IPO REVIEW

Capillary Technologies IPO

By **Dilip Davda** · SEBI Registered Research Analyst · Reg. No. INH000003127 Reviewed on 12 November 2025

- The company is a software product company offering AI-based cloud-native SaaS products and solutions.
- It helps enterprise and customer to bond long term relationship based on specially designed loyalty programme.
- It incurred losses till FY24, and turned the corner from FY25. It remains a pure long term story in domestic market with dense population.
- Based on its recent financial data, the issue appears aggressively priced.
- Only well-informed/risk seekers/cash surplus investors may park moderate funds, others can stay away.

About the Company

Capillary Technologies India Ltd. (CTIL) is a software product company offering artificial intelligence (“AI”)-based cloud-native Software-as-a-Service (“SaaS”) products and solutions primarily to Enterprise Customers (defined as customers contributing more than Rs. 4.00 million in revenue from operations in the six-month period ended September 30, 2025 and September 30, 2024 and Rs. 8.00 million in revenue from operations in a Fiscal) globally to develop loyalty of their consumers and channel partners. According to the Zinnov Report, as of September 2025, based on benchmarking with its peer group and the breadth of offerings, CTIL stands out as one of the global leaders in loyalty and engagement management. (Source: Zinnov Report).

According to the Zinnov Report, it is among one of the few players in the loyalty management space that offers end-to-end loyalty solutions. (Source: Zinnov Report). Its diversified product suite which includes advanced loyalty management platform (Loyalty+), connected engagement platform (Engage+), predictive analytics platform (Insights+), rewards management platform (Rewards+) and customer data platform (“CDP”) allow its customers to run end-to-end loyalty programs, get a comprehensive view of consumers and offer unified, cross-channel strategies that deliver a real-time omni-channel, personalized, and consistent experience for consumers. CTIL’s solutions assist customers in generating engagement, drive conversions and boost repeat sales.

Headquartered in India with a significant global footprint with offices in locations across the United States, United Kingdom, United Arab Emirates and other Asian countries, it supports over 410 brands in 47 countries, as of September 30, 2025, with the aim that businesses build consumer value using its innovative solutions. Under its operating model, enterprise customers are organizations that license and manage loyalty management platforms (e.g., Loyalty+, Engage+, Insights+, Rewards+

and CDP), whereas, consumers are the end users who engage with these platforms through the offerings of Enterprise Customers, typically by participating in loyalty programs, receiving rewards, and experiencing personalized engagement facilitated by its solutions.

According to the Zinnov Report, consumer loyalty refers to both a conscious and subconscious preference that a customer holds towards a brand, its products or services. The most successful loyalty programs today go beyond transactional rewards — they focus on nurturing the overall customer relationship by building trust, driving sustained engagement, and cultivating brand advocacy. Loyalty is fundamentally about engaging consumers across their entire journey and consistently prioritizing their needs. Loyal consumers typically exhibit characteristics such as default to certain “go-to” brands across key categories, trust that the brand will consistently act in their best interest, rarely explore alternative brands or options and demonstrate an ongoing intention to repurchase when needs arise. (Source: Zinnov Report)

The company also leverages AI and ML technologies to deliver personalized experiences to customers. Its AI-driven SaaS products help streamline marketing processes. According to the Zinnov Report, technologies like predictive AI, enable real time analytics such as identifying which consumers are most likely to make a purchase within a given time period allowing marketers to proactively shape engagement and drive conversion. (Source: Zinnov Report). Engage+ employs generative and agentic AI capabilities and enables hyper-personalized interactions and marketing campaigns. Further, its co-pilot services include AI-powered tools designed to assist users by leveraging their insights in customizing messages and creating or editing promotions, thereby enhancing customer engagement.

Its Creatives Co-Pilot generates tailored messages with customizable emotions and multilingual support and Promotions Co-Pilot create and edits promotions while ensuring precise execution. As of September 30, 2025, it had 737 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO worth Rs. 877.50 cr. (approx. 15207999 equity shares of Rs. 2 each at the upper cap). The issue comprises of fresh equity issue worth Rs. 345 cr. (approx. 5979203 shares at the upper cap) and an Offer for Sale (OFS) of 9228796 equity shares (worth Rs. xx cr. at the upper cap). The company has announced a price band of Rs. 549 – Rs. 577 per equity shares of Rs. 2 each. The issue opens for subscription on November 14, 2025, and will close on November 18, 2025. The minimum application to be made is for 25 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 19.18% of the post-IPO paid-up equity capital. From the net proceeds of the fresh equity issue, the company will utilize Rs. 143.00 cr. for cloud infrastructure cost, Rs. 71.58 cr. for investment in research, designing and development of products and platform, Rs. 10.34 cr. for inorganic growth through unidentified acquisition and general corporate purposes.

The company has reserved equity shares worth Rs. 2.00 cr. (approx. XXX equity shares at the upper cap) for its eligible employees and offering them a discount of Rs.52 per share. From the rest, it has allocated not less than 75% for QIBs, not more than 15% for HNIs and not more than 10% for Retail investors.

The three Book Running Lead Managers (BRLMs) to this issue are JM Financial Ltd., IIFL Capital Services Ltd., and Nomura Financial Advisory and Securities (India) Pvt. Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue. JM Financial Services Ltd. is a syndicate member.

Having issued initial equity shares at par, the company has issued/converted further equity shares in the price range of Rs. 262.00 – Rs. 1768.00 per share (based on FV of Rs. 2), between December 2012, and January 2025. It has also issued bonus shares in the ratio of 3.1 for 1 in November 2021, and 1 for 4.53 in March 2023. The average cost of acquisition of shares by the promoters/selling stakeholders Rs. 30.39, Rs. 35.52, and Rs. 319.33 per share.

Post-IPO, its current paid-up equity capital of Rs. 14.67 cr. will stand enhanced to Rs. 15.86 cr. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 4576.09 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit/ - (loss), of Rs. 266.25 cr. / Rs. – (88.56) cr. (FY23), Rs. 535.44 cr. / Rs. – (68.35) cr. (FY24), and Rs. 611.87 cr. / Rs. 14.15 cr. (FY25). For H1 of FY26 ended on September 30, 2025, it posted a net profit of Rs. 1.03 cr. on a total income of Rs. 362.56 cr. The company marked growth in its top lines for the reported periods. In FY25 the company turned the corner, but for H1 though it posted net profits, it marks downtrend. But compared to corresponding previous first half, it posted growth in its top and bottom lines. According to the management, the trends of higher earnings will continue in coming months as indicated by its performance so far.

For the last three fiscals, the company has posted an average negative EPS of Rs. – (6.02) (basic) and an average RoNW of – (28.41) %. The issue is priced at a P/BV of 8.41 based on its NAV of Rs. 68.59 as of September 30, 2025, and at a P/BV of 5.42 based on its post-IPO NAV of Rs. 106.47 per share (at the upper cap).

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 2219.23. Based on FY25 earnings, the P/E stands at 324.16. Thus, the issue appears aggressively priced. According to the management, as per historic data, their H2 is always better than H1 and hence any data arrived on the basis of H1 performance are not truly indicative.

The company has reported PAT margins (on revenue from continuing operations basis) of – (34.668) % (FY23), - (13.02) % (FY24), 2.37% (FY25), 0.29% (H1-FY26), but RoCE margins data is not available.

Dividend Policy

The company has not declared any dividends for the referred periods of the offer document. It has already adopted a dividend policy in November 2021, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has no Indian listed peers, but on global front, it has peers like Salesforce, Inc., Adobe Inc., HubSpot, Inc., Braze, Inc.

Merchant Banker's Track Record

The three BRLMs associated with the offer have handled 89 pubic issues in the past three fiscals, out of which 24 issues closed below the offer price on the listing date.

Conclusion / Investment Strategy

CTIL is a software product company offering AI-based cloud-native SaaS products and solutions. The company helps enterprise and customer to bond long term relationship based on specially designed loyalty programme. It incurred losses till FY24, and turned the corner from FY25. It remains a pure long term story in domestic market with dense population. Based on its recent financial data, the issue appears aggressively priced. It may catch first mover fancy post listing. Only well-informed/risk seekers/cash surplus investors may park moderate funds, others can stay away.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

SEBI Registered Research Analyst – Mumbai · Registration No.: INH000003127 (Perpetual)

Disclaimer: The information provided herein is solely for educational and informational purposes and does not constitute an offer, solicitation, or recommendation to buy or sell any securities. Readers are advised to consult a qualified financial advisor before making any investment decisions. Investments in the securities market are subject to market risks. The author does not intend to invest in the securities discussed.