



IPO Note – Route Mobile Ltd

08-September-2020

Issue Snapshot:

Issue Open: Sept 09 – Sept 11, 2020

Price Band: Rs. 345 – 350

*Issue Size: 17,142,857 eq shares
(Fresh issue 6,857,143 + Offer for sale of 10,285,714 eq sh)

Issue Size: Rs. 591.42 - 600.00 cr

Reservation for:

QIB	Upto 50% eq sh
Non Institutional	atleast 15% eq sh
Retail	Upto 35% eq sh

Face Value: Rs 10

Book value: Rs 59.40 (June 30, 2020)

Bid size: - 40 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 50.00 cr
Post issue Equity:	Rs. 56.86 cr

Listing: BSE & NSE

Book Running Lead Manager: ICICI Securities Ltd, Axis Capital Ltd, Edelweiss Financial Services Ltd, IDBI Capital Markets & Securities Ltd

Registrar to issue: KFin Technologies Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	96.0	66.3
Public & Employee	4.0	33.7
Total	100.0	100.0

Source for this Note: RHP

* = assuming pricing at higher end of band

Background & Operations:

Route Mobile Ltd provides cloud-communication platform as a service (CPaaS) to enterprises, over-the-top (OTT) players and mobile network operators (MNOs). It ranked as a tier one application-to-peer (A2P) service provider internationally. Further, it ranked second globally as a tier one A2P service provider in 2017. It also ranked first for 'value added services' provided, its 'implementation process' and its 'uptime performance' among tier one vendors. RML's enterprise solution comprises two primary components - the front-end that provides an interface for enterprises to integrate with, and a back-end which is directly integrated with over 240 MNOs, and provides access to over 800 MNOs across the globe, as of June 30, 2020, enabling it to leverage their SMS and voice channels for digital communication (Super Network). Further, the backend is also integrated with OTT business messaging solution providers, and is capable of supporting Rich Communication Services (RCS) business messaging, offering multiple channels of communication to enterprises. Its omni-channel platform enables enterprises to leverage various modes of digital communication to engage with their stakeholders - including customers, employees and vendors.

RML's range of enterprise communication services include application-to-peer (A2P) / peer-to-application (P2A) / 2Way Messaging, RCS, OTT business messaging, voice, email, and omni-channel communication. Further, it also offers SMS analytics, firewall, filtering and monetization, SMS hubbing and Instant Virtual Number (IVN) solutions to MNOs across the globe. Its clients include some of the world's largest and well-known organisations, including a number of Fortune Global 500 companies. As of June 30, 2020, it has 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. Its global operations included nine direct and 12 step-down subsidiaries serving its clients through 18 locations across Africa, Asia Pacific, Europe, Middle East and North America. Consistent with strategy of pursuing inorganic growth to deepen its relationship with MNOs and broaden its product and service portfolio, it acquired 365squared Limited with effect from October 1, 2017, which operates in SMS analytics, firewall, filtering and monetization. Further, it also acquired Call2Connect, effective April 1, 2017, a company which offers voice, non-voice and consulting BPO services to some of the largest enterprises in India.

RML's operations are internally aligned into the following business verticals: (i) enterprise; (ii) mobile operator; and (iii) business process outsourcing (BPO).

Enterprise. RML's 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. Its 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. It provides a suite of APIs for various communication channels, across multiple geographies that are scalable and flexible to fit the customers' requirements.

Mobile Operator. RML's 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. It typically engages with MNOs on a revenue share model when deploying this solution. Certain MNOs also engage with it for its hubbing solution and CPaaS offerings, to leverage its global connectivity and A2P platform.

Business Process Outsourcing (BPO). RML provide a range of BPO services including client support, technical support, booking and collection services. Its strategic objective is to integrate its BPO capabilities with its enterprise voice platform and deliver end-to-end offerings to

enterprise customers. It is an associate member of the GSMA and an accredited open hub connectivity solution provider with its internally developed cloud communications platform allowing it to handle both A2P and peer-to-peer (P2P) traffic for enterprises, OTT players and MNOs.

Objects of Issue:

The Offer consists of the Fresh Issue and the Offer for Sale.

Offer for Sale

The proceeds from the Offer for Sale (net of Offer related expenses of the Selling Shareholders) shall be received by the Selling Shareholders and RML shall not receive any proceeds from the Offer for Sale.

Fresh Issue

RML proposes to utilise the Net Proceeds towards funding the following objects:

- Repayment or pre-payment, in full or part, of certain borrowings of RML
- Acquisitions and other strategic initiatives;
- Purchase of office premises in Mumbai; and
- General corporate purposes

Competitive Strengths

Omni-channel cloud communication platform service provider with diversified service offerings for enterprises: RML is among the leading CPaaS providers to enterprises, OTT players and MNOs. It was ranked as a tier one A2P service provider internationally. Further, it was ranked second globally as a tier one A2P service provider for 2017 (Source: ROCCO Report 2017). Being an associate member of the GSMA and an accredited open hub connectivity solution provider allows it to manage both A2P and P2P traffic for enterprises and MNOs. In addition, Route Mobile (UK) Limited is also an associate member of GSMA. It assist enterprises in their digital communication strategy by enabling multiple channels of communication to deliver messages to their stakeholders - including customers, suppliers, and employees. Additionally, it has developed a single unified API, an 'omni-channel platform', which incorporates communication modes such as A2P / P2A / 2Way Messaging, email, RCS messaging, voice and OTT business messaging, allowing enterprises to reach customers on both traditional and all leading OTT platforms. In Fiscal 2018, 2019 and 2020, through its in-house developed cloud communications platform, RML processed more than 21 billion, 24.74 billion and 30.31 billion billable transactions, respectively, while in the three months ended June 30, 2020, it processed more than 6.95 billion billable transactions. Its 45 member technical team, as of June 30, 2020, are engaged in developing new and customized solutions for clients across sectors and industries. Further, its competitive position is enhanced by its ability to leverage its existing relationships with its clients, whom RML will continue to target for increasing spend on cloud-based communications by cross-selling newer offerings, and expansion into newer sectors and geographies.

MNO focused suite of products: Globally, telecom providers lost over \$11 billion in revenues in 2018 due to delivery of messages through "grey routes". With the use of its analytics based SMS firewall, it assist MNOs in identifying and plugging such revenue leakages due to grey routes, driving additional revenues for them, and for the company. It has been able to diversify its service offerings in the mobile operator segment with its acquisition of 365Squared to include SMS analytics, firewall, filtering and monetization solutions. It proactively help MNOs identify A2P revenue leakage and monetize the same. In addition, it assist MNOs in securing their networks and improve their understanding of how A2P messages terminate on their network. It also offers its CPaaS to MNOs by which it help them extend A2P messaging services to enterprises and other aggregators. Further, RML's SMS hubbing solution allows inter-connectivity between smaller MNOs to connect to global operators, and expand their network and services to their subscribers when they roam across the globe. It has added the IVN solution for MNOs. This solution enables MNOs to offer additional mobile number to existing subscribers, on the same mobile device, without any additional KYC requirements or SIM cards. The virtual number is assigned instantly and is linked to the subscribers existing KYC profile. This solution will help RML to further deepen relationships with its MNO clients.

Global connectivity through established relationships with MNOs: As of June 30, 2020, RML had direct relationships with over 240 MNOs (Super Network) and provided its enterprise clients with access to over 800 mobile networks. It partner with some of the key players across the globe. It also has six strategically located data centres. Its global presence enables to offer its clients the flexibility of multiple routes, better speed of delivery and an ability to optimize cost of delivery per message. It is able to serve its clients better as a result of its direct relationship with MNOs. Based on RML's Super Network, it is an attractive partner for enterprises allowing them to communicate cost-effectively across multiple geographies. The significant number of its direct relationships with a broad range of MNOs allows the company the ability to provide its services at a competitive cost and helps ensure high quality of service for its enterprise clients. Its existing direct and indirect reach to mobile subscribers globally provides it the ability to attract varied categories of enterprises that need to communicate with clients. Its established presence in all major geographies provides RML an opportunity to leverage the growth in the cloud-communications space.

Diversified and global client base across industries serviced locally: RML 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 four continents, as of June 30, 2020. In addition, its client base is spread across four continents and as of June 30, 2020, it had served over 30,150 clients, cumulatively since inception. Its diverse global client base helps the company to limit its dependency on a specific client, industry or geography and reduces financial risk. Its Leadership position as a cloud-communication service provider is supported by its global operations with 18 locations, as of June 30, 2020, allowing it to serve its clients locally in the jurisdiction they operate. RML's track record of delivering quality and innovative solutions across various segments enables it to develop and strengthen its relationships with its clients and increase business from existing clients. It has historically experienced strong client retention and have derived a significant proportion of revenues from existing client accounts that has continued to grow. Increased integration of new services increases client engagement and, over the long-term, client loyalty. As a result, it has been able to strengthen its relationship with its clients across sectors.

Scalable delivery platform supported by robust infrastructure: RML cloud-based delivery platform enables it to build and manage applications without having to create and maintain the underlying infrastructure for each client. It is therefore able to provide enterprises with solutions to operate applications without purchasing, configuring or managing the underlying hardware and software. It currently operate at a throughput capacity of over 10,000 messages per second. Its six strategically located data centres provides its operations with the resilience required to meet the requirements of its clients. RML has been ranked first in terms of its 'implementation process', its 'uptime performance' and its 'route monitoring and management'. These parameters ensures low latency and high availability for clients. In addition, RML has the ability to serve its clients through 18 locations across Africa, Asia Pacific, Europe, Middle East and North America. Its ability to consistently deliver on stringent service level agreements with its clients reflects its robust infrastructure.

Robust business model and consistent financial track record: RML has a number of clients on a pre-paid business model where the client pays upfront allowing it to reduce the overall working capital cycle. Its revenue from operations increased at a CAGR of 37.61% from Rs. 5,049.48 million in Fiscal 2018 to Rs. 9,562.52 million in Fiscal 2020 and was Rs. 3,096.14 million in the three months ended June 30, 2020. In addition to a security deposit or a credit line paid in advance by RML, it is typically required to pay MNOs within a specified period, usually ranging between 45 and 60 days. This business model provides it with a negative working capital cycle and supports flexibility in pricing its services. Further, revenue is directly linked to usage based on each transaction or communication sent by clients and is based on a pricing model where it has an ability to change the prices offered based on prevailing market rates or owing to increase in rates by MNOs as a result of regulatory action or legislation. Its pricing control mechanism also ensures that relationship managers and system administrators are unable to price services below a certain base, which also ensures margin protection. RML has experienced sustained growth in its business in recent years, including currently during the ongoing outbreak of COVID-19. It has not required any capital infusion in the Company since Fiscal 2007 and has grown its operations primarily through internal accruals. It has been consistently profitable since the last decade. Its sustained growth is attributable to its high operating margins and low-cost base.

Experienced Promoters and senior management: RML's Promoters, Sandipkumar Gupta and Rajdipkumar Gupta have approximately two decades of experience in the software and the communications sector. Their experience in the software and telecommunications field, including extensive knowledge of the software life cycle and implementation strategy, is supplemented by its senior management team, which includes seasoned technology professionals with global experience, as well as professionals with deep experience in product development, strategy development, designing and installation of IT networks and network user management. Its senior management team significant experience in all aspects of its business operations. management team's in-depth understanding of target markets and client demand and preferences for communications applications has enabled to grow its business and expand its operations. Their understanding of industry trends, demands and market changes, has enabled to adapt and diversify its offerings and leverage market opportunities.

Business Strategy:

Continue to develop omni-channel digital communication offerings and innovative solutions: RML has continuously focused on retaining and deepening relationships with its existing customer base with the help of a dedicated key accounts management team. It has grown its revenues with respect to particular customers and intends to focus on revenue expansion through cross-selling and up-selling a wider range of services and solutions to its existing customers. Its R&D team has augmented its CPaaS platform with several new channels of digital communication, which will drive growth in the near term. It intends to leverage newer solutions with its existing customers and position itself as the partner of choice for these customers. It has made significant investments in developing its communication services and solutions. These investments has enabled to expand its product and service offerings to include major mobile communication channels, including messaging, email, OTT and voice. It continues to track new technologies, industry segments and market trends in the mobile technology sector. It intends to leverage its existing platform, diverse enterprise client base and Super Network to capitalize on the growth opportunity in cloud-communications space and endeavour to be a onestop communications solution provider to such enterprise clients and MNOs.

Continue to focus on developer community program: Route Mobile API Developer or RAPID network is an initiative to formally launch its developer community program. The objective of this program is to enable developers to leverage the capabilities of its CPaaS platform and seamlessly deploy communication features within their applications / software. Through the developer community program, it is in the

process of adopting a bi-modal go-to-market strategy. The developer community program primarily will focus on agility, enabling developers and their enterprises to experiment with its APIs and leverage its platform to improve their digital communication solutions. Its business partners, system integrators and third party developers will have access to an online portal with APIs allowing them to integrate with its platform and develop digital communication solutions for end-users.

Enhance service offerings through inorganic opportunities: RML has expanded its operations through a number of acquisitions and successfully integrated these businesses into its operations. It continues to focus on building its presence in new markets and addressing the need for cloud-communications services in new industries. It intends to continue its strategic expansion plans through inorganic growth opportunities in new markets and geographies allowing to complement its existing operations. Through strategic acquisitions, it intends to increase the scale of its operations, access new clients and enter high-growth geographies in a cost-effective manner. Its experience, track-record and approach of identifying and implementing its inorganic growth strategy will enable to acquire and successfully integrate new businesses. In conjunction with RML's organic growth strategies, it intends to pursue strategic acquisitions or investments by selectively evaluating targets in order to increase its product and service offerings, expand existing client base and its geographic reach to strengthen position as a global cloud-communication platform services provider. It continues to evaluate potential opportunities that would allow access to superior technology to enable additional solutions for enterprises as well as MNOs, a larger client base as well as direct connectivity to mobile operators. It also intends to leverage its inorganic growth and strategic acquisitions and partnerships to increasingly cross-sell its products and services to its expanded client base.

Grow presence in additional markets to serve clients locally: With RML's leading position in the cloud-communication space coupled with the anticipated growth in this sector, it intends to continue to grow in the markets where it currently operates and further expand its offerings in additional markets. It intends to meet the requirements of a broader range of global developers and enterprises. In order to attract and secure new clients, it will continue to develop its network of offices to increase awareness amongst enterprises. It also plans to focus on further strengthening its position in certain important enterprise markets, such as Africa and Latin America, which has significant potential for cloud-communication services. It also has operations in the Americas, where it anticipates significant potential to serve OTT and enterprise clients. In addition to the aforementioned, it continues to target expansion into newer geographies directly through strategic acquisitions. This allows to meet regulatory requirements that require service providers to have a direct presence in the region, ensures regional expertise and enables it to maintain lower operating costs.

Leverage CPaaS platform and BPO expertise to deliver virtual contact centre solutions: RML has added BPO capabilities through the acquisition of Call2Connect, with effect from April 1, 2017. Its strategic objective is to integrate its BPO capabilities with enterprise voice platform and deliver end-to-end offerings to enterprise customers. Its CPaaS offerings enable enterprises address their digital communication requirements while its BPO services intend to address customer / vendor / partner requirements to interact with a human interface. Further, it intends to leverage Call2Connect's expertise in call centre and other BPO services, combined with its expertise in technology driven digital communication enablement to create a new revenue stream through virtual contact centre solutions.

Industry

The Current State of Communications-as-a-Service ("CPaaS")

Mobile channels are becoming increasingly important for brands and enterprises to connect with customers, with service providers emerging that look to offer a comprehensive platform that enables the management of this communication. These are CPaaS platforms. CPaaS platform is defined as a service or solution that enables brands and advertisers to communicate to clients through multiple outbound online and mobile channels via a singular centralised platform. There are a number of services that can be considered part of CPaaS platform, including messaging technologies such as SMS, Rich

Communication Services ("RCS") and OTT messaging applications.

Also offered are push notifications, voice services and email. There are varying methods of monetisation with these services, however it is expected that the key to success for CPaaS platforms should not be measured by traffic, but by the number of communication platforms it can offer. Indeed, in the future, it is expected that the introduction of chatbots, financial services, payment services and expansion into other sectors will be key for CPaaS providers maximising their revenue.

Mobile Messaging

The term 'mobile messaging' encompasses the more traditional forms of messaging, such as SMS, as well as popular Over The Top ("OTT") messaging services from providers such as WhatsApp and WeChat. Emerging innovative technologies such as RCS messaging and in-application AI chatbots are likely to disrupt the mobile messaging market in the near future.

A2P Messaging

Market Outlook: A2P SMS Messaging

SMS technology appeals highly as a communication channel due to its ubiquity on smartphones. It is expected that this will be the case over the next five years; it is anticipated that 88% of A2P traffic will be attributable to SMS, falling from 98.8% in 2018. There has been a significant evolution in the range of use cases for A2P messaging in recent years.

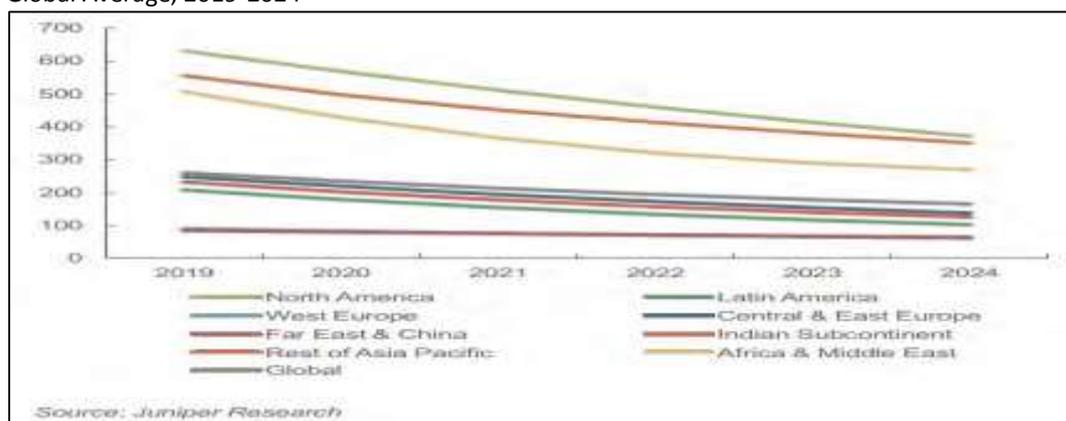
- Historically, A2P was used for alerts and, as PSMS (Premium SMS), a billing mechanism and carrier for simple content and services, both for one-off downloads or actions (eg voting) and for recurring payments.
- The latter use case has declined markedly in the past five years. This is due to a combination of the transition to an app-based economy, largely driven by card billing, and by regulatory action (in markets such as the US and the UK) against fraudsters.

Emerging messaging technologies, such as RCS, will begin to accumulate traffic share as operator and handset support increases. However, smartphone update cycles will limit adoption of the technology, thus limiting future RCS traffic. Nevertheless, the technology's potential cannot be understated, considering the revenue that operators can achieve through implementation of the technology compared to the minimal investment needed to support it. It is believed that CPaaS vendors and Messaging-as-a-Platform ("MaaS") solution providers will have a significant role to play in the future roll-outs of these services. Companies, such as Infobip, Sinch, CM.com and OpenMarket will continue to act as the key link between operator networks and the brands and enterprises that wish to use them. It is considered the A2P SMS market established in regions such as North America and Europe. Further, future growth in these regions is forecasted to emanate from SMEs which have not yet adopted A2P as a communication tool, rather than any increase in messaging traffic per mobile subscriber or increase in the mobile subscriber base itself. *The State of Grey Route A2P SMS Messaging*: Grey route A2P traffic is essentially traffic sent in violation of the carrier's terms and conditions, circumventing the network operator's own systems and from which MNOs cannot generate any revenue. This traffic is primarily P2P in origin. Grey route opportunity was essentially created when MNOs sought to make a distinction between A2P and P2P traffic to better monetise the former. In doing so, and by charging a premium for directly connected A2P traffic, they created the conditions for a number of SMS aggregators to deliver A2P traffic via non-interconnected routes.

Quantifying the Mobile Messaging Ecosystem

SMS

As all mobile devices can send and receive SMS messages, it is believed that it is unlikely that this form of communication will be phased out, as SMS messages are ideal for reaching a wide audience. Average SMS Traffic per Handset per Month, Split by Eight Key Regions and Global Average, 2019-2024



Based on the above figure, it is anticipated that all regions will have a fall in average handset traffic per month, due to the growing rise of OTT messaging applications such as WhatsApp, Viber and Messenger. As P2P traffic migrates to these channels, it is believed that operators have essentially lost traffic to these providers and must seek to expand existing messaging portfolios to compete. Further, it is believed that whilst P2P communication continues to migrate to OTT messaging applications, businesses will persist in their distribution of marketing information via A2P SMS. This will continue to be the case, even when RCS becomes more widely adopted. SMS is quick fire and use cases such as fraud (prevention) and delivery notifications will stay within the SMS context.

A2P SMS

With an open rate of 98%, SMS messages are an ideal platform for businesses looking to supplement their marketing arsenal. Using SMS, enterprises can distribute marketing material to a wide audience and ensure fast delivery to user devices. Moreover, SMS enables companies to gather and subsequently analyse message data, so they can understand their customer base and develop targeted marketing messages. SMS can also be used as part of the 2FA process, with OTP (One Time Passcode) notifications being sent to users over SMS to verify financial transactions. A representative asserted that: 'SMS may be limited in terms of features; 2FA, notifications and alerts are still the main use cases. Depending on culture, one will witness differences (in SMS use).'

Competitive SMS Business Pricing – Wholesale Agreements will be Key

Total annual SMS traffic is expected to decline from 9.1 trillion in 2019 to 7.8 trillion in 2024. This is mainly due to the continuing decline in P2P SMS, as end users adopt other messaging platforms to communicate with one another. Despite the emergence of RCS as a new channel, the total number of A2P SMS messages sent is expected to grow from 3.2 trillion in 2019 to 4.6 trillion in 2024. By entering into wholesale agreements, network operators can reach businesses that utilise bulk SMS text messaging techniques as part of their marketing plan. Whilst

wholesale agreements offer operators the opportunity to more accurately predict messaging revenues, it is suggested that operators must still take steps to ensure that SMS pricing is competitive and profitable to maximise both the network's user base and revenues. There are expected to be 7.72 billion mobile subscribers globally at the end of 2017, that are projected to grow at a CAGR of 2.5% to 8.74 billion by 2022.

Despite being the oldest form of value-added services, SMS, the most prominent form of mobile messaging, remains a key part of MNO revenues. Time and time again, the word that is used to define the success of SMS is its ubiquity. The penetration of mobile devices, the number of devices that support SMS, and the number of mobile subscribers that engage in it are so large, that as a messaging channel it is unrivalled. The vintage of SMS, which with most technologies are perceived as a hindrance, is its real strength. It has been around for so long that almost everyone can do it, and almost everyone does.

Furthermore, the simplicity of SMS makes it so versatile that the potential usage of it is wide-ranging, meaning that it has been adopted in a huge number of ways beyond simple P2P communication. A2P and P2A SMS are increasing as a proportion of SMS traffic, with enterprises finding that the ubiquity of SMS and the wide coverage of MNOs make it an ideal channel to communicate with their customers, employees and other stakeholders. Globally, profitability of MNOs is declining due to increasing competition from mobile virtual network operators or MVNOs, emergence of OTT messaging services like WhatsApp, increasing communication over social media and low Average Revenue per User or ARPU in rural segments of emerging markets which are the overwhelming majority of new subscriber additions. Growth in OTT messaging services has threatened revenues of MNOs, with P2P SMS being a major casualty.

For instance, in the Netherlands, where WhatsApp rapidly gained traction, KPN experienced a 60% decline in P2P SMS usage levels between 2011 and 2013. KPN has subsequently not published messaging data. Similar declines have also been reported in South Korea following the widespread adoption of KakaoTalk, while OTT adoption in China since 2013 has seen SMS volumes decline. P2P SMS revenue for MNOs declined at a rate of 18.8% globally between 2013 and 2015. Average SMS sent per subscriber per month are projected to further decline at a CAGR of 4.7% globally, with North America witnessing a steeper decline of 9.0%.

For MNOs, SMS has historically been by far and away the most valuable data service. As consumers migrate to OTT messaging, the value to them of P2P SMS comes into question. Hence, there is an increasing attraction of being able to charge enterprises a premium for their A2P messaging. The size of the global A2P messaging market (including only directly connected A2P revenue) was US\$ 37.9 billion in 2017 and is projected to grow at a CAGR of 4.4%. Emerging markets like Latin America, Africa and Middle East are expected to grow faster.

A2P Messaging Market – Key trends

Rise of grey route traffic

Grey route A2P traffic is essentially traffic which is sent in violation of the MNO's terms and conditions, circumventing the MNOs own systems and from which the MNOs cannot generate any revenues. This traffic is primarily P2P in origin; the grey route opportunity was essentially created when MNOs sought to make a distinction between A2P and P2P traffic to better monetize the former. In so doing, and by charging a premium for directly connected A2P traffic, they created the conditions for a number of SMS aggregators to deliver A2P traffic via non-interconnected routes.

Inter-operator competition and the emergence of OTT messaging services led MNOs to offer SMS bundles (often unlimited) at low prices. In emerging markets, a number of MNOs and MVNOs now offer large text bundles for less than a dollar. For example, Telenor Pakistan had offers of a bundle of 10,000 SMS for just PKR40 (\$0.38). These bundles are being used to fulfill A2P messaging, and are ideal for those players without the capability or inclination to seek direct connectivity with MNOs through AA19 agreements. Furthermore, routing traffic via networks in a third country also allows SMS aggregators to save money via arbitrage, as they take advantage of the different settlement rates of the countries concerned. This means that even in markets where there are AA19 agreements between the MNOs (which define the charges of terminating messages between their networks), the MNOs concerned will only generate minimal revenues per message.

On a global basis, grey route A2P messages cost just 25% of the price of directly connected A2P traffic. In 2015, MNOs lost US\$ 12.2 billion of potential revenue due to grey route traffic. This is driving demand for firewall (SMS filter) solutions amongst MNOs. Into the cloud increasingly, Tier 1 SMS aggregators are offering cloud based business grade A2P messaging solutions. These players provide global delivery capabilities through mix of direct and indirect relationships with MNOs across the globe. Such cloud platforms can easily and quickly scale mobile communications while reducing latency and increasing delivery rates. They may also offer a proprietary adaptive routing platform, which routinely tracks millions of data points to immediately determine the fastest and most reliable route to deliver A2P messages.

Enterprises demanding faster, reliable A2P traffic

As enterprises increasingly deploy A2P messaging for marketing, alerts and authentication purposes, they want to ensure that messages are delivered and delivered in a timely manner. Many such messages will be time-critical, and failure in this regard could potentially have a serious adverse effect on a brand's standing. For example, as banks increasingly seek to use mobile channels to engage with their customers, any failure to deliver promised alerts, or timely authorizations, would justifiably leave them open to claims for compensation, with higher-profile cases also impacting their brand. It might also lead to a wider disenchantment with A2P messaging as a communication channel.

MNOs demanding minimum commitments and consolidating traffic at group level

Current trend is for MNOs to demand a minimum volume commitment from SMS aggregators. Given the underlying financial and risk management requirements, only Tier 1 aggregators in a particular market can make these commitments. Other players either buy from or terminate through these Tier 1 aggregators. A further key trend is that network operator groups are increasingly seeking to consolidate their A2P services at the group level through the establishment of dedicated units. Where previously national operating companies would arrange the contracts with the SMS aggregators, the contracts are now being executed at their dedicated global units. The rationale being that it will enable the groups to strike harder bargains with the Tier 1 aggregators and to reduce the scale of grey route traffic. Through these units the MNOs can also provide SMS hubs with direct connections, with platforms typically offering features such as high performance routing and low latency delivery.

Deutsche Telekom, Telenor, Telefonica and Orange are some of the large global MNOs who have implemented group consolidation. Vodafone, having first established Vodafone Carrier Services in 2013, introduced the Vodafone Messaging Hub in May 2015. The hub now serves the SMS requirements of Vodafone's over 400 million customers worldwide. Additionally, it is being offered as a service to other MNOs and A2P aggregators looking to transit SMS on its network. These hubs are themselves becoming connected to each other. For example, in December 2015, Telefonica and Deutsche Telekom reached an agreement to directly connect their respective A2P messaging hubs. Cloud communication companies also provide SMS hubs to simplify the interworking between MNOs enabling them to increase their international SMS coverage without entering into multiple bilateral arrangements. Robust SMS hubs prevent fraudsters and spammers from bypassing standard interconnections and delivering messages to mobile subscribers without any extensive control.

RCS Business Messaging

Total number of RCS users is expected to rise to 1.2 billion by the end of 2020. This has largely been driven by continuing increased support from both operators, and the uptake of RCS-capable smartphones as users upgrade handsets.

There is significant uptake in North America and Far East and China in terms of RCS penetration. There has clearly been a staggered development of RCS across multiple countries owing to the uptake of smartphones and operators' support of the technology. This phase is expected to continue over the next five years, as many operators prioritise other technology, such as IoT or 5G networks over RCS messaging standards. Additionally, the level of virtualisation over a network will continue to play a crucial role in the number of operator RCS launches. A key advantage of RCS is that it can 'piggy back' on the back of the roll-out of 5G standards. This will be critical for the growth of RCS over the next five years.

By 2025, it is anticipated that there will be over 1.4 billion 5G connections. Whilst this is lower than the total number of RCS subscribers, it provides a perfect platform for long-term growth as there will certainly be subscribers that will be pushed on to RCS-capable connections.

CPaaS Platform Providers

CPaaS solutions enable businesses to integrate real-time communication features into their own applications without the need to build complex infrastructure and interfaces. Companies are only required to pay for the services they use, with CPaaS providers adopting per-call, per-video or per-message billing models. CPaaS providers use cloud technology to help companies implement omnichannel communications in a cost-effective manner, subsequently boosting revenue and bolstering customer relationships.

Must be Agile & Support as Much New Technology as Possible

CPaaS players must expand their offerings and support as many technologies as possible. This recommendation mirrors the strategy of CPaaS players; the more technology integrations and features available through a CPaaS platform, the easier it will be for CPaaS vendors to market their solutions. Whilst the majority of CPaaS solutions enable businesses to include communication features, such as OTT messaging, SMS and push notifications, in their native apps, CPaaS providers must be agile and adapt to the emergence of new technology, such as RCS messaging. In the future, it is believed that CPaaS platform providers will compete in terms of the completeness of their platform, as brands and advertisers gravitate to companies with a comprehensive offering.

Enterprise Cloud Communication

The enterprise cloud communications market is characterized by a high degree of fragmentation. Players can broadly be categorized into three groups: (i) Global Cloud Communications Service Providers; (ii) Regional Service Providers (including divisions of MNOs); and (iii) Cloud API Providers. These groups can in turn be segmented by their target customers (small and medium enterprises (SMEs) or large enterprises) and their ability to offer direct access to global mobile networks. The market has proliferated in recent years, while in the case of Tier 1 and Tier 2 players there has been a degree of consolidation. Also, global enterprise IT majors are acquiring these companies to add A2P messaging to their mobile portfolios. Hence, Syniverse acquired VeriSign's messaging business (2009), MACH (2013) and Aicent (2014); SAP acquired Sybase in 2010; CLX acquired Voltari's messaging business in 2014 and mBlox in May 2016.

Emerging Areas – IoT and Big Data

Internet of Things or IoT is, at present a focus area for many enterprises. Efficiency gains, cost savings and new revenue models are the principal benefits accruing from IoT. High rate of IoT adoption and deployment in enterprises can be attributed to the value-add and business

cases being very clear and measurable. It is widely acknowledged that the real value of connected IoT units will be derived through the conversion of data into actionable information. The reason for this is that the majority of connected units will be M2M modules, producing small amounts of data each, albeit at large scale i.e. Big Data. Consequently, where nearly the entirety of the Internet's history has involved the analysis of human-produced data, frequently composed of relatively large, organized chunks of data, the IoT landscape presents a scenario where sense must be made of large amounts of byte sized data packets that are not structured into any particular format. The rise of data produced over the Internet and indeed, an increased amount of data produced by machines has already created a scenario where traditional databases are, in many instances, not fit for purpose. The characteristics of Big Data can usually be thought of as 'big' in terms of volume, velocity and variety. In many instances, IoT data, due to its velocity, will be useful only for a short period of time. Therefore, applications leveraging data of this nature demand very short latency, with the typical route of sending data to the internet cloud for processing becoming unfeasible in many instance.

Key Concerns:

- RML depends in part on the success of its strategic relationship with third parties, particularly direct relationships with mobile network operations ("MNOs"). Inability to enter into or maintain such relationships, particularly with MNOs may adversely affect the business, financial condition and results of operations.
- Failures, defects, delays and other problems involving the technology systems and infrastructure on which RML rely for providing services and solutions to the clients may adversely affect the business, financial condition and results of operations.
- RML and Subsidiaries are involved in certain legal and other proceedings. Any adverse outcome in any of these proceedings may adversely affect the profitability and reputation
- Acquisitions are subject to various risks, including risks relating to the integration of acquired businesses with its existing operations.
- Face a risk from potential claims resulting from client's misuse of RML's platform to send unauthorized text messages in violation of TRAI regulations.
- Inability to comply with laws and regulations which impact clients could adversely affect the business and results of operations.
- Operates in a highly evolving market and any inability to respond to such changing conditions could adversely affect the business and results of operations.
- Face foreign exchange risks that could adversely affect the results of operations and cash flows.
- Any disruption in the supply of power, IT infrastructure and telecommunications lines to RML's facilities could disrupt cloud communication platform services and subject it to additional costs.
- Revenues depends on a limited number of clients and a loss of such clients could adversely affect the financial condition and results of operations.
- If RML is unable to successfully protect information technology infrastructure from actual or perceived security risk in a timely manner or at all, its business may be adversely affected.
- RML's global operations expose it to numerous risks, including sometimes conflicting legal and regulatory requirements, and violation of these regulations could adversely its business and results of operations.
- Revenues are highly dependent on clients primarily located in Asia, Europe and Africa. Any decline economic health of such regions could adversely affect the business financial condition and results of operations.
- The loss of services of senior management could adversely affect the business and results of operations.
- Deficiencies in or termination of services by third-party service providers such as network and server capacity providers or interruptions, failure to provide, delays or outages, may adversely affect the business
- Inability to manage technology systems and infrastructure or the services and solutions that RML provide may adversely affect the business, financial condition and results of operations.

- RML's services contain open source software, and it license some of its software through open source projects. Any risks associated with open source software, if not addressed, could have a material adverse effect on the Business.
- Competition in the market for cloud communication platform services could affect RML's pricing, which could reduce its share of business from clients and decrease its revenues and profitability.
- Failure to meet the level of performance in accordance with contracts with clients could adversely affect the business.
- Failure to offer client support in a timely and effective manner may adversely affect the relationships with clients.
- Growth and revenue is subject to volatility and seasonality.
- RML's sales cycle may become lengthier and more expensive and may be subject to implementation, customization and timing challenges and inability to respond to such challenges in an effective manner may adversely affect the business, financial condition and results of operations.
- RML is subject to risks associated with expansion into new geographic regions.
- If RML do not develop enhancements to its services and introduce new services that achieve market acceptance, its business, results of operations and financial condition could be adversely affected.
- Customers may develop in-house solutions and migrate part or all of the services that it provide them to these in-house solutions.
- If RML is unable to collect dues and receivables from clients, its results of operations and cash flows could be adversely affected.
- Consolidation amongst, or change of ownership of, MNO clients may result in the loss of MNO clients or reduce potential client base, which would negatively impact the financial performance.
- MNOs operate in a highly regulated industry and the licences and the regulatory environment in which they operate are subject to change, which may indirectly adversely affect the operations.
- Inability to obtain, renew or maintain statutory and regulatory permits and approvals required to operate business may have a material adverse effect on the business, financial condition and results of operations.
- RML face significant competition for highly skilled professionals, and its success depends in large part upon ability to attract and retain these personnel.
- Unfavorable conditions in RML's industry or the global economy or reductions in spending on information technology and communications could adversely affect the business, results of operations and financial condition.
- Fluctuations in the exchange rate between the Rupee and foreign currencies could have an adverse effect on the value of the Equity Shares in those currencies, independent of its operating results.

Balance Sheet

(Rs in million)

Particulars	Q1FY21	FY20	FY19	FY18
Assets				
Non-current assets	2190.8	2224.5	2240.9	2277.4
Property, plant and equipment	212.79	224.31	217.2	207.3
Goodwill	851.5	854.5	831.2	841.4
Right-of-use assets	82.8	96.6	152.8	209.6
Other intangible assets	556.8	590.9	644.0	755.1
Financial assets				
<i>Other financial assets</i>	275.1	162.0	47.1	42.7
Deferred tax asset	26.9	38.3	75.08	68.47
Non-current tax assets (net)	164.2	182.8	89.50	57.77
Other non-current assets	20.8	75.2	162.68	95.15
Current Assets	4157.5	4040.9	2816.9	2196.2
Financial assets				
<i>Investments</i>	123.9	119.0	106.7	0.0

Trade receivables	1840.2	2037.0	1447.1	972.9
Cash and cash equivalents	1139.9	615.2	294.0	235.1
Other bank balances	447.0	411.2	662.5	790.8
Other financial assets	115.8	106.4	95.8	41.8
Other assets	490.6	752.1	210.85	155.57
Total Assets	6348.3	6265.5	5057.8	4473.7
Equity & Liabilities				
Equity	2946.9	2681.9	2099.0	1601.9
Equity share capital	500.0	500.0	500.0	500.0
Other equity	2470.2	2203.7	1617.8	1108.5
Non-controlling interests	-23.3	-21.7	-18.8	-6.6
Non-Current Liabilities	113.3	120.8	173.1	223.0
Financial liabilities				
<i>Borrowings</i>	37.0	37.1	39.5	35.7
<i>Lease liabilities</i>	47.3	56.2	117.8	172.6
Provisions	24.1	22.3	15.6	14.2
Deferred tax liabilities	4.9	5.1	0.2	0.5
Current Liabilities	3288.1	3462.8	2785.7	2648.7
Financial liabilities				
<i>Borrowings</i>	388.2	373.6	731.6	777.7
<i>Lease Liabilities</i>	53.3	58.8	53.8	48.1
Total outstanding due to creditors other than micro enterprises and small enterprises	1717.4	1812.6	597.4	561.2
Other financial liabilities	584.6	880.3	1053.2	1000.7
Provisions	8.2	8.3	5.8	7.6
Current tax liabilities (net)	303.2	243.8	116.4	37.9
Other current liabilities	233.3	85.4	227.6	215.4
Total Equity & Liabilities	6348.3	6265.5	5057.8	4473.7

Profit & Loss

(Rs in million)

Particulars	Q1FY21	FY20	FY19	FY18
Revenue from Operations	3096.1	9562.5	8446.7	5049.5
Other Income	26.8	118.5	77.1	45.4
Total Income	3123.0	9681.0	8523.8	5094.9
Total Expenditure	2720.0	8564.4	7524.1	4293.5
Purchases of messaging services	2494.2	7641.6	6670.2	3407.5
Employee benefits expense	130.3	582.0	554.5	504.6
Other expenses	95.4	340.8	299.5	381.5
PBIDT	403.0	1116.7	999.6	801.3
Interest	9.9	48.7	130.9	78.0
PBDT	393.1	1068.0	868.7	723.3
Depreciation	60.2	226.8	218.7	158.4
PBT	332.9	841.2	650.0	564.9
Tax (incl. DT & FBT)	63.5	150.2	104.7	98.2
Tax	51.9	108.3	112.2	109.4
Deferred Tax	11.7	41.9	-7.5	-11.2
PAT	269.3	691.0	545.3	466.8
EPS (Rs.)	5.39	13.8	10.9	9.3
Equity	500.0	500.0	500.0	500.0
Face Value	10.0	10.0	10.0	10.0
OPM (%)	12.1	10.4	10.9	15.0
PATM (%)	8.7	7.2	6.5	9.2

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