

Route Mobile Ltd : Good Issue

IPO Note: Leading cloud-service provider with reasonable growth and margins with first mover advantage : Ranking***



Issue details	
Price band (Rs)	Rs. 345-350
IPO Opening Date	09/09/20
IPO Closing Date	11/09/20
Issue Size	Rs.600 Cr.

Recommendation

Total revenues grew at a CAGR of **37.84%** from Rs.509.48 Crore for the financial year 2018 to Rs.968.10 Crore for the financial year 2020 and Net Profit grew at a **CAGR of 10.42%** in the same period. For first quarter ended on 30.06.20 of the current fiscal, it has earned net profits of Rs. 26.93 crore on total revenues of Rs. 312.29 crore. If we annualize the latest FY21-Q1 results and attribute it on fully diluted equity post IPO, then asking price is at a **P/E of around 18.49**. On the basis of its trailing earnings and paid-up equity as on March 31, 2020, the issue is priced at a P/E of around 28.80. The company has no peers to compare with it. At sub 19 P/E issue appears reasonably priced. being the **First Mover Company, it will generate investors' fancy post listing. This segment has entry barriers and this company is enjoying its leadership with niche place among its clients. We recommend to subscribe for short term.**

Highlights

- The Company provides a cloud-communication platform as a service to enterprises, over-the-top players, and mobile network operators around the world.
- **Mobile Operator:** Services in this segment include SMS analytics, firewall, filtering, monetization, and CPaaS, and hubbing solutions.
- **(BPO):** The Company provides a range of BPO services including client support, technical support, booking, and collection services
- The company's clients include some of the world's largest organizations, including several Fortune Global 500 companies.

Company Introduction

Route Mobile Ltd. (RML) is providing a cloud-communication platform as a service ("CPaaS") to enterprises, over-the-top ("OTT") players and mobile network operators ("MNOs"). According to the ROCCO Report 2020, it ranked as a tier one application-to-peer ("A2P") service provider internationally. Further, it ranked second globally as a tier-one A2P service provider in 2017. (Source: ROCCO Report 2017). RML also ranked first for 'value-added services' provided, its 'implementation process' and 'uptime performance' among tier-one vendors. (Source: ROCCO Report 2017). Company's enterprise solution comprises two primary components - the front-end that provides an interface for enterprises to integrate with, and a back-end which is directly integrated with over 240 MNOs, and provides access to over 800 MNOs across the globe, as of June 30, 2020, enabling it to leverage their SMS and voice channels for digital communication ("Super Network"). Further, the backend is also integrated with OTT-business messaging solution providers and is capable of



www.routemobile.com

Financial Summary (Rs. In Crore)

Particulars	Three Months ended June.20	FY2020	FY2019	FY2018
Total Income	312.29	968.1	852.37	509.48
Net Profit	26.93	69.1	54.53	46.67
EPS* (Rs)	4.73	12.15	9.59	9.96

Source: RHP and ACE Equity

*EPS not annualized

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

supporting Rich Communication Services ("RCS") business messaging, offering multiple channels of communication to enterprises. RML's Omni-channel platform enables enterprises to leverage various modes of digital communication to engage with their stakeholders - including customers, employees and vendors.

Company Promoters:

Sandipkumar Gupta and Rajdipkumar Gupta are the promoters of the company.

Objects of the Issue:

The company proposes to utilise the Net Proceeds towards funding the following objects:

1. Repayment or pre-payment, in full or part, of certain borrowings of our Company;
2. Acquisitions and other strategic initiatives;
3. Purchase of office premises in Mumbai; and
4. General corporate purposes.

IPO Issue Proceed

To part finance its plans of repayment/prepayment of certain borrowings (Rs. 36.5 cr.), acquisition and other strategic initiatives (Rs. 83 cr.), purchase of office premises in Mumbai (Rs. 65 cr.) and general corpus funds, RML is coming out with a maiden IPO with a combo offer of fresh equity issue (Rs. 240 cr.) and offer for sale (Rs. 360 cr.). It consists fresh equity issue of approx 6857142 shares of Rs. 10 each and offer for sale of approx 10285714 shares. The issue opens for subscription on September 09, 2020, and will close on September 11, 2020. The company has fixed the price band of Rs. 345 - Rs. 350 per share. Minimum application is to be made for 40 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. RML mulls mobilizing around Rs. 600 cr. (based on upper price band) through this IPO. Post issue, RML's current paid-up equity capital of Rs. 50.00 cr. will stand enhanced to Rs. 56.86 cr. With this issue, the company is looking for a market cap of Rs. 1990 cr.

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