TRACXN TECHNOLOGIES LIMITED

(Formerly Known as "Tracxn Technologies Private Limited")

February 9, 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 Wednesday, February 08, 2023

Dear Sir/Madam,

This is in continuation to our letter dated February 08, 2023, wherein we had informed regarding the video link of the earnings call with analysts/investors for the quarter and nine months ended December 31, 2022 (Q3 FY 2023 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. www.tracxn.com.

Kindly take the above said information on record.

Thanking you.

Yours faithfully,
For **Tracxn Technologies Limited**

PRANAV NARENDRA KORANNE
Digitally signed by PRANAV NARENDRA KORANNE
Date: 2023.02.09 18:31:19 +05'30'

Pranav Koranne
Interim Company Secretary cum Interim Compliance Officer

Encl.: A/a

Tracxn Technologies Limited

Q3 FY23-Earnings Conference call

February 8th, 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. Rishi Jhunjhunwala, IIFL Securities Limited

Moderator: Good evening, ladies and gentlemen. Thanks for joining us today on the third quarter fiscal 23 earnings call for Tracxn Technologies Limited. On behalf of IIFL Institutional Equities, I'd like to thank the management of Tracxn for giving us the opportunity to host this earnings call. Today, we have with us Neha Singh - Co-founder, Chairperson and Managing Director, Abhishek Goyal – Co-founder, Vice Chairman and Executive Director and Prashant Chandra - Chief Financial Officer with us. With that, I'll hand it over to Neha and Abhishek to give their opening remarks, and we will then 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, Rishi. Welcome everyone. Thanks so much for joining us today, for our second earnings call for the third quarter and the nine months which ended on December 31, 2022. We are very excited to present our results. In terms of the format, we would like to run through a short presentation and share some key highlights for the period. I will also give some commentary along which will be helpful in the overall understanding, and we will follow that up with a Q&A session. Hope you're able to see the slide deck.

Request you to go through the standard disclaimer for this presentation. Quick recap on our business. Tracxn is a data and software platform for the private market globally. If you look at the public market, 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 fund, investment banks as well as M&A teams and innovation teams in large Fortune 500 corporations. Also, it's a global platform, so nearly 70% of our revenue is international, and we have customers in over 50 countries.

I would like to first start by summarizing the financial performance for Q3 of the current financial year. Just to note, in our first analyst call, on the bottom-line side, we had used adjusted EBITDA and PAT. One feedback which we had received post our call was that the investors did not want to exclude the non-cash expenses like the ESOP charge as these are ongoing cost of doing business and more broadly speaking, they expected us to move to the raw bottom-line numbers of EBITDA and PAT over time. So, we have incorporated this from the second earning call itself, which is from this one onwards. So, in this deck, we will be talking about EBITDA and PAT. Just to note, this is no new information because we had already given these numbers as well as the components earlier. So, the only thing which has changed is that in the narrative and in the charts, when we talk about this, we'll be referring to the EBITDA and PAT numbers. A big thanks to also some of our investors for this feedback and we would request you to please keep it coming.

Neha Singh: To set the context, we have one business, one legal entity, so you'll not see terms like standalone or consolidated. All the numbers that I'll talk about is for the business overall. The revenue from operations for Q3 FY23 was Rs. 20.3 crores, which is a 23% year-on-year increase. Total income was Rs. 21 crores which is a 25% year-on-year increase. This is the annualized run rate of Rs. 84 crores. Coming to profitability, EBITDA was Rs. 0.8 crores. Just to add, this EBITDA includes all the non-cash expense like the ESOP charge as well. PAT for the same period was Rs. 1.4 crores. Just to note, the PAT that you will see in the financials is Rs. 6.2 crores because this also includes an extraordinary item of Rs. 4.8 crores reimbursement of the IPO expense to the company. So, this was expensed in the previous quarters and reimbursed to the company in the last quarter. So, the

PAT and the EBITDA numbers that you will see in this as well as the subsequent slide is only adjusted for this IPO reimbursement.

Moving on, the EBITDA margin was 3.9% and the PAT margin was 7.1%. The other interesting aspect is that the business also generates free cash flow which has been increasing. In the first 9 months of FY23 the business generated positive free cash flow of Rs. 7.8 crores, which is an increase of 149% on a year-on-year basis. Cash and cash equivalent stood at Rs. 55.4 crores, which is an increase of 27% on a year-on-year basis or an increase of Rs. 11.7 crores in absolute terms on a year-on-year basis. So, in this quarter, we saw a continued revenue growth, investments in growth initiatives and continued increase in free cash flow as well as cash and cash equivalents.

To summarize the YTD numbers for all the financials for the first 9 months of the current financial year, the revenue from operations was Rs. 57.8 crores, which is a 25% increase on a year-on-year basis. Total income was Rs. 60.1 crores which is a 27% increase on a year-on-year basis. In terms of profitability, EBITDA was Rs. 1.9 crores for the same period. PAT was Rs. 4.1 crores for the first 9 months. Again, the PAT that you will see in the financials is higher of about Rs. 8.6 crores because it includes IPO expense which was previously expensed and reimbursed to the company in the last period. So, the EBITDA and the PAT number that you will see in this slide as well as in the subsequent slides have been adjusted only for this reimbursement. Just to note, this bottom-line numbers that you see includes all the non-cash expenses as well.

Moving on, the EBITDA margin was 3.2% and the PAT margin was 7.1%. In the subsequent slides, I'll be covering each of these metrics that we talked about in the summary slide in more detail starting with revenue. Revenue from operations is essentially revenue from platform subscriptions. So, 100% of our revenue is subscription based. There is no services or one time implementation component. So, that's a fairly high-quality revenue. Also, please note that this is the accrued revenue. So, though we do prepaid billing and collections like most other financial data platforms that you might have used, we only recognize revenue for the time duration falling within the reporting period for which the services were made available. As discussed earlier, the revenue from operations for the first 9 months of FY23 was Rs. 57.8 crores, which is a 25% year-on-year increase. Total income was Rs. 60.1 crores, which is a 27% increase, which is, I've also given the historical data for the last three financial year for reference here.

Neha Singh: Moving on, EBITDA for the first 9 months was Rs. 1.9 crores. If you exclude the non-cash ESOP expense, this was Rs. 5.7 crores. We are just giving it because we had given the split also earlier. This Rs. 1.9 crore EBITDA is an increment of Rs. 3.6 crores on a year-on-year basis, that is from a negative Rs. 1.7 crores to positive Rs. 1.9 crores. In terms of margin, the EBITDA margin for the first 9 months was 3.2%. This is an expansion of 7% on a year-on-year basis. So, this continues to be an interesting aspect that you see in our business, which is the margin expansion that happens. On similar lines PAT for the first 9 months was Rs. 4.1 crores. If you exclude the non-cash ESOP expense, this was Rs. 8 crores of PAT for the first 9 months. This Rs. 4.1 crores of PAT is an increment of Rs. 4.8 crore on a year-on-year basis, that is from negative Rs. 0.7 crore to positive Rs. 4.1 crore. In terms of the margin, the PAT margin for the first 9 months was 7.1%. This is an expansion of 8.6% on a year-on-year basis.

One of the key reasons for the margin expansion is that significant portion of the incremental revenue goes into the bottom-line. To be specific, if you look at revenue from operations for the first 9 months of this year and compare to the same period last year, we added incremental revenue of Rs. 11.5 crores out of which 32% or Rs. 3.6 crore went into incremental EBITDA. Again, this is not one-off. Even if you look at the last 2 years from FY20 to FY21, 84% of the incremental revenue from operations went into increased EBITDA. From FY21 to FY22, 77% of the incremental revenue from operations went into incremental EBITDA. So, to summarize, since the cost to serve incremental customer is limited, a significant portion of the incremental revenue moves into bottom-line. The exact percentage of this varies across the different periods, primarily based on the investments done across various growth initiatives during these periods.

Coming to expenses. Our total expense for the first 9 months of FY 23 was Rs. 56 crores. This is a 16% increase over the previous year. If you see, this is higher than what you had seen in the previous year because of some of the growth initiatives that were undertaken during this period. We believe that these will help us accelerate revenue growth in future by helping us expand our sales effort as well as penetration within certain customer segments. I will also cover these initiatives in detail in the subsequent slides. On the right-hand side of the slide, we have also given the breakup of the expense across the key components. The key components are the same as what you had seen previously. Just to summarize, first is that bulk of the expense is team cost. So, for the same period, 88% of the total expense was team cost, which has been in the same range across the last 2 years as well. So, in FY21 and FY22, this was 88% and 89% respectively of the total expense. Also, to note, all our team is in-house. There is no outsourced or contract workforce that we have.

Neha Singh: The second largest line item is cloud hosting, which accounted for 3.4% of the total expense. As we do a lot of data processing and analytics, this is one significant cost head that we have. This is followed by 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 nor offline, which is 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 it to get a lot of organic traffic. So, we are able to acquire leads fairly efficiently, which is reflected in our expense breakup.

So, I wanted to take a couple of minutes to cover some of the growth initiatives and other initiatives which I referred to in the previous slide. So, one interesting initiative on the data side is that we are expanding Financials and Captables data sets of private companies on platform. For instance, Financial and Captables is one of the data points that we have for private companies, among many other data sets and today we cover financials of private companies across over 15 countries and captables of companies in over 10 countries. These data sets are particularly in demand by certain customer segments like, private equity and investment banking among other segments. Just to give an illustration, an investor looking to scan an upcoming space like a single speciality hospital chain or a D2C or an internet-first brand in a particular country, then in addition to seeing interesting companies and market landscape, they would also like to find out the ones which have say, crossed Rs. 50 crore of revenue scale. So, since we now generate sufficient cash flows we have invested across this initiative where we basically increase the throughput across these data engines. We believe that this will help us accelerate revenue growth in future, particularly in customer segments like private equity and investment banking.

Another interesting growth initiative is Press mentions. We ideally want that whenever media, be it print or digital, is talking about data, about private markets or start-up landscape or innovation landscape, they should quote data from Tracxn. This gives us a lot of brand mentions in a very relevant and targeted customer segment. So, for this, we have done multiple initiatives like launch reports with media, do data contributions, we have also signed up regular columns in some newspapers, etc. So, this has resulted in multifold increase in the press mentions that we got across various respected media outlets and we believe that this goes a long way in building a brand as a data company and also it helps our sales conversion and hence our revenue growth. Scaling of the inside sales team spanning various geographies – so this is one initiative that we had talked about earlier and since we now have good set of referenceable customers across various countries and have good lead pipeline, we have scaled the sales team also which spans across various regions, which is basically inside sales, but they cover various regions. Just to note, most of the scale up that we had planned to do in this team this year has been already done.

Neha Singh: Another minor point is that like most companies, we are also encouraging more and more of our team members to start working from office. We had expanded office capacity for this during this period, which has led to some increase in rental and other overhead costs. So, to add, bulk of the increments which is needed for these initiatives, be it on the team size increase or the seat capacity increase or the rental increase is already done. The other thing is that we have also seen that these initiatives are typically followed by an optimization phase either through process or people optimization or through automation. We believe that this should also contribute to increased revenue momentum in future. Also, we expect bulk portion of the incremental revenue to continue going back to the bottom-line within the next 2 to 3 quarters.

Moving on, interestingly, despite these investments in various growth and other initiatives, the company generated positive increasing free cash flow and also increased cash and cash equivalents both on a year-on-year as well as on a sequential quarter-on-quarter basis. The company generated free cash flow of Rs. 7.8 crores in the first 9 months of FY23, which is a 149% increase or an increase of Rs. 4.7 crores over the same period last year. Cash and cash equivalents ended at Rs. 55.4 crores, which is an increase of Rs. 11.7 crores on a year-on-year basis. We've also added the data on the free cash flow in the last 3 years and you can see that this has been consistently increasing across the last 2 years as well.

In the subsequent three slides, we cover some of the other KPIs that we also track closely for our business. On the first slide, we covered the number of customer accounts, number of user accounts. So, we closed December 22 at 1,187 accounts and 3,391 users, both of which were 15% year-on-year increase. In terms of other KPIs, contract price or the invoicing amount for the first 9 months of FY23 was nearly Rs. 60 crores, which is a 20% increase over the same period last year. The last graph talks about the number of entities profiled, which is a proxy to the amount of data that we added on the platform. So, today we track more than 2 million profiles, including private market companies, funds, etc. globally. In terms of some other interesting characteristics, so 68% of the revenue in the first 9 months of the current financial year was from outside India. If you look at it, this has been in the same range of about 70% across the last three financial years as well. These customers span over 50 countries. The top five countries within this show a similar spread to where you have the large corporates as well as private market investors. The top five countries for us by number of customer accounts are US, India, UK, Singapore, Germany.

Neha Singh: This covers most of the key updates from the recent period. I will also take a few minutes to summarize some of the key aspects of our business. Quick recap on our journey. We launched the platform in FY13. Over the time, we've expanded our offering, as well as the global footprint of customers. We got listed on NSE and BSE last year. We enjoy a significant cost advantage due to the cost arbitrage of Make in India and sell globally. The cost advantage is primarily due to three key reasons. First, though we have global data and data on companies across countries, our entire data production and technology platform is built from India. Secondly, though we have customers in over 50 countries, our entire sales primarily happens from India over video calls like these. Thirdly, we don't spend much on paid marketing, both digital as well as offline as a means to acquire customers. Because we are a data company, we are able to do a lot of content marketing to acquire customers organically. Hence, we believe these things give us a significant and a long-lasting cost advantage.

Another key aspect is our experienced Board and team. We've had a formal Board for over 5 years which has ensured that the company has been fairly high on compliance as well as corporate governance. We have had PwC as the auditor for the last 7 years with no qualifications across all these years. Apart from the promoter, we have had Vivek Mathur from Elevation as an investor nominee, and we have four Independent Directors which bring in very rich experience of having worked across various large corporates as well as private market funds. In terms of our team, we have a fairly built out and strong senior management team across VPs, AVPs, CXOs. Apart from that, we were fortunate to have got the backing of marquee set of investors during our journey as a private company as well as in our IPO process. A key aspect of our business is a very robust, scalable and automated technology platform which is essential in building a global data platform. At the backend, we track millions of companies, we use big data, machine learning to mine large data sets and bubble up new interesting companies every day and we continue to invest across this technology infrastructure.

Lastly, one very interesting aspect is that we play in a very large and growing market. If you look at public market, it has created multiple large billion dollar plus revenue companies. Cumulatively, these companies generate over $30 billion of revenues annually and most of these companies are fairly profitable companies as well as generate large amount of free cash flow. Private markets are also becoming large today. For instance, the private market AUM has crossed $9 trillion globally according to Industry report. Hence, it will also create large data platforms, and this is the space that we play in. Subsequently we have some slides with the detailed financial statements which people can go through in more detail. Thanks. That's all the key points that I had to cover. I will pass it back to Rishi for any Q&A that the group might have.

Moderator: Thanks, Neha. Thanks for the presentation. I would like to now request the audience to please raise their hands in case they have any questions, or you can also put it in the Q&A box right at the bottom of your screen. The first question is from Bhargav Buddhadev. Please go ahead.

Bhargav Buddhadev: So, my first question is, if you can let us know what has been the ESOP related expense in the quarter so that we get a comparable EBITDA growth number. Because in the presentation, the EBITDA growth number looks very low because I guess it's not comparable on a YoY basis.

Neha Singh: So, I will probably pass it to Prashant to give the ESOP expense for this quarter.

Prashant Chandra: So, for the quarter, the ESOP expense was about Rs. 1.34 crores.

Bhargav Buddhadev: So, the 5% YoY growth which you've written in the presentation for the third quarter on EBITDA, if you adjust for the ESOP related spend how much would it be? Because I guess in this quarter you have ESOP spend which was missing in the same quarter last year right?

Neha Singh: No, so we would have ESOP spend across all the quarters – yeah, I'll probably, Prashant you can.

Prashant Chandra: Yeah. So, the ESOP expense is also in the you know the quarter previous year as well. I think it was more in the range of about 80 lakhs or so and this time it's about Rs 1.34 Crores, so for both the year on a YoY basis ESOP expense is included.

Bhargav Buddhadev: So, it's mainly because of the ESOP related spend that the EBITDA growth on the YoY basis looks lower, right?

Prashant Chandra: **That and** then of course there are some like you know some of initiatives that we held recent, so there were some team increase which has increased to contributed to the increase in the employee here

Neha Singh: Yeah. So, I'll just add to this. So, basically the way to look at it. ESOP expenses for us, ESOP is not one off. You will not find you know sort of a bulk grant or anything that is done, it is sort of a part of the appraisal process. So, instead of - so we don't have a cash bonus for instance in place for the employees and instead of that you actually give part of the appraisal as ESOP. So, the ESOP as a percentage of your total employee expense you know that has probably been in the same range and that is in across the quarters, so that is one on the ESOP cost. The second thing is that basically the EBITDA margin that you see that is based on some of the like growth initiatives that we talked about, which has happened in during this period which would have contributed to how much of the incremental revenue has contributed the incremental EBITDA in this period. Hope that answers the question?

Bhargav Buddhadev: **Yeah, yeah.** Secondly, are the new ESOPs also going to be issued at face value because now that we are listed company just wanted to check if the incremental ESOPs will also be issued at face value?

Neha Singh: So, just to say the ESOP pool and so it's the same as what is there - what was there in the DRHP, we have not created any new ESOP pool post listing, so the recent one was basically the same one which was there and the DRHP which was you know there pre-IPO as well, so it's just the same ESOP pool which is there. The second in terms of the strike price, so that is actually going to be in the same policy, so that is for instance ₹1 and the way to think about it is basically when we give - so for instance a person is having a salary of say 15 lakh and when we are giving a part of our appraisal say you know 1 to 1.5 lakh in ESOP, so it is basically given in cash terms right. So, basically you know whatever ESOP worth of 1 to 1.5 lakh is given as ESOP, so the actual strike price does not matter because you know it will be converted based on what's the what's the value of that. Hope that answers the question, Bharghav?

Bhargav Buddhadev: Yeah, yeah, it does answer. It's just that we as shareholders get diluted, so that's the only reason. No problem. Coming to…

Neha Singh: But this is not new pool, this is the same pool that was already there earlier.

Bhargav Buddhadev: Yeah, but the number of shares do increase, right once the ESOP gets vested?

Abhishek Goyal: Yes.

Bhargav Buddhadev: So, coming to your customer and user growth, it's been now at about 15% YoY during the quarter. This number looks a tad on the lower side given that we were highlighting that it's a huge market opportunity, so why is the user count or the customer count growing at just about 15% on the YoY basis, is it that we need to now spend on paid marketing or how should we accelerate this growth number?

Neha Singh: Right. So, coming to the customer growth, so if you look at it the customer growth is 15%, but if you look at the correct maybe to look at actually the revenue growth, so that has been if you look across the last three quarters it has been so you know like 23%, 28%, 23%, so that is probably the right thing to look at it because the ASP is also being changing. If the ASP is actually increased, so from the last financial year the ASP was 6.5 lakh, if you look at the recent quarter it's just 6.9 lakh right. So, there's also growth which has happened in terms of the account size right. So, I think the right thing to look at it is basically on the revenue growth because the ASP has also been expanding in the same period right, that is one. Second thing on the customer acquisition, so I don't think we currently have need to move to paid marketing. Actually, there's a lot of top of the funnel that we are seeing in the existing channels that we are working on through a lot of content marketing, through a lot of you know public pages or through a lot of other things that we are doing on the partnership front etc. So, we see a lot of you know sort of leads which is there and that is also one of the reasons that we have also scaled the sales team because we are seeing sufficient leads across different geographies which we are actively working on.

Bhargav Buddhadev: Okay. Great. I'll come back in the queue and all the very best.

Moderator: Anyone who wants to directly ask a question please raise your hand. In the meantime, I'm going to just put forward some of the questions that have come in the Q&A box. So, the first one is from Pratyush Agrawal. What is the positive USD impact on revenues contract price QoQ and YoY?

Neha Singh: I believe this refers to the forex impact right on the revenue growth. So, just to actually summarize, we haven't given the split of the revenue growth across forex or existing or new, maybe we'll give that you know on a later time, but just to get a sense on how forex impacts our business, so one is that the forex does not - if the currency depreciates or if you know the forex becomes more favorable, it is not that it is going to have impact on just one quarter for us because the way we book the forex rate is based on the day that the customer was billed, so for instance if I have a customer who's paying me annual upfront and if I raise an invoice for them today, it will be booked on the exchange rate as on today and we will accrue that revenue over the next four quarters based on the forex rate that existed today, that is one. So, similarly even in the current quarter, we would have some part of the revenue which would have converted at forex rate, which would have existed you know three quarters back for instance right. So, the impact of the - so if for instance the rupee depreciates, we do get the benefit, but the benefit will not be just in this quarter, it will be - you know part of it will also flow into the subsequent quarters.

Moderator: Okay. The next question comes from Vivek Sethia. Vivek, go ahead.

Vivek Sethia: Alright. Thanks Rishi. Good evening, Neha. So, I had a couple of questions firstly with regards to - I mean I have some data keeping questions mainly. The first is, if you could give your employee breakup for this quarter and the previous quarter as well, in particular the sales strength - sales team strength?

Neha Singh: Sure. So, we had given the breakup of the employee cost as of end of June. We plan to give it probably also by the end of Q4, but the broad head, if I were to break up of about 800 people that we had at that time, so about 440 is on analyst data operations. These are people that work across various data teams you know modules like financials, cap tables, transactions, company data, sector focussed analyst team etc., then we have an 81-member product and technology team, which is across engineering as well as product, then we have a 220-member team across sales, marketing, and customer success. So, this is your GTM team, which works across the entire funnel from top of the funnel being marketing, sales, and as well as customer success which helps in onboarding as well as customer expansion, and then there were 59 people that worked in business support. Hope that answers your question?

Vivek Sethia: So, can you provide us with the latest numbers for the sales team for this quarter as well as for the previous quarter? The strength of the sales team.

Neha Singh: So, we haven't given that breakup, but my sense is that the team strength - the sales teams strength would have crossed 150 at the end of this Q3.

Vivek Sethia: Okay and what are the total number of employees?

Neha Singh: About more than 850 plus.

Vivek Sethia: So, it's same as the last quarter?

Neha Singh: No, there is growth even from Q2 end that you see to Q3. There is actually growth in this team as well. So, on a sequential basis Q2 to Q3, the headcount has increased and primarily in these two teams. So, one is your team that covers this data point, which is financials and cap tables and the second one is the sales team.

Vivek Sethia: Okay, okay, and secondly, I wanted to understand your user to customer account ratio. So, what I see is, there are 32 customer accounts that have been added during the quarter and 26 users that have been added during the quarter, so like and prior to that like whatever historical data that has been provided, the ratio has been around 3, like for every customer account there are 3 users. So, if you could explain this addition in this quarter like yeah.

Neha Singh: So, the user account would be from two ways. One is basically growth in the existing customers and the other one is basically new customers that get onboarded. If you look at it bulk, a lot of the customers - a lot of the users would be from the existing accounts which would have grown. So, hence there would be a difference between these two.

Vivek Sethia: No, so if you have onboarded say for example in this quarter, you have onboarded 32 customers, so just on a comparable basis of like 3:1 the ratio that usually has prevailed over the prior quarters like shouldn't there be an addition of 96 to 100 users in this quarter like why only 26?

Neha Singh: Right. So, this can be because of two reasons. One is basically, so every customer you know has probably you know some user to begin with plus second is that there might be some change in the users that would have happened in the existing base as well. So, I think that

Vivek Sethia: So, they would have reduced the account?

Neha Singh: They would have reduced, yes. That might be one this thing or the second thing is that if someone buys you know we also have a package which is API package. So, there the number of users would be high, so the ASP is fairly high, the number of users would be low.

Vivek Sethia: Okay and in this break up that you've provided like 68% of the total revenues come from international like outside India, could you more specifically give out some more details like how many of these are coming from say Americas region and others because the breakup that you had provided in your RHP and DRHP according to that if I see the realization, the realization from Americas and other international countries are far higher in comparison to that of India. So, if you could provide that subset of international revenues where and how much is from Americas and how much is from other countries?

Neha Singh: Right, right. So, in terms of the revenue you're right like you know 68% is international and the remaining is India. Out of this, by revenue US is the largest out of this which in the last financial year accounted for 27% and followed by EMEA and rest of APAC.My sense is that we will give that split again at the end of this year. That split would have varied marginally not a lot, that's one. The second point is actually correct, so the realization of international is actually higher. So, if you look at the ASP on an overall basis it is 6.9 lakh, but if you compare the India and the international, the international is nearly 1.5X - the realized price is 1.5X then what it is there for India, so that is correct, that is a function of you know how much users typically these customers end up buying and hence the pricing for that as well. So, yes that is you know slightly higher, but that split has probably you know should probably be in the similar range across regions.

Vivek Sethia: And just wanted to understand about this reversal of the IPO expenses that you have done in the P&L, could you explain like what is that actually because I couldn't understand what is that?

Neha Singh: Sure. So, as part of the IPO because it was an OFS you know IPO, then the entire expense had to be made by the selling shareholders. So, part of the expense is basically expensed by the company initially and reimbursed to the company on successful completion of the IPO based on the shareholder agreement which is there, and this is actually directly done from the ESCROW account itself. So, you know when the IPO expenses come directly from the ESCROW account itself, basically the reimbursement happens. So, like last quarter we had anyways talked about, even the numbers that we had given last quarter was basically taking this into account because we are expecting the reversal to happen in the next few months and that has happened in this period. So, basically you should look at the EBITDA and the PAT number net of that because this is a one-off sort of expense and the reimbursement that has happened.

Vivek Sethia: **O**kay and just one more thing on the operating leverage side of things because I see that you know excluding this reversal of IPO expenses, the incremental EBITDA margin has come down to 32%, whereas it was 60% and 70% in the first two quarters of this year, so like how do we see this going forward like yeah?

Neha Singh: Right, right. No, no, so that's interesting question and this is I think what is also interesting in our business that you know we should ideally expect that bulk of the incremental revenue should you know continue going in the bottom line. There has been minor - so for instance you know some of the growth initiatives that we have done which we have talked about, which have led to some cost increment that is why you saw this you know as 32% and what you know as also mentioned that basically you know it should normalize in the next one to two quarters and we can expect the bulk of the incremental revenue which is more than you know ideally 50% to continue to go into the bottom line right and just on that point, so despite sort of these initiatives that we have done both on a sequential as well as you know on a year-on-year basis the cash and cash equivalents have increased and you know the free cash flow has sort of increased.

Vivek Sethia: Could you explain a bit more about those initiatives?

Neha Singh: So, these are the couple of the ones that I talked about. So, one is basically investment in data, so for instance from some of the customer segments like private equity and investment bank one of the requests that we used to get is you know request for financials and cap tables. We think that investing in this will help us go more deeper into this customer segment as well as increase our sales conversion in these customer segments. So, this is sort of one initiative that we have done. So, what that means is basically the number of the coverage of financials that we have across 15 countries - over 15 countries across these data points, we will increase that within this year, that's one. The second thing which we talked about in the last call, which is just a continuation is the expansion of the sales team and third were minor operational things. So, for instance you know like your rental increase and increase in some of the other expenses which has happened, which is sort of more operational also in nature.

Vivek Sethia: Just one more question I'll ask. So, as you said that you know you have expanded your sales team, apart from this expanding the strength of your sales team what are you planning to do or what are you doing you know to you know promote your business like say for example if you see Pitchbook, Pitchbook has been doing a sales and marketing expenses whereas we see in our P&L the expense is negligible, the promotional expenses are negligible. So, just wanted to understand apart from you know like just to understand apart from increasing the sales strength like what else are we doing you know to promote our platform?

Neha Singh: Right, right. No, so that is actually - so we are doing actually a lot of things on the GTM front. So, if you look at the life cycle of our company you know we are in the 10th year. The first five to six years were disproportionate investment in technology, building the data platform etc., because you know that's the core IP of a data company. If you look at it in the last couple of years, more investment has gone or more initiatives have been on the GTM front as well like even if you look at in the team size and increase the expenses that have sort of increased, that are a lot in the GTM side as well, and we continue to be actually you know do a lot of things on that front. Just to give an idea, you know on the top of the funnel we have a you know very large sort of organic leads pipeline, which gives us a lot of organic leads every month and every day. We have over you know like 1000 plus you know press mentions which has been there, we have you know newsletters that we do, we have partnerships in some of the countries, right for generating leads across corporate as well as private market investors across all these you know geographies. So, that's one on the top of the funnel.

The second thing is the sales conversion, which is where the sales team comes in, which is you know they basically do demos over video calls and close the account, so that's the second funnel plus there's also work that is going on in the customer success team right, which is basically helpful in onboarding and growing the accounts. So, for instance even if you look at the ASP you know that has increased marginally. The number of accounts that we see the large accounts for instance which are say more than 40 lakhs you know that has also increased. So, there's a lot of work which is being done across all you know parts of the funnel.

Vivek Sethia: Okay, okay. Thank you, Neha. Thank you so much.

Moderator: Thank you. Next question is from Amit Chandra. Amit, please go ahead.

Amit Chandra: Yeah. Hi Neha and thanks for the opportunity. So, you know my question is on continuation with what Vivek was asking. So, you know we have a fairly large sales team you know. If I see our revenues compared to that we have a very large sales team and we have done the investments over the last three years. So, what steps we're taking to you know increase the sales efficiency and also know in terms of the you know the current sales team or the current employee base, what kind of revenues you know like this employee base or this sales team can actually generate right over the next like three to four years, so there's a more long term question and also in terms of our inquiries to conversion ratio how it has panned over the last you know maybe one year because I know like last year was a very good year in terms of you know like investments from the private equity side, but this year the investments have been very, very muted and as compared to last year. So, what around what impact we have seen you know based on the conversions and also in terms of pricing, how we are different from the competition maybe from pitchbook or the other players were there?

Neha Singh: Sure. So, thanks Amit. I'll just take up some of these. So, one is on the sales part, so on the sales, I think efficiency this is something that you know we do sort of track very closely. I think right now a lot of work is also being done on this increasing the top of the funnel, which is just getting more leads to the team, so that is why you know you would typically have the sales team you know some bulk of our closure actually happens through inbound, wherein the customer is already seeing some of the content, is familiar with you know some output, and then we are able to convert the customer more easily, so a lot of the effort is also you know going on in both of these things, which is basically you know how do you increase and continue to sort of increase the top of the funnel as well as continue to maintain the conversion efficiency that you have seen in the sales team right, so that is one on the sort of the sales part.

The second is, how large will we require? So, currently I think we have probably you know done most of the hiring that we require in the sales team for the next you know at least this calendar year. We don't foresee much more increase in capacity within this team, I think this team can sufficiently deliver the growth that you know we have planned. So, that's one on the how large can it become. Coming to the second question which is you know how has the funding winter impacted conversion? So, interestingly we haven't seen a lot of impact on the conversion, so our conversion what it was there earlier, it is probably remained in the same range. The way we measure conversion is if we give a demo to a customer, how with what percentages are they able to convert, so that has you know remained in the - that has probably decreased marginally, but you know not significantly. So, there is a little bit of impact which is there on the slowdown overall because last year obviously you know for instance if you look at the last year's growth versus this three quarters growth you know there's a little bit of slowdown which is there, but there's no incremental, no additional impact that we see within this, right. So, that is one on the conversion side. Coming to the last one, which is on the pricing. So, currently if you look at our average pricing per account is I think the more comparable is the average realized pricing per user, so for us it is about 2.4 lakh per year per user. If you compare it to some of the other platforms, it is probably higher by 1½ times, but not sort of very high. There are you know some data platforms which is very shallow, which is probably 1/10th our pricing, but we are probably we fall in the mid-price point segment, I would say.

Amit Chandra: Yeah. So, the competitor, which is much larger in size, maybe 30-40 times bigger than us, so on that base they are able to grow 35%-40% and they have a user base which is much larger than we have, and we are almost competing in the same market which is the international market. So, is it the platform that makes a difference or is it their deep pockets in which they're doing a lot of promotional activity that is the differentiating factor or is it the parentage or it's a part of Morningstar so that is the major differentiator? So…

Neha Singh: Right-right. So, just to address that, so I think the large, thecontinuous sort of growth that this market is also seeing in terms of the players, that's just a testimony to the fact that how deep the market is. So, that just shows that private markets have become sizeable and that's sort of interesting to see.

Coming to the second point, you know, what is the difference. So, I think in terms of the data there's probably little difference. I mean there's a little bit of head start that they have, you know, obviously people have because of some years but I think the more effort that we see is on the GTM front which is how many customers actually have seen our content or know about us or know about the data that we have across different industries and as well as how is the conversion and how we are able to work with the customers for the ongoing expansion, I think there is lot more juice that we see in this front and that's the natural evolution also of a Data company. Like initially have to invest a lot in this and subsequently wherein you have sort of referenceable customers across all the geographies, you can then double down on your all the GTM initiatives which is what we have been also doing.

So, I see that more of a difference in the GTM front which is where we are also spending, you know, a lot of effort in terms of the initiatives that we're doing.

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

Neha Singh: Thanks.

Moderator: Thanks, Amit. The next question is from Samir Dosani.

Samir Dosani: Yeah, am I audible?

Moderator: Yeah.

Samir Dosani: Yeah. So, my question was also regarding Slide 11. You know, 32% incremental EBITDA was the revenue that we have added, so clearly this is the reverse of the trend that we have seen in the last few quarters because of the additional investments. So, now that it is in the pace, how should we think about this ratio going forward?

Neha Singh: Right-right. So, I think this was more of, I would say, this was if you look at also the cost in play this was a little higher than what we would have seen on the normalized basis and that's why we also talked about some of the other initiatives we did. So, on a more normalized state you can actually expect this to increase, the percentage of incremental revenue of going into bottom line should increase, and that we should start expecting to see within the next 2-3 quarters. We expect that this will again come back to bulk of the revenue getting added to bottom line.

Samir Dosani: Sure.

Neha Singh: Hope that answers the question.

Samir Dosani: Yeah- yeah. So, majority of the initiatives are in the base now, is it?

Neha Singh: Yes, yes. So, if I were to say like majority of the increment that we had to do in terms of the headcount etcetera, the most of it is done so.

Samir Dosani: Sure. Okay-okay, and if I look at your customer addition, it has after being weak last quarter or last few, you know H1, has started increasing. So, how should we understand, you know the market is easing in terms of adding new customers? How should we think about this number?

Neha Singh: So, you mean to say like how we're seeing in the market, right?

Samir Dosani: Yeah-yeah, what is the market outlook. How is the…

Neha Singh: Right-right. So, in terms of the market, obviously, if you compare it to 2021 level there's a little bit of slowdown which is there and which is also factored in the numbers. For instance, last year we grew at 45% and this year if you look at the last three quarters it has been close to 25%. So, this is already something that we have factored in. Going forward we don't see any incremental sort of impact. We actually see probably things getting better from what we are seeing in terms of the new customers which we are working with or the conversions that we're seeing or, thirdly, even in the expansion with the existing accounts that we have seen, right.

Neha Singh: So, for instance, a good indicator of this is for instance the ASP is actually increased during this period as well. So, that's just a factor that, you know, you can actually grow within the existing accounts. So, it's not that people are sort of cutting back a lot. So, there is obviously a little bit of impact which is there, but this has already been factored in the last three quarters and probably we see things to be like getting better. It can be because of two things. One is, if you look at the private market though there's a little bit of slowdown but the private market funds, if you look at it, they are sitting on an all- time high dry powder, right. So, though there might be a bit slow in deploying this year, they will probably end up deploying in the next 2-3 years, right. So, that is one on the private market side. And the second thing is that, you know, we are a small percentage of the market like a single digit percentage of the market. So, you know, we are also able to grow within that, right. So, I think based on that we see to be probably the market to be staying the current or probably increasing.

Samir Dosani: Understood. Thanks. And how has that churn rate changed in last few quarters? If that increased? If you can provide some commentary around that, that would be helpful. Thanks.

Neha Singh: Sure. So, in terms of the churn rate we have given only the annual one. You know we have given the annual one which is about 74% because how many accounts by number, which were due for renewal within this year in the annualizedbasis and how much end up, you know, renewing. We haven't given the updated ones on a quarterly basis. We'll probably add some more metrices when we do the annual roundup.

But my sense is that there might be some difference in it, but it may not have changed a lot. There might be some difference from last year to this year, but it may not have changed. So, I don't have the exact number for this. Maybe we'll give these numbers when we do the annual roundup.

Samir Dosani: Sure. Sure. Sure. And just a bookkeeping question, Rs.1.3 crore is the run rate we should expect from the ESOP expenses here on or should we expect this increasing in the next few quarters?

Neha Singh: So, the way you can look at the ESOP, that as a percentage of your total employee expense would probably remain in the same range.

Samir Dosani: Okay.

Neha Singh: So, if you look at it historically it has remained between 7%-8% or around that range and you can expect it to remain in a similar range. So, we don't plan to give, or we haven't historically given like a one-time lump sum kind of ESOP or anything. It's just a part of the salary. We don't give cash bonus. So, part of which is actually given in this form.

Samir Dosani: Sure. Okay-okay, that's it from my side. Thanks. All the best.

Moderator: Thanks, Samir. Next question is from Pratyush Agarwal. Pratyush, please go ahead.

Pratyush Agarwal: Hi. Hi, Neha and Abhishek. Can you hear me?

Neha Singh: Yes, we can hear you well.

Pratyush Agarwal: Yeah. So, Neha, just two questions. So, one, I see this enterprise-wide access plan and unlimited API access plan on your website, right, which are billed at 300,000 and 60,000, so how many users would we have who had taken these plans?

Neha Singh: So, nearly all of our customer is on a subscription basis which is basically your user-based pricing which is basically your single user starts with like a 6,600 dollars to 13,000 to more than 20,000 based on as the number of users increase. Most of it is platform subscription. We also have an API plan for some investors who want to build sort of their proprietary models on top of the data. So, we do, and this is at a higher price point. So, we do have some customers, but I would say of the overall revenue this would be a small percentage.

Pratyush Agarwal: Right. So, these would be what low double digits? Something like 10-20 customers or…? Just to get a sense of, I mean, …

Neha Singh: Yes, that should be low double…

Abhishek Goyal: It will be a single digit, I think.

Neha Singh: High single to low double.

Pratyush Agarwal: Okay. And just to understand this customers and users added, so I mean this 32 and 26 number we see, right, so is it more of a function that the gross additions were higher but the churn sort of pulled down this number? Or is it that the gross additions itself were lower?

Neha Singh: So, I think it is probably a function that…So, if you compare on a year-on-year basis, so if you compare it to the same period last year, the increment would have been slightly slower as you can see which is also in line with the revenue that you see on the quarters. So, I think it would be a combination of the gross addition. There would be a little bit of sort of decrease within the existing, but I think that the number is sort of fairly sort of close in that sense. So, even if the downgrade that would happen, it would be a very small number is my sense. If that answers the question, yeah.

Pratyush Agarwal: No, I didn't get that, probably. So, just to give an example, is it like the gross additions are 70, 80 and the net is 32 or is it like close enough, the gross and the net? That's what I'm trying to understand.

Abhishek Goyal: My sense is that gross additions would be higher, and the Net additions would be lower. That could be the case because new acquisitions have been following a similar pattern.

Pratyush Agarwal: Sure.

Abhishek Goyal: That has not significantly changed in that, from what I know.

Pratyush Agarwal: Sure, sure. So, you mentioned about the increase in ASP, right. But if I see your sort of transparent pricing on your website, the per user cost and even some of the other group cost have not changed significantly, right. So, first question is, sort of what is the driver for the increase in ASP? And second, at least for the medium term 2-3 years how do you sort of think about pricing?

Neha Singh: Sure. So, the ASP, the realized pricing that you see is per account. What that corresponds to is, one is more users. If you look at the user wide ASP, that is only marginally changed from like 2.3 to nearly 2.4. If you look at the ASP per account that has changed from 6.5 lakh to 6.9 lakh; if you look at last financial year and if you look at the latest quarter, right. So, the increase in that is basically based on…It can be that, you know, the existing account are sort of upgrading, right. So, it can be that the existing accounts are buying more users that is why your ASP realized pricing per account would actually increase, right. That is one. To give you a small example, so for instance, the number of accounts that pay us more than 40 lakhs that would have doubled. It is on a slightly more than double. It's on a small pace but, you know, that gives us a trend across all these price movement. We are also seeing upgrades that has happened and that's the reason for this movement.

The second point is on, how do we see this going forward. So, the trend that we have seen is that a lot of the incoming customers typically start small and grow over time. So, my sense is that you will not see a lot of sort of increase within that that happens. It'll probably be range bound. It will probably increase marginally but will be range bound because a lot of the incoming customers actually start small and the older ones sort of grow over time.

Pratyush Agarwal: Right. No-no, my question is more on the absolute pricing per seat over time, at least at the medium term, the next 2-3 years.

Neha Singh: So, currently we don't plan to do any price revision or a price increase or a user-based price increase immediately. We might reconsider that, you know, probably next year. One of the reason is that, for us the cost to serve incremental customer is very minimal. So, we are also focusing a lot on, you know, sort of making more and more people familiar with that. So, you know, like selling to more number of users increases the more number of licenses within the existing accounts rather than increasing the user pricing.

Pratyush Agarwal: Sure-sure, that's helpful. And just a final question on language. So, you mentioned some of the initiatives, right, on-going into newer geographies and so on. So, is our platform solving for different languages or are we sort of focusing on English focused geographies first?

Neha Singh: So, that's an interesting question. Our platform is actually global. So, two things. One is, we have coverage of companies across different countries which includes many non- English speaking as well. So, if there's an investor in say Germany who wants to look at German based companies through the platform, you know, they are able to do that or in any other one. So, we have coverage of companies across all the countries. That's one.

The second thing is that even, for instance, like we also have regulatory filings. Like we capture a lot of regulatory filings of these private companies. There also a lot of the filings are available in non-English language, for instance, wherein we are able to do language translation, we're able to standardize this data, right.

So, I would say both on the data front as well as on the additional like, you know, regulatory data front we capture companies and data which is from non-English languages as well.

Pratyush Agarwal: Sure, that's very helpful. Thank you and best of luck.

Moderator: Next question is from Ayush Vimal. Ayush, please go ahead.

Ayush Vimal: Yeah, thanks for taking my question. Hi, Neha. I just wanted to understand, you know, qualitatively what are the key reasons why we are experiencing a 25% churn rate? What are the key reasons why probably customers drop out at the time of renewal?

Neha Singh: Sure. So, if you look at the customer sort of retention, that has been broadly across the last three financial years. It has broadly been in the same range. In the last year it was close to 74% and probably been in a similar range by number across the last three financial years. Just a point to note, this is by number, and this is not by revenue. We will probably give the revenue, you know, also later point in time but this is just by number, how many customers basically, you know, are there and annual renewals which is there and how many renew in that year.

Neha Singh: There are a couple of reasons why this may happen and why this is at this percentage. To talk about the top three reasons, so one is, there might be some territorial customers that we might acquire for which it is not a continuous use case. For instance, if there is a corporate that we acquire which is a smaller corporate who's doing M&A, for instance, within this year and may not have an active M&A team, so for them it may be like a one-year kind of use case, right. So, that can be one user because we do not do…because a lot of conversions are actually inbound. We are also attracting these sort of customer segments, right. That's one.

The second thing can be, they are looking for or you know sometimes they're just starting to use the platform, right. So, for instance, the bulk of the customers, more than 50% of the customers, that we acquire haven't used any platform before that. So, that the typical second reason that we see that people are in different phases of the usage adoption cycle. So, some people have been able to figure out and some people are not able to sort of start using it after one or two quarters. That’s the second.

Third is, small reason might be that, you know, sometimes they're looking at coverage in a particular industry or a geography we may not have at that time. And, you know, sometimes what we do is that we sort of also track them and whenever in the next 2 to 3 quarters when we have the coverage in that industry, we go back to those customers, right.

So, these are the top three reasons and interestingly in our case we are also able to acquire a lot of customers that we lose because the data is sort of fairly unique and whenever we have sort of better coverage or we have a better use case, we also go back to them.

Ayush Vimal: Thanks. Does this churn number also include customers that we've probably acquired to give a free trial to and some of those customers who drop off or we don't include that number in the overall customer accounts?

Neha Singh: We don't include that. This is only paid. This is only people that would have had any sort of paid billing in any financial year.

Ayush Vimal: Got it. Another question that I had, you know, the idea of asking this question is to really understand how truly global we are from a customer perspective. Do you have a sense and I know you won't have an exact number, but do you have a sense of the proportion within the 70% international revenue of clients who are taking Tracxn only to analyze opportunities outside India?

Neha Singh: Yeah-yeah. So, that's a great question. So, for us, bulk of the users that are situated in a particular geography are using it to find companies within that geography, right. So, there are two types of investors. So, typically even if you look at India, there are lot of India dedicated investors plus there are few large global investors, you know, maybe the large late-stage funds which are investing across geographies but most of the investors are actually they raise funds for investment in the particular geography only by the mandate, right. So, most of the people that we work with, say in U.K. or in Germany or in U.S. are typically looking at local data only from the platform. So, most of the customers that we would have are actually looking at data of the local company and you can also see that spread on the data on our platforms. Like even if you look at the spread of companies which is there on the platform is actually across all these countries.

Ayush Vimal: Fair enough. Just one last question, you know, the pace of customer accounts increase over the last nine months has been fairly subdued, so you feel that this is primarily because the funding winter that’s around or do you think probably this can be taken as a sustainable rate going forward?

Neha Singh: So, there is obviously a little bit of slowdown if you compare last year and this year, but we think that obviously this can be more and we are actively that's why working on all these initiatives that you see on the marketing front, on the conversion front etc. That we continue to do, and we obviously think that this can become much faster.

Ayush Vimal: Sure, thanks. That's it.

Moderator: Thanks, Ayush. You know, we'll probably take one or two more questions from the Q&A box that are pending. There are a lot more questions there but what I would request people is to basically reach out to Neha, Abhishek and team or to us and we will ensure that some of those unanswered questions get responses. So, we'll just take one or two from the Q&A box and request everyone to reach out after the call, given that we're running over time.

So, Neha and Abhishek, there is one question which has been asked by multiple people and it's more basically to understand the trajectory of revenue growth and EBITDA margins in the near term, in FY24, how do they think about what we are targeting. Even if you don't intend to give a guidance but otherwise just to understand, you know, how that could potentially look like and is it panning out the way in which you had anticipated say even a couple of quarters ago.

Neha Singh: Sure, I'll take that question. So, essentially, in terms of the EBITDA margin we think that this business is a fairly high margin business which you can see probably from the profile of some of the large financial data platforms that exist either for the public markets or other data subscription platforms which exist. We believe that, you know, because we also have the cost arbitrage difference which is there because we are sort of based in India and then selling data globally, we should ideally aspire for a higher margin than some of the other sort of platforms. So, on a comparable, there's no comparable which is there on India basis but there are similar companies which are there overseas which can be sort of one indicative of what is the kind of margin that you can aspire for, right. That's one on the margin side.

Neha Singh: The other thing, for our business the way to look at it…So, to give a margin it might be difficult but the way to look at it is, you know, given the revenue trajectory how much of the incremental revenue will continue to go into bottom line, right. So, that we aspire and that should be the bulk of it. By bulk I mean like more than 50% within the next 2-3 quarters.

Hope that answers the question.

Moderator: Fair enough. I think this is good enough. We are already 15 minutes over time. So, we will wrap this up and thank you so much Neha and Abhishek for giving us the opportunity to host the call. I'll just pass it on to you guys for any kind of closing remarks. Thank you.

Neha Singh: Yeah. Thanks a lot, Rishi, and thanks everyone for joining us today. I hope you had a good understanding of the recent business update as well as we've been able to answer some of the queries that you have. If you have any follow up questions, please do reach out to any of us. I'm at neha@tracxn.com or you can reach out to Abhishek or Prashant, or you can write to our team at investor.relations@tracxn.com. Thanks again for joining us and hope you have a good rest of the day.

Abhishek Goyal: Thank you.