TRACXN TECHNOLOGIES LIMITED

November 07, 2023

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 Thursday, November 02, 2023

Dear Sir/Madam,

This is in continuation to our letter dated November 02, 2023, wherein we had informed regarding the video link of the earnings call with analysts/investors for the quarter and half year ended September 30, 2023 (Q2 and H1 Results).

In this regard, please find enclosed herewith the transcript of the said call.

The transcript is also available on the Company's website i.e. https://cdn.tracxn.com/investor-relations/financials/FY24_Q2_-_5_-_Earnings_Call_Transcript_XbPoar6gE-j84WhdZAS6s.pdf

Kindly take the above said information on record.

Thanking you.

Yours faithfully,
For Tracxn Technologies Limited

MEGHA TIBREWAL Digitally signed by MEGHA TIBREWAL Date: 2023.11.07 16:15:45 +05'30'

Megha Tibrewal
Company Secretary and Compliance Officer
Membership No. A39158

Encl.: A/a

Tracxn Technologies Limited

Q2 FY24-Earnings Conference Call

Nov 2nd, 2023

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. Sidharth Agrawal, Systematix Shares and Stocks (India) Ltd
Mr Sameer Pardikar, Systematix Shares and Stocks (India) Ltd

Moderator: Yeah good evening ladies & gentlemen! Thanks for joining us today on the 2nd quarter, FY24 Earnings Call of Tracxn Technologies Limited. On behalf of Systematix, I would like to thank the management of Tracxn for giving us the opportunity to host this earnings call. Today, on the call, we have with us, Ms. Neha Singh, Co-Founder, Chairperson and Managing Director, Mr. Abhishek Goyal, Co-Founder, Vice Chairman & Executive Director and Mr. Prashant Chandra, Chief Financial Officer. I would now like to hand over the call to Neha to give her opening remarks and take us through the ppt and after that, we will open it up for Q&A. Please use the raise hand option to ask the question or you can also submit your questions in the Q&A box at the bottom of your screen. Thanks and with that, over to you Neha.

Neha Singh: Thanks a lot Sidharth, Yeah. Welcome everyone. Thanks so much for joining us today for our earnings call for the 2nd quarter of the financial year FY24. We are very excited to present our results for this quarter. In terms of the format, we would like to run through a short presentation and share some key highlights for this period. I will also give some commentary along which will be helpful for the overall understanding and then we will follow it up with the Q&A session. Request you to go through the standard disclaimer for this presentation.

A quick recap on our business. Tracxn is a data & 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 and 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 and investment banks as well as M&A innovation teams of large fortune 500 corporations. Also, it's a global platform, so nearly 66% of our revenue is international and we have customers in over 50 countries.

I would like to begin by summarizing the financial performance of Q2 FY24. To set the context, we have one business, 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.

Revenue from operations for Q2 FY24 was 21.5cr. which is an annualized run rate of 86cr. This is a 12.5% year on year increase. Total income was 22.5cr. which is an annualized run rate of nearly 90cr. Coming to profitability, EBITDA for the quarter was positive 2cr. Also to add, this EBITDA includes all non-cash expenses also like ESOP charge. PAT for the same period was 2.2cr. Moving on, EBITDA margin was 9.5cr. and PAT margin was 10.1cr. I will quickly summarize the YTD numbers as well or the financials of the first half of the current financial year. Revenue from operations was 41.3cr. which is a 10% year on year increase. Total income was 43.2cr. which is a 10% year on year increase. In terms of profitability, EBITDA was 2.1cr. for the first 6 months and PAT was 2.9cr. In terms of the margin, EBITDA margin was 5%, PAT margin was 6.9%. The business continued to generate positive free cash flow. The free cash flow for the first half of the financial year 24 was 0.6cr. Cash and cash equivalents stood at 63.1cr. which is an increase of 20% on an year on year basis or an increase of 10.7cr. in absolute terms on an year on year.

In the subsequent slides, I will be covering each of the metrics that we talked about in the summary in more details starting with revenue. Revenue from operations is essentially the revenue from platform subscriptions. 100% of this revenue subscription base, there is no services or one time implementation component. So this is a fairly high quality revenue. Also please note that this is accrued revenue. So though we do pre-paid billing and collections like most other financial data platforms you may have seen, we only recognize revenue for the time duration falling within the reporting period for which the service was made available. As discussed earlier, revenue from operations for Q2 FY24 was 21.5cr. Revenue growth has started seeing acceleration after the decline in growth of the last 3 quarters. Revenue from operations grew at 12.5% on an year on year basis, up from 8% year on year growth that you had seen last quarter.

Total income also saw similar acceleration in growth rate. Total income for the quarter was 22.5cr. which is an annualized run rate of nearly 90cr. This grew at 12% on an year on year basis, up from 9% year on year growth that we had seen in the last quarter. We have also added historical data for the last 3 financial years for reference here.

Moving to EBITDA. EBITDA for Q2 FY24 was 2cr. Please note that this includes all the non-cash expense also primarily ESOP expense. If we exclude these non-cash expense, the adjusted EBITDA will be 3.1cr. Quarterly EBITDA margin was 9.5% which is an expansion of 4.8% on an year on year basis. Also please note, this is the highest quarterly EBITDA, EBITDA margin that we have seen over the years.

On similar lines, PAT for Q2 FY24 was 2.2cr. and a PAT margin of 10.1%. If you exclude the non-cash expense like the ESOP expense and the tax set-off with deferred tax asset, the adjusted PAT for the quarter was 4cr. Similar to EBITDA, the PAT for the last quarter was also the highest quarterly PAT and PAT margin we have seen. There is a point to note here – in the PAT calculation, you will see also a tax component, which is the tax amount set-off with deferred tax asset. So this is a non-cash expense as we don’t have to pay taxes as we have accumulated losses but this non-cash expense is included in the PAT calculation from this year onwards.

Moving on, one of the other metrices that we track closely for the business is, what part of the incremental revenue is going into bottom-line. We saw this matrix increase this quarter with the revenue growth accelerating and the expense stabilizing. In the previous year, it has been much higher. So in FY21 and FY22, it was close to 80%. Last financial year, which is FY23, we had seen when we.. when we had increased the team.. average team size by 23%, this metric had reduced to 31%. Last time, there was some questions around when do we expect this number and what do we expect this number to be, going forward? We had mentioned that, we expect it to come back to over 50% over the next couple of quarters. So the good news is that, it has come back to this mark, this quarter itself. So in Q2 FY24, the percentage of incremental revenue going into bottom-line was 48%. So this is a very healthy improvement over 31% that we had seen the last financial year and from negligible that we had seen previous quarter.

Coming to the expenses, the total expense for Q2 FY24 was 19.5cr. This is 7% increase over the same quarter previous year. If you see this expense growth rate is lower than the CAGR seen across in the last 2 years which is what we had also indicated in the last quarter. On the right hand side of this slide, we have also given the breakup of this cost across the key components. The key components are the same as what you had seen previously. Just to summarize, first, bulk of our expense is team cost. So in Q2 FY24, this was 88% of the total expense which has been in the same range across the last two financial years as well. In FY22 and 23, this was 89% and 88% respectively of the total expense. Also note, all our team is in-house, so there is no out-sourced or contract workforce. The 2nd largest item is Cloud hosting cost which accounted for 3.3% of the total expense as we do a lot of data processing and analysis. This is followed by the rental expense. The other interesting aspect 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, typically required for customer acquisition. The reason for this is that, because we are a data company, we produce a lot of content and hence are able to use a lot of this to get organic traffic. So we are able to acquire lead fairly efficiently which is also reflected in our expense break-up.

Moving on to doing a deep down on the expense growth rates, if you see, the year on year expense increase over the last two financial year it had increased from 7% in FY22 to 16% in FY23 right, which was the last financial year. This was primarily on account of headcount increase. We had indicated across the last 2 quarters that this should get eased so in Q1 of the current financial year, it had come down to 9% and now in Q2 of FY24, this has come down further to the FY22 level of 7% year on year increase. This again is very much in line with what we had indicated earlier. In this slide, we have also given the details of the main drivers for that. So employee cost which we had mentioned earlier contributes to nearly 90% of the overall expense. We have given the average headcount across the last year and the last 5 quarters. So if you see the average headcount had increased from 684 in FY22 to touching a peak of around 900 in the last quarter of FY23. This increase in headcount was due to various growth initiatives undertaken last year. In Q2, it has come back to 783. This headcount got optimized primarily due to various automation and efficiency initiatives that we have done.

Moving on to the revenue side, I wanted to talk a little bit on the market. So if you see the private markets have been very muted across you know the last 9 months of this year and I am sure you would have read a lot of commentary about this in press as well. But just to put into perspective about the deal activity among the private market investors, so if you see the global tech funding, it is at a near 6 year low. Funding globally in the 1^{st} 9 months of the calendar year 2023 was down nearly 50%, if you compare to the 1^{st} 9 months of the previous year. Similar was the trend in India where it was down 72% in the first 9 months of the current calendar year 2023 over the same period previous year. This was more stark in the later stages; one proxy for the late-stage activity is the number of new unicorns start-ups that got created or the new private companies that got valued at over a billion dollars. Current run rate of new unicorn which got created globally, which is a proxy of the investment activity in the later stage, was lowest that we had seen in the last 7yrs. India obviously saw only one new company got added to the unicorn list in the first half of 2023 coming down from a peak of about 44 that we had seen just 2 years back in 2021.

Also if you look at the M&A activity, it's been fairly muted. If you look at the M&A deal volume in the 9 months of 2023, it was the lowest that we had seen in the last decade. Even if you look at the IB fees, the Investment Banking M&A Advisory Fee, that is, it is one of the lowest that it has been in the last 10yrs.

On the question of when it is expected to improve and bounce back? So last time, we had mentioned that typically we have seen a lag of about 2-3 quarters between public tech and private tech and for the public markets having recovered this year, it is likely to see some recovery in the private tech also. We are already seeing this recovery in the private market happen. So if you look at the monthly trend in the private markets right, you can actually see early signs of that the recovery has started happening. So if you see the year on year growth rates, the declining trend which was happening for the last few quarters has started to reverse. So this is the same trend that you see in the global funding stats as well as in India. This is also something that we are also seeing anecdotally around which is that the deal activity seems to have picked up. So on the whole, the good news is that, looks like the private market deal activities seems to be bouncing back.

Coming to some of the metrices of the business that we are seeing, so we are continuing to see greenshoots. Last quarter for instance, we had mentioned that, if you look at the deferred revenue, we had started to see the downward trend reverse and slight acceleration in the 1^{st} quarter of the current financial year which is FY24. The good news is that this upward trend continues. And we saw further acceleration in our deferred revenue last quarter. So, the deferred revenue for Q2 FY24, if you adjust it for the change in billing methodology, which I'll cover in the subsequent slide, it grew to 31.3 crores, which is a 26% year on year increase right, which is a further acceleration from the growth that we have seen in Q1.

I would also like to share a note on the slight change in billing methodology that we have done in Q2 FY24. This might have some impact on some of the metrices over the next couple of quarters after which it should stabilize. In the new methodology, only for one subset of accounts, currently all newly the onboarded accounts, we raise invoice after the cash collection. Instead of the typical way of raising invoice and then doing cash collection. This is to reduce possibility of bad debts and consequent tax expense, especially for export invoices. Please note that this is not.. this was not a large number but we have done it more for prudence purposes. We have also given the numbers on the slide. And this was done from mid of Q2 FY24, hence a portion of the billing for Q2 for new accounts has shifted to the next quarter. This does not have any impact on revenue. However, there's a one-time impact on contract price and deferred revenue.

In terms of some of the other metrices, platform engagement metrics continue to look very healthy and increased. If you look at the platform usage, which here is in terms of the number of exports and Myanalyst data queries that.. that customers have sent. It has nearly doubled across the last two years. Engagement has increased both at an overall level as well as a per user level. So, this is a very healthy trend that we see.

Apart from these, we at our end have also been investing heavily across various growth initiatives. So, these span across the Go-to-market funnel of marketing, sales and account expansion. We believe as the markets open up, we should see more acceleration in the new customer acquisition as well as customer expansion.

I would also like to take a couple of minutes to recap on some of the growth initiatives we are aggressively working on. And we are very excited to present the results of from what we've seen from those. One of the very interesting growth initiatives that we've talked about previously is scaling up organic traffic. So, because we are a data company, we are able to use a lot of data that we own to launch a large set of public pages, which generate a lot of customer traffic. For instance, if someone is searching for FinTech companies in Sweden, or SAS startups in California, they come across our pages and we are able to generate leads through that. So, if you look at the organic search traffic that we got across all our pages, this was 8.7 million in the first half of FY24. So, three things regarding that. One is is that this is a very large traffic funnel that we've been able to build. Second, it has grown rapidly as you can see across the last few quarters, for instance, it has grown nearly eight times in just the last three years. Thirdly, we continue to work aggressively on this and we expect it to increase even further.

Another interesting growth initiative is Press mentions. As we've mentioned previously, whenever media talks about data on private markets, or startups or emerging technology sectors, we want them to quote data from Tracxn. Our recent initiatives like launching reports with media, data contributions, regular column in some newspapers, etc., have resulted in multifold increase in press mentions that we have received across various respected media outlets. Advantages of Press mention is that a lot of people discover our data for the first time through media and then they come to our website and generate a very high intent lead. Also, we believe this goes a long way in building a brand as a data company, and hence also helps in our sales conversion, and hence the revenue growth.

Another interesting growth initiative that we had mentioned previously on the data side is that we are expanding coverage in financials and captable data sets on private companies on the platform. For context, today, we cover financials across over 15 countries, captables across over 10 countries. These data sets are particularly in demand by certain customer segments like private equity and investment banks, among other segments. For illustration, an investor wants to scan upcoming space like a single speciality hospital chain or a D2C internet-first brand in a particular country, then, in addition to the list of interesting companies and market landscape, they would also like to find out companies beyond a particular revenue threshold. Since we now generate sufficient cash, we have invested in increasing the throughput of these data production engines. And we believe that this will help us accelerate the revenue growth in future particularly in customer segments of private equity and investment banking.

Another set of initiative, which are underway is for improving paid customer engagement, as well as account expansion to enhance essentially growth of revenue from existing customers. A separate team has been set up to increase the penetration of paid licenses within existing accounts, thereby moving from more reactive upgrades to doing more proactive upgrades. We've also set up a separate team within customer success for various engagement initiatives aimed at increasing user level as well as account level engagement through a variety of initiatives to give an example like you know, better platform education or periodic touchpoints or hero features or personalization and many more.

Moving on to some of the other financial metrices. The company generated positive free cash flow of 0.6 crores in the first half of FY24. If you see this is a decrease over the first half of FY23 last year. The only reason is basically there's a slight delay in.. there was a slight delay in realization of some of the payments which actually came post the quarter end and pending tax refunds, which we expect to be realized over the next two to three quarters. So, we expect this this number should come back to a much higher number next quarter. Cash and Cash equivalents stood at 63.1 crore which is an increase of 10.7 crore on year-on-year basis, or a 20% increase on year-on-year basis. So interestingly, despite these investments in various growth initiatives, the company continued to generate positive free cash flow, and also increased Cash & Cash equivalents both on a year-on-year basis as well as on a sequential QoQ basis.

In the subsequent slides, we have covered some other KPIs for the business. On the first slide, we covered number of customer accounts and number of user accounts. So, we closed September 23 at 1258 accounts and 3420 users, which is our which are 9% and 2% growth on a year-on-year basis, respectively. Please note in terms of number of users, we had done some slight tightening in terms of the number of non-paying users within paid accounts, which had reduced the number of users but does not have any impact on the revenue. In fact, we hope to have more expansion through this as some of the accounts would buy more licenses due to this. In terms of some of the other KPIs, contract price or invoicing amount for Q2 FY24 was 21.7 crores, adjusting for the billing methodology change which was discussed earlier. This is a 22% increase over Q2 of last financial year. The last graph talks about the entities profile, which is a proxy to the amount of data added onto the platform. So, today we track more than 2.4 million profiles, including private market companies, funds, etc., globally.

In terms of some of the other interesting characteristics of the business, 66% of the revenue for Q2 FY24 was from outside India. This has been almost in the same range about close to 70% across the last three financial years as well. These customers span over 50 countries. The top five countries within this show a similar pattern to where you have large corporates as well as private market investors. So, the top five countries for us by the number of customer accounts are India, US, Singapore, Germany and UK.

Additionally, we also serve a rich and diverse customer base across the investment industry, including venture capital funds, private equity funds, investment banks, as well as corporates across their M&A Team, innovation teams, etc., and others, including government agencies, universities, right, so this gives us a very large addressable market to tap into.

So, with this covers most of the key updates from the recent period, in the subsequent slides, we cover the business overview, I would skip going over these slides. But please feel free to check it out offline. Subsequently, we also have some slides in the detailed financial statements which people can go through in detail. Thanks, that's all the key items that I wanted to share, passing it back to Sidharth for any Q&A that they might have.

Moderator: Yeah, right. So, thank you, Neha and now we'll start the Q&A session. Participants can raise their hands or write down their question in the Q&A box at the bottom of your screen. Once we call out your name, you can unmute yourself and ask your question. So, we just hold on a minute. Okay, so we have the first question from Harsh. Harsh K, would you like to unmute yourself and ask your question?

Harsh K: Yeah. Hi, hope I'm audible. Just a couple of questions. First of all, thanks Neha, thanks Abhishek, good set of numbers. Just a couple of questions on the cost side. So, you guys were talking about the employee optimization. So, could you just elaborate a bit more on that, are have we done with the optimization phase? How should we see the headcount number going forward? That's the first thing. Secondly, we are still seeing on a quarter-on-quarter basis, some consolidation in the number of users. Now this is despite, you know, some revival in the pre-funding that you called out Neha. So, how..

what do we.. How do you see this number going forward? And how do we triangulate that with the growth that we saw in this quarter?

Neha Singh: Got it. Thanks, Harsh. So, I'll just take the first question, which is basically, on the cost optimization. We talked about, you know, the headcount getting optimized and, you know, how do we, firstly, what was the reason for that? So, one of the key reasons was basically, there is a lot of sort of automation and automation initiatives, which keep happening. So that's why, you know, one part of the team, like the data operations team, which is there, so that keeps getting optimized. So, for instance, you know, if you've build, like, you know, launch financials in about 20 countries, captables in so many countries. There’s this you know once you build models, then you know, over time, it gets optimized and number of people that will require per module that decreases, right. So that was one of the reasons that we were seen in terms of the headcount increase. On this point, I'll just note that, you know, if you look at the, the headcount might've decreased a little bit like, if you compare Q2 of the current financial year to Q2 of last financial year, the head count actually decreased marginally by 4%. But the cost had actually, you know, increased or likely remain flat or slightly increased. One of the reasons is that, obviously, we are not, sort of, the cost optimization is not the reason for the head count sort of optimization. I think this is a natural, you know, automation initiatives, which keeps happening through the odd, right. So that's one of the reasons for why, you know, the optimization happen. Coming to the second part, which is how we expect it to going forward. So, my sense is that most likely the the employee count should sort of stabilize at around, you know, between 750 to 800, you know, across the next probably few months. And, you know, that's why we're also sort of indicated with the cost increase, you can sort of expect, you know it should be like less than 10% for the overall expense that you can expect, right. So, hope that answers the question on the first part, which is, you know, the optimization part.

Harsh K: Yeah, it does. Thank you.

Neha Singh: Now coming to the second part, which is the number of users. So yeah, that's an interesting question. So, if you look at the number of accounts that has increased by about 22 on a sequential QOQ basis, but the number of users have actually sort of decreased. So, on the user base, that is also, you know, optimization that we had done. So, the number of users that we.. that is there here is basically the number of activated users that are there, for all the paid accounts on the platform right. What typically happens is that, you know, people like.. customers sign up for some number of licenses, license seat, and then we give them a few other additional seats, so that in the next upgrade cycle, we are also able to upgrade some of them. So, the number that you see is number of users. So, we've also done some tightening in terms of the you know additional users that had given to some of the accounts. That's one of the reasons why you can see the user count getting optimized. But you can also see another number which is you know, the average realized pricing per account as well as per user. So, if you look at this quarter, both the realized pricing on per account that has increased, so that increase from 6.7 last financial year to 6.9 in the last quarter, and the realized pricing for the users have also increased marginally from you know 2.4 last year.. last financial year to 2.5 lakhs per user per year, right. So that is also you know that is also getting optimized, like you know we are able to also increase little bit on that front, right. So, I think that is.. i think the net-net is basically including both of these aspects. Hopefully that answers the question on the user growth.

Harsh K: Got it. Thanks a lot.

Neha Singh: Yeah thanks Harsh.

Moderator: Yeah, thank you, Harsh. Well, we have a question on the chat window from Ajit Kumar. Hi, Neha, other than core revenue, do you see any other opportunity of data monetization, from Ajit Kumar.

Neha Singh: See, yeah, so just to take that question Ajit, I think in terms of the revenue ones that we have, so, one way to think about it is by customer segment, the other way to think about it is by geography. In the customer segment if you see, nearly half of our revenue is from private market investors, which includes your venture capital funds, private equity funds etcetera. The other half interestingly like corporate is actually equally large for us, right, wherein we are we continue to see expansion in.. in a different use case. So, we started with M&A as the use case, innovation teams as the other use case, we're also seeing a lot of uptake in the sales team within that, right. If someone wants very targeted sort of information on customers that they can go behind, so we have sort of very classified data in that sense. So, that's another segment that we are seeing growth.

We're also seeing growth in corporates across all the sizes, small as well as large, you know within this use case, right. So, I would say you know in terms of the customer segment also, there are a few customer segments that we are seeing sort of more growth in, right. So, that is one idea and the other is of course we continue to sort of you know increase in terms of some of the geographies wherein we have.. we already have sort of you know, good referenceable customer base in, right. So, for instance India and America sort of grew you know both in terms of the percentage within this quarter, right. So, hopefully that answers the question on the revenue opportunity in the other segments that we are seeing.

Moderator: Yeah, Yeah, fine. Thank you, Neha. So, we have Urvi Shah's hand raised. Urvi, you could unmute yourself and ask your question, please.

Urvi Shah: Yeah. So, thanks a lot for giving me opportunity. Actually, I'm speaking on behalf of my wife who is the investor. So, first of all, congratulations on setting up a decent number. One question, you know is that, you know, I mean it's been barely one year you know that we have been listed, you know, probably it's just one year that you finished your listing, yeah. Unfortunately, and it was a totally over faced, if I'm not mistaken, alright. So, I still see, you know, promoters you know reducing their stake you know. Now, we have total confidence of you know the company and also in the management you know and hence we are still in with the company, but you know if you see you know the promoters continuously reducing and decreasing their stake, you know it really doesn't give us the confidence you know going further, I mean if you can just clarify because it's barely one year that we have been listed and it was a totally over faced. So, I hope you can clarify this. Thank you so much.

Neha Singh: Yeah. So, I'll just address to that. So, Urvi actually, yeah, so the IPO wasn't over faced, which was sort of requirement in terms of liquidity that you need to have, but actually you know, I don't know there's some this thing the promoters have actually not been selling at all after the IPO, they've not even sold in fact on the other side, the promoter are buying shares, you know the after the contract trade obviously sort of ended and you know you could do that. So, you know it has - you know I think the promoter would be buying more. Maybe Abhishek if you want to add.

Abhishek Goyal: Yeah, I wanted to reassure that first six months there was a lock in, so we couldn't trade after the IPO after which every quarter there has been some buying from the promoter group and you can see it on NSE website. They are all visible there and once you buy up for six months, we can't do a contract trade. So, every quarter we try to see that we buy some stock so that there is a confidence that we are not going to sell for next at least two.... next at least 180 days.

Urvi Shah: Okay, Okay. So, I don't know why.. why the I mean BSE website or you know it shows a reduction, is it because of ESOPs or any other dilution?

Abhishek Goyal: Yes, it might be because of ESOP. Prashant, maybe if you have it handy, you can show the NSE website that we have been buying.

Prashant Chandra: Correct, yes. So, basically there is marginal, very slight reduction. So, as of 30th of June it was 35.56, the promoter and promoter group holding and as of 30th September it is 35.22. So, the marginal reduction that you see is on account of the ESOPs being issued pursuant to the employees exercising their stock options.

Urvi Shah: Yeah, yeah, apologies

Abhishek Goyal: We have been buying, don't worry, you'll see us only buying that.

Urvi Shah: Thanks. Thanks a lot for your clarification and wish you all the best in the all future endeavors. Really appreciate your response.

Neha Singh: Thanks a lot.

Moderator: Yeah. Thank you for the confidence, Abhishek and Neha. And, we have one question.. yeah sorry? Yeah so we have one question in the chat window. Within headcount reduction can you let us know in which teams the reduction has happened?

Neha Singh: Yeah, I will just take that. So, if you see that are.. yeah, if there are four teams which are essentially you know, which we sort of give the split across. So, I'm going to just summarize the team of about you know 750. The way it splits across the four teams is about 90-member you know in tech and product, about 370 members today in data and analyst operations, about 220 members in sales and marketing and customer success, and about 60 people in business support, right. So, these are the four groups that we have been sort of giving out how the headcount sort of splits across. If you look at the headcount reduction which has happened, it is primarily happened in the data operations. As I was saying that a lot of the modules keep getting optimized. So, as you sort of you know, launch new modules, you do that once it get live, there's also a lot of operational efficiency that is there across all the modules. So, the number of people that you require to keep running on an ongoing basis across all these modules, right, whether it is to give examples whether it's financials in a particular country like Germany or UK or India or Singapore or it's captable or it is global funding, transactions, someone is covering or the team which is covering global M&A etc., right. So, what we have seen over time is that the number of people required in across all these, there's a lot of operational efficiency which also kicks in and the number of people reduces right. So, that is the same team that has got optimized. So, hopefully that answers the question.

Moderator: Yeah, yeah. Thank you, Neha. So, participants, if you have any questions, you can, you know, kindly raise your hands and ask your question and in the meantime, my colleague Sameer has a question. So, I'll just hand over the screen to Sameer.

Sameer: Hi Neha. Can you elaborate little bit about the new billing system that we talked, we take this for the quarter?

Neha Singh: Right, right. Yeah. So, I'll probably give a brief and then I'll pass it on to Prashant, you know to add on this. So, essentially what happens is that to give you an example, if there is a, if we if there's an export invoice which is there, which eventually got written off, you know there is a tax liability which happens on that, you know like for instance GST with interest happens. So, what we have done is essentially is instead of raising the invoice earlier, we wait for the cash collections to happen and then raise the invoice. What this helps us do is reduce the component of the, for instance the.. the bad debt that is there as well as the tax incident which the company has to bear.
The overall expense was not a lot like we had given in the slide. For instance, the last financial year, on revenue from operations about 78 crores the total write off was only about 74 lakhs. Right so just a small component less than 1%, but still for prudence

purposes we have adopted this and I will also you know pass it to Prashant, probably add over here.

Prashant Chandra: Yeah, sure. So, Sameer I mean like.. like Neha mentioned, so earlier we would raise an invoice which is like book the sales and then subsequently over the due course collect the payment, but in for the select accounts like the newly onboarded accounts, we are now actually waiting for the payments to happen before we are actually booking the sales. So, in a way, it is also helping us to reduce the bad debts as well as like Neha also mentioned export invoices, especially because you know the moment the export invoice turns into a bad debt that is that you don't realize payment, the criteria under the GST laws for export fails and since our business possible export of services which is 0 rated supply, so that immediately GST becomes applicable on it and with.. with interest. Right. So, to reduce those instances, we are down insisting first to receive the payment before we sort of book the invoice and record the sales. Would that.. is that clear Sameer?

Sameer: Yeah, yeah, absolutely right and then the account tightening that we are doing, is it a continued process, maybe we'll do it in a subsequent quarter as well?

Neha Singh: Yeah, so we.. so I think we had done, so I think bulk of it is done, we continue to do a little bit. So, you can probably see the realized pricing per user, you know maybe increase marginally over the next you know couple of quarters, but that's about it. I guess you know we will be..so you know.. bulk of it is done and then we'll continue to do a little bit in the coming quarters.

Sameer: Sure. Thank you. Anyone has a question, please raise your hand.

Abhishek Goyal: Rahul has. Rahul has raised hand.

Moderator: Yeah, I think Urvi has a question. Urvi, you have a repeat question?

Urvi Shah: Yeah. Thanks for giving opportunity once again. So, just one question would be like, okay we saw reduction in the headcount, right. So, will this, you know, give us some reduction in savings going ahead? and will there be a further ESOP expenses you know in the coming days?

Neha Singh: Right, right, yeah. So, Urvi just to add to that, the, primary motive for headcount decrease was not so much a cost optimization, but it was more of an output of the headcount reduction which has happened, mainly the reason was that the automation initiatives you know and the efficiency initiatives that keeps kicking in. In terms of the cost impact of this, I guess bulk of it you know that is why if you look at last financial year, the total expense had increased at about 16% on an year-on-year basis, you know that has come down to 7% you know this quarter, which is which was in line of what we had seen in FY22 or if you look at a more longer historical period, right. So, this has come down to you know the longer sort of the growth rate that we have seen in terms of the expense, right. So, I guess bulk of it is done. On the second part which is on the ESOP expense, so the ESOP expense, the way to think about it is that you know we.. we do not have sort of like we don't give bonuses, so a part of the component of your salary of employees is basically based on ESOP and as we had mentioned that you know you can expect the ESOP percentage, ESOP expense to be in the same range of about you know 6% to 8% of the total employee benefit expense, right and you know it continues to remain in the same range.

Urvi Shah: I mean, how far are we expecting this? I mean going right, I mean the next year or one year, two years?

Neha Singh: So, I think most of it is done and we expect that the headcount should stabilize between, you know like around 750 to 800 between that range.

Urvi Shah: No, I'm talking ESOPs basically?

Neha Singh: So, the ESOP will be part of an ongoing basis. Just the way to think about ESOP is that it is a part of your salary. So, we don't have for instance bonuses, a part of your salaries actually paid to employees as ESOP expense based on you know when the appraisal happens or when the joining's happen, right. So, this is part of an ongoing expense that you will continue to see in the.. in the.. in the employee expense and this is the same pool, you know that we have sort of created so, there's no additional pool that has been created.

Urvi Shah: So last question, you know any dividend distribution policy has the company thought of?

Neha Singh: Right, right. So, yes, we you know like we do generate cash and if you look at it, the cash and cash equivalents have been increasing. So, I guess you know over time we will probably do one of these three things, right you know, either do dividend or buyback or do some part of an organic expansion over time. Right now, we don't have a timeline in mind of you know of either dividend or a buyback or doing this and maybe we'll take a call you know in the next couple of quarters on these things and we'll sort of communicate in accordingly. Hope this answers the question.

Urvi Shah: Just one thing that I heard that is the company applying for any inorganic opportunity?

Neha Singh: Right. So, right now there's no immediate inorganic expansion that we have sort of that is there. We will probably have, you know we probably do, you know if you look at most financial data companies' inorganic is part of your growth strategy. No, we don't have any immediate plans of doing that. So, maybe in the, you know, maybe a year later or so, you know, we might think about that.

Urvi Shah: Clear, clear. Absolute clear. Thanks a lot once again for clearing up all the queries. Really appreciate.

Neha Singh: Thank you so much.

Moderator: Yeah. Thank you, Urvi. You know, I had seen hand raised of Rahul Jain, but now he is missing. So, we'll move on to Amit Chandra and then we'll take Harsh K. So, Amit Chandra, would you like to unmute yourself and ask your question?

Amit Chandra: Oh, I'm audible?

Moderator: Loud and clear.

Neha Singh: Yeah.

Amit Chandra: Yeah hi Neha and hi Abhishek, and thanks for the opportunity. So, we have seen some recovery in the growth rates and also in terms of the incremental EBITDA contribution and the margins, but I would like to understand how.. How do you see the business momentum shaping up. So, you know we had you know a fairly flattish kind of an you know quarterly run rate over the last four quarters, but are you seeing on the ground pickup because most of the investments you know are mostly behind in terms of sales and marketing, in terms of whatever investment that you have done, so you know when we can expect this growth - YoY growth rate to reach at least what we were doing, say a year back, you know and in terms of your sales engine, you know how confident are you that the current sales engine is able, you know will be able to generate that kind of growth?

Neha Singh: Thanks a lot, Amit. So, I'll just take that. So, in terms of the momentum, we are actually seeing the momentum sort of pick up like if you look at you know all the business metrics, the deferred revenue has started picking up for the last two quarters. The revenue growth rate has started accelerating from this quarter, right. So, that we started you know sort of picking up. I think two reasons for that. One is you know if you look at the market which had been you know very low, if you look at it, you know the numbers have been one of the lowest that you have seen in the last decade, both on the.. on the funding side, on the M&A side, etc., right. So, that was there in the market. So, that activity is picking up like if you look at the market stats, you know there seems to be recovery in the private markets which is starting to happen. So, on the.. so one aspect about this is the market, wherein more deal activity started to happen. The other is also the GTM initiatives that we have done, right. So, for instance, our traffic which is increased, you know, like doubled, more than - more than doubled in the last just one and half years. and all the other GTM initiatives that we are doing. So, we are also getting good, you know sort of, results from there through which you know one is, we are able to generate lot more leads, that means lot more demos for the sales team, we had also expanded the sales team earlier. And the second thing is that.. the third thing is that, we're also working right now on lot of.. on the expansion initiatives. So, you will also see sort of you know growth in that.

Right, So there is also the second part, which is the GTM initiatives that we are working, which are also seeing results. So in terms of the momentum, we definitely see overall the momentum you know seems to be picking up in terms of the revenue growth and we hope that you know that should continue, and hopefully in a couple of quarters it should go back to the level that we had seen if you look at the last three year CAGR types, right? Hopefully that answers the question on the first part, which is you know on the.. on the momentum.

On the second part, which is on the sales engine. So, you know right now I think our sales engine is in a fairly good shape in terms of both the coverage that it has, in terms of both the depth that we have been able to build. What we are also doing is building sort of sub teams. So, you know for instance, there are few segments wherein we are seeing lot more growth. So, we are also carving out the sales team specifically for that. To give you examples you know like, sales and marketing was one segment which was seeing growth for us. So, we have actually set up you know a separate team to just focus on sales and marketing leads because we are getting a lot of those. University is another account which is you know not just a revenue but also a big marketing channel for us. We've set up a separate team for that. Right so, in the sales team also we are continuing to sort of do a lot of those things, carve out sort of separate teams wherein we are getting either a lot of inbounds or we see scope for improving the penetration much more.

So in terms of the headcount, most likely it should remain, but there are a lot of initiatives which we continue to sort of do within that. Hopefully that answers all the questions.

Amit Chandra: Okay and. Yeah yeah Neha, thanks for that. And also in terms of the organic growth that has been increasing on the platform. So is there any specific trend or any specific geography which you're targeting apart from, obviously you know like US is there, which is the largest market. And apart.. in terms of geography mix, if you can you know say where the organic traffic is coming in. And also in terms of you know the closure to demo ratio, how that has been, and also in terms of you know.. you know what has been the mix of the generation in terms of lead you know versus inbound and outbound.

Neha Singh: Got it, yeah. So let me take that. So, the first one is basically on the organic traffic and where we are seeing. So, the driver for the organic traffic is basically the content that is there on the platform. And if you see the content on the platform, it is the natural distribution of where you have a lot of private market companies, sort of investable private market companies, US being the largest, followed by you know EMEA and APAC

right. So this is the natural distribution. So that is why the.. the public pages, which is also there is.. or the data that we also use for organic traffic is basically global, right? And that is why the.. in terms of the traffic that we are seeing, so it is fairly, I would say, you know across the countries that we are seeing sort of growth in traffic that is there right. So that's on the first part, on the organic traffic, which is you know sort of a natural distribution of where the data is, which is you know sort of global.
Now, coming to the second question, which is your demo to closure ratio. So, that has remained in the same range in fact, for a much longer period. You know for the last two to three years, it has broadly remained the same range of between 15% to 20%. What we try to do is, basically you know on the new incoming team as well, you know how quickly they are able to reach to this sort of an average demo.. closure to demo ratio. We don't expect that to change much. What we are doing a lot is also increasing the top of the funnel, which is the number of demos that you know that the team is basically taking or the.. or we are able to generate, or the marketing team is able to generate. So, that we are also focusing a lot on the conversion we expect that to be range bound.

And coming to the third one, which is the mix of. Yeah sorry..

Amit Chandra: And.. no no yeah so inbound and outbound mix of

Neha Singh: Yeah so iIt is.. it also happens to be the same, which is bulk of it is inbound.. so you know more than.. so bulk of it is inbound and a part of it is also outbound. But bulk of the closure that we see is in terms of inbound. Like, people have already seen the content the people have already, you know seen it somewhere, then it's easier for us to sort of close and do it in a sort of limited sales cycle time.

Amit Chandra: Okay. And you know if you can provide So, the average headcount has been coming down. But in terms of the headcount, I know there is a you know higher mix of you know people who are maintaining the data. But in terms of the sales team, how the sales headcount has moved? Okay and if you can provide some numbers around how many sales people are there and how many are frontend and how many are like maintenance sales.

Neha Singh: Right, right. So if you look at.. yeah so in terms of the sales headcount, so the sales headcount after the ramp up that we had done of about you know from a smaller team to about 220 member, not the sales, but the entire GTM team, which includes your sales, marketing, customer success, so that has been around in the same range of about 220 right for the last two quarters. Within that, the sales team, which would be around about 140 people, which includes people which are closing, as well as other support team which is doing sales enablement, which is doing sort of SDR, which is your lead qualification etc. so it includes all of them right. So the closing team would be smaller than this right. So that is on the sales sort of team.

Amit Chandra: Okay. And Neha, like one last question from my side. So, on the price.. on the pricing for the product. So last, when we have taken a price hike and you know when we are planning to take a price hike, and what are the factors that we consider while taking a price hike?

Neha Singh: Right. So in terms of the price, if you look at it, our pricing currently is about $600 per month per user, which is the minimum single user pricing that we start with. Two years back, this pricing was $500 per user per year.. per month sorry. Right. So.. so there was a 20% price increase that we had done about two years back. The way to think about pricing is that it's not.. it does not get reflected across all the customer segment, the customer base on day one. We typically implement the new pricing for the newly on boarded customers, and for the existing customers, we actually do it as the renewals happen, and all of them may not renew it on the first renewal. So we give people time you know within the next two to three years, most of the customers will come to the new pricing right. So that is the way that the pricing is there.

And the other thing that we have also been working towards so, so it's not just the pricing increase, but how do we increase the realized pricing per account right. So a lot of initiatives that we have done is, for instance, increasing the number of licenses that an account ends up buying. To give you an example, on an average, typically accounts buy three users you know from us, and but you know the team sizes are fairly large. So, typically a lot of accounts prefer to start small and grow over time. So, there' are a lot of work is also being done on how do we sort of grow within the account. So, it is not just the pricing increase that we see grow.. the.. that can be the lever for increased realized pricing, but also these initiatives. For instance, you know if you are able to add more licenses, have more users within the.. within each account, which will also increase the realized pricing per account. Right so, if you look at this quarter, for instance, the realized pricing per account as well as the realized pricing per user has increased marginally right because of a lot of these initiatives that we have done.

Amit Chandra: Okay. And Neha, are you seeing any kind of price negotiation, at the time of renewals? Because if.. if anyone is increasing the user per account, okay then are they asking for a price you know discount for that?

Neha Singh: Right yeah. So, interestingly for this segment, we don't see a lot of price negotiation happen. Especially in private market investor side, there's not much of price negotiation happens. Maybe on some smaller corporates you know, we might see some of them. But actually there is fair amount of payability which exists within this customer segment. So there's not a lot of price negotiation which happens. And also on our side, our pricing has been fairly standard. So, if you see you know pricing we actually displayed on the website, you know there's not much differential pricing that we do for users right. So, so I think people are also fine with the fact you know that it's a it's a standard pricing. So, we don't see a lot of price negotiation happens. And there's a very standard pricing that we also give out you know on the website, which talks about that if you buy so many users, the incremental users will be slightly cheaper, and that is what we.. the teams also follow right and that customers are fine with. We don't see you know them negotiating a lot. As long as you know it's standard for everyone, I think people are fine with, and we don't see a lot of negotiation in this segment especially.

Amit Chandra: Okay. Okay, Neha. Thank you and all the best for the coming quarters.

Neha Singh: Thanks a lot Amit.

Moderator: Yeah, thank you very much. So, next question is from Ayush Vimal. Ayush, would you like to unmute yourself and ask your question?

Ayush Vimal: Sure. Hi, Neha, thanks for giving me the opportunity. Neha, I just had one question. You know over the last one year, I've been hearing of another competitor you know who's been very aggressive in the market. Do you see that.. Do you see the competitive intensity in the sector increasing because of that you know entrant? And if so, how do you see you know the pricing in the immediate term? Are you facing pricing pressures from some of your clients who are taking simultaneous demo with both competitors?

Neha Singh: Sure. Thanks thanks a lot Ayush. So, just to answer that, we haven't seen much increase in competitive intensity you know across the last you know one to two years. It has been the same set of players globally you know. As it's a vertical industry, there are only about five or six players which exist globally that we we run into, but that's about it, and there's also differentiation which exists. In terms of players, a lot of these point solution which sort of exist right, which are giving you one particular data point. But typically we have not seen a lot of competition from them in our sales team, or we don't hear a lot of their names from our sales team because there's only one part of the data that they offer. However, if you look at the typical workflow of our users, which is an investor or an M&A professional, there are a lot of things that they need to do right from deal sourcing to deal diligence to.. So not just financials, but you know they would actually look look at the sectors, they would want to look at global comms, they would want to look at transactions, they would want to look at the funds portfolio which they are meeting. So this is like a you know your platform that you spend you know a lot of the time on right. So, we haven't seen.. we haven't hear about these things from the sales team so much because these are more point solutions. So we don't hear a lot from them in our customer sort of interactions.

So coming to the pricing pressure. Also, there's no comparable, right? These are sort of very point solutions, as I was saying. But a lot of other workflows that people.. that the platform addresses, that you know people sort of spend time on, which we sort of holistically do. So in terms of competition intensity it has probably remained the same I would say in the last one to two years we have not seen any change in that.

Ayush Vimal: Fair enough. Thank you so much.

Neha Singh: Thanks Ayush.

Moderator: Thank you Ayush. We had three questions on the chat window. One of them is from Aditya Iyer. Any changes to the 30% revenue growth guidance? How is the visibility to achieve the same basis the sales funnel? And then we have two questions from Ajit Kumar on the chat window. Actually, one last question, yeah.

Neha Singh: Okay. So yeah probably I'll just take the one from Aditya.

Moderator: Aditya Iyer.

Neha Singh: Yeah. So, I think you know we continue to sort of maintain that you know. If you look at the revenue historically, the last three years we have grown at about 30% CAGR and you know we have been investing a lot in the GTM initiatives. Obviously the markets have been the worst that you know the.. that they were in the last you know quite a few years. So coupled with that, we have still you know the revenue has not de-grown, the revenue continue to sort of grow and we have now you know also seen the momentum sort of pick up. So, we hope to sort of achieve back to you know, the.. the sort of historic level you know within a couple of quarters is right.. is the sense. So, that's on the first question.

Moderator: Yeah Neha. And now, so, Ajit Kumar's question is in line with my previous query on non-core source of revenue. If I understand your view correctly, you are trying to focus on one, consulting/advisory service, second, custom data solution, is it right?

Neha Singh: So just to answer that question you know of Ajit, there is no custom or consulting services that we offer. It's a like most of the financial data platform, it's a platform subscription. So 100% of our revenue from operations is actually platform subscription and it's fairly standardized. So, we obviously keep adding a lot of data, modules, personalization features, support which is there through the platform. But you know there is no sort of services component or you know consulting component which is there that we have to.. that we have to do for customers. The customization also that happens in the platform is very productized. So he you know if someone is tracking like a healthcare sector, you know they can set up a different feed or different set of alerts or different set of companies' views that they want to look at, versus someone who's tracking financial services or someone who's looking at Europe, versus someone who's looking at you know Southeast Asia right. So, they can actually set up a lot of those things on the platform and our support team also works with the customers you know when they are getting on boarded. But there's no like you know custom sort of data solution that we offer. It's all part of the platform subscription, like most of the financial data that you may have seen. So, hopefully that answers the question complete. I think Rahul has a question.

Sameer Pardikar: Yeah so I think in the interest of time, I think we will have to close this now. In case if you have any further questions, you can reach out to management at investor.relations@tracxn.com. I will now pass it out to Neha and Abhishek to give their closing remarks.

Neha Singh: Thanks a lot, Sameer. Thanks a lot, Sidharth. And thanks, everyone, for joining us today. I hope you got a good understanding of a recent business update and we've been able to address most of your queries. In case, you know, as Samir mentioned, if you have any follow up queries, please feel free to reach out to any of us. I am neha@tracxn.com or you can reach out to Abhishek and Prashant, or you can write to our team at investor.relations@tracxn.com .Thanks again and have a good rest of the day.

Sameer Pardikar: Yeah, thank you. You can now disconnect the call. Thank you.

Neha Singh: Thanks.

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