

CMP: INR 1,496

Rating: Accumulate

Target Price: INR 1,695

Stock Info

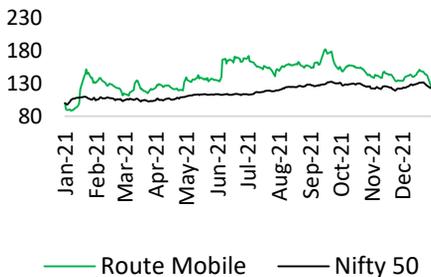
BSE	543228
NSE	ROUTE
Bloomberg	ROUTE IN
Sector	Communication
Face Value (Rs)	10
Equity Capital (INR mn)	577
Mkt Cap (INR mn)	95,567
52W H/L (INR)	2,388/1,090
Avg Yearly Vol (in 000')	507

Shareholding Pattern %

(As on December, 2021)

Promoters	59.98		
Public & Others	40.02		
Stock Performance (%)	1m	3m	12m
Route	(10.6)	(21.6)	19.8
Nifty 50	(0.7)	(6.8)	21.5

Route Mobile Price Chart



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Route Mobile reported both revenue and PAT above our expectation, while EBITDA Margin was below our expectation

- The route has reported consolidated revenue of INR 5,628 Mn, +46.3% YoY/29.2% QoQ in Q2FY22 against our estimate of INR 5079 Mn.
- Consolidated EBITDA stood at INR 608 Mn, up by 36.4% YoY/8.4% QoQ against our estimate of INR 651 Mn.
- On the margins front, EBITDA margin contracted by 78bps YoY/ 207bps QoQ to 10.8% against our estimate of 12.8%, decline despite high gross due to increase in sales & marketing cost and hiring of developers.
- The gross Profit margin of 21.1%, 21.2%, and 18.0% in Q3 FY21-22, Q2 FY21-22, and Q3 FY20-21 respectively. Adjusted for the non ESOP charges.
- Consolidated PAT stood at INR 483 Mn, up by 79.5% YoY/14.7% QoQ against our estimate of INR 489 Mn. Adjusted for ESOP benefit expenses (net of tax) and non-cash amortization associated with the intangible assets added as a result of purchase price allocation for acquisitions.
- Interim dividend of INR 3 per share.

Q3FY22 Conference call

- QIP: The company raised INR 8,675 mn through Qualified Institutional Placement ('QIP') in Nov'21. Several global marquee investors onboarded and Deployment towards organic & inorganic initiatives.
- Two acquisitions –(Masivian 100%) Latin America and (Interteleco 49% equity stake) Middle east, through expansion into new region-Kuwait. (Help in enterprise solution).
- The company's global footprint across 20+ locations, 2,500+ active billable clients, and 250+ new customers onboarded including large customers in Q3FY22 across all products.

Valuation and Outlook

At a CMP of INR 1,496 Stock is trading at a P/E of 26.5(x) & 56.5 to its FY24E. We have a positive view of the company backed by the company's strong Q3FY22 performance. The company's recent proposed acquisitions in LATAM & Kuwait will enable it to grow its business within these regions. Moreover, the launch of the Global Developer API Challenge (Hackathon) under flagship program RAPID, promises to bring in newer ideas to help simplify communication for businesses. The company strategy to acquire more and more clients and generate more and more free cash flow remains key positives for the company.

We value the stock at a P/E multiple of 30 (x) to its FY24 EPS of INR 56.5 to arrive at a target price of INR 1,695 and maintain an Accumulate rating on the stock.

YE March	Revenues	EBITDA	EBITDA Margin (%)	PAT	EPS (INR)	RoE (%)	P/E (x)
(INR Mn)							
FY21	14062	1,740	12.37%	1,327	23.0	20.43%	65.0
FY22E	19968	2,436	12.20%	1,769	30.7	21.30%	48.8
FY23E	24960	3,320	13.30%	2,580	44.7	23.50%	33.4
FY24E	31200	4,150	13.30%	3,261	56.5	23.50%	26.5

Source: Company, Arihant Research

INR Mn (Route Mobiles Ltd.)	Q3FY22	Q2FY22	Q3FY21	Q-o-Q	Y-o-Y
Net Revenue	5,628	4,357	3,848	29.2%	46.3%
Purchase of messaging service	4,442	3,434	3,155	29.4%	40.8%
Employee cost	357	214	169	66.9%	111.4%
Other Expenses	220	148	78	48.5%	181.8%
EBITDA	608	561	446	8.4%	36.4%
<i>EBITDA margin %</i>	<i>10.8%</i>	<i>12.9%</i>	<i>11.6%</i>	<i>-207bps</i>	<i>-78bps</i>
Other Income	47	24	87	97.0%	76.3%
Depreciation	70	74	65	-5.1%	16.6%
EBIT	585	511	468	14.6%	70.8%
Finance cost	6	7	4	-11.8%	-37.5%
Exceptional Item	-	-	-		
Profit Before Exceptional item	579	504	464	14.9%	73.9%
Exceptional Item					
Tax Expense	96	83	88	16.2%	50.7%
Effective tax rate %	16.7%	16.5%	19.0%	18bps	-231bps
PAT	483	421	376	14.7%	79.5%
<i>PAT margin %</i>	<i>8.6%</i>	<i>9.7%</i>	<i>9.8%</i>	<i>-108bps</i>	<i>-119bps</i>
EPS (INR)	7.7	7.3	6.6	5.6%	42.8%

Source: Company, Arianth Research

Key Con-Call Highlights

- The company payment services to serve omnichannel platforms which are currently on trial.
- Route continues investing and improving the emailing platform. During the 9MFY22, the company had 5.23 crs largely transaction on platformer business.
- The company CAPEX of 120 Mn during the quarter gone by spend towards call center and infrastructure upgrade.
- Revenue for Top 50 countries by termination during 9MFY22- 51% in India and rest 49% out of India like -Asia excl. India of 17%, Africa of 14% , Middle east 9%, Americas of 5%, and Europe of 4%.
- The company focuses on global markets and continues acquisitions to support in-organic growth.
- The company guided for 30% revenue growth.
- Good recurring revenue of 90%.
- From last quarter onwards accelerated the company sales and marketing efforts rapid efforts truly developers focus platform.
- Masivian gross margin 40% and there is room to improve it further 20% and EBITDA Intertelco 14-15% EBITDA. The Masivian business 15 cr run rate.
- The company product revenue ~280 mn.
- The company working to increase gross margin 30%+
- In geographical terms Revenue from India has increased from 41 % in FY21 to 47% in H1FY22
- Company continues to witness good momentum in next-generation products with 87% YoY growth
- Billable transaction increased from 23.9 bn in 9MFY21 to 34.0 bn in Q3FY22.
- Average realization decreased from 41paise In 9MFY22 to 44 paise in 9MFY21 due to combined realization of Masivian & Interteleco. The email realization happened to be the lower realization of route mobile..
- The company has net revenue retention revenue of 120%.
- Omni channel to adoption to help grow revenue further.
- DSO: The 81 days in 9MFY21 to 83 days in 9MFY22
- Geographical mix owing to change in country mix.
- The company's 663 employees spread across 5 continents c. 20% attrition rate in 9MFY22.
- The company, Infrastructure comprising 13 data centers and 6 SMSCs globally.

Consolidated Financial Statement

Income Statement					
Y/E March (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenues	9,563	14,062	19,968	24,960	31,200
Change (%)	13.2%	47.1%	42.0%	25.0%	25.0%
Cost of Goods Sold	7,642	11,291	15,934	19,718	24,648
Employee costs	582	615	1,018	1,198	1,498
Other expenses	339	416	579	724	905
Total operating Expense	8,563	12,322	17,532	21,640	27,050
EBITDA	1,000	1,740	2,436	3,320	4,150
EBITDA Margin (%)	10.5%	12.4%	12.2%	13.3%	13.3%
Other Income	119	160	155	180	195
Depreciation	227	258	400	318	331
Interest	49	27	29	27	27
PBT	843	1,615	2,163	3,154	3,986
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	843	1,615	2,163	3,154	3,986
Tax	111	288	394	574	725
Rate (%)	13.2%	17.8%	18.2%	18.2%	18.2%
PAT	732	1,327	1,769	2,580	3,261
Change (%)	34.2%	81.3%	33.3%	45.9%	26.4%

Balance Sheet					
Y/E March (Rs Mn)	FY20	FY21	FY22E	FY23E	FY24E
Sources of Funds					
Share Capital	500	577	577	577	577
Reserves & Surplus	2,194	5,945	7,396	9,512	11,878
Minority Interest	-22	-27			
Net Worth	2,672	6,495	7,973	10,089	12,455
Long term debt	37	34	34	34	34
Short term debt	373	0	0	0	0
Total Debt	410	34	34	34	34
Deferred Tax & other liabilities	3,173	3,692	4,654	5,708	5,709
Capital Employed	6,255	10,221	12,661	15,831	18,198
Application of Funds					
Net Block	224	211	296	374	454
other intangible Asset	1,531	1,717	1,697	1,688	1,701
Deffered Tax & Non Current Asset & Financial Asset	383	506	69	335	-767
Other Non-Current Assets	75	78	78	78	78
Caoital WIP		11			
Non Current Asset	2,214	2,523	2,140	2,475	1,466
Investments	119	128	128	128	128
Debtors	2,037	2,173	3,064	3,829	4,787
Cash & bank balance	1,026	4,676	5,524	7,142	8,997
other Financial & Current Asset	859	721	1,805	2,257	2,821
Total current assets	4,041	7,698	10,521	13,356	16,732
Total Assets	6,255	10,221	12,661	15,831	18,198

Source: Company, Aриhant Research

Consolidated Financial Statement

Cash Flow Statement					
Y/E March (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT	694	1,615	2,163	3,154	3,986
Depreciation	227	258	400	318	331
Interst Exp	49	27	29	27	27
Other Non Cash Item	-40	-59	-56	-56	-56
Cash flow before WC changes	929	1,841	2,535	3,444	4,289
(Inc)/dec in working capital	259	627	-906	-335	-372
Operating CF after WC changes	1,164	2,467	3,614	2,726	3,238
Less: Taxes	-179	-173	-394	-574	-725
Operating cash flow	985	2,294	3,220	2,152	2,513
(Inc)/dec in F.A	-72	-77	-85	-78	-80
Other	74	-2,184	36	36	36
Cash flow from investing	2	-2,261	-49	-42	-44
Free cash flow (FCF)	913	2,217	3,135	2,074	2,433
Proceeds/(Repayment) of current borrowings	-54	-358	-73	12	13
Proceeds/(Repayment) of non-current borrowings	5	-1	0	0	1
Interest & Lease Liability	-68	-71	-18	0	1
Dividend	-90	-165	-189	-227	-226
Intereset exp	-18	-28	-40	-42	-41
Cash flow from financing activities	-226	-623	2,080	-257	-256
Currency fluctuation arising on consolidation	8	-73	0	0	0
Net inc /(dec) in cash	321	2,071	2,824	1,618	1,855
Opening balance of cash	294	615	2,700	5,524	7,142
Closing balance of cash	615	2,700	5,524	7,142	8,997

Key Ratios					
Y/E March (INR Mn)	FY20	FY21	FY22E	FY23E	FY24E
Per share (INR)					
EPS	11.7	23.0	30.7	44.7	56.5
CEPS	16.2	27.5	37.6	50.2	62.2
BVPS	53.4	112.6	138.2	174.8	215.9
Valuation (x)					
P/E	194.2	65.0	48.8	33.4	26.5
P/BV	42.3	13.3	10.8	8.6	6.9
EV/EBITDA	112.5	72.4	51.3	37.2	29.3
Return Ratios (%)					
Gross Margin	20.1%	19.7%	20.2%	21.0%	21.0%
EBIDTA Margin	10.5%	12.4%	12.2%	13.3%	13.3%
PAT Margin	6.1%	9.4%	8.9%	10.3%	10.4%
ROE	21.8%	20.4%	22.2%	25.6%	26.2%
ROCE	25.1%	22.7%	25.4%	29.7%	30.6%
Leverage Ratio (%)					
Total D/E	0.2	0.0	0.0	0.0	0.0
Turnover Ratios					
Asset Turnover (x)	1.5	1.4	1.5	1.6	1.6
Receivable Days	78	56	56	56	56
Payable days	69	62	62	61	61

Source: Company, Arianth Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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