

AFFLE (India) Ltd : Good Issue

IPO Note: Good Growth, Margins and COSTLY Valuation, Zero Debt : Ranking***



Issue details

| Issue details | |
|------------------|------------|
| Price band (Rs) | Rs.740-745 |
| IPO Opening Date | 29/07/19 |
| IPO Closing Date | 31/07/19 |
| Issue Size | Rs.459 Cr. |

Recommendation

Total revenue (standalone) grew at a CAGR of 34.83% from Rs.66.80 Cr for the FY17 to Rs.121.44 Cr for the FY19. Net profit grew from Rs.0.33 Cr. for the FY17 to Rs.16.69 crore for the FY19. For the last three fiscals, on a standalone basis, AIL has posted an average EPS of Rs. 4.67 and an average RoNW of 28%. The issue is priced at a P/BV of 39.11 on the basis of unconsolidated NAV of Rs. 19.05 as on 31.03.19 and at a P/BV of 25 on the basis of consolidated NAV of Rs. 29.81 as on 31.03.19. If we attribute FY19 standalone earnings on fully diluted equity post issue, then the issue is priced at a P/E of 113.91 and on consolidated earnings, it is priced at a P/E of 38.92. Thus the issue seems **COSTLY**. **Company has been reporting consistent growth in top and bottom line. AIL is having a unique business model and has no listed peers to compare with. Its revenue includes nearly 70% global business and the rest from domestic markets. Being the first mover in the segment, it might create a fancy post listing. AIL runs the asset-light business model with debt-free status. Investors may consider investment for the long term.**

Highlights

- Affle (India) Ltd. (AIL) is a global technology business company. Its revenue includes nearly 70% global business and the rest from domestic markets.
- As of March 31, 2019, company's Affle Consumer Platform had approximately 2.02 billion consumer profiles, of which approximately 571 million were in India, 582 million were in Other Emerging Markets (which comprises Southeast Asia, the Middle East, Africa and others) and 867 million were in Developed Markets (which comprises North America, Europe, Japan, Korea and Australia).
- With proven technology, it is posting growth in its business across the globe. First mover in the segment with no listed peers.

Company Introduction

Incorporated in 2005, Affle (India) Limited is a mobile marketing firm offering a Consumer and Enterprise Platforms. The platform is built to mitigate digital ad fraud, assisting consumer privacy expectations and improve returns on marketing expenses by delivering mobile ads. The advertising agencies of business to consumer (B2C) companies uses the consumer platform across different industries. The list of industries includes telecom, fin-tech, ecommerce, retail, FMCG companies, and media.

Affle uses user-intent indicators based on transactional data, marketing attribution and behavioural signals. Based on such information, the company predicts the likely interest of the user. It keeps on updating the system based on data to improve consumer engagement and enable consumer actions. The company runs the campaigns on data intelligence basis to drive high volumes at an efficient price.

The company earns revenue from a cost per converted user (CPCU) basis. The conversion can be based on the transaction (purchase a product or service) and consumer acquisition model (acquire a new consumer). Besides, the company also earns



www.affle.com

Financial Summary (Rs. In Crore)

| Particulars | FY2019 Conso. | FY2019 Stand. | FY2018 Stand. | FY2017 Stand. |
|--------------|------------------|------------------|------------------|------------------|
| Total Income | 249.79 | 121.44 | 84.87 | 66.8 |
| Net Profit | 48.82 | 16.69 | 8.83 | 0.33 |
| EPS (Rs) | 19.14 | 6.54 | 3.46 | 0.12 |

Source: RHP and ACE Equity

RANKING METHODOLOGY

| | |
|-----------|-------|
| WEAK | * |
| AVERAGE | ** |
| GOOD | *** |
| VERY GOOD | **** |
| EXCELLENT | ***** |

revenue by engagement and awareness type advertising.

Affle also provides end-to-end solutions by developing App, offering enterprise platform, assisting offline e-commerce businesses in offline to online commerce. Microsoft has a 6.48% stake in the Singapore based Affle Holdings.

The object of the issue are to:

1. Funding the working capital requirements of the Company; and
2. General corporate purposes.

Company Promoters:

The promoters of our Company, being Anuj Khanna Sohum and Affle Holdings

IPO Issue Proceed

To part finance its working capital and general corpus fund needs and listing benefits, AIL is coming out with a maiden IPO of approx. 61.69 Lakh shares via book building issue. It has fixed the price band of Rs. 740-745 per share and mulls mobilization of Rs. 459 crore on the basis of the higher price band. The issue opens for subscription on 29.07.19 and will close on 31.07.19. Minimum application is to be made for 20 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. AIL has allocated 75% for QIBs (including Anchor Investors), 15% for HNIs and 10% for retail investors. It is a combo offer of primary as well as a secondary issue. AIL is issuing approximately 1208060 fresh equity shares (at the upper price band) to mobilize Rs. 90 cr. Existing stakeholders are offloading 4953020 shares under offer for sale. Thus the total size of the issue will be Rs. 459 cr. AIL's current paid-up equity capital of Rs. 24.29 cr. will stand enhanced to Rs. 25.5 cr.

DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.