



IPO note: Route Mobile Limited - "SUBSCRIBE for listing gains"

Sep. 09, 2020

Incorporated in 2004, the Mumbai-headquartered Company provides 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, the Company was ranked as a tier one application-to-peer ("A2P") service provider internationally. The 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 the Company 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 supporting Rich Communication Services ("RCS") business messaging, offering multiple channels of communication to enterprises.

The Company's omni-channel platform enables enterprises to leverage various modes of digital communication to engage with their stakeholders – including customers, employees and vendors. The enterprise vertical primarily provides a cloud-based communication platform to enterprises. The mobile operations include services such as SMS analytics, firewall, filtering, monetisation and CPaaS (cloud-communication platform as a service) and hubbing solutions.

As on the date of the Red Herring Prospectus, the Company's global operations included nine direct and 12 step-down subsidiaries serving its clients through 18 locations across Africa, Asia Pacific, Europe, Middle East and North America. Consistent with its strategy of pursuing inorganic growth to deepen its relationship with MNOs and broaden its product and service portfolio, the Company acquired 365Squared Limited with effect from October 1, 2017, which operates in SMS analytics, firewall, filtering and monetization. In April 2017, the company had acquired a BPO Call2Connect, through which the company integrates the BPO capabilities with its enterprise voice platform. Over 80 per cent of the revenues that the company generates is in foreign currency. As of June 30, the company had served more than 30,150 clients since its inception. The company has direct relationships with over 240 mobile network operators (MNOs). It provides its enterprise clients from Africa, Asia Pacific, Europe, the Middle East and North America access to over 800 mobile networks. Top 10 clients account for about 64 per cent of the company's revenues, with the top client contributing 15.45 per cent to FY20 revenues. The Company has already raised Rs. 180 crores from 15 anchor investors including Goldman Sachs, Franklin Templeton Mutual Fund and SBI Life Insurance which instills confidence in the issue.

Investment recommendation and rationale

At the upper end of the price band, the IPO is valued at a P/E of 29x on post IPO FY20 EPS of Rs. 12.14 which we believe is at a premium owing to company's strong presence in niche CPaaS market, Company being major beneficiary of COVID-19 crisis as digital adoption would remain the buzzword in current times and no major players in the listed space. With due consideration to the above and below factors a) Omni-channel cloud communication platform service provider with diversified service offerings for enterprises; b) MNO focused suite of products; c) Global connectivity through established relationships with MNOs; d) Diversified and global client base across industries serviced locally; e) Scalable delivery platform supported by robust infrastructure; f) Robust business model and consistent financial track record, g) Negligible debt and decent return ratios with ROE of 25.58 percent in FY20, h) experienced Promoters in this niche space, we recommend "SUBSCRIBE the issue for listing gains"

Issue date	Sep. 09 – Sep. 011, 2020
Finalisation of basis of allotment	Sep. 16, 2020
Refunds/ASBA unblocking	Sep. 17, 2020
Credit of equity shares to DP account	Sep.18, 2020
Listing date	Sep. 21, 2020
Issue type & size	Fresh Issue: Rs. 240 crores Offer for sale: Rs. 360 crores by the Promoters Mr. Sandipkumar Gupta and Mr. Rajdipkumar Gupta
Issue size	Rs. 600 crores
Issue structure	QIB – 50%, NIB – 15%, Retail – 35%
Price Band	Rs. 345 – Rs. 350 (Face value: Rs. 10)
Post IPO no. of equity shares	56,857,142
Post issue Market Cap	Rs. 1,990 crores
Shareholding - Pre/Post holding	Promoters and promoter group: 96 %/66.33% Public: 4%/33.67%
Bid lot	40 equity shares and in multiples thereof
BRLM	ICICI Securities, Axis Capital, Edelweiss, IDBI Capital
Registrar to the issue	KFin Technologies

Particulars (Rs. crs.)	Q1FY20	FY20	FY19	FY18
Revenue from operations	310	956	845	505
EBITDA	40	112	100	80
EBITDA (%)	12.90	11.53	11.73	15.73
Profit after tax	27	69	55	47
PAT margin (%)	8.70	7.23	6.46	9.24
Equity share cap.	50	50	50	50
Networth	297	270	212	161
Pre IPO EPS (Rs.)	5.42	13.83	11.19	9.57
Post IPO EPS (Rs.)	4.75	12.14	9.68	8.27
P/E (x)*	16#	29	36	42
Book value (Rs.)	59	54	42	32
RoE (%)	-	25.58	26.42	29.74

Source: RHP, # P/E on Q1FY20 annualized EPS, *P/E on Post IPO EPS

Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.



AJCON GLOBAL
YOUR EFFICIENT FINANCIAL ADVISOR

It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net, 022-67160431 (D)

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062