CAPILLARY TECHNOLOGIES INDIA LTD.

November 12, 2025

SMC Ranking

★½☆☆☆ (1.5/5)

Issue Highlights

Industry	**SaaS**
Offer for sale (Shares)	9,228,796
Fresh Issue (Shares)	5,979,202
Net Offer to the Public	**15,207,998**
Issue Size (Rs. Cr.)	834-878
Price Band (Rs.)	549-577
Employee Discount	52
Offer Date	14-Nov-25
Close Date	18-Nov-25
Face Value	2
Lot Size	25

Issue Composition

	In shares
Total Issue for Sale	15,207,998
QIB	11,405,999
NIB	1,520,800
Retail	2,281,200

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	67.94%	52.05%
QIB	32.06%	43.16%
NIB	0.00%	1.92%
Retail	0.00%	2.88%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The Company Capillary Technologies IPO proposes to utilise the Net Proceeds from the Issue towards the following objects:

1. Funding cloud infrastructure cost
2. Investment in research, designing and development of products and platform
3. Investment in purchase of computer systems for business
4. Funding inorganic growth through unidentified acquisitions and general corporate purposes

Book Running Lead Manager

- JM Financial Limited
- IIFL Capital Services Limited
- Nomura Financial Advisory and Securities (India) Private Limited

Name of the registrar

- MUFG Intime India Private Limited

About the company

Capillary Technologies India Ltd, founded in 2008 and headquartered in Bengaluru, is a leading Indian software-as-a-service (SaaS) company specializing in customer loyalty and engagement solutions. The company offers a comprehensive suite of data-driven products that help brands better understand and connect with their customers. Its key offerings include scalable and customizable loyalty management solutions for enterprises across sectors such as retail, FMCG, and hospitality, as well as customer engagement and marketing automation tools that enable personalized communication through SMS, email, push notifications, and other digital channels. Capillary also leverages artificial intelligence and machine learning to deliver real-time insights and predictive analytics, empowering brands with actionable intelligence. Additionally, its omnichannel CRM platform ensures seamless and consistent engagement with customers across online and offline touchpoints. With a strong global presence, Capillary serves over 250 brands in more than 30 countries, including Tata, Domino's, Jockey, PUMA, and Shell. The company operates primarily on a subscription-based SaaS model, generating revenue from software licenses, professional services, and support.

Strength

Trusted Partner in Loyalty Solutions: As of September 2025, Capillary Technologies stands as a trusted global leader in AI-driven SaaS solutions for Customer Relationship Management (CRM) and loyalty management. Recognized by the Zinnov Report for its leadership in loyalty, marketing automation, CDP, and analytics, the company offers an integrated platform—comprising Loyalty+, Engage+, and Insights+—that unifies customer data, analytics, and AI-led engagement. This comprehensive ecosystem enables brands to run end-to-end loyalty programs that deepen customer relationships, enhance retention, and drive revenue. Its personalized benefits and secure ecosystem create strong exit barriers, reducing churn and expanding wallet share. The company's scale and effectiveness are reflected in its growing consumer base of 1.82 billion users as of September 30, 2025, and a robust Net Revenue Retention (NRR) rate ranging from 112.68% to 143.48% across recent fiscal periods.

Comprehensive Solutions for Diverse Segments: Capillary offers a versatile, full-spectrum loyalty management platform powered by AI, integrating key modules such as Loyalty+ for program management, Insights+ for data analytics, Engage+ for hyper-personalized marketing, Rewards+ for dynamic reward ecosystems, and a foundational CDP for real-time consumer profiling. Its platform caters to multiple industries including retail, BFSI, travel, healthcare, and CPG. The company powers multiple loyalty programs for conglomerates like Tata Digital and ABFRL, manages fleet and customer loyalty for energy retailers, and enables "earn-and-burn" mechanisms in health and fitness programs. Rewards+ also supports card-linked offers and engagement tools for banking clients. This breadth of application demonstrates Capillary's commitment to co-innovation, ensuring that its solutions are scalable, adaptable, and aligned with customer needs across verticals.

Scalable Cloud-Based Infrastructure with Seamless Integration: Capillary's technology infrastructure is built on a robust, cloud-native, API-first architecture that enables real-time data processing, scalability, and stability at enterprise scale. Seamlessly integrating with client systems, the platform delivers high performance—processing 0.16 million loyalty transactions per hour during the six months ended September 30, 2025. The company's infrastructure meets global compliance standards including SOC2, PCI DSS, and ISO 27001:2013, while supporting industry-specific vertical solutions for BFSI and

energy retail. As of September 2025, Capillary served 413 brands and hosted 1.82 billion consumers, underscoring its operational scale and reliability.

Diverse, Long-Term Customer Relationships with High Retention: Capillary has built a diversified global client base across industries such as retail, financial services, travel, and healthcare. The company maintains deep, long-term relationships with its customers—averaging over 2.5 years with its top 10 clients—and enjoys significant repeat business. Revenue from its top 10 customers reached Rs. 200.07 crore in the six months ended September 30, 2025, supported by a high NRR rate between 112.68% and 143.48%. Its portfolio includes 19 Global Fortune 500 companies and 47 countries, featuring marquee clients like Tata Digital and ABFRL. With a low churn rate of 9.64% and multiple API integrations, Capillary's solutions are deeply embedded within client ecosystems, creating meaningful switching barriers.

Strong Sales Engine and Strategic Partnerships: Capillary's growth is driven by a combination of organic expansion, targeted acquisitions, and a dual-channel sales approach. The company's go-to-market team, comprising 14 professionals across North America, the Middle East, and Southeast Asia, focuses on enterprise-level engagements, complemented by 12 strategic system integrator and channel partnerships across Asia. The integration of Persuade Group in FY2021 expanded its presence in healthcare and new geographies. This combination of direct sales and partnerships continues to add new customers—serving 413 brands as of September 2025, including major new clients across financial services and energy.

AI-Driven Innovation: Artificial intelligence is central to Capillary's innovation strategy. The company's proprietary AI engine, aiRA, launched in May 2023, uses generative AI and RAG to deliver real-time insights. Tools such as Creatives Co-Pilot and Promotions Co-Pilot simplify content creation and campaign management through natural language commands. Proprietary machine learning models—covering churn prediction, micro-segmentation, offer propensity, and RFM clustering—enhance personalization and engagement. Guided by an "AI-first" product approach, Capillary continues embedding co-pilots across its platform, ensuring scalability, compliance, and industry adaptability.

Proven Acquisition and Integration Expertise: Capillary's disciplined M&A strategy has strengthened its market position in a loyalty management industry projected to grow 10% annually. The acquisition of Persuade Group in FY2021 expanded its U.S. presence and drove revenue growth from Rs. 255.37 crore in FY2023 to Rs. 598.26 crore in FY2025, a 53.06% CAGR. Strategic acquisitions like B+P and the Rewards+ assets improved margins by shifting technology functions to India and automating services. This proven playbook enables Capillary to consolidate markets, integrate efficiently, and unlock operating leverage in acquired businesses.

Strong Financial Performance and Operating Leverage: Capillary has demonstrated consistent financial growth and a sharp turnaround in profitability. Revenue rose from Rs. 255.37 crore in FY2023 to Rs. 598.26 crore in FY2025, representing a 53.06% CAGR. EBITDA turned positive at Rs. 78.57 crore, and profit before tax reached Rs. 10.68 crore in FY2025. This improvement stems from organic expansion, cost optimization, and efficient integration of acquired entities. Supported by long-term subscription contracts, Capillary's recurring revenue model ensures stability, while strong client engagement drives upselling and cross-selling opportunities.

Experienced Leadership and Marquee Investors: Capillary is led by a seasoned management team with deep expertise in loyalty, CRM, and SaaS. Founder and CEO Aneesh Reddy Boddu, CFO and COO Anant Choubey, and CTO Piyush Kumar—all IIT Kharagpur alumni—spearhead operations alongside senior leaders in product, HR, and customer success. The company employs over 737 professionals across nine countries, including 260 in R&D. Backed by prominent investors such as Peak XV Partners and AVP I Fund, Capillary benefits from strong financial discipline and global strategic oversight.

Strategies

Focus on Large Enterprises: Capillary aims to capture a larger share of the global loyalty management market, projected to grow from USD 16.6 billion in FY2024 to USD 26.8 billion by FY2029. With current revenues representing less than 0.45% of this market, the company's strategy

centers on targeting large enterprises and expanding engagement with key clients such as Tata Digital and ABFRL. Initiatives include strengthening partnerships for enterprise digital transformation, enhancing analyst relationships to improve visibility, and establishing Customer Advisory Boards across major geographies to align product strategy with market needs.

Enhance Revenue from Existing Clients: The Company maintains a robust NRR between 112.68% and 143.48%, reflecting strong customer retention and upselling potential. To further enhance revenue, Capillary is transitioning clients toward transaction-based or value-linked pricing models, while expanding its "land-and-expand" strategy that contributed over 75% of new ACV in FY2025. Product innovations like Rewards+ and AI co-pilots continue to deepen engagement, increasing client spend and platform dependency.

Expand in the United States and Pursue Strategic Acquisitions: Capillary's inorganic growth strategy focuses on the fragmented North American loyalty market (USD 7.8 billion TAM in 2024). Following the successful acquisition of Persuade Group in 2021 and subsequent integrations of B+P and Kognitiv in 2025, the company has strengthened its U.S. footprint, with the region contributing Rs. 212.20 crore or 35.47% of FY2025 revenue. Capillary continues to evaluate acquisition targets with strong enterprise sales capabilities and aims to enhance profitability through operational synergies and CAC substitution.

Develop Industry-Specific Solutions: To diversify revenue beyond retail, Capillary has developed sector-focused solutions for healthcare, BFSI, energy, CPG, and telecommunications—contributing over 46% of FY2025 revenue. The company plans to enter emerging verticals like logistics, gaming, and entertainment, leveraging its modular platform to tailor loyalty and engagement programs for each sector.

Invest in AI-Driven Product Innovation: Capillary continues to prioritize technology leadership through sustained R&D investment—21.95% of revenue in the six months ended September 2025, or Rs. 78.85 crore—and a dedicated tech team of 260 professionals. The company's roadmap includes advanced AI models for predictive analytics, automated customer engagement, and deeper personalization. By continuously enhancing its product suite, Capillary aims to strengthen market leadership, increase operational efficiency, and achieve sustainable long-term growth.

Risk Factor

- The company earns a large share of its revenue from a few key customers. In the six months ended September 30, 2025, the top five and ten customers contributed 38.60% and 55.70% of revenue, respectively. Losing or reducing business with these clients could severely affect revenue and financial performance.
- The company depends heavily on a limited number of customers. In FY2025, the top five and ten customers contributed 43.35% and 58.71% of revenue, respectively. Any contract loss or business reduction could harm operations, cash flows, and profitability.
- The company may struggle to attract new customers cost-effectively, which could affect growth, cash flows, and financial health.
- The company's success depends on timely and cost-efficient product innovation. Failure to develop or deliver effective solutions could hurt customer satisfaction and business performance.
- The company has made and may continue to make acquisitions. Ineffective integration or poor performance of acquired entities could impact financial results.
- The company relies on skilled employees for product development, operations, and customer management. Losing key talent or failing to hire and retain qualified staff could disrupt business operations.
- The company has experienced negative cash flows in the past and may face similar challenges in the future, affecting liquidity and operations.

Peer Comparison

AS per RHP, there are no listed companies which are comparable in size to the company in India in the same industry.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.577, the stock is priced at pre issue P/E of 166.14x on an TTM EPS of Rs.3.47. Post issue, the stock is priced at a P/E of 179.69x on its EPS of Rs. 3.21. Looking at the P/B ratio at Rs. 577 pre issue, book value of Rs. 84.64 of P/Bvx 6.82x. Post issue, book value of Rs.121.76 of P/Bvx 4.74x.

Considering the P/E valuation, on the lower end of the price band of Rs.549, the stock is priced at pre issue P/E of 158.08x on TTM EPS of Rs. 3.21. Post issue, the stock is priced at a P/E of 170.97x on its EPS of Rs.3.21. Looking at the P/B ratio at Rs. 549 pre issue, book value of Rs. 84.64 of P/Bvx 6.49x. Post issue, book value of Rs.121.76 of P/Bvx 4.51x.

Industry Outlook

The loyalty management market is undergoing a significant phase of expansion and consolidation, with the global Total Addressable Market (TAM) projected to grow at a rate of 10% from an estimated USD 16.6 billion in Fiscal 2024 to USD 26.8 billion by Fiscal 2029. Geographically, North America holds the largest market share, followed by Europe and Asia-Pacific, though the Asia-Pacific region is poised for the most significant growth at an expected 18.7% from 2024-2029. The industry's highly fragmented structure is driving a marked consolidation phase, as numerous small to mid-sized companies operate on outdated systems and lack the capital for essential technological upgrades, making them prime candidates for acquisition by larger, modernizing entities. Market growth is fueled by macro drivers such as rising consumer spending, global urbanization, and, critically, the consumer demand for personalization as the new standard, which mandates brands to leverage AI and advanced analytics. The largest segments of this market by TAM are Retail (40.6%), Travel and Hospitality (34.1%), and CPG (9.5%).

Outlook

Capillary Technologies is well-positioned for sustained growth, supported by its strong AI-driven loyalty platform, diversified global client base, and proven acquisition strategy. Its focus on large enterprises, U.S. expansion, and AI-led innovation enhances scalability and profitability. However, high customer concentration, reliance on skilled talent, and integration risks from acquisitions remain key challenges to monitor.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	14-November-25
BID/ISSUE CLOSES ON	18-November-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	19-November-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	20-November-25
Credit of Equity Shares to Demat Accounts of Allottees	20-November-25
Commencement of trading of the Equity Shares on the Stock Exchanges	21-November-25

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-25 (3 Months)	Period ended 31-Mar-25 (12 Months)	Period ended 31-Mar-24 (12 Months)
Revenue from operations	359.22	598.26	525.10
Total expenditure	322.74	533.30	536.93
Operating Profit	**36.48**	**64.96**	**-11.83**
OPM%	10.15	10.86	-2.25
Other Income	3.35	13.61	10.34
Total Net Income	**39.82**	**78.57**	**-1.49**
Interest	2.94	7.79	17.71
PBDT	**36.89**	**70.78**	**-19.20**
Depreciation	36.37	60.10	56.06
PBT	**0.52**	**10.68**	**-75.26**
Tax	-0.52	-3.47	-6.91
Profit & Loss	**1.03**	**14.15**	**-68.35**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-25	As on 31-Mar-25	As on 31-Mar-24
Non-current assets			
Property Plant & Equipment	3.78	3.43	3.12
Goodwill	291.05	188.50	183.84
Other Intangible assets	148.96	103.04	111.19
Right-of-use assets	10.73	5.98	3.01
Intangible assets under development	0.00	0.00	3.11
Financial assets			
Investments	10.35	0.00	0.00
Other financial assets 6 2	27.52	25.61	14.48
Deferred tax assets (net)	0.68	0.56	0.68
Other tax assets	10.21	7.99	4.31
Other non-current assets	67.74	85.33	82.16
Total non-current assets	**571.03**	**420.43**	**405.90**
Current asset			
Financial Assets			
Investments	24.91	0.00	69.93
Trade Receivables	185.10	161.12	145.65
Cash & Cash Equivalents	60.35	214.07	180.67
Bank balances other than (iii) above	0.00	0.00	0.00
Loans	0.00	0.00	40.00
Other financial assets	5.31	3.39	2.77
Other current assets	45.63	39.64	26.16
Total current assets	**321.30**	**418.22**	**465.17**
Total Assets	**892.33**	**838.65**	**871.07**
Non-current liabilities			
Financial liabilities			
Borrowings	1.33	1.28	4.17
Lease Liabilities	6.17	3.25	0.80
Other financial liabilities	0.00	0.00	1.85
Provisions	9.41	8.07	6.61
Deferred tax liabilities (net)	5.90	7.10	9.50
Total Non- Current liabilities	**22.82**	**19.71**	**22.93**
Current liabilities			
Financial Liabilities			
Borrowings	87.61	98.81	73.00
Lease Liabilities	5.05	3.08	2.34
Trade Payables			
- Total outstanding dues of MSME	1.23	1.32	7.40
- Total outstanding dues of creditors other than MSME	71.18	49.25	65.43
Other financial liabilities	10.71	14.54	20.48
Other Current Liabilities	93.99	81.10	136.20
Provisions	1.99	1.82	1.93
Current tax liabilities (net)	1.57	0.77	2.40
Total - Current Liabilities	**273.32**	**250.70**	**309.18**
Total Liabilities	**296.14**	**270.41**	**332.12**
Net worth represented by:			
Equity share capital	14.67	14.67	14.65
Other equity	581.53	553.58	524.31
Total Equity	**596.20**	**568.25**	**538.95**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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