

**CMP: Rs 1004**  
**Outlook: Positive**

**Stock Info**

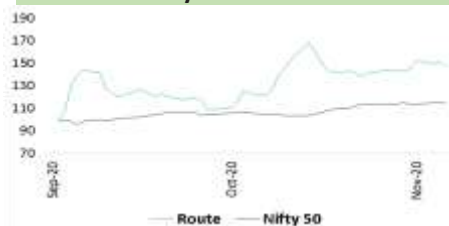
BSE	543228
NSE	ROUTE
Bloomberg	ROUTE:IN
Sector	COMMUNICATION
Face Value (Rs)	10
Equity Capital (Rs mn)	569
Mkt Cap (Rs mn)	59131
52w H/L (Rs)	1152 / 350
Avg Yearly Volume (in 000')	2870

**Shareholding Pattern %**

(As on September, 2020)

Promoters	66.33
FII	10.34
DII	13.42
Public & Others	9.91

**ROUTE Vs Nifty**



**Revenue Contribution from top clients**

Revenue contribution	Fiscal 2020	Fiscal 2019	Fiscal 2018
Top 5 client	40.6%	33.8%	24.9%
Top 10 clients	52.5%	46.0%	36.1%
Top 20 clients	65.5%	60.7%	49.9%
Top 50 clients	80.8%	77.6%	69.7%

Recently we had connected with the management of Route Mobile Ltd. in a virtual meeting held on the 25<sup>th</sup> of November and following are the highlights-

**Management meet highlights**

- Company started its working in 2004 with investment of 2000 \$ that was the only investment before IPO Proceeds. Company has grown organically by using internal cash-flows. IPO proceeds will be mainly used for in organic growth.
- World's is going digital. Digital communication includes communication through messages, Voice, IP messages and email.
- Enterprise and BPO together contribute 86% of revenue and mobile Network segment contributes 14% of revenue. BPO segment contributes less than 5% of total revenue.
- Route Mobile 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.
- Cpass platform is growing at 33% CAGR. It is estimated to be 7 bn \$ market. By 2023, 90% of enterprises will use Cpass.
- Company plays an important role between Enterprise and mobile network operators. Company has good distribution network and is connected to nearly 250 global networks.
- Company has big enterprise clients like Facebook, Google, Alibaba etc. Company has serviced Facebook in 35 countries and Google in 100 countries.
- New age companies, like Uber, sportily prefer digital communication and have their own proprietary platform. Post pandemic even traditional companies like HDFC Bank, Axis Bank etc have started virtualizing work so that they can have work from home concept.

**FINANCIAL HIGHLIGHTS**

in MN	FY18	FY19	FY20
Revenue	5049	8524	9681
EBITDA	756	863	1000
EBITDA margin(%)	14.9%	10.1%	10.3%
PAT	467	555	582
PATM (%)	9.2%	6.5%	6.0%
EPS(in Rs)	9.3	11.3	11.6
ROE(%)	29%	25%	22%
PE(x)	108	88	86

Source: Arihant Research, Company Filings, Bloomberg Consensus

**Highlights continued:**

- Company is planning to expand its network. Company is having strong presence in emerging markets like South East Asia, Africa and now Latin America. It is connected to many hunters, fleet on street in 18 countries who help the company to connect to many enterprises.
- Company collects the revenue from enterprises on billable transaction and pays to operator using pay per use model. Normally the big enterprise pays the company in 20 to 30 days and company has to pay network operator in 40 to 45 days .
- Company enjoys negative working capital in major countries except India and Middle East. 25% of business comes from India & Middle East where they have to use funds for working capital and 75% of business from other countries where they enjoy negative working capital so in totality 50% of business enjoys negative working capital.
- In mobile operator segment, company's main service offerings 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 helped Idea to monetize nearly 100 cr of revenue, helping the operator to monetize leakage on network.
- Whenever company cannot take a credit call, it asks the enterprise to pay in advance using the prepaid business model. Most of Africa business is on prepaid based model and going ahead 12-14% of revenue will come from prepaid business model.
- Top 150 clients contribute 96% of revenue and 164 new clients were added in this quarter.
- EBIDTA margin expected to remain between 12.5 to 13% going ahead. Company planning to acquire business with high Ebidta Margin to boost up the EBIDTA Margin going ahead.
- Revenue mainly comes from Digital, Aviation, retail and BFSI, Hospitals & Travel sector and new age companies.
- Company has nearly 100 employees on technology front and 120 employees who are hunters in sales department.
- Going ahead receivable days are expected to be in range of 65-70 days and payable days around 75 days in FY21& FY22E .
- Any major Changes in technology is the biggest risk and concern for the company.

**Quarterly Result snapshot**

Rs Mn	Q2FY21	Q1FY21	Q2FY20	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	3,493	3,096	1,966	12.81%	77.68%
<b>EBITDA</b>	418	376	172	11.19%	143.68%
<i>EBITDA margin %</i>	12.0%	12.2%	8.7%	-17bps	324bps
<b>PAT</b>	327	269	130	21.48%	151.72%
<i>PAT margin %</i>	9.4%	8.7%	6.6%	67bps	276bps
<b>EPS (Rs)</b>	6.5	5.4	2.6	19.2%	153.3%

**Valuation and Outlook:**

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. We have a positive outlook on the stock from the longer-term perspective. At a CMP of Rs 1004, stock is trading at TTM PE of 81 to which TTM EPS is Rs 12.4. & is enjoying expensive valuations due to its strong market positioning & increasing market size.

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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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