



eMudhra Limited IPO

Disclaimer

We are SEBI certified Research Analysts. This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Contents

- *Offer Details*
- *About the company*
- *What is working for the company?*
- *What is not working for the company?*
- *Financial Statements*
- *Our recommendation*

Offer Details

IPO size	Rs. 412.79 cr
Fresh issue	Rs. 161 Cr
Offer for sale	Rs. 251.79 Cr
Shares Face value	5/-
Shares Price band	Rs 243-256
Lot	58 Shares and in multiple thereof
eMudra opening date	20 May, 2022
eMudra closing date	24 May, 2022

About the Company.

- They are the **largest licensed Certifying Authority** (“Certifying Authority” or “CA”) 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.
- They are engaged in the business of providing **Digital Trust Services and Enterprise Solutions** to individuals and organizations functioning in various industries.
- As part of their Digital Trust Services, they **issue a range of certificates** including individual/organizational certificates, SSL/TLS certificates and device certificates to build a digital trust backbone.
- They offer a **diverse portfolio of Digital Security and Paperless Transformation Solutions** to customers in various industries under our Enterprise Solutions vertical, complementing our Digital Trust Services business, thereby making **their Company a "one-stop shop"** player in secure digital transformation to provide a wide spectrum of services and solutions ranging from issuance of certificates as a certifying authority to offering identity, authentication, and signing solutions.
- Since its inception, their company has issued **more than 50 million digital signature certificates** to a wide range of subscribers who use them for income tax return filing, filings with the Ministry of Corporate Affairs (Registrar of Companies), tenders, foreign trade, banking, railways, and a variety of other purposes.

About the Company.

- Their company collaborates closely with **significant government and banking clients**, including state governments and more than 20 public and private sector banks.
- Their **retail clients** increased **from 58,872** at the end of March 2019 **to 115,905** at the end of March 2021.
- Their **enterprise customers** increased **from 249** at the end of March 2019 **to 518** at the end of March 2021.
- They also **serve 143,406 retail clients and 626 businesses** as of December 31, 2021. Furthermore, the **revenue contribution** of their Enterprise Solution vertical's digital goods has steadily increased **from 361.78 million in Fiscal Year 2019 to 643.43 million** in Fiscal Year 2021.
- As of December 31, 2021, **10 of the top 10 banks, 6 of the top 10 automotive businesses, and 19 of the top 20 companies** among the top 500 ranked companies in India by Economic Times in Financial Year 2020 **use their Enterprise Solutions.**

What is working for the company?

- **Largest licensed Certifying Authority in India:**

With a market share of 37.9% in the digital signature certificate market in Financial Year 2021, up from 36.5 percent in Financial Year 2020, we are India's largest licenced Certifying Authority. We are the only Indian company to be accepted as a member of both the European Cloud Signature Consortium and the Certifying Authority / Browser Forum, a global organization that regulates the use of SSL/TLS certificates. Our company is the only one in India to be directly recognised by Microsoft, Mozilla, Apple, and Adobe, allowing us to sell digital identities to individuals and organizations worldwide and issue SSL/TLS certificates for website authentication.

- **They are a one-stop-shop for safe digital transformation solutions and are well-positioned to take advantage of the favorable industry dynamics in India and around the world:**

Digital Identity and Trust are critical to the growth of businesses in the digital transformation era because it allows them to provide seamless, secure user experiences. Enterprises are under increasing competitive pressure to create personalized and seamless omnichannel experiences, as well as to prioritize secure digital identity and transaction management as a core strategic effort for delivering exceptional experiences.

Their integrated solutions provide the necessary respite to our customers and make them a 'one-stop shop' player in secure digital transformation during the current times when enterprises are saddled with complex, heterogeneous IT environments driven by the accumulation of a myriad of applications and infrastructures. Their international expansion has also been aided by a strong enterprise solution partner network that they have developed and cultivated over time.

What is working for the company?

- **Certifications, accreditations, and participation in international organizations in the field of technology:**

They are the only Indian company to be authorized by Webtrust, which means that their digital signature certificates are directly recognised by browsers all over the world, allowing them to issue certifications in a variety of nations.

- **Infrastructure based on technology to support the quality and security of services and solutions:**

Our Digital Trust Services and Enterprise Solutions are backed by technological infrastructure, which includes our data centers in India and those planned for overseas locations, which are equipped with appropriate virtualization, computing and storage, physical and logical isolation, network firewalls, and disaster recovery sites to ensure high availability, uptime, and redundancy.

- **Customer base that is diverse, long-standing, and rising:**

They serve users across the Americas, Europe, the Middle East, and Africa, as well as Asia Pacific. During the nine months ending December 31, 2021, revenue from their international businesses.

What is working for the company?

- **Collaborations with major Indian and international channel partners as well as enterprise solution providers:**

For the company, the vast partner network's distribution reach and selling capabilities will continue to fuel their business growth, give them a competitive edge in the market, and serve as a barrier to entry for new entrants. They hold regular meetings with their partners to discuss the issues they face and discover appropriate answers in order to maintain a healthy relationship with them and successfully coordinate business development operations. These solutions aim to improve overall partner happiness by addressing issues such as price, their partner incentives system, end user satisfaction, and business development policies.

- **Board of directors, senior management team, and experienced promoter:**

Their executive staff reports to our Executive Chairman. Venu Madhava, their full-time director, has been with them for over 11 years. Kaushik Srinivasan, the Senior Vice President of Product Development, holds a master's degree in engineering in Networked Information Systems and is a CFA Institute member.

Their Board of Directors and senior executives have a track record in the Digital Trust Service and Enterprise Solution market in India and internationally.

What is not working for the company?

- One of the objects of the offer is to invest in one of their subsidiaries, eMudhra Inc. It **might not result in creation of a tangible asset** for the company.
- The company **relies heavily on technology** to conduct the operations and it forms an integral part of the business.
- Their **security might be impacted** in future which might affect their business and growth prospects.
- Their revenues are **highly dependent on one channel partner**.
- The company **plans to expand in geographical areas** where they have **very little experience**.
- The company **operates in a competitive market** where other players have broader product offerings.
- The **operational and financial condition of the business might suffer** if they are **unable to maintain a successful relationship with their partners**.
- The company **uses open software in their products** which might lead to **legal action** against the company.
- The company has **experienced negative cash flow in the past**, and if it continues to do so in future it might impact the company's financial position.

What is not working for the company?

- The company **doesn't have a standard price set** for the digital products which might affect its operations.

(₹ in million)

Particulars	Six months period ended September 30, 2021	March 31, 2021	March 31, 2020	March 31, 2019
Net cash generated from/(used in) investing activities	(157.84)	(470.80)	(286.94)	(320.29)
Net increase in cash and cash equivalents	38.96	(14.74)	68.55	(47.78)

- The **company's business is seasonal in nature** with higher sales volumes and usage associated with the regulatory filings during the second and third quarters of each Financial Year.
- One of the **company's subsidiaries has a negative net worth.**

(in million)

Name of the entity	Net Worth			
	September 30, 2021	March 31, 2021	March 31, 2020	March 31, 2019
eMudhra INC	5.28	(13.91)	(2.96)	-

Financial Statements

- Profit and Loss

	Dec 31,2021	Mar 31,2021	Mar 31,2020	Mar 31,2019
Income				
Revenue from Operation	1,372.44	1,315.93	1,164.50	1,015.84
Other income,net	10.6	8.61	3.49	0.96
Total revenue	1,324.54	1,383.04	1,167.99	1,016.80
Expenses				
Operating expenses	81.92	129.12	130.95	110.77
Purchase of stock-in trade	272.17	179.56	258.6	203.74
Changes in stock of finished goods	-14.4	7.5	-11.83	0.58
Employee benefit expenses	349.07	417.11	292.16	258.52
Finance costs	34.96	8.41	6.68	2.64
Depreciation and amortisation expenses	101.18	87.67	86.02	85
Other expenses	190.72	183.37	175.23	120.09
Total expenses	1,012.74	1,015.62	937.81	781.34
Restated Profit/(Loss) before exceptional items and tax	367.42	311.8	230.18	235.46
Exceptional items	18.99			
Restated Profit/(Loss) before tax	311.8	367.42	230.18	216.47
Tax expenses				
Current tax	52.15	67.28	41.54	40.85
Deferred tax	6.06	-3.26	4.48	1.26
Total tax expenses	58.21	64.02	46.02	42.11
Restated Profit/(Loss) for the year	303.4	253.59	184.16	174.36

Financial Statements

- Balance Sheet

Particulars	Nine month period ended December 31, 2021	2021	2020	2019
Total non-current assets	1586.22	1466.42	1052.61	845.19
Total current assets	954.89	452.72	534.5	349.96
Total assets	2,541.11	1,919.14	1,587.11	1,195.15

Particulars	Nine month period ended December 31, 2021	2021	2020	2019
Total equity	1,415.18	1,166.18	930.77	756.43

Particulars	Nine month period ended December 31, 2021	2021	2020	2019
Total non-current liabilities	374.21	409.75	307.77	228.61
Total current liabilities	751.72	343.21	348.57	210.11
Total liabilities	1,125.93	752.96	656.34	11.00

Particulars	Nine month period ended December 31, 2021	2021	2020	2019
Total equity and liabilities	2,541.11	1,919.14	1,587.11	1,195.15

Financial Statements

- Cash Flow Statement

(₹ in million)

Particulars	Financial Year			
	Nine month period ended December 31, 2021	2021	2020	2019
Net cash generated from/(used in) operating activities	226.33	409.44	232.36	167.85
Net cash generated/(used in) investing activities	(301.02)	(470.80)	(286.94)	(320.29)
Net cash generated/(used in) financing activities	133.54	46.62	123.13	104.66
Cash and Cash Equivalents at the end of the period/year	135.98	77.13	91.86	23.31

Our Recommendation

We recommend you to **SUBSCRIBE** to this IPO on the following parameters:

- They are the **largest certifying authority** in India.
- They are the **only Indian company that has the certification by WebTrust**, which is recognized globally.
- It has **partnerships with both Indian and international channel partners** for enterprise solutions.

Subscribe for the IPO: <http://ipo.jainam.in/#/home>