

Route Mobile

Route Mobile provides cloud-communication platform as a service (“CPaaS”) to enterprises, over-the-top (“OTT”) players and mobile network operators (“MNOs”). Company provides voice, email, and omni-channel communication, SMS analytics, firewall, filtering and monetization, SMS hubbing and Instant Virtual Number solutions. According to the ROCCO Report 2020, Company was ranked as a tier one application-to-peer (“A2P”) service provider internationally.

Positives: (1) Diversified and global client base across industries (2) Experienced promoters and management team (3) Strong return ratios i.e. above 25% ROE and RoCE coupled with negative working capital cycle. (4) Scalable delivery platform supported by robust infrastructure (5) Robust business model and consistent financial track record.

Investment concerns: (1) Inability to enter into or maintain relationship with MNOs (2) Failures, defects, delays and other problems involving the technology systems and infrastructure. (3) Inability to comply with laws and regulations.

Outlook & Valuation: There are no listed peers for the Company in India. Management has till now infused only ₹6 lakhs capital in the Company, and it will command a market cap of ₹1990 crores at the higher price band. This shows that it is a scalable business model, which can grow without capital infusion. Unlike many other businesses, Covid-19 has led to better growth prospects for the Company given increased adoption of digital technologies. At the upper end of the price band, Company demands PE multiple of 25.3x on F.Y.20 EPS, which we believe is quite reasonable considering the future prospects of the Company. As we are positive on the future outlook for the industry as well as the Company, **we would recommend to “Subscribe” to the issue for long term as well as for listing gains.**

Key Financials

Y/E March (₹ cr)	FY18	FY19	FY20
Net Sales	505.0	844.7	956.3
% chg	-	67.3	13.2
Net Profit	46.7	54.5	69.1
% chg	-	16.8	26.7
EBITDA (%)	15.0	10.9	10.4
EPS (Rs)	9.3	10.9	13.8
P/E (x)	37.5	32.1	25.3
P/BV (x)	21.8	16.5	12.9
RoE (%)	29.0	25.8	25.6
RoCE (%)	26.6	27.2	28.8
EV/EBITDA	22.4	18.2	16.9
EV/Sales	3.4	2.0	1.8

Company Source: RHP, Angel Research; Note: valuation ratios based at upper price band

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Issue Open: September 09, 2020

Issue Close: September 11, 2020

Present Eq. Paid up Capital: ₹50cr

Offer for Sale: **1.03 cr Shares

Fresh issue: ₹240 cr

Post Eq. Paid up Capital: ₹56.9cr

Issue size (amt): ₹600cr

Price Band: ₹345-350

Lot Size: 40 shares and in multiple thereafter

Post-issue implied mkt. cap: **₹1,990cr

Promoters holding Pre-Issue: 96.0%

Promoters holding Post-Issue: 66.3%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	96%
Others	66%

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Company background

Company was incorporated in 2004 and is headquartered in Mumbai, India. As of June 30, 2020, Company have serviced over 30,150 clients, cumulatively since inception, across sectors including social media, banking and financial services, aviation, retail, internet/ e-commerce, logistics, healthcare, hospitality, media and entertainment, pharmaceuticals and telecom.

Issue Details

Company is raising ₹240cr through fresh issue and ₹360cr through offer for sale in the price band of ₹345-350.

Pre & Post IPO Shareholding

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	48,000,000	96	37,745,500	66.3
Public	2,000,000	4	19,142,856	33.7
Total	50,000,000	100	56,888,356	100

Source: Company, Angel Research (RHP)

Calculated at higher price band

Objects of the offer

Repayment of borrowings, buying office premises in Mumbai, acquisitions and general corporate expenses.

Key Management Personnel

Chandrakant Gupta, aged 67 years, is the Chairman and Non-executive Director of the Company. He received the higher secondary school examination certificate from Board of High School and Intermediate Education, Uttar Pradesh. He has been a Director on our Board since 2007.

Rajdikumar Gupta, aged 45 years, is the Managing Director and Group Chief Executive Officer of the Company. He holds a bachelor's degree in science (physics) from University of Mumbai and master's diploma in software engineering from Aptech Computer Education. He is also a certified HTML programmer Perl programmer and active server pages programmer from Brainbench.

Sandipkumar Gupta, aged 46 years, is the Non-Executive Director of the Company. He holds a bachelor's degree in commerce from University of Mumbai. He is also a qualified chartered accountant and a member of the Institute of Chartered Accountants of India. He is a SAP certified solution consultant – mySAP Financials – Managerial and Financial Accounting. He is also the Promoter of the Company and has been associated with our Company since inception.

Ramachandran Sivathanu, aged 54 years, is an Independent Director of our Company. He holds a bachelor's degree in science from University of Madras and holds a master's degree in business administration from Sikkim Manipal University.

Profit & Loss Statement

Y/E March (₹ cr)	FY18	FY19	FY20	Q1FY21
Total operating income	505.0	844.7	956.3	309.6
% chg	-	67.3	13.2	
Total Expenditure	429.3	752.4	856.4	271.9
Purchase of messaging services	340.7	667.0	764.2	249.4
Employee benefit expense	50.5	55.5	58.2	13.0
Other Expenses	38.2	30.0	34.1	9.5
EBITDA	75.6	92.3	99.8	37.7
% chg	-	22.0	8.2	
(% of Net Sales)	15.0	10.9	10.4	12.2
Depreciation & Amortisation	15.8	21.9	22.7	6.0
EBIT	59.8	70.4	77.1	31.6
% chg	-	17.7	9.6	
(% of Net Sales)	11.8	8.3	8.1	
Interest & other Charges	7.8	13.1	4.9	1.0
Other Income	4.5	7.7	11.9	2.7
(% of Sales)	0.9	0.9	1.2	
Recurring PBT	56.5	65.0	84.1	33.3
% chg	-	15.0	29.4	
Tax	9.8	10.5	15.0	6.4
PAT (reported)	46.7	54.5	69.1	27.0
% chg	-	16.8	26.7	
(% of Net Sales)	9.2	6.5	7.2	8.7
Basic & Fully Diluted EPS (Rs)	9.3	10.9	13.8	
% chg	-	16.8	26.7	

Source: Company, Angel Research

Balance Sheet

Y/E March (₹ cr)	FY18	FY19	FY20
SOURCES OF FUNDS			
Equity Share Capital	50.0	50.0	50.0
Other equity	110.9	161.8	220.4
Shareholders Funds	160.9	211.8	270.4
Non-controlling int	-0.7	-1.9	-2.2
Total Loans	81.3	77.1	41.1
Other liabilities	18.7	13.4	8.4
Total Liabilities	260.3	300.4	317.6
APPLICATION OF FUNDS			
Property, plant & equipment	20.7	21.7	22.4
Intangible assets	159.6	147.5	144.5
Right-of-use assets	21.0	15.3	9.7
Intangible asset under development	-	2.1	-
Current Assets	219.6	281.7	404.1
Investments	-	10.7	11.9
Sundry Debtors	97.3	144.7	203.7
Cash & Bank Balance	102.6	95.7	102.6
Other Assets	19.7	30.7	85.9
Current liabilities	187.1	205.4	308.9
Net Current Assets	32.5	76.3	95.2
Other Non Current Asset	26.4	37.4	45.8
Total Assets	260.3	300.4	317.6

Source: Company, Angel Research

Cash Flow Statement

Y/E March (₹cr)	FY18	FY19	FY20
Profit before tax	56.5	65.0	84.1
Depreciation	15.8	21.9	22.7
Change in Working Capital	(38.4)	(59.7)	6.1
Interest Expense			
Direct Tax Paid	(8.4)	(6.6)	(18.0)
Others	6.6	7.8	(1.5)
Cash Flow from Operations	32.2	28.5	93.4
(Inc.)/ Dec. in Fixed Assets	(5.8)	(10.5)	(7.3)
Changes in fixed deposit	(46.1)	12.8	25.1
Cost of acquisitions	(81.9)	-	(19.7)
Others	3.6	(7.3)	2.1
Cash Flow from Investing	(130.2)	(5.0)	0.2
Payment of lease liabilities	(5.2)	(6.8)	(7.1)
Changes in Borrowings	55.8	(4.9)	(35.9)
Dividend paid	(7.5)	(9.0)	(16.5)
Interest paid	(0.8)	(1.8)	(2.8)
Cash Flow from Financing	42.4	(22.6)	(62.3)
Currency fluctuation	(2.1)	5.0	0.8
Inc./ (Dec.) in Cash	(57.7)	5.9	32.1
Opening Cash balances	80.8	23.5	29.4
Cash taken on acquisition	0.4	-	-
Closing Cash balances	23.5	29.4	61.5

Source: Company, Angel Research

Key Ratios

Y/E March	FY18	FY19	FY20
Valuation Ratio (x)			
P/E (on FDEPS)	37.5	32.1	25.3
P/CEPS	28.5	23.1	18.2
P/BV	21.8	16.5	12.9
EV/Sales	3.4	2.0	1.8
EV/EBITDA	22.4	18.2	16.9
Per Share Data (Rs)			
EPS (Basic)	9.3	10.9	13.8
EPS (fully diluted)	9.3	10.9	13.8
Cash EPS	12.3	15.1	19.2
Book Value	16.1	21.2	27.0
DPS	1.5	1.5	3.0
Returns (%)			
Angel ROIC (Pre tax)	94.2	61.7	56.9
ROE	29.0	25.8	25.6
ROCE	26.6	27.2	28.8
Turnover ratios (x)			
Fixed Asset Turnover (net)	2.8	5.0	5.7
Receivables (days)	17.0	62.5	77.8
Payables (days)	60.1	32.7	86.6
Working capital cycle (days)	(43.1)	29.8	(8.8)

Source: Company, Angel Research

Note: Valuation at upper price band

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