

CMP: INR 939

Rating: Buy

Target Price: INR 1,177

Stock Info

BSE	543228
NSE	ROUTE
Bloomberg	ROUTE IN
Sector	Communication
Face Value (INR)	10
Equity Capital (INR mn)	630
Mkt Cap (INR mn)	59,416
52W H/L (INR)	1,942 / 862

Shareholding Pattern %

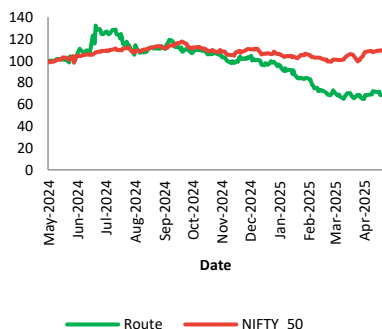
(As on March, 2025)

Promoters	74.9
Public & Others	25.1

Stock Performance (%)

	1m	3m	12m
Route	2.1	-20.7	-33.6
Nifty 50	7.7	3.0	8.8

Route Mobile Vs Nifty Price Chart



Route Mobile's reported overall ; Reported revenue of INR 11,750 Mn up 15.5% YoY/ -0.7% QoQ in line with our estimate of INR 11,751 Mn. Consolidated Gross profit stood at INR 2,264 Mn in Q4FY25 up by 2.2%YoY/down 9.4% QoQ. A gross Profit margin of 19.2% in Q4FY25 against 21.11% in Q3FY25. Consolidated EBITDA stood at INR 1,219 Mn, down by 6.1% QoQ/ down 2.8%YoY slightly above with our estimate of INR 1,168 Mn. EBITDA margin stood at 10.4% down by 59bps QoQ/down 196bps against our estimate of 10%. Consolidated PAT stood at INR 602.8 Mn, down by 20.1%QoQ/down 36.7% YoY slightly above our estimate of INR 550 Mn. PAT margin stood at 4.8% in Q4FY25 against 7.0% in Q3FY25 and 8.7% in Q4FY24. Exceptional of INR 247, Impairment of goodwill (step-down sub), write-off of MNO receivable, loss on short-term MNO contract, offset by FV gain on contingent consideration (past acquisition). Dividends of INR 2 per share were proposed. 156 bn Billable transactions processed in FY25 107% Net revenue retention. 8,918 mn Net Cash as on March 2025 114% CFO / EBITDA conversion in FY25 New Products Revenue INR 3,168 in FY25 with CAGR growth of 38% YoY. 53 employees joined in Q4FY25 against 29 employee's left. Lapse of 500 stock options due to employment cessation.

Expanding Global RCS Adoption Through BICS Partnerships and Operator Engagement: The company is leveraging its strong operator relationships through BICS to drive RCS platform adoption, a growing need globally. Joint workshops with operators over the past three months have received positive feedback, promoting both Route's CPaaS and firewall solutions. Discussions with Asian and African operators are progressing well, with announcements expected soon.

Proximus to turn CPaaS challenges into growth opportunities: The company is capitalizing on market shifts by leveraging its global scale under Proximus to turn CPaaS challenges into growth opportunities. In Q4FY25, it launched the AI-powered 365 Squared Guard and earned multiple industry awards. While gross margins were temporarily impacted by COGS synergies, high-margin cross-sell potential is strong for FY26. With rising operating costs from integration, the company is now implementing AI-driven efficiency measures to enhance profitability.

Positioned Strongly Amid Channel Shifts: Despite the industry shift from messaging to OTT channels, Route Mobile is well-positioned through its omnichannel capabilities. As a premier Meta partner, the company offers robust solutions and recorded 35% YoY growth in the omnichannel segment. It continues to onboard banks and enterprises across RCS, WhatsApp, and email, leveraging cross-sell and upsell synergies with Telesign and BICS.

Valuation and Outlook

The company has posted decent set of numbers in Q4FY25. Route Mobile has opted not to provide FY26 guidance, instead focusing on surpassing industry growth, boosting profitability, and deepening Proximus-related synergies. The company remains committed to AI-driven efficiencies and high-margin innovations such as 365 Guard and RCS to navigate evolving market dynamics. However, margin pressures persist due to cost synergy impacts and elevated operational expenses from integration activities. Additionally, borrowings have increased from INR 2,000 mn to INR 4,500 mn to meet supplier obligations, reflecting near-term fiscal strain. We expect RML revenue, EBITDA, and PAT to grow at a CAGR of ~10%, 12%, and 8%, respectively, over FY26-28E. We value the stock at a PE multiple of 20x to its FY28E EPS of INR 64.2, which yield a revised target price of INR 1,177 per share. We maintain our Buy rating on the stock.

Exhibit 1: Financial Overview

YE March	Revenues	EBITDA	EBITDA Margin (%)	PAT	EPS (INR)	RoE (%)	P/E (x)
(INR Mn)							
FY25	45,756	5,278	11.53%	3,524	50.7	13.55%	18.5
FY26E	49,417	5,782	11.70%	3,472	55.1	12.63%	17.0
FY27E	53,864	6,410	11.90%	3,708	58.9	12.15%	16.0
FY28E	59,789	7,223	12.08%	4,045	64.2	11.95%	14.6

Source: Company, Arihant Research

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Exhibit 2: Q4FY25 performance

INR Mn (Route Mobiles Ltd.)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Net Revenue	11,750	11,838	10,170	-0.7%	15.5%
Purchase of messaging service	9,486	9,340	7,955	1.6%	19.2%
Gross Profit	2,264	2,498	2,216	-9.4%	2.2%
Gross Profit (%)	19.27%	21.11%	21.78%	-8.7%	-11.5%
Employee cost	600	717	513	-16.3%	17.1%
Other Expenses	445	484	449	-7.9%	-0.7%
EBITDA	1,219	1,298	1,254	-6.1%	-2.8%
EBITDA margin %	10.4%	11.0%	12.3%	-59bps	-196bps
Other Income	121	86	115	40.3%	5.1%
Depreciation	222	222	219	-0.1%	1.7%
EBIT	1,118	1,162	1,151	-3.8%	-2.9%
EBIT margin %	9.5%	9.8%	11.3%	-30bps	-181bps
Finance cost	81	93	75	-12.5%	7.7%
Exceptional Item	-	-	18	-	-
Profit Before Exceptional item	1,036.8	1,069.5	1,093.9	-3.1%	-5.2%
Exceptional Item	-247				
Tax Expense	187	215	142	-13.1%	31.2%
Effective tax rate %	18.0%	20.1%	13.0%	-208bps	500bps
PAT	602.8	854.7	951.6	-20.1%	-36.7%
Non-controlling interest	37	29.9	70.6	-	-
adjusted PAT	565.8	824.8	881	-31.4%	-35.8%
PAT margin %	4.8%	7.0%	8.7%	-215bps	-385bps
EPS (INR)	9.0	13.1	14.1	-31.5%	-36.1%
Segment Revenue INR Mn.	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
India (Companies registered in India)	2,428	2,360	2,060	2.9%	17.8%
Overseas (Companies registered outside India)	9,790	1,120	9,064	774.2%	8.0%
Inter segment revenue	(467)	(1,720)	(954)	-72.8%	-51.0%

Source: Company, Arianth Research

Exhibit 2: Below with our estimate led by higher other expenses

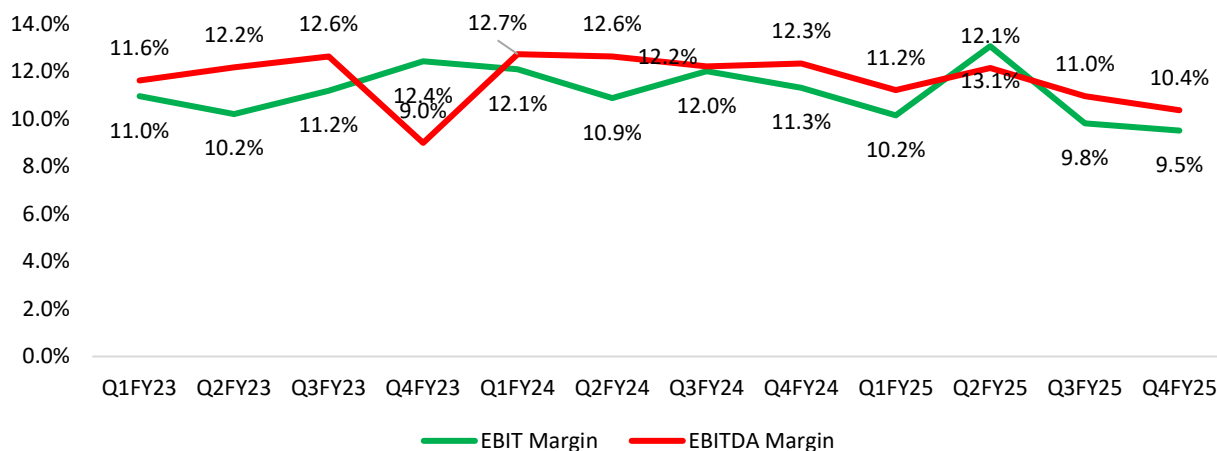


Exhibit 3: Growing number of Multi-million dollar accounts with Improving Client Diversification

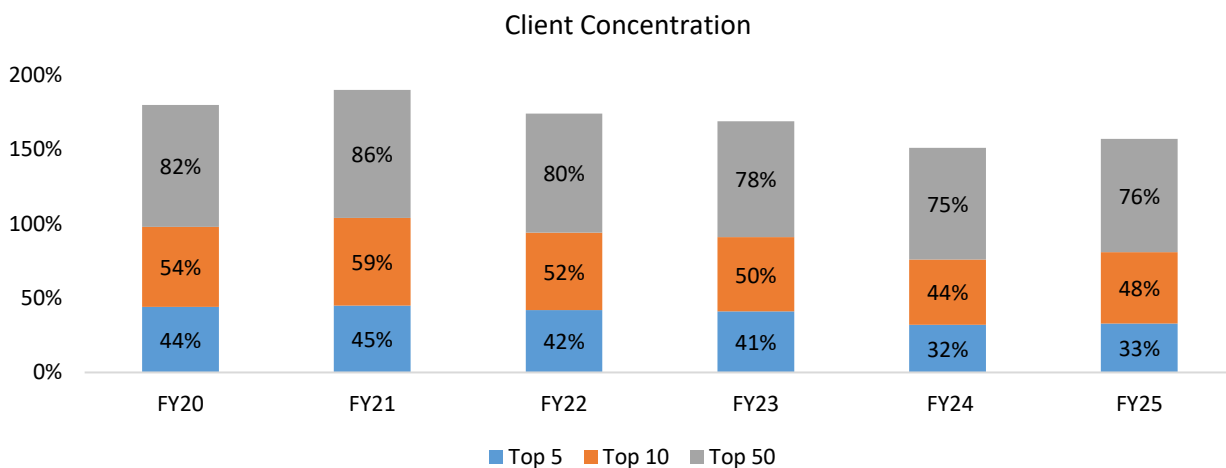
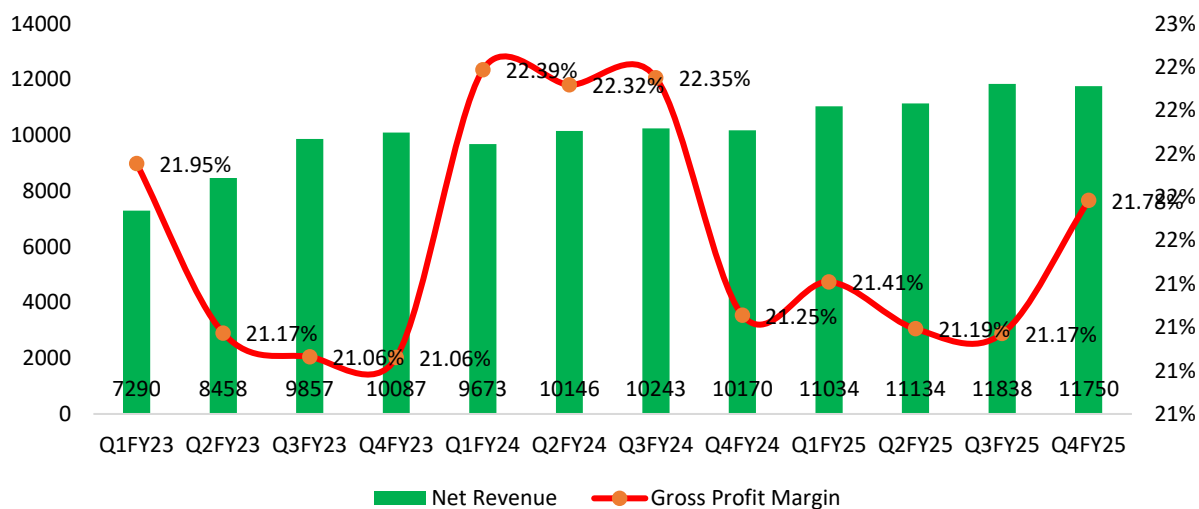


Exhibit 4: Gross Profit Margin



Source: Company, Arianth Research

Q4FY25-Key Conference call Highlights

Outlook: The company has not provided formal FY26 guidance, choosing instead to prioritize outperforming industry growth, improving profitability, and leveraging synergies with Proximus. However, the company faces margin pressures from direct cost synergies and higher operational expenses tied to the integration process. Additionally, borrowings have risen from INR 2,000 mn to INR 4,500 mn, driven by supplier payment requirements, indicating near-term fiscal strain.

CapEx has remained relatively low, while cash reserves are strong. The net cash position at the end of FY25 stood at INR 8,918 mn, with cash and equivalents at INR 13,327 mn. This robust position supports potential bolt-on acquisitions, investments in platform technologies, and discussions about returning excess cash to shareholders, although the current dividend payout ratio remains at 20%.

Investment emphasized in network and Telco APIs, aiming first-mover advantage in AI and enhanced service delivery.

Route Mobile is executing an integration-led strategy with Proximus, targeting early COGS synergies that are already delivering benefits. Platform and cross-sell synergies are progressing, though still early. Its alignment with BICS strengthens operator ties and supports platform rollouts like RCS and firewalls.

In Q4, took an INR 280 Mn one-time charge due to ILD volume shortfalls, driven by a major tech client shifting platforms. Despite this, the MNO deal delivered a strong ROI in the mid-teen million-dollar range.

In terms of ILD volumes, approximately two-thirds of Route's revenue is derived from this stream, although the overall volume has been flat overseas. India remains the largest geographic contributor, accounting for 50% of revenues by termination.

Telesign contributed about 14% to revenue in the last quarter. However, dilution in gross margins was observed due to related party transactions and unfulfilled cross-sell synergies. Remains confident that platform-related offerings like RCS, CPaaS-in-a-box, and AI-enabled tools will deliver significantly higher margins than traditional messaging services.

On the structural front, the company is navigating industry-wide transitions, including channel shifts to OTT and concerns around artificial traffic. These changes have sidelined weaker players, favoring larger, credible players like Route Mobile that can offer enterprise-grade reliability. Industry growth headwinds and evolving customer behaviors are being met with adaptive strategies and proactive customer engagement.

Platform play, including the RCS platform deployed with Robi Axiata, is gaining traction. Multiple operator engagements and workshops have been conducted, and Route Mobile expects to onboard new operators in the near term. These strategic engagements are likely to strengthen margins and diversify revenue away from commoditized services like SMS.

Margin perspective, adjusted profit after tax declined 5.3% YoY to INR 3,524 mn with a cap margin of 7.7%. Gross margin dilution was attributed to COGS-led synergies and a heavier cost base following integration activities. However, strong operational cash flows with EBITDA to cash conversion at 114% signal underlying financial health.

AI and automation are central to cost optimization strategies. The 365 Guard AI-driven spam and fraud solution is a flagship innovation that also highlights the platform-driven strategic pivot. This also aligns with the broader Telco API and CPaaS initiatives being pushed in conjunction with BICS.

Firewalls and spam filters represent high-margin offerings within the platform suite. Their integration and cross-selling through BICS' vast operator network is expected to bolster long-term profitability.

Operational scale continues to grow, with FY25 witnessing 156 bn billable transactions against 126 Bn. However, average realization per transaction slightly dropped due to a changing traffic mix, from INR 0.319 to INR 0.294, underscoring the need for higher-value services to offset compression in core messaging yields.

Income Statement				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
Revenues	45,756	49,417	53,864	59,789
Change (%)	13.7%	8.0%	9.0%	11.0%
Cost of Goods Sold	36,247	39,286	42,230	46,875
Employee costs	2,600	2,718	2,801	3,109
Other expenses	1,631	1,631	2,424	2,583
Total operating Expense	40,479	43,635	47,454	52,567
EBITDA	5,278	5,782	6,410	7,223
EBITDA Margin (%)	11.5%	11.7%	11.9%	12.1%
Other Income	468	473	477	482
Depreciation	891	1,246	1,636	1,985
Interest	409	500	435	465
PBT	4,446	4,508	4,816	5,254
Extra-ordinary	-	-	-	1.00
PBT after ext-ord.	4,446	4,508	4,816	5,253
Tax	922	1,037	1,108	1,208
Rate (%)	20.7%	23.0%	23.0%	23.0%
PAT	3,524	3,472	3,708	4,045
Change (%)	-5.3%	-1.5%	6.8%	9.1%

Cash Flow Statement				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
PBT	4,261	4,508	4,816	5,254
Depreciation	891	1,246	1,636	1,985
Interest Exp	0	500	435	465
Other Non Cash Item	(236)	(220)	(220)	(220)
Cash flow before WC changes	4,916	6,034	6,667	7,484
(Inc)/dec in working capital	1,432	1,347	(470)	(398)
Operating CF after WC changes	7,009	5,645	4,461	5,352
Less: Taxes	(922)	(1,037)	(1,108)	(1,208)
Operating cash flow	6,088	4,608	3,354	4,144
(Inc)/dec in F.A	(132)	(119)	(123)	(125)
Other	45	45	45	206
Cash flow from investing	(99)	(74)	(78)	82
Free cash flow (FCF)	5,956	4,489	3,231	4,019
Proceeds/(Repayment) of current borrowings	2,263.50	176.38	183.44	190.78
Proceeds/(Repayment) of non-current borrowings	(2,189.20)	-	-	-
Interest & Lease Liability	(488.30)	-	-	-
Dividend	-126	-625	-667	-728
Interest exp	-409	-500	-435	-465
Cash flow from financing activities	1390.5	-3839.6	-503.9	-1175.5
Currency fluctuation arising on consolidation	-	-	-	-
Net inc/(dec) in cash	7,379	694	2,772	3,050
Opening balance of cash	6,235	13,611	14,301	17,069
Closing balance of cash	13,611	14,301	17,069	20,116

Source: Company, Arianth Research

Balance Sheet				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Share Capital	630	630	630	630
Reserves & Surplus	23,690	26,537	29,577	32,895
Minority Interest	321	321	321	321
Net Worth	24,641	27,487	30,528	33,846
Long term debt	-	-	-	-
Short term debt	4,410	4,586	4,769	4,960
Total Debt	4,410	4,586	4,769	4,960
Capital Employed	38,257	46,008	50,139	55,109
Application of Funds				
Net Block	343	461	584	709
other intangible Asset	7,833	8,336	8,179	8,116
Deffered Tax & Non Current Asset & Financial Asset	836	836	836	836
Other Non-Current Assets	1,560	1,560	1,560	1,560
Capital WIP	1.19	-	-	-
Non Current Asset	10,572	11,194	11,160	11,221
Investments	161	161	161	161
Debtors	9,328	12,749	13,897	15,425
Cash & bank balance	8,504	14,301	17,069	20,116
other Financial & Current Asset	4,545	2,779	3,029	3,363
Total current assets	22,537	29,990	34,156	39,064
Total Assets	38,257	46,008	50,139	55,109

Key Ratios				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
Per share (INR)				
EPS	50.7	55.1	58.9	64.2
CEPS	67.1	74.9	84.8	95.7
BVPS	391.1	436.3	484.6	537.2
Valuation (x)				
P/E	18.5	17.0	16.0	14.6
P/BV	2.4	2.2	1.9	1.7
EV/EBITDA	26.2	23.0	20.3	17.6
Return Ratios (%)				
Gross Margin	20.8%	20.5%	21.6%	21.6%
EBITDA Margin	11.5%	11.7%	11.9%	12.1%
PAT Margin	7.3%	7.0%	6.9%	6.8%
ROE	13.6%	12.6%	12.1%	12.0%
ROCE	15.1%	14.1%	13.5%	13.5%
Leverage Ratio (%)				
Turnover Ratios				
Asset Turnover (x)	1.2	1.1	1.1	1.1
Receivable Days	74	94	94	94
Payable days	55	87	86	86

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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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