

# Initiating Coverage Route Mobile Ltd.

30-March-2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Internet Software & Services	Rs. 1451	Buy on dips to Rs.1273-1277 band & add more in the Rs.1100-1104 band	Rs. 1417	Rs. 1558	2 quarters

HDFC Scrip Code	ROUMOB
BSE Code	543228
NSE Code	ROUTE
Bloomberg	ROUTE IN
CMP Mar 26, 2021	1451.0
Equity Capital (Rs cr)	57.7
Face Value (Re)	10.0
Equity Share O/S (cr)	5.8
Market Cap (Rs cr)	8372.4
Book Value (Rs)	46.9
Avg. 52 Wk Volumes	366844
52 Week High	1979.7
52 Week Low	625.0

Share holding Pattern % (Dec, 2020)	
Promoters	65.8
Institutions	23.9
Non Institutions	10.3
Total	100.0

### Our Take:

Route Mobile is largest CPaaS (Communications platform as a service) based out of India and is the largest in Asia, Africa, and the Middle East in terms of connectivity and in terms of customers. It has direct relationships with over ~250 MNOs (Mobile Network Operators) with access to over 800 mobile networks. This helps it to deliver services to global clients across multiple geographies. Company has a wide range of enterprise communication services including A2P/P2A/2Way Messaging, OTT business messaging, Rich Communication Services (RCS), voice, email, and omni-channel communication. Apart from this, Covid-19 has accelerated digital investments by brands and enterprises, leading to higher growth expectations for providers like Route Mobile of such services including SPaaS (Space-as-a-service).

Route Mobile's product offerings are finding traction with customers, reflected in the robust growth in the company's top-15 enterprise customers. Importantly, the company counts tech giants like Google and Facebook as its clients, which signify the company's global reach, high quality offerings and robust value proposition. Route also counts large Indian enterprises such as SBI, ICICI Bank and Bank of Baroda as its clients.

The company has an asset light business model, operating through its cloud-based platform which entails very low capital requirement, resulting in high return ratios and strong cash flow generation. The company recorded its best nine months, ended on 31st Dec 2020. Its revenue grew by 51.2% to Rs 1,043.7cr in 9MFY21 vs. Rs 690.5cr in 9MFY20. Company reported a net profit of Rs 21.8cr in 9MFY21 vs. Rs 8.5cr in 9MFY20. EBITDA Margin ramped up to 11.9% in 9MFY21 vs. 8.7% in 9MFY20. Company remains strong and expects to provide double-digit growth going forward. We expect strong revenue growth momentum to sustain with 21.4% and 17.1% revenue growth in FY22E and FY23E respectively and expect the company to witness improving margins (340 bps over FY20 to 12.3% in FY23E) driven by levers like cost optimization and other operational efficiencies. Consequently, we expect earnings to grow at CAGR 37% over FY20-23E to Rs. 182Cr.

### Valuations & Recommendation:

Since its inception, Route Mobile has been enhancing mobile communications through technology upgrades and product innovations; meeting the needs of a diverse clientele across geographies. Digital transformation and automation, consumer's smartphone adoption and emergence of API (Application Programming Interface)-based digital communication architecture could bring more opportunity for Route Mobile going forward.

### Fundamental Research Analyst

Abdul Karim

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Route Mobile's experienced promoters and management team, long track record of operation, established market position in Application to Person (A2P) messaging segment and tie up with telecom players operating in India provides strong earning visibility going forward. Company's strong capital structure with robust debt coverage indicators and strong liquidity position brings positive view on the stock. Route Mobile is enjoying expensive valuations due to its strong moat of having a first mover advantage resulting in solid market positioning in an increasing market size. **We believe the base case fair value of the stock is Rs 1417 (45.0x FY23E EPS) and the bull case fair value of the stock is Rs 1558 (49.5x FY23E EPS) over the next two quarters. Investors can buy the stock on dips to Rs 1273-1277 band (40.5x FY23E EPS) and add more on dips to Rs. 1100-1102 band (35.0x FY23E EPS). At the LTP of Rs 1451, the stock trades at 46.1x FY23E EPS.**

## Financial Summary (Consolidated)

Particulars (Rs cr)	Q3FY21	Q3FY20	YoY-%	Q2FY21	QoQ-%	FY20	FY21E	FY22E	FY23E
Total Operating Income	384.8	264.2	45.7	349.3	10.2	956.3	1,410.2	1,712.3	2,004.3
EBITDA	44.7	22.2	101.4	41.8	6.9	85.1	165.0	205.5	246.5
Depreciation	6.5	5.9	10.1	6.8	-4.1	22.7	26.5	29.6	31.3
Other Income	8.7	3.9	124.9	5.2	66.0	11.9	19.0	17.1	16.0
Interest Cost	0.4	1.3	-64.8	0.9	-50.0	4.9	3.1	3.1	2.9
Tax	8.8	1.7	411.6	6.6	32.5	11.2	30.1	38.0	46.8
APAT	38.0	31.2	21.8	32.9	15.5	58.3	124.4	152.0	181.6
Diluted EPS (Rs)	6.6	5.4	21.8	5.7	15.5	12.3	21.6	26.3	31.5
RoE-%						29.4	28.0	22.2	21.9
P/E (x)						118.3	67.3	55.1	46.1
EV/EBITDA						97.8	48.9	38.9	31.9

(Source: Company, HDFC sec)

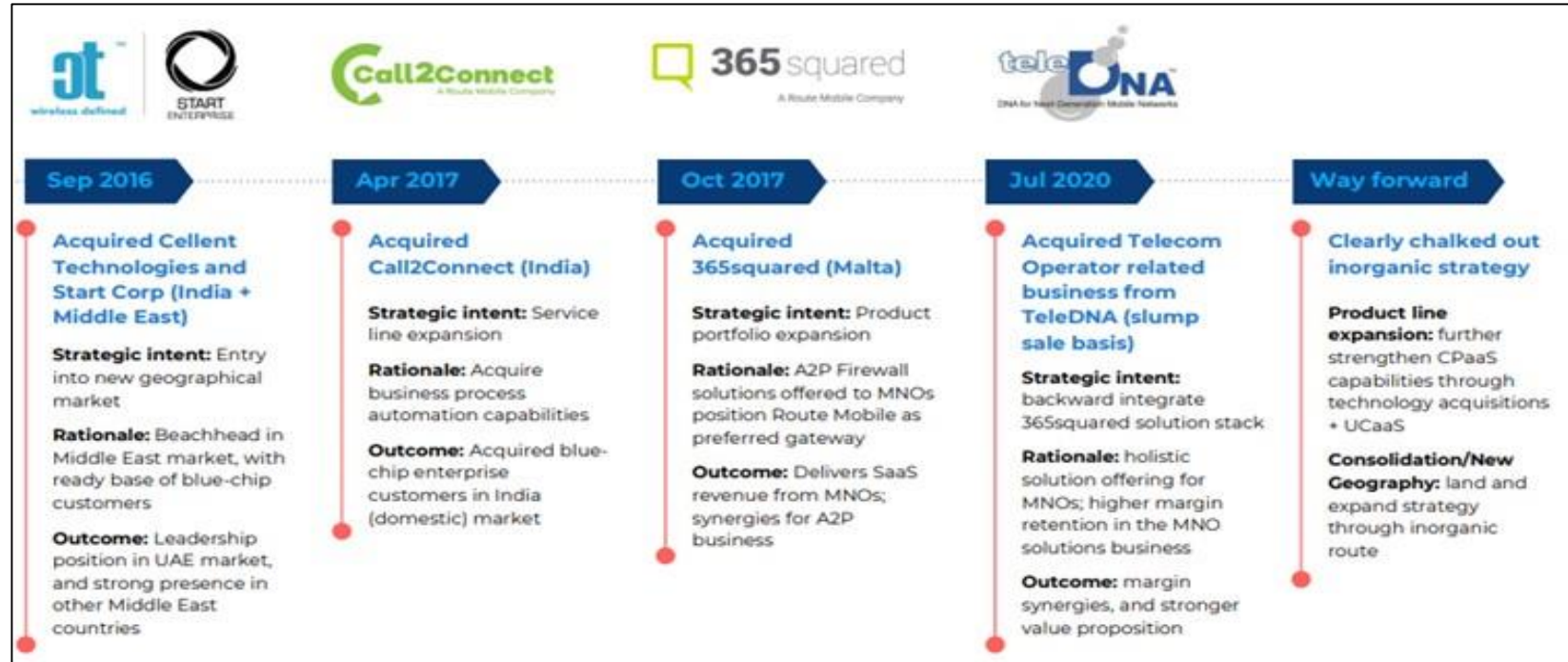
## Recent Triggers

### Route Mobile to enhance service offerings through inorganic opportunities

Route Mobile has expanded its operations through a number of acquisitions since FY17, and successfully integrated these businesses into its operations. Company has acquired 365squared, Call2Connect, Start Corp, tele DNA, Way forward and Cellent Technologies, which has resulted in the expansion of operations across Europe, Middle East, Africa and Asia-Pacific. Company is focused on building its presence in

new markets and addressing the need for cloud-communications services in new industries. Company intends to continue strategic expansion plans through inorganic growth opportunities in new markets and geographies allowing to complement existing operations.

## Strategic Acquisitions:



(Source: Company, HDFC sec)

Route Mobile has raised Rs 240 crore by fresh issue of shares through IPO route on Sept 2020 and Company is looking to utilize Rs 83 crore for acquisitions. Company's more acquisitions are in order, particularly in machine learning, chatbots, and artificial intelligence. Route

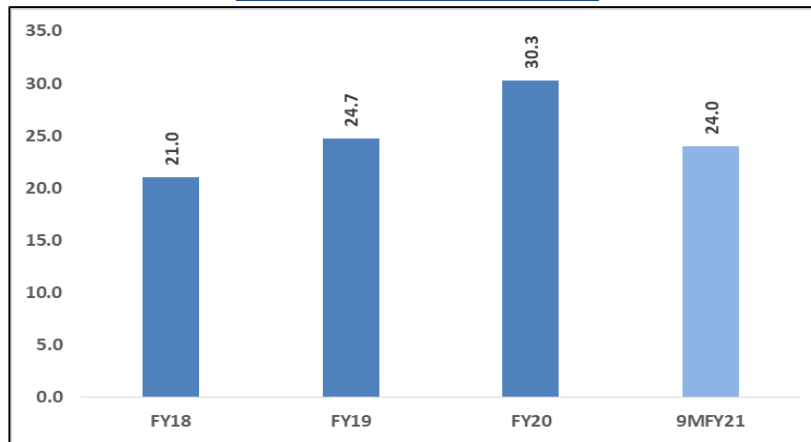


Mobile is planning to focus on further strengthening its position in certain important enterprise markets, such as Africa and Latin America through acquisitions, which have significant potential for cloud-communication services.

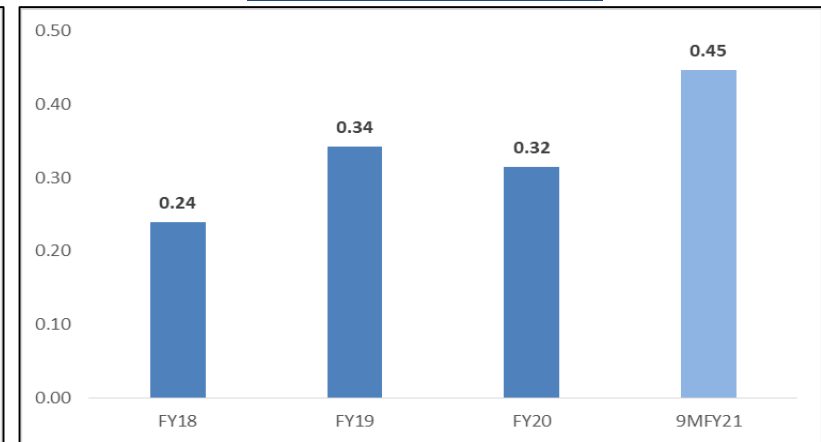
### Company has more scope to deliver messages going forward

Route Mobile has over 3,000 monthly billable clients across the world and provides everything from messaging, voice, email, and SMS filtering and analytics to clients across banking and financial services, aviation, retail, ecommerce, logistics, health care, hospitality, media and entertainment, pharmaceuticals, and telecom. Company delivered 24 bn A2P messages in 9MFY21 vs. 30.3 bn messages in FY20 and company has not seen any adverse impact due to Covid pandemic. Company has more scope to deliver messages and Company has processing capacity of 4 bn per month. In the A2P business, economies of scale is the most important and ultimate moat for any company as MNOs do not connect with sub-scale aggregators resulting in entry barriers for new companies. Route has an inherent first mover advantage resulting in scale, size and a marquee customer base. Going forward, we expect Route to benefit from the consolidation in this space and thereby achieving faster-than-industry growth.

Total Billable Transaction –Bn



Revenue Per Transaction (Rs)



(Source: Company, HDFC sec)

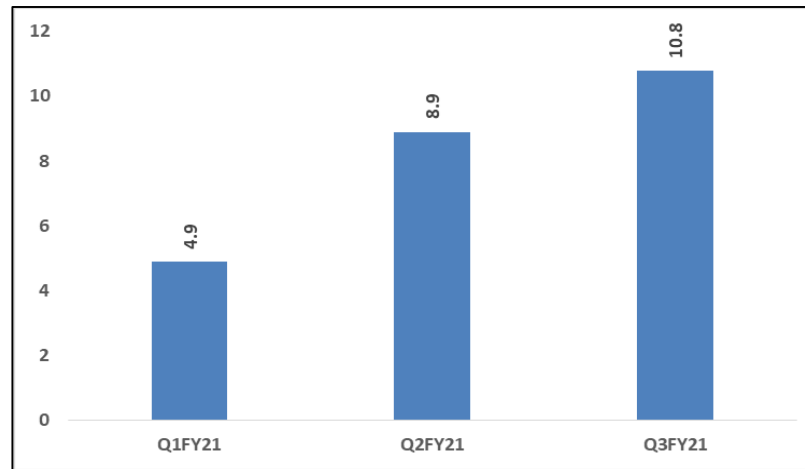


## Company's new product momentum and strong recurring revenue could generate more revenue going forward

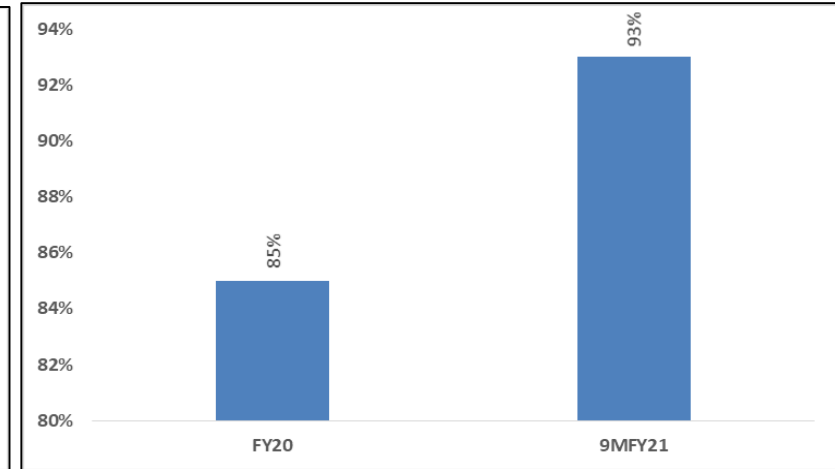
Digital automation and pandemic has led to accelerated adoption of next generation messaging channels, including enterprise voice solutions, IP based messaging and unified communication solutions, amongst others, by enterprises. Next generation products in the pipeline and to be launched soon include MIDaaS (Mobile Identity as a Service), GBM (Google Business Messaging) amongst others.

Company has seen 59% growth in recurring revenue (customers that have been billed in each of the months over the respective period) in 9MFY21 (annualized) and Zero Churn in top 50 customers in 9MFY20.

Quarterly New Product Sales (Rs in cr)



Recurring Revenue (%)



(Source: Company, HDFC sec)

## Long-term Triggers

### Diversified service offerings, strong clientele, and global presence to strengthen its market share going forward


Route Mobile is among the leading Communication Platform as a Service (CPaaS) providers to enterprises, OTT (Over the Top) players and MNOs (Mobile Network Operators). Company assist enterprises in their digital communication strategy by enabling multiple channels of communication to deliver messages to their stakeholders – including customers, suppliers, and employees. Enterprises can choose to





communicate with the end user through select channels, for example SMS, or through multiple channels including SMS, OTT business messaging, voice and email amongst others. Company has developed a single unified Application Programming Interface (API), an ‘omni-channel platform’, which incorporates communication modes such as A2P (Application to Person), P2A (Phone to Account), 2Way Messaging, email, RCS (Rich Communication Services) messaging, voice and OTT business messaging, allowing enterprises to reach customers on both traditional and all leading OTT platforms. Further, Company’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.

## Route Mobile Is an established leader in Global CPaaS Space

		Disruptors & Emulators	Leading Challengers	Established Leaders
<b>Product and Position</b>	<b>Extensive Breadth, Depth</b>		CM.com Kaleyra Plivo	Route Mobile Infobip Sinch iMImobile
	<b>Mid-market or Segment focused</b>		Comviva OpenMarket Soprano Design	Syniverse
	<b>Niche</b>	GSM Worldwide mGage Mitto	Interop Technologies Twilio	
		<b>Aspiring</b>	<b>Developing</b>	<b>Expansive</b>

(Source: Company, HDFC sec)



India's largest public sector bank, SBI, ICICI Bank, Bank of Baroda, Facebook, Google, and Samsung, are among the key Indian clients of Route Mobile. As of June 30, 2020, Company had direct relationships with over ~240 MNOs ("Super Network") and provided enterprise clients with access to over 800 mobile networks. 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. Its established presence in all major geographies provides an opportunity to leverage the growth in the cloud-communications space.

Route Mobile has 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 ROUTE SMS Solutions Nigeria Limited, respectively. Company has also operations in the Americas, to serve OTT and enterprise clients. Company has regional offices situated in Bengaluru, Patna, Noida, Ranchi and Delhi. Internationally, offices are located in United States, United Kingdom, Malta, United Arab Emirates, Ghana, Nigeria, Nepal, Sri Lanka, Bangladesh, Singapore, Uganda and Zambia.

## **Robust business model, managed by experienced promoters and senior management team**

### **Business Model**

- Route Mobile operates its services through prepaid and post-paid business models with high operating margins and low cost base. Company has a number of clients on a pre-paid business model where the client pays upfront, resulting to reduce overall working capital cycle. In FY18, FY19 and FY20, 42%, 25%, 17% of revenue from operations, respectively, was through prepaid route.
- Company's post-paid clients payments are received within 30 to 60 days under standard agreements. Apart from this, a security deposit or a credit line paid in advance, are paid to MNOs within a specified period, usually ranging between 45 and 60 days. Hence, this business model provides a negative working capital cycle and supports flexibility in pricing its services. Aggressive scaling up to find a place in the top-5 clients has been one of the key reasons for Route's robust revenue growth. Over FY17-9MFY21, revenue contribution from the top-5 clients jumped to 48% from 21.5%.
- Further, Company generates its revenue directly linked with usage based on each transaction or communication, sent by clients and it is based on a pricing model where the prices offered can be changed based on prevailing market rates or rate increases by MNOs due to regulatory actions or legislations.





## Promoters and senior management team

- Mr. Sandip Gupta is Company's promoter and a Chairman & Non-Executive Director, who is a qualified Chartered Accountant and a SAP certified solution consultant – mySAP Financials - Managerial and Financial Accounting with over 19 years of experience in audit and accounts and business analysis, and over 16 years of experience in SAP configuration and software system consulting.
- Mr. Rajdip Gupta is Company's Promoters, and a Managing Director & Group CEO, with approximately 2 decades of experience in the software and the communications sector. Rajdip Gupta has extensive experience in the field of software designing and development and has wide technical and management expertise having worked with a number of organizations in India and abroad.
- Mr. Gautam Badalia is the Chief Strategy Officer of Route Mobile, who is an MBA (finance) from ICFAI University and has 13 years of experience in investment banking, mergers & acquisitions and structured finance and responsible for development and execution of strategic initiatives to support long term growth of Route and enhance shareholders value.
- Mr. Rahul Pandey is a Chief Credit Officer of Route, who holds a bachelor's degree in science from Mumbai University and has 16 years of experience in the telecommunications industry. Mr Rahul is responsible for coordinating the debts of existing creditors and deciding whether to allow credit to a debtor and overall managing all money borrowed or owed to the business.
- Mr. Suresh Jankar is the Chief Financial Officer of Route and who is a qualified Chartered Accountant from the Institute of Chartered Accounts of India. He has 10 years of experience in finance sector. Mr. Suresh leads the finance and accounts team and is responsible for activities pertaining to the accounts of Route Mobile in India.
- Mr. Ramesh Helaiya is the Chief Technical Officer and holds a bachelor's degree in science (information technology) from Mumbai University and advance diploma in software engineering from APTECH Computer. Who has over 12 years of work experience in the IT sector and responsible for the company's messaging platform and technology related to the platform.

Route Mobile's senior management team has significant experience in all aspects of its business operations and management team has in-depth understanding of target markets, client demand and preferences for communications applications have enabled to expand its operations and leverage market opportunities.

## **Huge opportunities in CPaaS industry could bring earning visibility for Route Mobile going forward**

CPaaS, or Communications-Platform-as-a-Service, 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 is a cloud-based platform that embeds voice, video, chat, and messaging applications within an organization’s business applications. End users in the CPaaS market are IT and telecom, BFSI, retail and e-commerce, healthcare, financial services, and other end-user verticals.

**Cloud Communication:** 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. Cloud communication services used by enterprises across diverse sectors. Cloud communication is an entirely new way to build, deploy, and scale enterprise communications systems. It offers enterprises cost-effective communications solutions that combine voice, messaging and data communication services over networks of telecom operators or MNOs.

**One Time Password:** Cloud communication involves the following sender – recipient relationships. This is mainly used in message updates related to change in flight schedule or boarding gate from airlines to passengers, transaction confirmation and delivery update message for e-commerce transactions and soliciting missed calls for supporting a cause or polling for television shows.

**Application-to-Person or A2P** – An automated message sent by a software application to a device controlled by a human being. For instance, a message containing an OTP for an online payment.

**Person-to-Application or P2A** – A message sent by a device controlled by a human to a software application. For instance, a missed call for voting in support of a television reality show contestant.

**Machine-to-Machine or M2M** – A message sent by a device controlled by a software application to another software application. For instance, a vehicle manufacturer’s measurements of a car’s health can offer advice as regards pre-emptive maintenance before more serious events occur that might incur increased repair costs. M2M is the critical connectivity enabler for Internet of Things or IoT.

### Key growth driver

- Rapid adoption of smartphones for commerce and communication.
- Ease and scalability offered by CPaaS platforms to add communication channels.
- Maturity of adjacent technologies such as chatbots, analytics, etc., helping companies effectively segment and target customers.
- Digital transformation helping companies better leverage multiple communication channels.



## Outlook

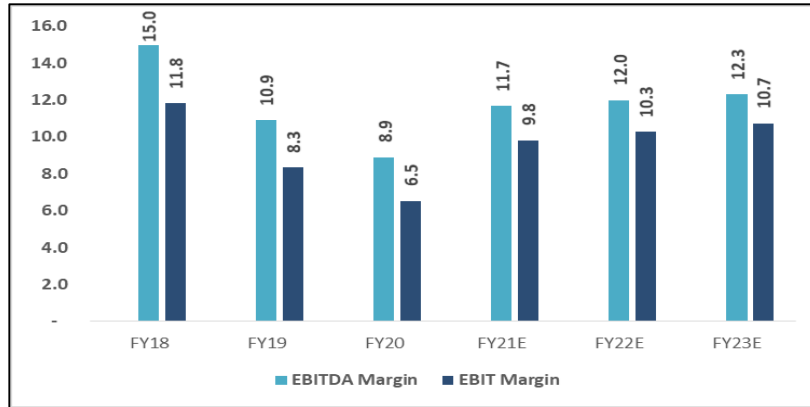
- Based on geography, North America, Europe, Asia-Pacific, Latin America, and the Middle East & Africa are considered in the scope. This IDC study forecasts the CPaaS segment will grow from \$4.26 billion in 2019 to \$17.74 billion in 2024 implying a revenue CAGR of 33% over FY19-24. Gartner estimates that by 2023, 90 percent of global enterprises will rely on CPaaS offerings to enhance their digital competitiveness, up from 20 percent in 2020.
- The total number of A2P SMS messages sent in Indian Subcontinent will surpass 480 billion by 2024. This translates to \$5.3 billion in revenue for network operators. India will generate 30% of this traffic, bolstered by the presence of mobile platform providers such as Route Mobile.
- A total of 32 billion RCS messages is forecasted to be sent in Indian Subcontinent by 2024. This will be bolstered by Google's RCS solution, which is now available for Android smartphones in India.
- Mobile platform providers will be key to the rollout of RCS across the wider Subcontinent; it is believed that it is important for providers to consider collaboration with network operators, and potentially Google, to ensure smooth deployment.

## Strong fundamentals supported by strong net worth and robust debt coverage indicators

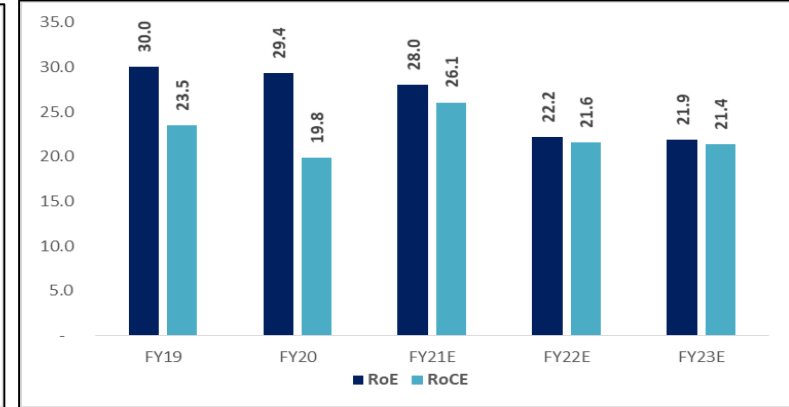
- Route Mobile's financial profile remains healthy, marked by stable earnings, sizeable net worth, and strong liquidity with large cash reserves, and debt free status. Despite a lower 20% gross margin and 8.9% EBITDA margin the company has strong return ratio's due to low capital requirement and high asset turns.
- A number of clients on a pre-paid business model is where the client pays upfront allowing to reduce the overall working capital cycle. The standard terms of the agreements with post-paid clients require payments to be made within 30 – 60 days. The company has achieved substantial and sustained growth in revenue, revenue CAGR of 27.3% over the past four years.
- Net profit has been volatile due to higher operating expenses like cost of services, connectivity and related expenses etc. over the period. We expect stability on Route Mobile margins led by operational efficiencies. Hence, we expect EBITDA margins of 12.1% and 12.3% in FY22E and FY23E and PAT margins of 8.9% and 9.1% in FY22E and FY23E respectively.
- Route Mobile's strong cash generating ability has ensured its debt metrics remain robust and the company enjoys healthy liquidity of Rs 440 cr as on December 31, 2020. The cash flow from operations for nine months is about Rs 202cr, and Company had CAPEX of about 10 to 12 cr, so about 190 crores of free cash.

- Route's business model requires minimal investments in fixed assets, which helps drive strong return ratios. On the back of cost rationalization efforts, the company could see growth in profitability and stable return ratios in the future.
- We expect dividend of Rs 3/3.5/4 per share in FY21E/FY22E/FY23E respectively.

**Margins (Consolidated)-%**



**Return Ratio (Consolidated)-%**



(Source: Company, HDFC sec)

### What could go wrong?

- INR appreciation against the USD, competition with organised as well as unorganised players in India and abroad, pricing pressure, and retention of the clients are key concerns.
- 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. Apart from this, there's a risk from potential claims resulting from client's misuse of its platform to send unauthorized text messages in violation of TRAI regulations.
- Failures, defects, delays and other problems involving the technology systems and infrastructure on which Route rely for providing services and solutions to the clients may adversely affect the business, financial condition and results of operations.

- Route largely depends on third parties and MNOs in particular for connectivity in various regions around the world to provide services to clients. Further, in certain regions Company is unable to provide services and solutions in a cost efficient manner and in the absence of such relationships, Company rely on indirect relationships with MNOs.
- The markets in which Route operates are highly competitive and subject to frequent changes due to technological improvements & advancements, availability of new or alternative services and changing client preferences & demands and can require significant investment in research and development by market participants. Any failure by Route to adapt to the changes in the market can adversely affect its business, financial condition and results of operations.
- Company and its subsidiaries are currently involved in a number of legal proceedings in relation to criminal matters, tax matters, and involved amount stood at Rs 46.4cr. Any of these proceedings may adversely affect its profitability and reputation.
- Company earned revenue from two major customers who individually contributed more than 10% of its revenue in FY20. Company largest client accounted for 6.5%, 19.9%, and 14.6% and 15.5% of revenue from operations in FY18, FY19 and FY20, respectively. Its ten largest clients accounted for approximately 36.1%, 46.0%, 52.5% and 63.7% of revenue from operations in FY18, FY19 and FY20, respectively. Any termination or cancellation of deal could impact its operation and financials.
- The Government of India along with the TRAI regulate many aspects of the telecommunications industry in India. Increased regulation or changes in existing regulation may require to change Company's business policies and practices and may increase the costs of providing services to clients.
- Regulatory requirements across regions could change, affecting business potential in individual markets. It is essential for A2P solution providers to be aware of key regulatory requirements to ensure business compliance in multiple jurisdictions.

### Company Profile:

Route Mobile is a leading Cloud Communication Platform provider, catering to enterprises, OTT players and MNOs. Company provides a range of enterprise communication services includes application-to-peer ("A2P"), peer to-application ("P2A"), 2Way Messaging, RCS, OTT business messaging, voice, email, and omni-channel communication. Further, Company also offers SMS analytics, firewall, filtering and monetization, SMS hubbing and Instant Virtual Number ("IVN") solutions to MNOs across the globe. As of June 30, 2020, Company 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. Company has 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. Route Mobile is headquartered in Mumbai and has deployed state-of-art data centers across five locations.



## Business Overview

### Numbers Highlights

Message Delivered (FY20)	Transaction Processed/Month(FY20)	Active Monthly Billable Clients (FY20)
31+ Billion	2.5+ Billion	3000+
Number of Employee	Network Operators	Direct Connections with Telecom Operators
~300	800+	~255+
Firewalls Deployed with MNOs Globally	Datacentres	SMSCs
10+	6	4

## Product and Solutions

### Messaging

Reach global audiences instantly through customizable messaging platform

- A2P Messaging
- RCS Business Messaging
- Viber Business Messages
- Acculync
- CPaaS
- WhatsApp Business API
- 2-Way Messaging
- Mail2SMS
- Number Lookup
- Route Connector
- Route OTP
- Omni Channel Communications

### Email

Send emails through a safe network without being classified as spam

**Route Mailer**

### Operator

Powerful solutions backed by a robust infrastructure

- Platform as a Service - Operator
- Route Shield
- Instant Virtual Number
- Route Shield
- SMS Hub

### Identity solution

Safeguard the end-user security and send trusted business communications with Identity Solutions

- Mobile Identity as a Service
- Verified SMS
- BrandIS

### Voice

Step-up customer experience through customizable & innovative voice solutions

- Outbound Dialer
- Interactive Voice Response
- Call Patching
- Click 2 Call
- Missed Call
- Call Center
- SMS 2 Call

### Bespoke solutions

Customer compliance made easy for enterprises

**Verbatim**

(Source: Company, HDFC sec)





## **Enterprise**

Enterprises are increasingly adopting CPaaS due to simpler, quicker and more cost-effective access and delivery to the digital communication functionality that businesses need to build applications with better user experiences and customer engagement. Company offers enterprise clients a cloud communications platform that can be deployed and integrated with existing business applications and systems.

## **Services**

### **Communication Platform as a Service (CPaaS)**

CPaaS enables developers to add real-time communications features to their own applications without building backend infrastructure and interfaces. The platform is divided into three layers or tiers:

**Web Tier:** Customers and sub-customers interact with the platform using various interfaces. Sub-customers can send messages through a web portal or panel. They can also use plug-ins, desktop applications, or APIs for sending messages.

**Middle Tier:** This tier receives and forwards messages while processing them for credit deduction and sending delivery reports.

**Database Tier:** The database stores and forwards messages to SMS centres. The layer has database servers for storing do-not-dial and opt out numbers and archiving messages and call detail records.

### **Enterprise Messaging**

Route Mobile has developed in-house A2P messaging platform and allowing clients to connect through a choice of interfaces (HTTP, SMPP or web panel) and send messages globally. Typical use cases for this product include transactional alerts, account related notifications, booking confirmations, one-time passwords, reminders for bill payments, event alerts, operational notifications, and promotional alerts.

### **2Way messaging Services**

The 2Way Messaging service enables enterprises to keep end-users engaged through message exchanges in a seamless, cost-effective manner without any additional applications, software, or investment and it is highly customizable to tailor the optimal approach for each individual organization.

### **OTT Business Messaging**

Customers use an OTT messaging platform to deliver text, images, buttons, links, directly to users. Messages are language independent being up to 1,000 characters in length. Messages use push notifications with the organisation's logo incorporated in the sender ID.



## **Enterprise Email Sender**

Enterprise Email Sender service helps to enhance customer communication with content rich and intuitive emails. The service equips clients with sophisticated campaign management tools such as A/B testing, drag & drop editor, campaign preview across interfaces, segmentation, campaign reports, and assures instant inbox delivery.

## **URL Shortening**

Enterprises often send out links to websites or product pages to induce a sale or transmit additional information to end-users. Sending a traditional web link can add unnecessary characters to a message, results in increased costs and provides no additional analytical information. URL shortening enables clients to automatically generate a shortened uniform resource locator (“URL”) for every single number and provides data on click rates, geographical information, type of browser used and operating system.

## **Rich Communication Services**

Rich Communication Services (“RCS”) is a communication protocol between telecom operators, OEMs and messaging partners for A2P rich messaging. RCS enables enterprises to create more conversational and engaging solutions for consumers. RCS uses GSM bandwidth that enables assured delivery of messages and better reach. Typical use cases for RCS include travel and tourism, wherein an airline can utilize RCS messaging by sending tickets and boarding passes without any data connectivity, and healthcare, wherein patients can manage appointments through interactive appointment calendars.

## **Interactive Voice Response**

Interactive voice response (“IVR”) is a system that captures customer inputs over the phone and generates the required response. IVR can be both incoming and outbound. IVR handles incoming calls, but when combined with an outbound dialer, it can call out and take customer responses for campaigns and surveys. It can provide instructions, pull up data and read it to customers, or simply record customers’ input

## **Click2Call**

The Click2Call service is a tool that simplifies instant calling with cloud-based back-end support. Clients can introduce its widget on their website allowing them to trigger a call between an agent and the customer once the customer provides his/her number.

## **Missed Call**

The missed call service is an engagement tool that enables inbound inputs from customers through a simple, free of charge phone call. The tool can be deployed to capture responses or queries and send automated messages or arrange calls to customers.



## **Outbound Dialer**

The outbound dialer facility allows enterprises to make automatic calls to pre-defined customer lists and play onetime passwords, promotional messages, or reminders as per their requirements. The message to be broadcasted is created and uploaded as an audio file along with a list of numbers. Company's system automatically dials the list of numbers and plays the recorded audio.

## **Mobile Operator**

### **SMS Filtering, Analytics, and Monetization**

Company offers SMS filtering, analytics, and monetization solutions through 365squared. This solutions allow MNOs to control and monetize A2P messages.

### **365analytics.**

All Route's solutions are powered by 365analytics software. 365analytics is a real-time detection and traffic analytics software with an intelligence that is constantly updated based on global intelligence. It is capable of detecting spam, faking, flooding, spoofing and bulk messaging traffic using analytics.

## **Route Hub**

The route hub solution enables flow of messages between MNOs and mobile virtual network operators with different protocols and technologies and does not require any bi-lateral agreements. The solution not only resolves interoperability issues by providing a single path, but also reduces the cost of connecting to independent messaging hubs available.

## **Instant Virtual Number**

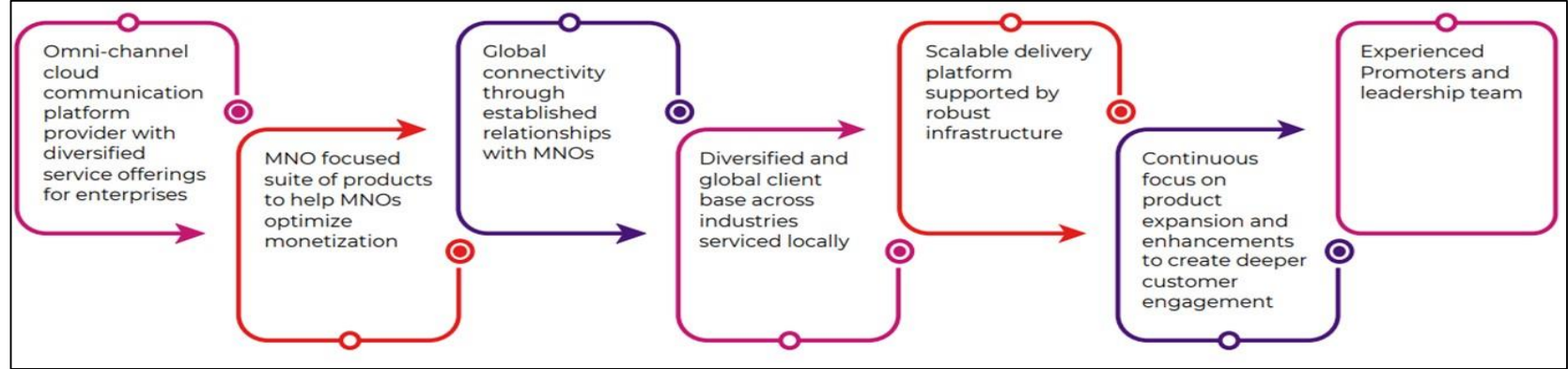
Instant Virtual Number ("IVN") solution is a virtual number that is configured on the top of an existing primary mobile number. Through IVN calls can be made and received using an identifiable virtual number, eliminating the need of having an additional SIM card.

## **Business Process Outsourcing**

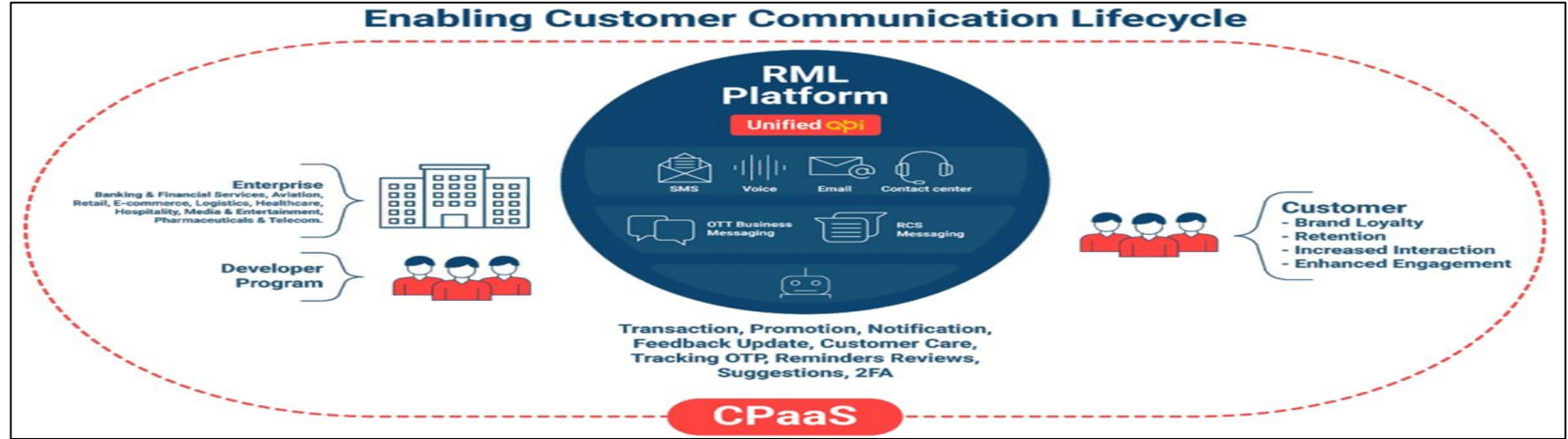
Route Mobile offers BPO services through its Subsidiary, Call2Connect. Company provides customer service and engagement solutions and back-office support. Company offers both business-to-business and business-to-consumer outsourcing services for a variety of industries, and provide the entire spectrum of BPO services across all centers, including call center services that include voice and non-voice processes, collection management services and campaign management activities.



## Competitive advantage



## Life Cycles



(Source: Company, HDFC sec)



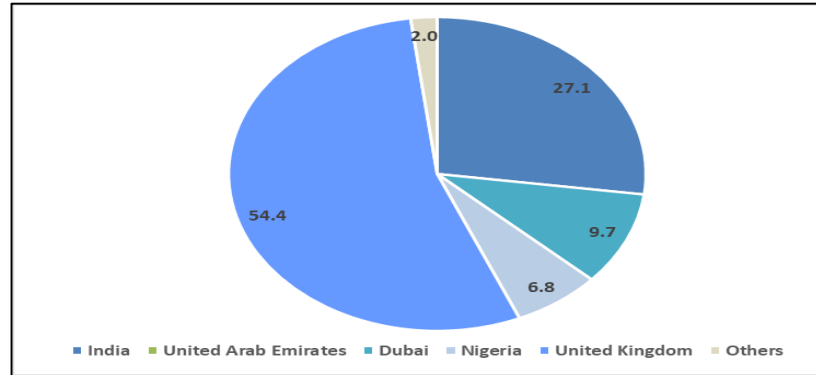
## Subsidiaries (FY20)

Company (Rs in Cr)	Share Holding-%	Revenue	PAT	Country
1. Sphere Edge Consulting (India) Private Limited	100	43.7	1.0	India
2. Start Corp India Private Limited	100	1.6	0.0	India
3. Cellent Technologies (India) Private Limited	100	4.3	-1.3	India
4. Call 2 Connect India Private Limited	100	30.3	-0.9	India
5. Route Mobile (UK) Limited	100	452.7	51.1	UK
6. RouteSms Solutions Nigeria Ltd	100	63.1	3.5	Nigeria
7. RouteSms Solutions FZE, UAE	100	177.8	17.6	UAE
8. Route Mobile PTE Limited, Singapore	100	8.8	0.8	Singapore
9. Route Connect Private Limited	74	0.0	0.0	India
<b>Step down Subsidiaries</b>				
1. Route Mobile L.L.C, UAE	49% holding by Route SMS Solution FZE	49.9	-0.1	UAE
2. Route Mobile Limited, Ghana	70% holding by UK	0.8	-0.3	Ghana
3. Route Mobile Inc, USA	100% holding by UK	0.4	-4.1	USA
4. Route Connect (Kenya) Limited	99.1% holding by UK	0.0	0.0	Kenya
5. 365squared Limited, Malta	100% holding by UK	115.8	20.5	Malta
6. Route Mobile Nepal Private Limited	100% holding by UK	0.0	0.0	Nepal
7. Route Mobile Lanka (Private) Limited	100% holding by UK	0.0	0.0	Srilanka
8. Route Mobile (Bangladesh) Limited	100% holding by UK	0.0	-0.3	Bangladesh
9. Route Mobile Malta Limited	-	-	-	Malta
10. Route SMS Solutions Zambia Limited	100% holding by UK	0.0	-0.1	Zambia
11. Route Mobile Uganda Limited	100% holding by UK	0.0	-0.2	Uganda
12. Spectrum Telecom FZ – LLC.	100% holding by UK	0.0	0.0	UAE

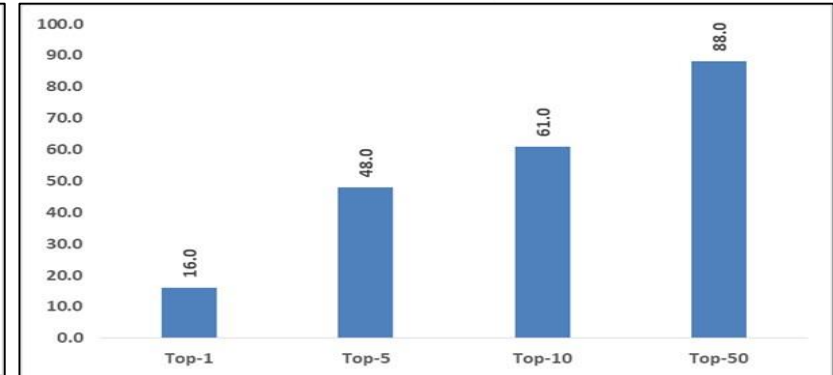
(Source: Company, HDFC sec)

## Revenue Mix (Consolidated) and Client Concentration

### Revenue Mix (Q3FY21)-%



### Client Concentration (9MFY21)-%



(Source: Company, HDFC sec)

## Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			ROE-%			P/E (x)		
		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
<b>Route Mobile</b>	<b>8372.4</b>	<b>1410.2</b>	<b>1712.3</b>	<b>2004.3</b>	<b>165.0</b>	<b>205.5</b>	<b>246.5</b>	<b>124.4</b>	<b>152.0</b>	<b>181.6</b>	<b>28.0</b>	<b>22.2</b>	<b>21.9</b>	<b>67.3</b>	<b>55.1</b>	<b>46.1</b>
Tanla Platform	11152.0	2315.9	2813.8	3334.3	393.7	482.6	581.8	310.9	347.9	421.1	39.1	36.4	37.0	35.9	32.1	26.5

(Source: HDFC sec)





## Financials (Consolidated)

### Income Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>844.7</b>	<b>956.3</b>	<b>1410.2</b>	<b>1712.3</b>	<b>2004.3</b>
Growth (%)	<b>67.3</b>	<b>13.2</b>	<b>47.5</b>	<b>21.4</b>	<b>17.1</b>
Operating Expenses	752.4	871.2	1245.2	1506.8	1757.7
<b>EBITDA</b>	<b>92.2</b>	<b>85.1</b>	<b>165.0</b>	<b>205.5</b>	<b>246.5</b>
<b>Growth (%)</b>	<b>22.0</b>	<b>-7.8</b>	<b>94.0</b>	<b>24.5</b>	<b>20.0</b>
<b>EBITDA Margin (%)</b>	<b>10.9</b>	<b>8.9</b>	<b>11.7</b>	<b>12.0</b>	<b>12.3</b>
Depreciation	21.9	22.7	26.5	29.6	31.3
<b>EBIT</b>	<b>70.4</b>	<b>62.4</b>	<b>138.5</b>	<b>175.8</b>	<b>215.2</b>
Other Income	7.7	11.9	19.0	17.1	16.0
Interest expenses	13.1	4.9	3.1	3.1	2.9
<b>PBT</b>	<b>65.0</b>	<b>69.4</b>	<b>154.4</b>	<b>189.9</b>	<b>228.3</b>
Tax	10.5	11.2	30.1	38.0	46.8
<b>RPAT</b>	<b>55.9</b>	<b>58.3</b>	<b>124.4</b>	<b>152.0</b>	<b>181.6</b>
Growth (%)	<b>16.9</b>	<b>26.5</b>	<b>75.8</b>	<b>22.2</b>	<b>19.5</b>
EPS	<b>9.7</b>	<b>12.3</b>	<b>21.6</b>	<b>26.3</b>	<b>31.5</b>

### Balance Sheet

As at March	FY19	FY20	FY21E	FY22E	FY23E
<b>SOURCE OF FUNDS</b>					
Share Capital	<b>50.0</b>	<b>50.0</b>	<b>57.7</b>	<b>57.7</b>	<b>57.7</b>
Reserves	<b>161.8</b>	<b>220.4</b>	<b>560.6</b>	<b>692.4</b>	<b>850.9</b>
<b>Shareholders' Funds</b>	<b>211.8</b>	<b>270.4</b>	<b>618.3</b>	<b>750.1</b>	<b>908.6</b>
Long Term Debt	15.7	9.3	4.3	6.8	9.3
Net Deferred Taxes	-7.5	-3.8	-4.0	-4.2	-4.4
Long Term Provisions & Others	1.6	2.7	2.7	2.9	3.0
<b>Minority Interest</b>	<b>-1.9</b>	<b>-2.2</b>	<b>-2.2</b>	<b>-2.3</b>	<b>-2.4</b>
<b>Total Source of Funds</b>	<b>219.7</b>	<b>276.5</b>	<b>619.1</b>	<b>753.3</b>	<b>914.1</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	186.7	176.6	185.1	195.5	199.2
Other Non-Current Assets	29.9	42.0	44.1	46.3	48.6
<b>Total Non Current Assets</b>	<b>216.6</b>	<b>218.6</b>	<b>229.2</b>	<b>241.8</b>	<b>247.9</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Trade Receivables	144.7	203.7	270.4	328.4	384.4
Cash & Equivalents	106.3	114.5	405.1	499.0	633.3
Other Current Assets	32.4	85.9	90.2	94.7	99.4
<b>Total Current Assets</b>	<b>283.4</b>	<b>404.1</b>	<b>765.7</b>	<b>922.0</b>	<b>1117.0</b>
Short-Term Borrowings	78.5	43.2	28.2	24.7	22.1
Trade Payables	59.7	181.3	231.8	281.5	329.5
Other Current Liab & Provisions	142.0	121.8	115.8	104.3	99.2
<b>Total Current Liabilities</b>	<b>280.3</b>	<b>346.3</b>	<b>375.8</b>	<b>410.5</b>	<b>450.8</b>
Net Current Assets	3.1	57.8	389.9	511.5	666.3
<b>Total Application of Funds</b>	<b>219.7</b>	<b>276.5</b>	<b>619.1</b>	<b>753.3</b>	<b>914.1</b>

## Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	65.2	69.4	154.4	189.9	228.3
Non-operating & EO items	0.4	-5.1	18.8	-7.7	-12.5
Interest Expenses	11.2	4.3	3.1	3.1	2.9
Depreciation	17.2	22.7	26.5	29.6	31.3
Working Capital Change	-59.4	20.9	-88.1	-40.6	-37.2
Tax Paid	-6.6	-17.9	-30.1	-38.0	-46.8
<b>OPERATING CASH FLOW ( a )</b>	<b>28.0</b>	<b>94.2</b>	<b>84.7</b>	<b>136.3</b>	<b>166.1</b>
Capex	-10.5	-26.9	-35.0	-40.0	-35.0
Free Cash Flow	17.4	67.3	49.7	96.3	131.1
Investments	2.8	25.1	-0.2	-0.2	-0.2
Non-operating income	2.7	2.1	19.0	17.1	16.0
<b>INVESTING CASH FLOW ( b )</b>	<b>-5.0</b>	<b>0.2</b>	<b>-16.2</b>	<b>-23.1</b>	<b>-19.2</b>
Debt Issuance / (Repaid)	-6.0	-43.0	-8.5	-10.4	-3.7
Interest Expenses	-11.2	-4.3	-3.1	-3.1	-2.9
FCFE	0.2	20.0	38.0	82.8	124.4
Share Capital Issuance	0.0	0.0	233.1	0.0	0.0
Dividend	0.1	-15.0	-17.3	-20.2	-23.1
<b>FINANCING CASH FLOW ( c )</b>	<b>-17.1</b>	<b>-62.3</b>	<b>204.2</b>	<b>-33.6</b>	<b>-29.7</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>5.9</b>	<b>32.1</b>	<b>272.7</b>	<b>79.6</b>	<b>117.2</b>

## Key Ratios

Particulars	FY19	FY20	FY21E	FY22E	FY23E
<b>Profitability Ratio (%)</b>					
EBITDA Margin	10.9	8.9	11.7	12.0	12.3
EBIT Margin	8.3	6.5	9.8	10.3	10.7
APAT Margin	6.6	7.4	8.8	8.9	9.1
RoE	30.0	29.4	28.0	22.2	21.9
RoCE	23.5	19.8	26.1	21.6	21.4
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	1.0	0.6	0.2	0.2	0.1
Net D/E	0.4	0.2	0.1	0.0	0.0
<b>PER SHARE DATA (x)</b>					
EPS	9.7	12.3	21.6	26.3	31.5
CEPS	13.5	16.2	26.1	31.5	36.9
BV	36.7	46.9	107.2	130.0	157.5
Dividend	0.0	3.0	3.0	3.5	4.0
<b>Turnover Ratios (days)</b>					
Debtor days	62.5	77.8	70.0	70.0	70.0
Inventory days	0.0	0.0	0.0	0.0	0.0
Creditors days	25.8	69.2	60.0	60.0	60.0
<b>VALUATION (x)</b>					
P/E	149.7	118.3	67.3	55.1	46.1
P/BV	39.5	31.0	13.5	11.2	9.2
EV/EBITDA	90.7	97.8	48.9	38.9	31.9
EV / Revenues	9.9	8.7	5.7	4.7	3.9
Dividend Yield (%)	0.0	0.2	0.2	0.2	0.3
Dividend Payout (%)	0.0	24.5	13.9	13.3	12.7

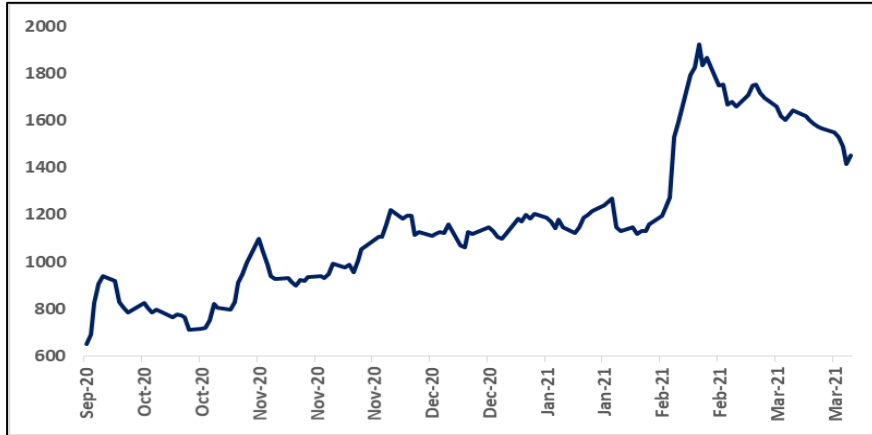
(Source: Company, HDFC sec)

# Route Mobile Ltd.



598.71	685.65	685.65	685.65	203.88	118.92	118.92
(-55.94)	(-55.94)	(-55.94)	(-55.94)	(-55.94)	(-55.94)	(-55.94)
142.09	167.22	154.12	393.13	-62.95	-187.58	-42.88
(-35.11)	(-17.88)	(-7.88)	(-7.88)	(-115.95)	(-71.46)	(-115.95)

Stock Price Chart (Since listing)



(Source: Company, HDFC sec)



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