

TRACXN TECHNOLOGIES LIMITED
(Formerly Known as “Tracxn Technologies Private Limited”)

November 14, 2022

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001
Company Code: 543638

To,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai - 400051
Company Code: TRACXN

Sub: Transcript of the Investor/Analyst Earnings Call held on Wednesday, November 9, 2022

Dear Sir/Madam,

This is in continuation to our letter dated November 09, 2022, wherein we had informed you of regarding the audio recording of the investors earnings call for the quarter and half year ended September 30, 2022 (Q2 FY 2023 and H1 FY 2023 Results).

Please find enclosed herewith the transcript of the said call. The Transcript is also available on the Company’s website i.e. www.tracxn.com.

Kindly take the above said information on record.

Thanking you.

Yours faithfully,
For **Tracxn Technologies Limited**

Megha Bohra
Company Secretary & Compliance Officer

Tracxn Technologies Limited

Q2 FY23-Earnings Conference call

November 9th, 2022

Management:

Ms. Neha Singh, Chairperson and Managing Director

Mr. Abhishek Goyal, Vice Chairman and Executive Director

Mr. Prashant Chandra, Chief Financial Officer

Host and Moderator:

Mr. Rishi Jhunjunwala, IIFL Securities Limited

Moderator:

Good evening, ladies and gentlemen, thanks for joining us today on the 2nd quarter fiscal '23 earnings call of Tracxn Technologies Limited. On behalf of IIFL Institutional Equities I would like to thank the management of Tracxn for giving us the opportunity to host this earnings call. Today we have with us Ms. Neha Singh - Co-founder, Chairperson and Managing Director, Abhishek Goyal - Co-founder, Vice Chairman and Executive Director, Prashant Chandra - Chief Financial Officer. I will hand over the call to Neha to give their opening remarks and present their PPT, and after that we will open it up for Q&A. You will have two options to ask questions, either you can raise hand, use the raise hand option and we will pick you up on that, or you can put in your questions in the Q&A tab available at the bottom of your screen. With that I will hand it over to Neha. Thanks, and over to you.

Neha Singh:

Thanks, Rishi. I hope my screen is visible. Welcome everyone, thanks so much for joining us today for our first earnings call. As a publicly listed company we are very excited to present our quarterly results. As you may be knowing we got listed on 20th of October about 20 days back. In terms of the format, I would like to run through a short presentation which covers the key update pointers. I will also give some commentary along the way which will be helpful in the overall understanding and we will follow it up with Q&A session as Rishi mentioned. I request you to go through the standard disclaimers for this presentation.

A quick recap on our business, Tracxn is a data and software platform for the private markets globally. If you look at the public markets it has created multiple large companies, many of which are highly cash rich profitable companies. As private markets are becoming large and important it will also create platforms like these. And we are building a global platform in this space. Our customers include venture capital funds, private equity funds as well as M&A and innovation teams of large Fortune 500 corporations. It is a global platform so nearly 70% of our revenue is international and we have customers in over 50 countries.

I would like to first begin by summarizing the key financial performance of the quarter. One theme that you will see across all our numbers be it revenue growth, profit growth, EBITDA market expansion you know increase in free cash flow is the continued momentum across all these numbers. The momentum that you would have seen across the last 3 years that continues across the recent quarter as well.

To set the context, we have one business and one legal entity. So, you will not see terms like standalone or consolidated, all the numbers that I will talk about is for the business overall. In terms of revenue for operations for Q2 FY23 it was 19.1 crores which is 28% increase over same quarter last year. This is an annualized run rate 76.4 crores. Our total income was 20 crores which is 32% increase over same quarter previous year. This is again an annualized run rate of 80 crores. Previous financial year if you remember FY22 the total income was 65 crores.

Coming to profitability the key numbers are Adjusted EBITDA, Adjusted PAT, EBITDA and PAT margin. Adjusted EBITDA is mainly EBITDA adjusted for non-cash ESOP expense as well as IPO expense which is completely reimbursable to the company as it was pure OFS. And in the latest slides we will also give out the detailed components from how we sort of built this.

So, in terms of Adjusted EBITDA for Q2 that was 2 crore, last year this number was negative 1.2 crores, so this is the increase of 3.2 crores on a year-on-year basis. Adjusted PAT was 2.9 crores which is an annualized run rate of 11.6 crores. Just to know PAT for the same quarter last year was negative 1 crore, so this is an increase of 3.9 crores on a year-on-year basis. Talking about the margins this is something that you will find fairly interesting. The Adjusted EBITDA margin

for Q2 was 10.5% which was an expansion of 19% on a year-on-year basis. Just to repeat the Adjusted EBITDA margin last year Q2 was negative 8.4% which has expanded by 19% to be positive 10.5% in the current quarter.

Neha Singh:

This is something that we find very exciting in our business, the EBITDA margin expansion that has been happening and even more exciting is the pace at which this margin expansion has been sort of playing out. On similar lines the Adjusted PAT margin for Q2 was 15.3%, last year same quarter this was negative 6.5%, so this is an expansion of 22% on a year-on-year basis.

The other interesting aspect about our business is that it also generates free cash flow which has been increasing. In H1 of the current financial year the business generated positive free cash flow of 5.3 crores which is an increase of 4.2 crores on a year-on-year basis. The cash and cash equivalent increased by 7.3 crores on a year-on-year to end at 52.4 crores. Please note that this also includes 4.8 crores of IPO expense which is in the ESCROW accounts and to be reimbursed to the company as it was a pure OFS.

In the subsequent slides I will be covering each of these metrics in detail which I talked about in the summary starting with revenue.

The revenue from operations is essentially revenue from platform subscriptions. Just to note 100% of our revenue is subscription based. There is no services or one-time implementation component so it is a fairly high-quality revenue. Also please note that this is accrued revenue so though we do pre-paid billing and collection like most of the financial data platforms that we may have used but we only recognize revenue for the time duration within the reporting period for which the service was delivered. So as discussed earlier revenue from operations in Q2 was 19.1 crores, total income was 20.1 crores which is annualized run rate of nearly 80 crores, this is 32% increase over the same quarter previous year.

Even if you look, we have also added historical data in the same slide, so you can see the historical data for the last 3 financial years. And if you look at the growth CAGR across the last two years it has also grown, the revenue from operations has grown in a similar range of 30%.

Moving to bottom line and profit margins, Adjusted EBITDA for Q2 as I mentioned was 2 crores, last year same quarter this was negative 1.2 crores so this is an increase of 3.2 crores on a year-on-year basis. The margin last year was 10.5%, sorry margin this year is 10.5%, last year same quarter this was negative 8.4%. So, this is 19% expansion on a year-on-year basis. Also, you can note that this trend is not one-off, this trend of expansion of the EBITDA margins is not one-off, even if you look at last 3 years, the business has seen a consistent EBITDA margin expansion. For instance, from FY20 this adjusted margin was negative 53% which improved by 21% in FY21. This margin again improved by 40% in the subsequent year to become positive 7.5% in FY22. This expanded to 8.7% in the first quarter of the current financial year and in Q2 it has expanded to 10.5%.

So, this as I mentioned this is fairly interesting in our business, the sort of consistent EBITDA margin expansion that has been happening and also the rate at which it has been happening. In the subsequent slides I will also be explaining as to what is one of the key reasons of why this happens in our business.

On a similar note, Adjusted PAT was 2.9 crores for the current quarter annualized run rate of 11.6 crores, this was an increase of 3.9 crores on a year-on-year basis. Adjusted PAT margin was 15.3%, last year same quarter this was negative 6.5% so this is a 22% improvement in the margin on a year-on-year basis. Again, this is not one-off, the PAT margin has been improving across the last two years as we have also shown in this slide.

So, one of the key reasons for the EBITDA margin expansion is that bulk of the incremental revenue you know goes into the bottom line. To be specific if you look at the revenue from operations from this quarter and compare it to the same quarter last year, we added incremental quarterly revenue of 4.2 crores out of which 77% or 3.2 crores went into incremental quarterly Adjusted EBITDA. And that is why you can see a rather fast pace of expansion of EBITDA margin. And again, this is not one-off, so from FY20 to 21, 87% of the incremental revenue from operations went into incremental Adjusted EBITDA, and from FY21 to 22, this was 97% of the incremental revenue from operations went into Adjusted EBITDA increase.

Neha Singh:

Just to summarize since our cost to serve incremental customer, bulk of the incremental revenue goes into bottom line for us. The company also generated positive free cash flow of 5.3 crores in the first half in the current financial year which is an increase of 4.2 crores for the same first half previous financial year. The cash and cash equivalent, is 52.4 crores which is an increase of 7.3 crores on a year-on-year basis. And as you can see, we have also added data for the last 3 years so the free cash flow has also been increasing across the last 2 years.

Now coming to expenses, our total expense for Q2 was 18.3 crores. In this slide we have given the breakup of the expense into the key components. There are two interesting points to note here, the first is that bulk of our expense is team cost. In Q2 89% of our total expense was team cost. This percentage in the last two financial year which is FY21 and 22 was 88% and 89% of the total expense respectively. Just to note that all our team is in-house, there is no outsource or there is no contract workforce. Second interesting aspect to note here is that we do not have a large paid marketing expense line item because we do not have a large paid marketing spend neither digital marketing nor offline based which is typically required for customer acquisition. The reason for this being because we are a data company, we produce a lot of content and hence we are able to use that content to get a lot of organic traffic. So, we are able to acquire leads fairly efficiently, which is also reflected in our expense breakup.

In terms of the growth on a year-on-year basis, the expense grew at 8%, and two interesting things to note over here, one is that there's fairly modest increase in expense despite us investing aggressively in sales and marketing efforts. For instance, between May-21 to June-22 which is about a period of 13 months we increased our sales marketing and customer success team by over 90 people. The second interesting thing to note over here is that there is very high operating leverage in the business as you can see in the numbers. For instance, revenue from operations on a year-on-year basis grew by 28% while the expense in the same period grew only by 8%. Again, this is not one-off even if you look at last two financial years our expense grew at a CAGR of 4% while revenue from operations in the same period grew over 30%, that is why you can also see the margin expansion sort of happening.

In the subsequent two slides we also cover four other KPIs which we track closely for our business. On the first slide we cover the numbers of customer accounts, number of user accounts. We closed Q2 at 1155 accounts and 3365 users which is a 17% increase over on a year-on-year basis. And please note that the pricing per user may vary as the initial users are priced higher than subsequent users. For instance, like our pricing is also given on our website, our first single user PAT starts from nearly 5 lakhs on a yearly basis and the subsequent users are slightly cheaper. Our average pricing per user is close to 2.3 lakhs. So, if we are acquiring a lot of new accounts then the revenue growth will be typically higher than the user growth, and if we are seeing more expansion within the existing accounts then the revenue growth will be lower than the user growth. So, this is some nuance around these KPIs.

In terms of some of the other KPIs we also track contract price for billing amount, contract price for Q2 of the current financial year was 17.8 crores, please note that there can be minor seasonality in contract price across the quarter. For instance, if you look at last financial year Q1 was higher than Q2 which is a trend we have also seen this financial year.

The next graph that you see on the righthand side is about the entities profile which is an indication on the amount of data which is added onto the platform. So, today we track more than 1.9 million entities including private market companies, funds, etc., globally. We have also summarized the same numbers on a half yearly basis, I will not go into more details but you can refer that offline.

Neha Singh:

So, moving to some of the other business updates, a quick recap on our journey. We launched the platform in FY13, over the years we have raised capital as a private company from various venture capital funds, angel investors, and over the time we have been expanding our offering as well as the global footprint of customers we work with and this year we got listed on NSE and BSE.

Some interesting aspects about the business, one is that bulk of our revenue is international. So, for Q2 69% of our revenue was from outside. Even if you look at last 3 financial years it has been in the similar range of nearly 70% of our revenue being international. These customers span over 50 countries.

Due to this cost arbitrage of Make-in-India and sell globally we enjoy a significant cost advantage. This cost advantage because of three reasons, one is that, though we have global data and data about companies across all countries, our entire data production and technology platform is actually built from India. Second is another thing which people find it very interesting is though we have customers panning 50 different countries our entire sales primarily happen from India. So, we have different teams that work across different shifts spanning all the time zones and the sales happens remotely over video calls like these. Third is that we don't spend a lot on paid marketing neither digital nor offline as a means to acquire customers because we are a data company, we are able to use a lot of content to do content marketing and acquire customers fairly efficiently. So hence we believe that these 3 things give us a very significant and a long-lasting cost advantage.

Another interesting aspect about the company is the experienced board and team. Apart from the promoters we have had investor nominees Ravi Adusumalli and Vivek Mathur from Elevation who have been on the board for the last 5 years. A formal board has also ensured that the company has been fairly high in compliance in corporate governance, so right from the third year of incorporation of the company we have had a Big 4 as auditor for the company. For instance, we have had PWC as the auditor for the company for the last 7 years with no qualifications at all across all these years. In addition, we also have 4 independent members which bring in fairly rich experience from having worked with at various corporates as well as private market funds. For instance, Rohit Jain is an alumnus of IIT-Delhi. He worked with Google, Microsoft, now he is a partner at a private market fund. Nishant Verma is an alumnus of University of Michigan and Northwestern University. He worked with Canaan Partners which is a venture capital fund and then Flipkart. Payal Goel is an alumnus of ISB, previously she worked for a private equity fund Peepul Capital and then Aspada and now part of the corporate development team at Google. Brij Bhushan is an alumnus of IIM-Bangalore. He has worked earlier with companies like Infosys, Bain and Nexus Ventures.

Apart from that we have a fairly built out and strong senior management team across VPs, AVPs, CXOs, our CXOs are alumni of some of the top schools in India for instance including IIT-

Kanpur, IIT-Kharagpur, ISB, IIM-Lucknow, and also bring in rich experience from having worked with reputed MNCs, companies like Goldman Sachs, Amazon among others. Apart from that we are also fortunate to have had the backing of very marquee set of investors. So, in our journey as a private company, we were fortunate to have had the backing of the respected venture capital funds like Elevation, Accel, Sequoia Capital and some very marquee angel investors including Mr. Ratan Tata, Nandan Nilekani's Trust, founders of Flipkart, Sachin Bansal, Binny Bansal, Founder and CEO of Freshworks, Girish Mathrubootham and more. Also, in our IPO process we were fortunate to have had the backing of some very marquee institutional investors in our anchor book including funds like ICICI, Kotak, Nippon, WhiteOak, Motilal Oswal, Abakus among others.

One interesting aspect of our business is our very robust scalable and automated technology platform which is very essential in building global data platform. So at the back end, we track millions of companies and mine information about them. This helps us bubbling up new companies every day. So today at the back end, we track more than half a billion entities, and it's also very intelligent. We use big data to mine large data sets. This also enables to add data at a fairly rapid pace on to the platform.

Neha Singh:

Lastly, one interesting aspect is that we play in a very large and growing market. So if you look at public markets, it has created multiple large billion dollars plus revenue companies. Cumulatively these companies generate over \$30 billion of revenue annually and most of these companies are also fairly profitable and generate large amounts of free cash flow. As private markets – so private markets today have also become large. For instance, the private market AUM has crossed \$9 trillion according to industry report, and it's also growing at a fairly fast pace of 12% CAGR. So as private markets are becoming large, it will also create data platforms - global data platforms like these and this is the space that we play in. Subsequently, we have also given the detailed financials, which I will skip, and you can probably refer to that offline.

So that's all. That covers the key items I wanted to share. I will pass it back to Rishi to start the Q&A.

Moderator:

Thank you Neha for the presentation. Requesting the audience, if anyone wants to ask a question, please use the raise hand option at the bottom of your screen or you can actually type in your questions in the Q&A tab. The first question is from Divyesh Mehta. Divyesh, please un-mute your line and go ahead.

Divyesh Mehta:

Thanks for taking my question. So, my first question is largely on the sales process. Can you give me an idea in a detail form how the sales process works? From my understanding, it's that anyone could log into the free platform and if they want more data, they'll click and then you will connect with them, have a remote chat, and that is our leads are getting converted. If you can throw some numbers around it and explain the process in a bit more detail that would help me out. That's my first question.

Neha Singh:

Sure. Thank you, Divyesh. So, to address that, in terms of our sales process, we have the top of the funnel, which is the marketing, which is generated through a lot of the content pages that I talked about, through content pages as well as reports. We give out a part of the reports for free for building the brand and helping people get to know the kind of data that we have. So that gives us a huge top of the funnel. That's done by the marketing team. All the closures that we actually end up doing, typically someone has given a demo to that customer, and that is done by the sales team. So, the sales team works across all the time zones and they close customers over remote calls. So that's the closure part. They then hand it over to the

Customer Success team, who then helps in on boarding the customer as well as account expansion over time.

Divyesh Mehta: Okay. So, can you just give some idea from top of the funnel to conversions, what would be the ratio? If you can share that?

Neha Singh: So, in terms of the numbers, we haven't given the conversion funnel numbers. So what we wanted to start off with this core set of KPIs, which is helpful in understanding the business, and over time we'll probably add few over time. So, we haven't given this funnel.

Divyesh Mehta: Okay, fair enough. Just one last set of question. So, in terms of the competition and the whole space, while I understand the point that private AUM is growing and a lot of VCs will invest in this software, or they will actually need to, and the number of users will also grow, but also there are many other players there. So, a specific VC would be using two or three software, right? And it would be for a team of like 10 or 15, at least 3 or 4 associates would be having that software. Who are the key competitors here and in most of your customers, what do you see in terms of how many softwares they are holding out? What is the underlying trend going on in that space? And just a competitive analysis of why you think your product would beat out towards other players, because there is a space only for 2 or 3 softwares out there, right?

Neha Singh: Sure. So, I'll take this. One is, in terms of the competition landscape, because we play in a vertical industry, the number of players that we run into are fairly limited versus a horizontal space. If you see like a CRM space, which is fairly competitive, right? In here, globally, there are only about 6 or 7 players which exist in the private market data space, which are sizable. So that is why and these are the players that are typically there globally when you're selling to all the customers. Coming to the second point is that whether they're using multiple things or not. So most of the customers that we acquire today, most of the customers have not used any software before. So there are some small segment of customers which are probably using more than one software. But bulk of the customers that we work with, have typically that we acquire new have actually not used a software. So I think one of the things that we also see in this industry is that the adoption of software is happening probably for the first time in the last decade. So that is there.

And coming to the third point, which is in terms of the competition analysis. So right now, it is not so like-to-like. So, there is some overlap which exists, but for instance, there are a lot of things which are fairly unique to our platform. One is our whole coverage of sectors and industry coverage sectors, emerging business models, our coverage of emerging technology sectors, as well as some of the data points that we cover. So that is fairly unique and differentiated. So a lot of the times the customers are actually evaluating you in isolation. Hope that answers your question.

Divyesh Mehta: It answers it very well. Just one thing. So I think when you would be highlighting the point that most of them have come new to it, in reality what it would mean is that the bigger ones have already used or they have 2 or 3 softwares but most of the larger chunk, the smaller, the tail market is actually still new and where you would go towards expanding. Is that a fair way to think about it?

Neha Singh: No. Actually a lot of the large ones that we also have acquired in this quarter or the previous quarters, which would include some of the large VC or A PE fund, even for them, we are

typically sometimes the first solution that they are using. So, this would not mean the long tail. This would mean like the core set of customers also.

Divyesh Mehta: Okay, that answers, that's helpful. I'll go back to the queue.

Moderator: Thank you Divyesh. The next question is from Sapna Jahwar. Sapna, please go ahead with your question and unmute your line.

Sapna Jahwar: Hi, good evening. I actually wanted to understand that does this number, the revenue number in this quarter also has substantial currency benefit since 70% of our customers are international or the revenues come from international source? So, if you could just quantify that.

Neha Singh: Yeah, sure. That's a good question. So, we haven't given the break up but my sense is that most of the growth, even historically, even now, continues to be because of the growth in numbers of accounts as well as number of users. That's why we have not given that. Having said that, we obviously do benefit from rupee depreciating or USD becoming stronger because like I said, nearly 70% of our revenue is international, bulk of which is USD. I think on that note, I'll also probably point out one nuance as to how the FOREX, improved FOREX rates impact us. So, we actually book the FOREX based on the day we raise invoice to the customer. To give you an example, for instance, if today the rate is 82, Dollar to rupee, and if we raise an invoice for a customer, which is for an annual contract, so we'll convert today at 82 and that will be the same revenue, part of the revenue will flow on for the next 3 to 4 quarters. Similarly, the revenue which I book today, the accrued revenue of this quarter, if I have some component of revenue which was invoiced for an annual contract like 12 months back, and it was converted at a currency conversion rate of say, 75, 12 months back in this quarter again, that conversion rate will still be 75. So having said that, whenever the foreign FOREX improves it will impact not just that quarter but also the subsequent quarters.

Just another stat. We had given the percentage annual contract, which was last financial year. So that was nearly 60%. So, 60% of our revenue last financial year was from the annual contract. Hope that gives you some sense.

Sapna Jahwar: Sure. So, basically the currency benefit would not only flow in the current quarter but will also come with a lag in the next quarter to come in.

Neha Singh: Exactly yes.

Abhishek Goyal: So, today's currency rate is not like...the impact remains the next 12 months or next 6 months. It's not immediately that you see direct impact.

Sapna Jahwar: Sure. And do we have any hedging in place?

Neha Singh: So, we actually don't have any hedging because on the cost side, our entire team is actually based out of India, which is bulk of our cost. So, we don't have any much exposure in terms of the currency based fluctuation on the cost aspect. And on the revenue, obviously we do have the benefit of that. Currently we just convert it as we get the collections. So, we don't hedge it or do that because typically, historically I think dollar has been becoming stronger.

- Sapna Jahwar:** In your earlier comments you did mention about some seasonality in your business. Now just wanted to understand how is this seasonality factored in? Is it largely during the holidays in the US and Europe? If you could just explain that seasonality factor a little better and point out specific quarters where it would be highlighted.
- Neha Singh:** On the whole there is minor seasonality. I would say there is not a lot of seasonality, but there's some seasonality which is there. For instance, like it is slower in summers in Europe and US because it's longer holiday period for people. So, you typically have the collection or the invoicing either sort of you try to not have it at that period. But you'll probably just see through our numbers this minor seasonality I would say not a lot.
- Sapna Jahwar:** Sure. One more question basis on the macro. Now, given the bulk of the revenue comes in from international and we've been talking so much about an impending recession or slowdown or sort of that, and given that a lot of your clients are into the private equity, or the venture capital side would an M&A would definitely be impacted on this side? Do you see any impact in terms of deal closures, in terms of account closures during this scenario?
- Neha Singh:** Sure. So that is something obviously that we are hearing a lot and we are also trying to track it in our numbers. If I look at this quarter, it has actually grown at slightly faster than last quarter on a year-on-year basis and if you look at our customer segment so it's not that in VC or PE layoffs are happening. I would say that they are still sitting on a lot of dry powder which is there. So obviously the investment activity is a little slower this year but it's not that downsizing or anything is happening from what we hear. So just to step back and answer that, yes, that is something that we are fairly cognizant about and we do want to track that but currently we have not seen that much at least in this quarter.
- Sapna Jahwar:** Sure. But because a large part of the revenues that you book this quarter will be visible in the next quarter to us so this impact should also come up with a lag. I mean is that understanding correct? In case this gets an impact on the business in terms of say a delayed deal closure so it would come with a quarter's lag?
- Abhishek Goyal:** See Sapna, we are monitoring these things closely. So far, we have not seen any material impact at least at our end. So hence we have not and obviously we are monitoring the situation closely. But I don't think we've seen any material impact on the closure numbers or percentage closure numbers or any of that, number of new leads. All of that continued to sort of be in the line of what we have been seeing in the past.
- Neha Singh:** And that is why even if you see in terms of like in the 12 twelve months, we actually increased the team by more than 190 people. So that is like we are also aggressively also investing in sales marketing because we're not instantly seeing that.
- Sapna Jahwar:** Sure. Just one last question before I move back in the queue. On the ESOP front now is that included in the employee line item or where is the ESOP accounted for in the cost line item?
- Neha Singh:** Yeah. So, the ESOP is a line item it is there in the employee benefit expense. We have removed that from the adjusted EBITDA which I talked about but you can actually see that in the detailed P&L and probably Prashant can add.
- Abhishek Goyal:** Actually, we can show the detailed financials that number will be there.

- Sapna Jahwar:** So actually, I just wanted to understand that how the ESOP impact will fade away in what time frame and are we in the process of floating up any newer ESOPs in the near term.
- Abhishek Goyal:** So actually what, the way in our case while Neha is pulling it, I will sort of...so for some of the top people in the company we do provide new ESOPs as a part of annual appraisal, and that has been the policy since the beginning. So, we have not done like one-of things. Usually, we do as a part of salary appraisal and it is sort of a replacement for bonuses that is there in the industry. So, this is the charge...
- Neha Singh:** So, you can actually see that in a sort of detailed P&L which is there in the line item.
- Abhishek Goyal:** This quarter the ESOP charge was 1.1 crores, right?
- Sapna Jahwar:** Yeah. So, any time frame by the time this ESOP cost will be completely absorbed and we do not see it.
- Abhishek Goyal:** No. So, this will be a...
- Sapna Jahwar:** So, this will be a continuous process.
- Abhishek Goyal:** So, it is part of annual appraisals. So, every time an appraisal comes there is a fraction...above certain designation we provide ESOPs as a part of component of appraisal and we have kept it like this so you don't see a very large number. It's related to our cost. It is 1.1 crores on a base of 15-16 crores. That is the range we expect to sort of broadly be in range.
- Sapna Jahwar:** Sure. That helps. Thank you for answering my questions and all the best.
- Moderator:** The next question is from Bharghav Buddhadev. Bhargav, please go ahead.
- Bhargav Buddhadev:** So, if I look at your presentation, the user base has increased about 17%. So, what I wanted to know is, how much of this user addition would have come from customers which you have acquired maybe 3 years back.
- Neha Singh:** Customers acquired 3 years....so you mean to say. Sorry can I have...
- Abhishek Goyal:** Actually, that break up we won't have. So, let's say we had a 100 users in a period, then how many of those users are part of new accounts versus how many of them are from the account which have been with us for for three years. Actually, I don't know if we have that data handy we will have a look at that. Anecdotally, we have seen some cases. So, it is not a representative but anecdotally cases that come to me for approvals. I think there are enough cases where like, fairly old customers keep coming and as with people join in those accounts, they come and take accounts. But I don't have an exact breakup handy.
- Bhargav Buddhadev:** Because the reason I was asking is, there's a 17% increase in your customer accounts as well. So, I believe this would be new customers which you have added.
- Neha Singh:** Yes.
- Bhargav Buddhadev:** Does that flow into user expansion also subsequently, which would mean that....

- Abhishek Goyal:** Yeah, yeah, that we see. If customers actually after they use it for a while they keep adding new accounts, new users. Anecdotally I know that happens a lot, exact data I don't have handy and we'll probably maybe over time start adding that data also into our disclosures. But it happens like I've seen lot of people come to me but I get a lot of those approvals before the extent and annually at the end of the year we do some like, generally we have 2-3 cycles in which we reach out to customers for buying new users. So there are some upgrades that happen there also.
- Neha Singh:** And this is also something that the customer success team actually works on, which is once...so typically customers start small and expand over time. So they also work on account expansion.
- Bhargav Buddhadev:** So is it fair to say that in a recessionary environment there could be some slowdown in terms of new customers being added but, user the addition may still continue at a...?
- Abhishek Goyal:** Actually, it's very hard to say that today because we are still a single digit percentage market share of the business of the overall market. So I think at least we have not seen macro factors playing it into our number so far. There is not a strong visibility as such. I think a lot of these trends we might observe once we become much larger.
- Bhargav Buddhadev:** And fair to say that most of the users whom we are servicing are not the first users of a private database. They would be using some other database as well, right?
- Abhishek Goyal:** No, not really...
- Neha Singh:** Actually, interestingly, it's the other way round. For a lot of the bulk which the sales team actually acquires, typically they were not using any software before that, either on the corporate side or on the investor side. We do work with both the customer segments, so on both the sides.
- Abhishek Goyal:** So, it's a fair mix, I think. We see enough variants on that front.
- Bhargav Buddhadev:** Of the 196 people you've added in sales & marketing, what number would you have added in the last 3 months? Do we see some slowdown over there from your side?
- Abhishek Goyal:** I think we have added 196 overall.
- Neha Singh:** ... across the last 12 months. We might have given the numbers also for June end. Maybe Prashant can pull that out in the meanwhile. But we would have the numbers for June end also, that we may have given earlier.
- Abhishek Goyal:** So, it was not market related. We had started to ramp up our sales team since last year and a half, and over time we hired those people. My sense is that a smaller number has happened in the last quarter; Prashant can pull up the numbers in the meantime. But, I think, anecdotally I know that the last 3 months we have done not as much hiring or team expansion there.
- Bhargav Buddhadev:** So, assuming a scenario where there is some slowdown which you see on account of recession, would you step up your marketing spends for customer acquisition or do you think the existing models are...
- Abhishek Goyal:** I think, today we spend very minimal... and insignificant amount of money on paid marketing; it probably is less than 1 lakh a month. Because we are a content company, we generate... lot of these leads are people who discover us... they are searching for something, they receive a

report from a colleague and then they reach out to us. So, this is not something... paid is not something we have done in the past. I think, content marketing continues to give us good set of leads, and that is something which will... even if there's a slowdown, we have not seen any significant impact on the leads that we are receiving from the market.

Bhargav Buddhadev: Is it possible to quantify the realization increase on the YoY basis?

Neha Singh: Sorry, realization on what?

Bhargav Buddhadev: Price paid per user.

Neha Singh: So, we can actually sort of... approximately realized ASP per account. For instance, our ASP per account is close to 6.8 lakh today. This was probably earlier between 6 and 6.5 lakhs.

Bhargav Buddhadev: Sorry? It is 6.8 versus 6.5?

Neha Singh: Yeah. For the last financial year, it was 6.5.

Bhargav Buddhadev: Okay. And my last question is, when will the IPO expenses be refunded? The amount is about 4.8 crores, right?

Neha Singh: Yeah. So, this amount is actually in the ESCROW account, and we are just in the process of doing that. So, probably within...

Abhishek Goyal: Prashant, if you have a concrete answer?

Prashant Chandra: Yes, so, we are in the process of settling the expenses and everything else. In the meantime, perhaps in the next 1-2 weeks we should be able to receive this amount from the ESCROW. Also, on the point of the sales & marketing team in the last 3 months, as of now in this quarter we have not given a breakup of the headcount. But, I think perhaps, in the subsequent quarters we can start looking at that as well.

Bhargav Buddhadev: Thank you very much for your response and all the very best.

Abhishek Goyal: Thanks Bhargav. Good to have you here today.

Moderator: The next question is from Akshay Jogani. Akshay, please go ahead.

Akshay Jogani: Thank you for the opportunity. I want to better understand how customer churn repatriates look like over time? So maybe, as a starting, if you could help me by giving a sense of... generally when you acquire say 5 customers and Rs. 100 of revenue in a given year, what is the trend like on volume of the total customers? How many stick in the 1st, 2nd, 3rd? Where does it plateau? From a revenue retention or growth point of view how does it look like? And, what is the kind of customer churn that you envisage over time at an annualized basis?

Neha Singh: Sure. Thanks Akshay. Coming to that, so, we will... as I was saying, actually we wanted to start with some of the core metrics which is very helpful in understanding the business, and over time we'll keep adding more metrics. In the current quarter, for instance, we have not detailed the revenue retention or the churn, but probably this is something that we may add going forward. On this note I will just add one thing, one nuance which is interesting for our business. One thing which we see in our business is that, if we acquire a customer, one is that a lot of them actually sort of retain even for subsequent months. The other interesting thing is that, even for the customers that we use, we actually have an initiative in the company to actually look to get them back. So, we also have some of the negative churn customers. So

unlike a sale like a software sale where you have an implementation and then you are buying a software and you are implementing one, and then once you implement a software, the other ones are not relevant. Unlike that, in our business, sometimes we also see a lot of customers that may have churned, they also come back once we have a better data for the country or once they are looking for that particular thing and we have better coverage in those industries. So, we also see that. So, hope that answers your question. We'll probably have a more detailed data in the future, but that just gives you some nuance around our customer segment.

Akshay Jogani: Sure. And maybe if not data, at least some qualitative insights on... what are the top 3 reasons why a customer decides to churn out? That would be good to know.

Neha Singh: Sure. So, in terms of the key reasons that we hear, one is, people have started to use the software for the first time. So, there are also different phases in terms of usage. That is probably one reason that we hear. Second is that, they are looking at data for a particular industry and a country, and sometimes we have different levels of coverage. So sometimes, when we have more customers, we try to sort of invest more in building the data in there. So that's probably the second reason that we've heard of.

Akshay Jogani: Sure. And of the customer mix or maybe revenue mix, do you segment it by early stage venture capital funds, late stage venture capital funds, private equity funds, corporates? How does that pie really look like? And, where do you see more opportunity as you go from current revenue to say 2X or 3X tomorrow or in the next 3-4 years?

Abhishek Goyal: Sure, Akshay. So, we haven't given the breakup, but I think anecdotally what I see is that, we are seeing relatively a good mix... people who have higher AUM usually end up buying larger number of seats, and people who have smaller teams also, I see a lot of traction there because they find lot of value, because they don't have lot of manpower. But I think obviously, people who have higher AUM, usually end up buying more seats from us. Again, we will over time start giving more colour to size and scale of this data.

Neha Singh: And just to add, we have a... one thing that people find very interesting, is that in addition to the private market investors, VC funds, private equity funds, investment banks, we also have a large corporate as a customer base. So, we had actually given that, for instance, in our DRHP, which is last year's number. By number of accounts, 52% was from private market investors and investment banks, 27% were actually corporations and then 21% were others. So, I think that's the other interesting aspect. In addition to the investors, we also have a large corporate base which includes many Fortune 500 corporations.

Akshay Jogani: That's very helpful. I look forward to knowing more in the coming quarters.

Neha Singh: Thanks.

Abhishek Goyal: One of the most interesting parts is that we have customers in more than 50 geographies, and we'll start publishing a lot of this data with many our Annual Results or Quarterly Results over time.

Akshay Jogani: Sure. That's it from my side. Thank you.

Moderator: Thanks Akshay. The next question is from Sameer Dosani. Sameer, please go ahead.

Sameer Dosani: Hi Abhishek, thanks for the opportunity. Just one question on... Q2 if I look at QoQ growth in customer accounts, if I look at growth in revenue, is it... you have already highlighted that this

is a seasonal impact. But, do you think beyond this, our QoQ growth journey would improve? If you can just throw some light on that?

Abhishek Goyal: Actually, if you look at Q1 and Q2 of last year, there was a similar pattern. There was one slide where we have projected that. Last year also we had a similar trend in contract value as well as in revenue. I think it's somewhat because people are... like, lot of holidays are there in this season, so sometimes people are not available, and all of that happens.

Neha Singh: And, just to add to that, so currently we're not seeing that. For instance, if you look at QoQ growth, like Q1 on a year on year basis we grew at 23% revenue from operations is what I'm talking about, and Q2 we actually grew at 28%. So, it has actually increased. So, right now we're not seeing any impact which is there, as of now; broader macro impact which is there.

Sameer Dosani: Sure. And also, you have already highlighted this non-linear EBITDA expansion. So what do you think would be a longer term outlook or a target or any sort of number in mind that this is the EBITDA margin, this is the business at which this business can operate? If you can throw some light on that? Thanks

Neha Singh: No no, that's a very interesting question. I think we will probably discover that over time. Like you have data subscription... so you don't have companies in the private market data space, but you have companies in the data subscription space, for instance in the US, with a fairly high EBITDA margin. There are companies which have EBITDA margins north of 40%. Here you also have the cost arbitrage which plays out. So unfortunately, we don't have sort of a peer set in India in that same segment. So, I think this is a number that we will also discover over time. But what we can see as a linear trend, at least for the last 3 years quarter on quarter, is that margin expansion has been happening though we have been aggressively investing in our sales, marketing and that efforts. But this is something that is very interesting that we find in the business.

Sameer Dosani: Understood. Thanks for the opportunity. I'll come back in the queue.

Abhishek Goyal: Thank you, Sameer. Nice to have you here today.

Moderator: We'll take some questions from the Q&A tab as well. Maybe I'll read out and you guys can answer that. One question is, if you can help us understand why contract price in this quarter of 17.8 crores is lower than the revenues that we have booked of 19.1 crores? I think what they mean to understand is, is our collection slowing down versus how the revenue growth is happening?

Abhishek Goyal: This is in line with how we are being seen also in the last year in the same period.

Neha Singh: So even if you look at the last financial year, actually our Q2 was lesser than Q1 and Q2 was barely equal to the revenue from operations which is there, which is a similar trend we see in this financial year, which is Q2 contract, contract price of the billing is slightly lesser than Q1. But again, as I said, we can probably see more quarter... the overall revenue from operations has actually accelerated.

Moderator: The next question is, what can be a sustainable growth rate of user addition without putting a focused marketing effort i.e. the high price sales team?

Abhishek Goyal: Actually, our entire sales is done from India, so it's an inside sales model. We generate lot of top of the funnel leads from organic channels. The sales team is all based out of India and they do remote sales over a Zoom call like this and then they convert. So, I don't think so far we

have a plan of putting up high price sales people in the near future. Neha, is there anything you want to add?

Neha Singh: No.

Abhishek Goyal: Does that answer your question?

Moderator: It's on the Q&A tab. There are couple of questions on retention rates. So, if you could share some net retention rate that you have in this quarter, and also probably going forward, that will be helpful.

Neha Singh: So on the retention, as I mentioned, just to answer that, we actually wanted to start with a core set of metrics. One of the things we had heard is, you start with a metric and then keep reporting till perpetuity. So, that is what we wanted to sort of do with starting the core set of metrics which helps people understand the business fairly effectively. So, in this quarter we haven't given this particular metric. Hopefully, let's see if we are able to sort of add this metric over time.

Moderator: The next question is, are there any other sources of revenues that you would be looking for in the future, and any new product or data offerings that you are planning?

Neha Singh: So, in terms of the sources of revenue, we think that the private market itself is a fairly large market to go behind, and currently we are a small single-digit percentage of the market, and it's a fairly large market. So, a lot of our focus is on expanding in the existing customer segment which we work with, which is both private market investors as well as large corporates that we work with. So, that's going to be one core focus – continue to acquire new customers or continue to increase users within the customers. This second thing is that, we are going to continue to work across geographies. So today, for instance, we have customers from different countries, 70% of our revenue is international, that is again one of the core focus of ours, which is continue to double down on the countries wherein we already have a customer base, and continue to increase the data, as well as the customer penetration in these geographies that we are present in. That is the second. The third is that, this private market data is also relevant for a few other segments. For instance, we have fund performance data, which is also relevant to the limited partners which invest in different funds. We have data on private companies which is relevant for sales & marketing, for companies which are targeting this large and growing segment. In these segments we already have a few customers, and then over time, we'll go deeper into that. Another interesting use case is your product discovery. For instance, if someone is looking at a particular solution in a technology space, we also have data on those. So, in these segments we already have some customers, and over time we can actually grow deeper into that. So hopefully, these three items help you address that question.

Moderator: And maybe just one last question to wrap up from the Q&A and then I'll pass it on to Neha and Abhishek for the closing remarks. And this is an interesting one. Going into the future, do you see yourself as Bloomberg of data or Gartner for startups, or both?

Neha Singh: So, our aspiration is definitely to build a large platform for the private market data space. So currently, one of the things that we see is that, India has been like the back office for lot of these large financial data companies; most of them are headquartered either in New York or in London. And, we want to actually use the next... I think one of the reasons why we also wanted to list, is basically it provides us a good platform to continue to build this company for the next 2-3 decades. And, our aim is to actually build a large global iconic... global data platform from India. So yes, that is definitely one of our aspirations, to do that.

- Moderator:** Great! We've run out of questions and the call timing as well. So with that, I'd like to thank the Tracxn management for giving us the opportunity to host the call. I'll pass it on to Neha and Abhishek to give the closing remarks. Thank you.
- Neha Singh:** Thanks Rishi and thanks everyone for joining us today. Hopefully through this presentation and through the Q&A you have a good understanding of our business, as well as the latest numbers. And, in case you have any follow up questions, please do feel free to reach out to any of us 3. I'm available at neha@tracxn.com, or you could reach out to Abhishek and Prashant, or you can also write to our team which is investor.relations@tracxn.com. Thanks again. Hope you have a good rest of the day.
- Abhishek Goyal:** Thank you everyone for attending the call today.
- Prashant Chandra** Thanks everybody. Have a good evening.

END OF TRANSCRIPT