

Rating: Subscribe for High Risk

Issue Offer

Fresh Issue of Equity shares aggregating upto INR 200 Cr and Offer for sale of 9,835,394 Equity shares

Issue Summary

Price Band (INR)	243-256
Face Value (INR)	5
Implied Market Cap (INR cr)	1,999
Market Lot	58
Issue Opens on	20 th May 2022
Issue Close on	24 th May 2022
No. of share pre-issue	71,783,309
No. of share post issue	78,072,371
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	50
NIB Portion	15
Retail Portion	35

Book Running Lead Managers

IIFL Securities

Yes Securities

Indorient Financial

Registrar

Link Intime India Pvt. Ltd.

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	79.19%	61.03%
Public	20.81%	38.97%

Objects of the issue

Working capital requirement, repayment of borrowings and Capex related

Financial Performance

INR Mn	FY19	FY20	FY21	9MFY22
Revenue	1,016	1,165	1,316	1,372
EBITDA	323	323	408	504
EBITDAM (%)	31.8	27.7	31.0	36.7
PBT	217	230	312	367
PAT	174	184	254	303
RoE (%)	23.0	18.1	16.3	21.8
EPS	2.5	2.4	2.5	5.8

Source: RHP, Arihant Research

Incorporate in 2008, eMudhra Ltd (eMudhra) is a wholly owned subsidiary of 3i Infotech Ltd. eMudhra is the largest licensed Certifying Authority (“Certifying Authority” or “CA”) in India having a market share of 37.9% in the digital signature certificates (DSC) market space in FY21 which has grown from 36.5% in FY20. eMudhra has presence in the 3 segments: i) Digital Trust Services, ii) Digital Security Solutions and iii) Paperless Transformation Solutions. It is engaged in the business of providing digital trust services and enterprise solutions to individuals and organisations functioning in various industries. With more than 50 mn DSCs issued since inception, eMudhra caters to all kind of subscribers who use digital signature certificates for income tax return filing, filings with the Ministry of Corporate Affairs (Registrar of Companies), tenders, foreign trade, banking, railways and many other needs. eMudhra works closely with large government and banking customers like +20 Public and private sector banks and state governments. As of Dec’21, company caters its services to 1,43,406 retail customers and 626 enterprises. As of Dec’21, eMudhra has 91,259 channel partners for Digital Trust Services spread across various States and UTs in India and out of their 539 system integrator partners, 267 are present in India and 272 are present internationally in United States of America, Europe, Middle East and Africa and Asia Pacific.

One stop shop solution provider in secure digital transformation: eMudhra is well placed to capitalize on industry opportunities in secure digital transformation and maintain its leadership in the segment. Post pandemic world has gone digital and paperless and security becomes even more important. eMudhra focuses on secure digital transformation when it comes to digital signatures. It is one stop shop solution provider in the Digital Trust, Digital Security and Paperless Transformation space. With a view of capitalising the opportunity, company has ventured into the business of providing Enterprise Solutions in 2012. Its Enterprise Solutions are majorly divided into three broad categories viz., eSignature workflow solutions for paperless office (emSigner), authentication solutions (emAS) and public key infrastructure solutions (emCA).

Have longstanding relationship with customers: eMudhra has longstanding relationships with their customers operating in various industries such as banking, automotive, information technology, consumer durables etc. Infosys, Hindalco Industries, Cholamandalam MS General Insurance, Larsen & Toubro Infotech, DB Schenker, JSW Steel, Bharti AXA Life Insurance, TCS are some of its marquee clients. Also, it works closely with large government and banking customers, 20+ public and private sector banks and state governments. Revenue from top five enterprises represented an increase from 12.14% in FY19 to 23.67% in FY20. Its retail customer base grew from 58,872 as of Mar’19 to 115, 905 as of Mar’21. Further, its enterprise customers grew from 249 as of Mar’19 to 518 as of Mar’21. Its customers retention ratio stood at 96% in Digital trust services and 88% in Enterprise solution.

Experienced promoter background: eMudhra has customer driven business and its experienced promoters and a qualified senior management team have helped them to offer high standards of customer service and support to end customers across the business vertical. Venkatraman Srinivasan is the Promoter and Executive Chairman of the company has over three decades of experience in the industry. Its leadership enables it to continuously deliver products & solutions that enterprises needs.

Valuation: At upper price band, issue has been offered at P/E of 44x to its FY22E annualized EPS of INR 5.8 (9MFY22 EPS was INR 4.4). eMudhra has unique business model and there is no listed peers in India. It is the largest Certifying Authority and well positioned in digital signature certificates market space growing at a faster pace and has potential to grow in coming years. Also, it has maintained long term, diverse and rising relationships with its customers with high retention ratio. Revenue of the company increased from INR 1,016 mn in FY19 to INR 1,372 mn as on 9MFY22. Also, PAT increased from INR 174 mn to INR 303 mn as on 9MFY22. Investors with high-risk appetite can ‘Subscribe’ to the IPO.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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