

May 18, 2022

eMudhra Limited IPO

Incorporated in 2008, eMudhra is largest licensed Certifying Authority in India with a market share of 37.9% in the digital signature certificates market space in FY2021 having grown from 36.5% in FY2020. It is engaged in the business of providing Digital Trust Services and Enterprise Solutions to individuals and organizations functioning in various industries. It has strong digital signature certificate expertise and is the only Indian company to be directly recognized by renowned browsers and document processing software companies such as Microsoft, Mozilla, Apple, and Adobe, allowing it to sell digital identities to individuals and organizations worldwide and issue SSL/TLS certificates for website authentication.

Positives: (a) Largest licensed Certifying Authority in India (b) One stop shop solution provider in secure digital transformation (c) Diverse, longstanding, and growing customer base (d) Partnerships with leading Indian and global channel partners and enterprise solution partners. (d) Experienced promoter, board of directors and senior management team

Investment concerns: (a) Success largely dependent on company's ability to anticipate, adapt and respond effectively to the technological changes, evolving industry standards and changing regulations as well as on success of its R&D. (b) High Dependence on technology for carrying out its business activities. (c) Highly competitive industry

Outlook & Valuation: eMudhra has an established position as licensed CA with a strong network of channel partners, a diverse customer base and it will be using part of the IPO proceeds to grow in overseas markets as well improve its data center infrastructure. However, the scale of operation is relatively modest and digital security and paperless transformation market is highly competitive. At the upper end of the price band, the post issue FY22 annualized P/E works out to 49.0x which we believe is factoring the positives. Hence, we recommend a Neutral rating on the issue.

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021	9MFY22
Net Sales	102	116	132	137
% chg	--	14.6	13.0	--
Net Profit	17	17	17	31
% chg	--	(4.5)	4.9	--
EBITDA (%)	31.7	27.4	30.3	35.9
EPS (₹)	2.2	2.1	2.2	3.9
P/E (x)	114.6	120.1	114.5	--
P/BV (x)	26.4	21.7	18.6	--
ROE (%)	23.1	18.1	16.3	--
ROCE (%)	15.0	11.5	13.1	--
EV/EBITDA	62.8	63.6	51.1	--
EV/Sales	19.9	17.4	15.5	--

Angel Research; Note: Valuation ratios based on post-issue shares and at ₹256 per share.

NEUTRAL

Issue Open: May 20, 2022

Issue Close: May 24, 2022

Issue Details

Face Value: ₹5

Present Eq. Paid up Capital: ₹36cr

Offer for sale: ₹252cr

Fresh Issue: ₹161cr

Post Eq. Paid up Capital: ₹23.05cr

Issue size (amount): ₹413cr

Price Band: ₹243-256

Lot Size: 58 shares

Post-issue mkt.cap: ₹1,905*– 1,999cr**

Promoter holding Pre-Issue: 71.19%

Promoter holding Post-Issue: 61.03%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50%
Non-Institutional	15%
Retail	35%

Post Issue Shareholding Pattern

Promoters	61.0%
Public	39.0%

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Company background

eMudhra is a licensed certifying authority under the Information Technology Act, 2000, founded in 2008 from the seed of digital signatures. eMudhra has since grown to establish strong roots in solutions providing security to enterprises and end consumer for online transactions and in paperless transformation. eMudhra's products include digital signature certificates, authentication solutions, paperless office solutions and Certifying Authority solutions. It also offers solutions around PKI technology and digital transformation.

eMudhra is the largest licensed Certifying Authority in India with a market share of 37.9% in the digital signature certificates market space in Financial Year 2021 having grown from 36.5% in Financial Year 2020.

Its two business verticals are Digital Trust Services and Enterprise Solutions. As part its Digital Trust Services, it issues a range of certificates including individual/organizational certificates, SSL/TLS certificates and device certificates (used in IoT use cases) to build a digital trust backbone. Under its Enterprise Solutions vertical, company offers a diverse portfolio of Digital Security and Paperless Transformation Solutions, complementing its Digital Trust Services business, to customers engaged in different industries, thereby making the Company a 'one stop shop' player in secure digital transformation.

Issue details

eMudhra is raising ₹239-₹252cr through OFS and ₹161cr through Fresh Issue in the price band of ₹243-₹256per share.

Exhibit 1: Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	5,68,43,956	79.19	4,76,45,946	61.03
Public	1,49,39,353	20.81	3,04,26,426	38.97
Total	7,17,83,309	100.00	7,80,72,372	100.00

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

- Repayment or pre-payment, in full or in part, of all or certain borrowings availed by the Company
- Funding working capital requirements
- Purchase of equipment's 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 purpose

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021	9MFY22
Total operating income	102	116	132	137
% chg	--	14.6	13.0	--
Total Expenditure	69	85	92	88
Operating expenses	32	38	32	34
Employee benefits expense	26	29	42	35
Other expenses	12	18	18	19
EBITDA	32	32	40	49
% chg	--	(0.9)	25.0	--
(% of Net Sales)	31.7	27.4	30.3	35.9
Depreciation & Amortization	9	9	9	10
EBIT	24	23	31	39
% chg	--	(1.6)	33.5	--
(% of Net Sales)	23.3	20.0	23.7	28.5
Finance costs	0	1	1	3
Other income	0	0	1	1
(% of Sales)	0.1	0.3	0.7	0.8
Recurring PBT	23	23	30	36
% chg	--	(3.3)	33.7	--
Exceptional item	2	-	-	-
Tax	4	5	6	6
Non-Controlling Interest	-	2	8	(0)
PAT (reported)	17	17	17	31
% chg	-	(4.5)	4.9	-
(% of Net Sales)	17.2	14.3	13.3	22.3
Basic & Fully Diluted EPS (Rs)	2.2	2.4	3.2	3.9

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2019	FY2020	FY2021	9MFY22
SOURCES OF FUNDS				
Equity Share Capital	35	35	35	35
Other equity	41	57	72	105
Shareholders' Funds	76	92	107	140
Total Loans	28	41	51	58
Other liabilities	4	6	15	5
Total Liabilities	107	139	174	204
APPLICATION OF FUNDS				
Property, Plant and Equipment	15	15	66	66
Right-of-use assets	-	-	13	11
Capital work-in-progress	22	40	4	22
Intangible assets	47	47	46	51
Non-Current Investments	0	0	14	-
Other Non-Current Asset	1	2	4	8
Current Assets	35	53	45	95
Inventories	0	1	1	2
Investments	-	0	0	-
Trade receivables	21	23	15	53
Cash and Cash equivalents	2	9	8	14
Loans & Other Financial Assets	3	3	3	3
Other current assets	8	16	19	23
Current Liability	12	20	18	50
Net Current Assets	23	34	27	45
Total Assets	107	139	174	204

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹cr)	FY2019	FY2020	FY2021	9MFY22
Operating profit	22	23	31	37
Net changes in working capital	(10)	(4)	5	(26)
Cash generated from operations	9	8	8	11
Direct taxes paid (net of refunds)	(3)	(4)	(4)	1
Net cash flow from operating activities	17	23	41	23
Purchase of Assets	(38)	(23)	(21)	(34)
Interest received	0	0	1	0
Others	6	(6)	(27)	4
Cash Flow from Investing	(32)	(29)	(47)	(30)
Repayment (long term borrowings)	8	7	(4)	0
Repayment (short term borrowings)	3	5	(4)	14
Share issue expenses	-	-	-	-
Interest paid	-	-	(0)	(1)
Interest on Lease liabilities	-	-	15	(2)
Dividend Paid	(0)	0	(3)	3
Cash Flow from Financing	10	12	5	13
Inc./ (Dec.) in Cash	(5)	7	(1)	6
Acquisition	-	-	-	-
Opening Cash balances	7	2	9	8
Closing Cash balances	2	9	8	14

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	114.6	108.5	78.8
P/CEPS	77.1	74.0	58.6
P/BV	26.4	21.7	18.6
EV/Sales	19.9	17.4	15.5
EV/EBITDA	62.8	63.6	51.1
Per Share Data (Rs)			
EPS (Basic)	2.2	2.4	3.2
EPS (fully diluted)	2.2	2.4	3.2
Cash EPS	3.3	3.5	4.4
Book Value	9.7	11.8	13.8
Returns (%)			
ROE	23.1	18.1	16.3
ROCE	15.0	11.5	13.1
Turnover ratios (x)			
Receivables (days)	77	73	41
Inventory (days)	1	6	3
Payables (days)	24	34	14
Working capital cycle (days)	54	46	30

Source: Company, Angel Research

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