends to participate in and undertake, event partnerships for media and industry events since it believe that this will help to market its platform to corporates that attend such events. The company will also focus on entering into channel partnerships for distribution of its service offerings. For expansion of its operations abroad, it intends to have additional sales and marketing representatives in those geographies to target new customers.

Exhibit 25: Private market players increasing over the years



Source: RHP, ICICI Direct Research

Exhibit 26: So is the deal count....



Source: RHP, ICICI Direct Research

Expand share of revenue among existing customers

The retention rate of the annual billing customers is strong for last three years at ~74% for the company. Few of the key customers like Wipro and Accel Management are customers of the company for over five years while eight of the top 10 customers are associated for over three years. The company intends to capitalise on this long standing relationship & plans to increase its revenue from its existing customers.

To achieve this goal, it intends to structure the pricing in a manner that services the customer's requirements and introduce tiered pricing and upsell features/subscriptions to its existing customers through differentiated offerings. It also intends to follow a three pronged approach that includes growing the number of users within an account, generating additional data downloads and adding more customer accounts or different teams within an organisation

Pricing

The company believes that pricing could be one of the growth levers in medium to long term. The company's average revenue per customer has remained stagnant at around ₹ 5.8 lakh over the last three years. It had indicated that current focus remains on accounts growth for the near term. Tracxn's pricing is fairly priced among its peers like Crunchbase, CB Insights, PrivCo and Pitchbook, which have a database of ~0.8 mn, 0.5 mn, 0.8 mn & 3.4 mn private companies' database. Among peers, Pitchbook charges around US\$25,000 for three users annual license. We believe that

as in when Tracxn will achieve certain scale, discount is expected to narrow with respect to competitors.

Scaling of business operations & competitive cost advantage over global peers

The company's revenue grew at a CAGR of 30.4% from ₹ 37.3 crore in FY20 to ₹ 63.5 crore in FY22 while its operating expenses for the same period only grew at CAGR of 4.6%. Subsequently, it helped it to reduce losses over FY20-22. The company reported nominal profit in Q1FY23. We believe that with continued strong growth in accounts additions, profitability is likely to sustain, going forward. Also, since the company operates on an asset light business model, it does not need to incur significant capital cost to scale up the operations.

The company has 808 employees as on June 2022 and all are based out of India. As per the company RHP, remuneration in countries like India is almost 10 times lower than that in the US and around six times lower than that in the UK, which is likely to help in operating leverage, going forward.

Exhibit 27: Remuneration comparison

Country	Remuneration*
United States	USD 59,616
United Kingdom	USD 39,774
India	USD 6,508

* Gross annual income including supplements such as bonuses

As per IMD World Talent Ranking 2020

(Source: Company Commissioned F&S Report)

Source: RHP, ICICI Direct Research

Key Risks

High attrition

High annual attrition for the company is an area of concern area. The attrition rate of the company has come down from 66% in FY20 but still remains at an elevated level of 49% in FY22. Also for the quarter ended June, 2022 the company reported a quarterly attrition rate of 13.8%. The high attrition rate could impact the operations of the company materially. High attrition rates could also increase hiring, reskilling, upskilling and training costs, which could have impact on the profitability and also could have an adverse effect on platform updates, sourcing etc.

Errors in platform may impact business operations

The technology underlying the company's platform is complex and may contain material defects or errors, particularly when new features, integrations, or capabilities are released. Also, the platform employs open source software and depends upon the successful operation of open source software. Hence, any undetected errors or defects in this open source software could impair the functionality of the platform.

The company has faced errors, failures, vulnerabilities, or bugs in the past. Also, it may do so, in future, especially when updates or new features, integrations, or capabilities are rolled out. These errors or any such failures, vulnerabilities, or bugs may not be found until the new features, integrations, or capabilities have been released to customers, which could result in negative publicity, loss of data, loss or delay in market acceptance of the company's platform, loss of competitive position, regulatory fines or claims by the customers for losses sustained by them, all of which could harm the business of the company.

Use of open source software may lead to litigations

Tracxn uses open source software for its platform and companies, which incorporates open source software that have faced claims challenging the ownership of open source software and compliance with open source terms. This could lead to the company facing litigation if it uses the open source software inappropriately and also if the license terms of the open software change. It may be required to re-engineer its platform, which could lead to additional costs or discontinue certain features, which could adversely impact the operations of the company.

Also, if the company combines its proprietary source codes with open source software then the company will have to release its proprietary source codes to public, which could allow its competitors to create similar products, which could impact the business of the company.

Financial summary

Exhibit 28: Profit and loss statement			
	₹ crore		
(Year-end March)	FY20	FY21	FY22
Total Revenues	37.3	43.8	63.5
Growth (%)	12.5	17.3	44.9
Employee costs	51.3	53.8	58.6
Total Operating Expenditure	59.8	60.8	65.4
EBITDA	(22.4)	(17.1)	(1.9)
Growth (%)	1.2	(24.0)	(88.8)
Depreciation & Amortization	0.6	0.3	0.1
Other Income (net)	(31.0)	12.0	1.7
Interest	-	-	-
PBT before Exceptional Items	(54.0)	(5.3)	(0.4)
Growth (%)	149.4	(90.1)	(93.3)
Tax	-	-	-
PAT before Exceptional Items	(54.0)	(5.3)	(0.4)
Exceptional items	-	-	(4.5)
Minority Int & Pft. from associates	-	-	-
PAT	(54.0)	(5.3)	(4.8)
Growth (%)	149.4	(90.1)	(9.3)
Diluted EPS	(5.5)	(1.5)	(0.5)
EPS (Growth %)		(72.6)	(68.4)

Source: Company, ICICI Direct Research

Exhibit 29: Cash flow statement			
	₹ crore		
(Year-end March)	FY20	FY21	FY22
PBT	(54.0)	(5.3)	(4.8)
Add: Depreciation	0.6	0.3	0.1
(Inc)/Dec in current assets	(0.2)	(1.1)	(1.9)
Inc/(Dec) in current liabilities	4.5	8.0	7.9
CF from operations	(15.4)	(6.1)	0.6
(Inc)/dec in other investments	(5.8)	5.4	(0.1)
(Inc)/dec in Fixed Assets	(0.0)	0.0	(0.2)
Other investing cash flow	0.0	-	1.1
CF from investing Activities	(5.8)	5.5	0.8
Issue of equity	20.9	0.2	-
Inc/(dec) in loan funds	-	-	-
Dividend paid & dividend tax	-	-	-
Others	-	-	-
CF from Financial Activities	20.9	0.2	-
Net cash flow	(0.3)	(0.4)	1.4
Effect of exchange rate changes	0.1	(0.1)	(0.0)
Opening cash	2.5	2.3	1.8
Closing cash	2.3	1.8	3.2

Source: Company, ICICI Direct Research

Exhibit 30: Balance sheet			
	₹ crore		
(Year-end March)	FY20	FY21	FY22
Liabilities			
Equity	0.2	0.9	10.0
Reserves & Surplus	(135.4)	21.3	10.6
Networth	(135.2)	22.2	20.6
Minority Interest	-	-	-
Long term Liabilities & provisions	172.4	2.9	3.5
Total Debt	-	-	-
Source of funds	37.1	25.1	24.2
Assets			
Net fixed assets	0.6	0.3	0.3
Net intangible assets	-	-	-
Goodwill	-	-	-
Other non current assets	2.3	2.6	4.5
Unbilled revenue	-	-	-
Debtors	4.4	5.7	7.2
Current Investments	41.5	16.8	16.4
Cash & Cash equivalents	2.3	1.8	3.2
Other current assets	1.4	21.4	22.5
Trade payables	0.5	1.4	0.7
Current liabilities	14.8	21.9	29.2
Application of funds	37.1	25.1	24.2

Source: Company, ICICI Direct Research

Exhibit 31: Key ratios			
	₹ crore		
(Year-end March)	FY20	FY21	FY22
Per share data (₹)			
EPS	(5.5)	(1.5)	(0.5)
Cash Per Share	0.2	0.2	0.3
BV	(13.9)	6.3	2.1
DPS	0.0	0.0	0.0
Operating Ratios (%)			
EBITDA Margin	(60.1)	(39.0)	(3.0)
PBT Margin	(144.7)	(12.2)	(0.6)
PAT Margin	(144.7)	(12.2)	(7.6)
Turnover Ratios			
Debtor days	43.0	47.4	41.3
Creditor days	4.5	11.8	3.8
Return Ratios (%)			
RoE	NM	NM	NM
RoCE	NM	NM	NM
RoIC	NM	NM	NM
Valuation Ratios (x)			
P/E	NM	NM	NM
EV / EBITDA	NM	NM	NM
Market Cap / Sales	21.5	18.3	12.6
Solvency Ratios			
Debt/EBITDA	-	-	-
Debt/Equity	-	-	-
Current Ratio	0.4	1.2	1.0
Quick Ratio	0.4	1.2	1.0

Source: Company, ICICI Direct Research

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Avoid: Do not apply for the IPO

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