IPO NOTE

Capillary Technologies Indian Ltd.

14th Nov 2025.

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| IPO Note| 14th Nov 2025 **AVOID**

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Company Overview

Capillary Technologies Indian Ltd. (CTI) is an AI-based, Software-as-a-Service (SaaS) products company that provides a full-spectrum loyalty management platform to more than 410 brands across 47 countries. The company offers four main products: (1) Loyalty+ enables businesses to create and manage customized loyalty programs that drive engagement and repeat purchases, (2) Insights+ gathers and analyses customer data from multiple channels to provide meaningful insights for better decision-making, (3) Engage+ uses AI to deliver personalized marketing campaigns and customer interactions, and (4) Rewards+ offers a marketplace where customers can redeem points for gift cards, cashbacks, travel options, and exclusive partner deals. It enables companies to build relationships with their consumers, understand them and reward them with incentives to drive repeat sales and attract new customers. Notably, the company serves a wide range of industries, including retail, consumer packaged goods, healthcare, apparel, department stores, luxury and lifestyle, travel, auto and hospitality, and energy retail, with retail and healthcare contributing 28% and 20% of its FY25 revenue, respectively. Some of CTI's marquee customers include Aditya Birla Fashion and Retail Ltd, Abbott Laboratories (Singapore) Pvt. Ltd, Tata Digital Pvt. Ltd and Frontier Communications among others. They have expanded globally into North America, Asia-Pacific, and EMEA, leveraging 16 global offices across the US, UK, UAE, and other Asian countries. The company's revenue model is primarily based on a subscription model as a retainership, charging clients based on usage metrics such as loyalty transactions, active members, or the number of stores using its platform, which helps them grow with the clients. Additional income is generated from professional services such as system maintenance, campaigns, and one-time setup charges. The company has positioned itself to capitalize on a dynamic, fast-growing industry, led by a strong management team.

Issue Details	
Offer Period	14th Nov. 2025 - 18th Nov. 2025
Price Band	Rs. 549 to Rs. 577
Bid Lot	25
Listing	BSE & NSE
Issue Size (no. of shares in Crs)	1.5
Issue Size (Rs. in Crs)	877.5
Face Value (Rs.)	2
Issue Structure	
QIB	75%
NIB	15%
Retail	10%
BRLM	JM Financial Ltd., IIFL Capital Services Pvt. Ltd., Nomura Financial Advisory and Securities (India). Pvt. Ltd.
Registrar	MUFG Intime India Pvt. Ltd.

Objects of the issue

The company proposes to utilise net proceeds from the issue towards the following objects:

- Funding its cloud infrastructure cost;
- Investment in research, designing and development of its products and platform;
- Investment in purchase of computer systems for its business; and
- Funding inorganic growth through unidentified acquisitions and general corporate purposes.
- Expenditure towards server and cloud-related infrastructure costs;

Investment Rationale

Strategic acquisitions fuel growth, broaden industry mix, and deepen global market presence

CTI acquired three companies - Persuade Group, B+P, and Rewards+ - which have collectively delivered revenue growth of 62% to Rs. 435 crores in FY25, compared to their combined revenue in the years when these acquisitions were completed. This demonstrates the company's ability to retain and expand revenue from acquired customer relationships, validating the durability of its platform-led value proposition. These acquisitions have not only boosted revenues but have also enabled them to strengthen their presence in the large US markets, where revenues increased at a CAGR of 157% during FY2023-25 period to Rs. 339 crores, raising their revenue share from 20% in FY23 to 57% in FY25. The TAM expansion is paving the way for further growth. Additionally, these acquisitions have helped them diversify away from retail, which accounted for 45% of revenue in FY23, to 28% in FY25, while increasing the contribution from high-potential industries like healthcare and BFSI & Telecom, which now comprise 20% and 16% of revenue, respectively. This has significantly reduced the systematic risk of their client base and opened new avenues for expansion. Their land-and-expand approach has enabled them to increase revenues through high net revenue retention (NRR) of 121.25%, 112.68%, and 139.01% for FY25, FY24, and FY23, respectively. Consequently, additional income from acquisitions and client retention is expected to drive faster revenue growth.

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	67.9%	51.1%
Public	32.1%	48.9%
Total	**100.0%**	**100.0%**

(Assuming issue subscribed at higher band)

Scalable cloud-based infrastructure with seamless integration supported by AI-driven innovation

CTI's competitive advantage lies in its scalable, secure, and AI-driven technology platform that powers customer engagement solutions. Built on a cloud-native architecture, the platform processes large volumes of data in real time and integrates solutions with clients' existing systems through an API-first approach. CTI's AI-led innovation, demonstrated by its Artificial Intelligence Retail Analytics (aiRA) assistant and AI co-pilots such as Creatives Co-Pilot and Promotions Co-Pilot, enhances automation, personalisation, and marketing efficiency. Advanced AI models, including propensity analysis, segmentation, and predictive insights, enable brands to anticipate customer behaviour and improve retention. By embedding AI across its product range, CTI delivers measurable outcomes, higher engagement, faster execution, and scalable growth. Over 90% of companies with loyalty management programmes report a positive RoI, with an average return of 4.8 times on their initial investment. The company continues to invest in AI research and development, which has consistently accounted for more than 21% of revenue over the past three years, positioning it for a first-mover advantage and driving innovation-led growth.

Valuation

Capillary Technologies India Ltd. is an AI-driven SaaS company offering a comprehensive loyalty management platform to over 410 brands across 47 countries. Its suite of products - Loyalty+, Insights+, Engage+, and Rewards+ - helps businesses design loyalty programmes, analyse customer data, deliver personalised campaigns, and provide rewarding redemption options. Serving diverse industries, including retail, healthcare, CPG, and hospitality, CTI counts leading global brands such as Aditya Birla Fashion, Abbott, Tata Digital, and Frontier Communications among its clients. Operating through 16 international offices across North America, Asia-Pacific, and EMEA, CTI adopts a scalable, subscription-based revenue model linked to customer usage, supplemented by professional services fees. During FY23-25, the company steadily increased the number of consumers on its platform from 0.97 bn to 1.82 bn, with transactions per hour also rising. Its ARR more than doubled to Rs. 608 crores over this period, supporting top-line growth at a CAGR of 53% during FY202-25 period to Rs. 598 crores, transforming a negative operating profit of Rs. 58 crores into a positive Rs. 79 crores, with an EBITDA margin of 13.1%. **At the upper end of the price band of Rs. 557 per share, the issue is valued at a P/E of 302x based on FY25 earnings, which appears expensive. Additionally, negative cash flow from operations in FY25 adds to the concerns. Therefore, despite strong growth prospects, we recommend an "Avoid" rating for this issue.**

Key Risks

- Significant revenue concentration to a small number of customers. In H1FY26, their top five customers accounted for about 38.6% of total revenue, and the top 10 customers accounted for 55.7%. In FY25, these figures were 43.4% and 58.7%, respectively. If any of these key customers reduce their business with the company or end their contracts with them, it could have a significant impact their revenue..
- The company has become profitable in FY25, but some material subsidiaries have previously incurred losses and might face losses again in the future, which could adversely affect the business, cash flows, and financial position.

Income Statement (Rs. in Crores)

Particulars	FY23	FY24	FY25	Q1FY26
Revenue:				
Revenue from operations	255	525	598	359
Total revenue	**255**	**525**	**598**	**359**
Expenses:				
Cost of campaign services	48	42	0	0
Professional and consultancy expenses	31	87	99	61
Software and server charges	30	94	92	64
Employee benefits expense	188	272	296	174
Other Expenses	27	42	46	23
Total operating expenses	**325**	**537**	**533**	**323**
EBITDA	**-69**	**-12**	**65**	**36**
Depreciation & amortization	37	56	60	36
EBIT	**-106**	**-68**	**5**	**0**
Finance costs	11	18	8	3
Other Income	11	10	14	3
PBT before share of associate and exceptional items	**-106**	**-75**	**11**	**1**
Share in net loss of an associate	0	0	0	0
Exceptional items	-11	0	0	0
PBT	**-95**	**-75**	**11**	**1**
Current Tax	-2	0	-1	1
Deferred tax	-5	-7	-2	-1
Total tax	-6	-7	-3	-1
PAT	**-89**	**-68**	**14**	**1**
Diluted EPS	-17.6	-12.2	1.9	0.1

Source:RHP,StoxBox

Cash Flow Statement (Rs. in Crores)

Particulars	FY23	FY24	FY25	Q1FY26
Cash Flow from/(used in) operating activities	-20	97	-46	55
Cash flow from/(used in) investing activities	-94	-185	64	-197
Net cash flows (used in) / from financing activities	137	218	13	18
Net increase/(decrease) in cash and cash equivalents	**23**	**130**	**31**	**-160**
Cash and cash equivalents at the beginning of the period	**23**	**50**	**183**	**220**
Cash and cash equivalents at the end of the period	**46**	**181**	**214**	**60**

Source:RHP,StoxBox

Balance Sheet (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
Assets				
Non-Current Assets				
Property, plant and equipment	2	3	3	4
Goodwill	165	184	188	291
Other Intangible Assets	54	111	103	149
Right-of-use of assets	2	3	6	11
Intangible assets under development	5	3	0	0
Financial Assets				
(i) Investments	0	0	0	10
(ii) Other financial assets	12	14	26	28
Deferred Tax Assets (Net)	0	1	1	1
Other Tax Assets	5	4	8	10
Other non current assets	71	82	85	68
Total Non Current assets	**317**	**406**	**420**	**571**
Current Assets				
Financial Assets				
(i) Investments	0	70	0	25
(ii) Trade Receivables	80	146	161	185
(iii) Cash and cash equivalents	46	181	214	60
(iv) Bank balance other than cash	0	0	0	0
(v) Loans	0	40	0	0
(vi) Others	16	3	3	5
Other current assets	8	26	40	46
Total Current Assets	**150**	**465**	**418**	**321**
Total Assets	**466**	**871**	**839**	**892**
Equity and Liabilities				
Equity Share Capital	11	15	15	15
Other Equity	176	524	554	582
Total Equity	**187**	**539**	**568**	**596**
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	43	4	1	1
(ii) Lease Liabilities	0	1	3	6
(iii) Other finanacial liabilities	2	2	0	0
Provisions	4	7	8	9
Deferred tax liabilities (net)	6	9	7	6
Total Non-Current Liabilities	**56**	**23**	**20**	**23**
Current Liabilities				
Financial Liabilities				
(i) Borrowings	104	73	99	88
(ii) Lease Liabilities	2	2	3	5
(iii) Trade Payables	59	73	51	72
(iv) Other financial liabiliies	13	20	15	11
Other current liabilities	43	136	81	94
Provisions	3	2	2	2
Current tax liabilities (net)	0	2	1	2
Total Current Liabilities	**224**	**309**	**251**	**273**
Total Liabilities	**280**	**332**	**270**	**296**
Total Equity and Liabilities	**466**	**871**	**839**	**892**

Source: RHP,StoxBox

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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