



Route Mobile Ltd -Subscribe

06th Sept 2020

IPO DETAILS

Issue Date 09th Sep-11th Sept 2020

Price Band 345-350 per Share

Bid Lot 40 & in multiple there

Face Value Rs 10/Share

Listing BSE, NSE

Issue Size Rs 600 Crores

Fresh Issue Rs 240 Crores

Offer For Sale Rs 360 Crores

Pre Issue Eq Shares 50,000,000 Eq Shares

BRLM Axis Capital Ltd ,
 ICICI Securities Ltd,
 Edelweiss Financial Services,
 IDBI Capital Markets & Securities Ltd

Registrar KFIN Technologies
 Private Limited

Company provide cloud-communication platform as a service (“CPaaS”) to enterprises, over-the-top (“OTT”) players and mobile network operators (“MNOs”). According to the ROCCO Report 2020, company was ranked as a tier one application-to-peer (“A2P”) service provider internationally. Further, company was ranked second globally as a tier one A2P service provider in 2017. Company was also ranked first for ‘value added services’ provided, its ‘implementation process’ and its ‘uptime performance’ among tier one vendors.

In the three months ended June 30, 2020, through its cloud communications platform, company processed more than 6.95 billion billable transactions. In Fiscal 2020, company’s platform managed more than 30.31 billion billable transactions from its clients and was used by more than 2,700 clients while it managed more than 24.74 billion billable transactions in Fiscal 2019.

Company have established direct relationships with MNOs that provide its clients with global connectivity. As of June 30, 2020, company had direct relationships with over 240 MNOs and four short messaging service centres hosted in various geographies across the globe. Company is able to access more than 800 networks across the world. Company had direct relationships with 161 MNOs in EMEA, 32 MNOs in the APAC region, 48 MNOs in North America and South America, six MNOs in India and one MNO in Australia.

As of June 30, 2020, company had served over 30,150 clients, cumulatively since inception globally through its offices across Africa, Asia Pacific, Europe, Middle East and North America.. In Fiscal 2018, 2019 and 2020 and in the three months ended June 30, 2020, company’s ten largest clients accounted for 36.08%, 46.00%, 52.50% and 63.65% of its revenue from operations, respectively, while its single largest client accounted for 6.49%, 19.86%, 14.58% and 15.45% of its revenue from operations in such periods. Company’s diverse global client base helps limit its dependency on a specific client, industry or geography and reduces financial risk. Company’s leadership position as a cloud-communication service provider is supported by global operations with 18 locations, & allowing to serve clients locally in the jurisdiction they operate.

Valuation

Company is bringing the issue at p/e multiple of approx 19x at higher end of price band of Rs 345-350/share on post issue Q1FY21 eps basis. .

Company with diversified service offerings for enterprise client base across a broad range of industries including social media companies, banks, financial institutions, e-commerce entities, travel etc has strong distribution reach. Also company’s established presence in all major geographies provides it an opportunity to leverage the growth in the cloud-communications space. The continuous investment in technology enabled company to expand its product and service offerings to include major mobile communication channels, including messaging, email, OTT and voice. With company intending to capitalize on the growth opportunity in cloud-communications space and endeavour to become a onestop communications solution provider to enterprise clients and MNOs, the future prospects of company looks strong.

Therefore, , we recommend “Subscribe” the issue both for listing gains & long term horizon.



COMPANY OVERVIEW

Company’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 company 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. Company’s omni-channel platform enables enterprises to leverage various modes of digital communication to engage with their stakeholders – including customers, employees and vendors.

Company’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, company also offer SMS analytics, firewall, filtering and monetization, SMS hubbing and Instant Virtual Number (“**IVN**”) solutions to MNOs across the globe. Company’s clients include some of the world’s largest and well-known organisations, including a number of Fortune Global 500 companies.

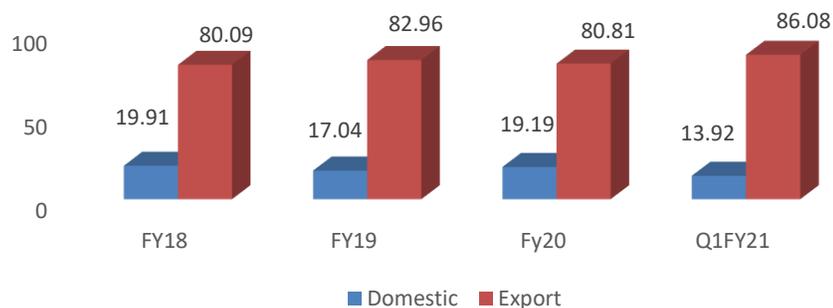
Company incorporated in 2004 and is headquartered in Mumbai, India. As of June 30, 2020, company have serviced over 30,150 clients, cumulatively since inception, across sectors including social media, banking and financial services, aviation, retail, internet/ e-commerce, logistics, healthcare, hospitality, media and entertainment, pharmaceuticals and telecom. Company’s 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 company’s strategy of pursuing inorganic growth to deepen its relationship with MNOs and broaden its product and service portfolio, company acquired 365squared Limited with effect from October 1, 2017, which operates in SMS analytics, firewall, filtering and monetization. Further, company 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.

Company’s operations are internally aligned into the following business verticals: (i) enterprise; (ii) mobile operator; and (iii) business process outsourcing (“**BPO**”).

Enterprise: Company’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.

Mobile Operator: Company’s main service offerings in this segment include SMS analytics, firewall, filtering, monetization and CPaaS and hubbing solutions

Revenue Generated in Domestic & International Currencies %





Omni-channel cloud communication platform service provider with diversified service offerings for enterprises

Being an associate member of the GSMA and an accredited open hub connectivity solution provider allows company to manage both A2P and P2P traffic for enterprises and MNOs. In addition, Route Mobile (UK) Limited is also an associate member of GSMA. With growing internet penetration, business models are evolving and cloud communication services are being used by enterprises for streamlining back-end operations as well as for engaging with customers, employees and other stakeholders. The size of the global A2P messaging market (including only directly connected A2P revenue) was US\$ 37.9 billion in 2017 and is estimated to grow at a CAGR of 4.4%

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 company’s analytics based SMS firewall, company assist MNOs in identifying and plugging such revenue leakages due to grey routes, driving additional revenues for them, and for company.

Company have been able to diversify its service offerings in the mobile operator segment with acquisition of 365squared to include SMS analytics, firewall, filtering and monetization solutions. Company proactively help MNOs identify A2P revenue leakage and monetize the same. On an average, company’s SMS firewall contracts with MNOs have a tenure of three years, with certain contracts providing for automatic renewal for further two years, which provides with reasonable visibility and stickiness of revenue from such business.

Robust business model and consistent financial track record

Company have a number of clients on a pre-paid business model where the client pays upfront, allowing company to reduce the overall working capital cycle. Company’s revenue from operations increased at a CAGR of 37.61% from ₹ 5,049.48 million in Fiscal 2018 to ₹ 9,562.52 million in Fiscal 2020 and was ₹ 3,096.14 million in the three months ended June 30, 2020. In Fiscal 2018, 2019 and 2020, and in the three months ended June 30, 2020, 41.77%, 24.99%, 17.01% and 15.47% of company’s revenue from operations, respectively, was prepaid.

This business model provides company with a negative working capital cycle and supports flexibility in pricing its services. Further, company’s revenue is directly linked to usage based on each transaction or communication sent by clients and is based on a pricing model where company have 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. Company’s 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. Company have experienced sustained growth in its business in recent years, including currently during the ongoing outbreak of COVID-19. Company have not required any capital infusion since Fiscal 2007 and have grown operations primarily through internal accruals.

Scalable delivery platform supported by robust infrastructure

Company’s cloud-based delivery platform enables to build and manage applications without having to create and maintain the underlying infrastructure for each client. Company is therefore able to provide enterprises with solutions to operate applications without purchasing, configuring or managing the underlying hardware and software. Company currently operate at a throughput capacity of over 10,000 messages per second. Company’s six strategically located data centres provide operations with the resilience required to meet the requirements of clients. Company’s scalable platform requires limited capital expenditure as and when it add new clients or new services or when traffic volumes increase. Company’s platform allows its clients to scale elastically without having to redevelop their applications or change their communications infrastructure.



STRATEGIES

Continue to develop omni-channel digital communication offerings and innovative solutions

Company have continuously focused on retaining and deepening relationships with its existing customer base with the help of a dedicated key accounts management team. Company have grown its revenues with respect to particular customers and intend to focus on revenue expansion through cross-selling and up-selling a wider range of services and solutions to its existing customers. Company's R&D team has augmented its CPaaS platform with several new channels of digital communication, which will drive growth in the near term. Company intend to leverage newer solutions with its existing customers and position itself as the partner of choice for these customers. Offering a one-stop solution addressing enterprises' communication requirements across all digital channels will increase stickiness of company's relationship with its existing customers and augment company's ability to serve start-ups and young enterprises. These differentiated offerings will also help company initiate business engagement with potential customers who do not currently use its services.

Enhance service offerings through inorganic opportunities

Since Fiscal 2017, company have expanded its operations through a number of acquisitions and successfully integrated these businesses into company's operations. Company continue to focus on building its presence in new markets and addressing the need for cloud-communications services in new industries. Company intend to continue its strategic expansion plans through inorganic growth opportunities in new markets and geographies allowing company to complement its existing operations. Through strategic acquisitions, company intend to increase the scale of its operations, access new clients and enter high-growth geographies in a cost-effective manner.

Company has entered into a business transfer agreement dated June 15, 2020 to acquire certain technologies and related contracts from a Bengaluru-based company specializing in development of telecom related solutions which includes, inter alia, multimedia messaging service center and short message service center platforms on a going concern basis. The acquisition is subject to customary closing conditions.

Grow presence in additional markets to serve clients locally

Company intend to continue to grow in the markets where it currently operate and further expand its offerings in additional markets. Company plan to focus on further strengthening its position in certain important enterprise markets, such as Africa and Latin America, which have significant potential for cloud-communication services. Company have operations in Kenya, Ghana, Uganda, Zambia and Nigeria, through its subsidiaries, Route Connect (Kenya) Limited, Route Mobile Limited, Route Mobile (U) Limited, Route SMS Solutions Zambia Limited and ROUTESMS Solutions Nigeria Limited, respectively. Company also have operations in the Americas, where it anticipate significant potential to serve OTT and enterprise clients. In addition to the aforementioned, company continue to target expansion into newer geographies directly through strategic acquisitions. This allows company to meet regulatory requirements that require service providers to have a direct presence in the region, ensures regional expertise and enables company to maintain lower operating costs.

Leverage CPaaS platform and BPO expertise to deliver virtual contact centre solutions

Company added BPO capabilities through the acquisition of Call2Connect, with effect from April 1, 2017. Company's strategic objective is to integrate its BPO capabilities with its enterprise voice platform and deliver end-to-end offerings to enterprise customers. Company's 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, company intend to leverage Call2Connect's expertise in call centre and other BPO services, combined with company's expertise in technology driven digital communication enablement to create a new revenue stream through virtual contact centre solutions.



Risk Factors:

Company depend in part on the success of its strategic relationship with third parties, particularly its direct relationships with mobile network operations (“MNOs”). Company’s inability to enter into or maintain such relationships, particularly with MNOs may adversely affect company’s business, financial condition and results of operations.

Objects of Issue:

The Offer consists of a Fresh Issue of aggregating up to Rs 240 cr and an Offer for Sale of up to Rs 360 Cr by the Selling Shareholders.

Company will deploy the funds from fresh issue towards

1. Repayment or pre-payment, in full or part, of certain borrowings of company worth of Rs 36.5 Cr;
2. Acquisitions and other strategic initiatives worth of Rs 83 Cr;
3. Purchase of office premises in Mumbai worth of Rs 65 Cr.

Financial Statement

(Rs Cr)

Particulars	FY18	FY19	FY20	Q1FY21
Total Income	504.95	844.67	956.25	309.61
Total Exp	429.35	752.41	856.44	272.00
EBIDTA	75.60	92.25	99.82	37.62
Other Income	4.54	7.71	11.85	2.68
Depreciation	15.84	21.87	22.68	6.024
EBIT	64.30	78.09	88.99	34.27
Interest	7.81	13.09	4.87	0.989
PBT	56.49	65.00	84.12	33.29
Tax	9.82	10.47	15.02	6.352
PAT	46.67	54.53	69.10	26.93
Other Comp Income	2.81	4.22	5.73	-0.436
Adjusted PAT	49.48	58.75	74.84	26.50
Eq Cap	50.00	50.00	50.00	50.00
Net Worth	160.19	209.90	268.19	294.69
Eq Shares	5.00	5.00	5.00	5.00
EPS	9.57	11.19	13.83	5.42
ROE	29.74	26.42	25.58	9.12
BV	32.04	41.98	53.64	58.94
Debt/Eq	0.51	0.37	0.15	0.14

Source:RHP

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