

Company Overview

Route Mobile Ltd is a leading Cloud Communication Platform provider, catering to enterprises, over-the-top (OTT) players and mobile network operators (MNO). Our range of enterprise communication services includes smart solutions in Messaging, Voice, Email, and SMS Filtering, Analytics & Monetization. Since its inception in 2004, Route Mobile has been enhancing mobile communications through technology upgrades and product innovations; meeting the needs of a diverse clientele across geographies. Our customizable, user-friendly, and effective solutions enable enterprises and mobile operators to deliver efficient services to their customers. It has 18+ locations across Africa, Asia Pacific, Europe, Middle East and North America.

Objects of the issue

The objective of the Offer is to achieve the benefits of listing the Equity Shares on the Stock Exchanges. Further, company proposes to utilize the net proceeds from fresh issue for:

1. Repayment or pre-payment, in full or part, of certain borrowings of the Company (0.36 bn)
2. Acquisitions and other strategic initiatives (0.83 bn)
3. Purchase of office premises in Mumbai (0.65 bn)
4. General corporate purposes. (0.56 bn)

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

Company is among the leading CPaaS providers to enterprises, OTT players and MNOs. They were ranked 2 nd globally as a tier 1 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 them to manage both A2P and P2P traffic for enterprises and MNOs. Route Mobile assists 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. For example, in a typical online financial transaction, a customer receives OTP from his bank through multiple channels including, SMS, email and / or an automated voice call. Additionally, they have 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.

Global connectivity through established relationships with MNO

As of June 30, 2020, Route Mobile had direct relationships with over 240 MNOs ("Super Network") and provided its enterprise clients with access to over 800 mobile networks. Route Mobile also has 6 strategically located data centres. Its global presence enables them to offer its clients the flexibility of multiple routes, better speed of delivery and an ability to optimize cost of delivery per message. They are able to serve its clients better as a result of its direct relationship with MNOs. As of June 30, 2020, it had direct relationships with 161 MNOs in EMEA, 32 MNOs in the APAC region, 48 MNOs in North America and South America, 6 MNOs in India and 1 MNOs in Australia. As of June 30, 2020, they have served over 30,150 clients, cumulatively since inception, globally through its offices across Africa, Asia Pacific, Europe, Middle East and North America. Based on its Super Network, Route Mobile is an attractive partner for enterprises allowing it to communicate cost effectively across multiple geographies. The significant number of its direct relationships with a broad range of MNOs allows them the ability to provide its services at a competitive cost and helps ensure high quality of service for its enterprise clients.

Valuation and Outlook

Route Mobile Ltd operations are internally aligned into the following business verticals: enterprise; mobile operator; and business process outsourcing ("BPO"). Due to onset of the COVID-19 pandemic in March 2020, the company has responded swiftly by implementing various processes to ensure its operations and services to its customers continue seamlessly. Further, its support teams continue to operate and are reachable through the same channels available to its customers, clients as before. Moreover, the swift response and proactive steps taken have mitigated the impact of pandemic on its business so far. On valuation front, at upper end of this price band, company is valued at P/E of 28.7x based on diluted EPS for FY 2020. Therefore, considering the niche player in the digital platform. We believe one can reap the benefits of listing gains. Hence, We assign a 'SUBSCRIBE' rating to this IPO issue.

Issue Details

Offer Period Sept 9th - 11th Sept 2020

Price Band INR.345 to INR.350

Bid Lot 40

Listing BSE&NSE

Issue Size (no. of shares in mn) 17.1

Issue Size (INR.in bn) 6

Face Value 10

Issue Structure

QIB 50%

Retail 15%

HNI 35%

BRLM Axis Capital, ICICI Securities, Edelweiss Financial, IDBI Capital

Registrar KFin Technologies Pvt. Ltd

Particulars Pre Issue % Post Issue %

Promoter 96.0 66.3

Public 4.0 33.7

Total 100% 100%

(Assuming issue subscribed at higher band)

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Income Statement (In mn)

Particulars	FY18	FY19	FY20	3MFY21
Revenue				
Revenue from operations	5,049	8,447	9,563	3,094
Total revenue	5,049	8,447	9,563	3,094
Expenses				
Purchases of messaging services	3,407	6,670	7,642	2,494
Employee benefit expenses	505	554	582	130
Other expenses	381	300	341	95
Total Operating expenses	4,293	7,524	8,564	2,720
EBITDA	756	922	998	374
Depreciation and amortisation expense	158	219	227	60
Other income	45	77	119	27
EBIT	643	781	890	341
Finance costs	78	131	49	10
PBT	565	650	841	331
Current tax	109	112	108	52
Deferred Tax charge	(11)	(7)	42	12
Total tax	98	105	150	64
PAT	467	545	691	267
Diluted EPS	8.2	9.6	12.2	4.7

Source: Company, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY18	FY19	FY20	3MFY21
Cash Flow from operating activities	322	285	934	811
Cash flow from investing activities	(1,302)	(50)	2	(277)
Cash flow from financing activities	424	(226)	(623)	(11)
Currency fluctuations arising on consolidation	(21)	50	8	1
Net increase/(decrease) in cash and cash equivalents	(577)	59	321	525
Cash and cash equivalents at the beginning of the period	812	235	294	615
Cash and cash equivalents at the end of the period	235	294	615	1,140

Source: Company, BP Equities Research

Balance Sheet (In mn)

Particulars	FY18	FY19	FY20	3MFY21
Liabilities				
Share Capital	500	500	500	500
Reserve & Surplus	1,109	1,618	2,204	2,470
Non-controlling interests	(7)	(19)	(22)	(23)
Net worth	1,602	2,099	2,682	2,947
Long-Term Borrowings	208	157	93	84
Long-Term Provisions	14	16	22	24
Deferred tax liability	0	0	5	5
Total Non Current Liabilities	223	173	121	113
Trade payables	561	597	1,813	1,717
Other financial liabilities	1,049	1,107	939	638
Short term Borrowings	778	732	374	388
Other current liabilities	215	228	85	233
Current tax liabilities (net)	38	116	244	303
Short Term Provisions	8	6	8	8
Total Current Liabilities	2,649	2,786	3,463	3,288
Total liabilities	4,475	5,058	6,265	6,348
Assets				
Tangible Assets	207	217	224	213
Right of Use Assets	210	153	97	83
Goodwill	841	831	855	851
Intangible Assets	755	665	591	557
Other financial assets	43	47	162	275
Deferred tax Assets (net)	68	75	38	27
Non-current tax assets (net)	58	90	183	164
Other non-current assets	95	163	75	21
Total Non current assets	2,277	2,241	2,225	2,191
Trade Receivables	973	1,447	2,037	1,840
Cash and Bank Balances	1,026	957	1,026	1,587
Other financial assets	42	96	106	116
Investment		107	119	124
Other current assets	156	211	752	491
Total Current Asset	2,196	2,817	4,041	4,158
Net Current Assets	(452)	31	578	869
Total Assets	4,475	5,058	6,265	6,348

Source: Company, BP Equities Research

Key Risks

- ⇒ Revenues depend on a limited number of clients and a loss of such clients could adversely affect their financial condition and results of operations.
- ⇒ Disruption in the supply of power, IT infrastructure and telecommunications lines to their facilities could disrupt the cloud communication platform services and subject them to additional costs.
- ⇒ Inability to comply with laws and regulations which impact the clients could adversely affect their business and results of operations.



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Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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