

**Rating: Subscribe**

**Issue Offer**

**Fresh Issue of equity shares upto Rs 240Cr and OFS of 1,0285714 shares by Promoters group taking the total issue size at Rs 600 cr**

**Issue Summary**

Price Band (Rs)	345-350
Face Value (Rs)	10
Implied Market Cap (Rs Cr)	1,990
Market Lot	40
Issue Opens on	September,09, 2020
Issue Close on	September11, 2020
No. of share pre-issue	50,000,000
No. of share post issue	56,857,142
Listing	NSE / BSE
<b>Issue Break-up (%)</b>	
QIB Portion	50
NIB Portion	15
Retail Portion	35

**Book Running Lead Managers**

Axis Capital Ltd  
ICICI Securities Ltd  
IDBI Capital  
EDELWISS FINANCIAL

**Registrar**

KFin Technologies Pvt Ltd.

**Shareholding Pattern**

	Pre-Issue	Post-Issue
Promoters	96.00%	66.33%
Public & Others	4.00%	33.67%

**Objects of the issue**

- Company will utilise Rs 36.50 cr to repay the debt
- Rs 83 cr will be utilised for Acquisition & Strategic initiatives
- Rs 65 Cr for Purchase of office premises in Mumbai

**Route Mobile Limited ( Route Mobile)** was Incorporated on May 14, 2004, which provides Cloud-communication Platform as a Service (“CPaaS”) to enterprises, over-the-top (“OTT”) players and Mobile Network Operators (“MNOs”). Route Mobile is currently ranked 2nd globally as a tier 1 A2P service provider and also ranked 1st for ‘value added services’ provided. Company presently has a workforce of more than 300 persons. Company is serving its clients through 18 locations across Africa, Asia Pacific, Europe, Middle East and North America. Company’s operations are internally aligned into three business verticals namely Enterprise, Mobile Operator and Business Process outsourcing. In Fiscal 2020 and in the 3 months ended June 30, 2020, it has serviced 2,787 customers and 1,380 customers, respectively, across sectors including social media, banking and financial services, aviation, retail, internet/e-commerce, logistics, healthcare, hospitality, media and entertainment, pharmaceuticals and telecom.

**Key Highlights**

**MNO focused suite of products** Route Mobile is able to diversify its service offerings in the mobile operator segment with its acquisition of 365 squared to include SMS analytics, firewall, filtering and monetization solutions. It proactively helps MNOs identify A2P revenue leakage and monetize the same. In addition, it assists MNOs in securing their networks and improves their understanding of how A2P messages terminate on their network. On an average, its SMS firewall contracts with MNOs have a tenure of 3 years, which provides Route Mobile with reasonable visibility and stickiness of revenue from such business.

**Consistent Financial Performance:** The company has a number of clients on a pre-paid business model where the client pays upfront allowing them to reduce the overall working capital cycle. Its total revenue increased at a CAGR of 37.61% from Rs 504.95 crore in Fiscal 2018 to Rs 956.25 crore in Fiscal 2020. PAT grew at a CAGR of 21% from Rs 47 Cr in Fiscal 2018 to Rs 69 cr in Fiscal 2020. In Fiscal 2018, 2019 and 2020, 41.77%, 24.99%, 17.01% of its revenue from operations, respectively, were prepaid. The standard terms of the agreements with its post-paid clients require payments to be made within 30 - 60 days.

**Diversified Client base :** Route Mobile has a diverse enterprise client base across a broad range of industries including social media companies, banks, financial institutions, e-commerce entities, travel aggregators and other client facing companies. Additionally, its MNO clients include over 25 operators across 4 continents as of June 30, 2020. In addition, its client base is spread across 4 continents and as of June 30, 2020, they had served over 30,150 clients, cumulatively since inception. In Fiscal 2018, 2019 and 2020 and in the 3 months ended June 30, 2020, its 10 largest clients accounted for 36.08%, 46%, 52.50% and 63.65% of its revenue from operations, respectively, Its diverse global client base helps them limit its dependency on a specific client, industry or geography and reduces financial risk.

**Valuation and View:**

**At upper price band of Rs 350, issue has been offered at P/E of 25.4x to its FY20 EPS of Rs 13.8, Company does not have any listed peers. Considering increasing internet penetration and more and more cloud communication services used by enterprise the size of global A2P market is expected to grow at a healthy rate in the coming years. Route Mobile being ranked 2nd globally in tier 1 A2P service provider is likely to benefit. Diversified and global client base across industries, scalable delivery platform supported by good Infrastructure, robust business model with consistent financial track record are the key positive factors which augur well for the company. Thus we recommend Investors to subscribe for issue.**

## Business Verticals of the Company

Company's operations are internally aligned into the following business verticals: (i) Enterprise; (ii) Mobile operator; and (iii) Business process outsourcing ("BPO").

- A) Enterprise:** Its enterprise vertical primarily provides cloud based communication platform to enterprises to enable digital communication through multiple channels including RCS, A2P / P2A messaging, 2Way Messaging, OTT business messaging, enterprise email and URL shortening; and Mail2SMS. This platform also provides enterprise voice application services including interactive voice response, Click2Call, missed call facility and outbound dialer, which enable enterprises, to connect incoming and outgoing voice calls to their applications and systems. The CPaaS platform gives its current and potential customers the ability to leverage its super network and APIs to build out their digital communication service needs. Route Mobile provides a suite of APIs for various communication channels, across multiple geographies that are scalable and flexible to fit the customers' requirements. It has also recently launched Route Mobile API Developer Network - a program that enables developers to leverage capabilities of its platform and seamlessly deploy digital communication features within their applications/software.
- B) Mobile Operator:** Its main service offerings in this segment include SMS analytics, firewall, filtering, monetization and CPaaS and hubbing solutions. Its analytics based SMS firewall solution helps MNOs identify grey route traffic terminating on their networks, block grey route traffic, identify the source of such grey route traffic, and monetize such traffic. It has developed multiple engagement models, to offer flexibility to MNOs while using its solution. Route Mobile typically engages with MNOs on a revenue share model when deploying this solution certain MNOs also engage with Route Mobile for its hubbing solution and CPaaS offerings, to leverage its global connectivity and A2P platform.
- C) Business Process Outsourcing (BPO):** Route Mobile provides a range of BPO services including client support, technical support, booking and collection services. The strategic objective is to integrate its BPO capabilities with its enterprise voice platform and deliver end-to-end offerings to enterprise customers. Route Mobile is an associate member of the GSMA and an accredited open hub connectivity solution provider with its internally developed cloud communications platform allowing them to handle both A2P and peer-to-peer ("P2P") traffic for enterprises, OTT players and MNOs. In the 3 months ended June 30, 2020, through its cloud communications platform, Route Mobile processed more than Rs 695 crore billable transactions.

## Revenue by Segment

Particulars (in Cr.)	Q1FY21		FY20		FY19		FY18	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
Messaging Service	305	98.3	927	97.0%	822	97.4%	490	97.0%
Call Center Service	5	1.7	29	3.0%	22	2.6%	15	3.0%
<b>Total Revenue</b>	<b>310</b>	<b>100</b>	<b>956</b>	<b>100%</b>	<b>844</b>	<b>100%</b>	<b>505</b>	<b>100%</b>

## Financial Performance

Particulars (in Cr.)	Q1FY21	FY20	FY19	FY18
Revenue	310	956	845	505
EBITDA	40	112	100	80
EBITDAM(%)	13%	12%	12%	16%
PAT	27	69	55	47
PATM (%)	9%	7%	7%	9%
EPS (as reported)	5.4	13.8	11.2	9.6
Net Worth	297	270	212	161
Total Debt	43	41	77	81
Total Assets	634	627	506	447
ROE (%)	36.4%	26%	26%	29%

Note : Q1FY21 ROE is on annualized basis

## Management

Board of Directors	Description
<b>Rajdipkumar Gupta</b>	Rajdip Gupta is the Promoter, Managing Director and Group Chief Executive Officer of the company. He has been associated with the company since inception. He has more than 18 years of experience in the field of software designing and development. He is responsible for the company's growth and business development.
<b>Sandipkumar Gupta</b>	Sandip Kumar Gupta is the Promoter and Non-Executive Director of the company. He has been associated with the company since inception. He has over 18 years of experience in audit and accounts and business analysis, and over 15 years of experience in SAP configuration and software system consulting..
<b>Gautam Badalia</b>	Gautam Badalia is the Chief Strategy Officer of the company. He has 13 years of experience in investment banking, mergers and acquisitions and structured finance. He is responsible for development and execution of strategic initiatives to support long term growth of the company and enhance shareholders value.

## Covid-19 Impact on Company's Business

Since the onset of the COVID-19 pandemic in March 2020, the company has responded swiftly by implementing various processes to ensure its operations and services to its customers continue seamlessly. They maintain a robust VPN infrastructure, which has enabled and equipped its employees to work from home to ensure no service disruptions and provide support to their customers. It has also deployed security systems to safeguard assets and customer data as well as issued detailed work from home protocols to enable secure usage. Its platform is designed to handle any increases in traffic and its servers maintain excess capacity, which can be scaled in real time as well. Its servers and platform are maintained in Tier III data centres and all components are managed remotely by authorized personnel only and through secured connections

Further, its support teams continue to operate and are reachable through the same channels available to its customers, clients as before. They have conducted internal processes as usual including payroll and hiring as well as revenue closure and invoicing.

## Key Risks

- Company depends in part on the success of strategic relationship with third parties, particularly direct relationships with mobile network operations ("MNOs"). Company's inability to enter into or maintain such relationships, particularly with MNOs may adversely affect our business, financial condition and results of operations.
- Failures, defects, delays and other problems involving the technology systems and infrastructure on which company's rely for providing our services and solutions to clients may adversely affect business, financial condition and results of operations..
- Company faces foreign exchange risks that could adversely affect our results of operations and cash flows.

## Revenue Contribution of the key clients as % of total revenue across business verticals

Revenue contribution	Fiscal 2020	Fiscal 2019	Fiscal 2018
Top 5 client	40.64%	33.80%	24.92%
Top 10 clients	52.50%	46.00%	36.08%
Top 20 clients	65.53%	60.74%	49.88%
Top 50 clients	80.79%	77.59%	69.71%

## Revenue generated in Domestic & International currencies

Particulars (in Cr.)	Q1FY21		FY20		FY19		FY18	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
Domestic	43	13.92	184	19.2%	144	17.1%	101	20.0%
Exports	267	86.08	773	80.9%	701	83.1%	403	79.8%
<b>Total Revenue</b>	<b>310</b>	<b>100</b>	<b>957</b>	<b>100%</b>	<b>845</b>	<b>100%</b>	<b>504</b>	<b>100%</b>

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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