

CMP: INR 2263

Rating: Accumulate

Target Price: INR 2585

Stock Info

BSE	543228
NSE	ROUTE
Bloomberg	ROUTE IN
Sector	Communication
Face Value (Rs)	10
Equity Capital (INR mn)	577
Mkt Cap (INR mn)	131076
52W H/L (INR)	2388/687
Avg Yearly Vol (in 000')	670.49

Shareholding Pattern %

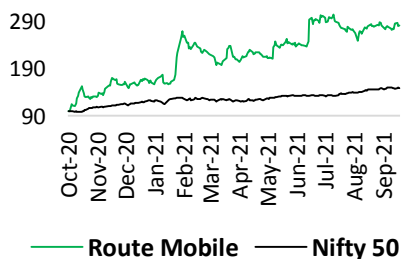
(As on Sep 2021)

Promoters	65.12
Public & Others	34.88

Stock Performance (%)

	1m.	3m.	1 Yr.
Route	13.23	5.6	220.85
Nifty50	5.23	16.21	57.32

Route Mobile Price Chart



Route Mobile Limited reported strong set of numbers in Q2FY22 and were above our estimates on all front. Revenue from operation grew by 24.7% YoY & 15.4 % QoQ to INR 4357 mn above our estimate of INR 4152 mn. UK was the top contributor in the company's overall revenue followed by India, Dubai, Nigeria and others.

The company's segment revenue from the UK stood at INR 2918 mn India contributed INR 1059 mn, Dubai INR 637 mn, Nigeria 293 mn and others INR 106 mn

EBIDTA grew by 34% YoY and 23% QoQ to INR 561 mn above our estimate of 477 mn EBIDTA margin expanded by 91 bps YoY & 82 bps QoQ to 12.9% Healthy top line growth coupled with better operational efficiency led to expansion in margin.

Reported PAT grew by 28.7% YoY and 22.7% QoQ to INR 421 mn above our estimate of 374 mn. PAT margin expanded by 30 bps YoY and 58 bps QoQ to 9.7%. Decline in other income and increase in finance cost impacted PAT margin to some extent.

Other Business Highlights

- Post acquisition of send clean has allowed seamless on bonding of customer on email platform.
- After optimizing leadership team of call to connect management is confident of growth in it.
- Company has launched rapid and till now 7275 developers are engaged with more than 255 solutions created.
- Company has signed a definitive agreement to acquire MASIV which will boost company's growth in latin America closing is expected in Q3FY22.

Valuation and Outlook

At a CMP of INR 2263 Stock in trading at P/E of 77.7(x) & 56.9 to its FY22E & FY23E We have a positive view on the company backed by company's strong Q2FY22 performance. Company had launched Send Clean - self-serve email delivery platform, as well as integrated APIs on few leading CRM which will be beneficial for the company. Company's recent proposed acquisitions in LATAM & Kuwait will enable it to grow its business within these regions. Moreover, the launch of Global Developer API Challenge (Hackathon) under flagship program RAPID, promises to bring in newer ideas to help simplify communication for businesses. RCS has been increasingly adopted by enterprises and it will be key component in services provided by route as the industry progresses. Factors such as more and more digital adoption by enterprises, strong recurring revenue growth, strong revenue contribution from new products, company strategy to acquire more and more clients and generating more and more free cash flow remain key positives for the company. We value the stock at a P/E multiple of 65 (x) to its FY23 EPS of INR 39.8 to arrive at a target price of INR 2585 and maintain accumulate rating on the stock..

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Q2FY22 Result analysis & Con-call Highlights

Rs Mn	Q2FY22	Q1FY22	Q2FY21	Q-o-Q	Y-o-Y
Net Revenue	4,357	3,775	3,493	15.4%	24.7%
Purchase of messaging services	3,434	3,006	2,813	14.2%	22.1%
Employee cost	214	196	146	9.2%	46.6%
Other Expenses	148	118	116	25.4%	27.6%
EBITDA	561	455	418	23.3%	34.2%
<i>EBITDA margin %</i>	<i>12.9%</i>	<i>12.1%</i>	<i>12.0%</i>	<i>82bps</i>	<i>91bps</i>
Other Income	24	45	52	-46.7%	-53.8%
Depreciation	74	66	68	12.1%	8.8%
EBIT	511	434	402	17.7%	27.1%
Finance cost	7	5	9	40.0%	-22.2%
Profit Before Exceptional items	504	429	393	17.5%	28.2%
Exceptional item					
Tax Expense	83	86	66	-3.5%	25.8%
Effective tax rate %	16.5%	20.0%	16.8%	-358bps	-33bps
PAT	421	343	327	22.7%	28.7%
<i>PAT margin %</i>	<i>9.7%</i>	<i>9.1%</i>	<i>9.4%</i>	<i>58bps</i>	<i>30bps</i>
EPS (Rs)	7.3	5.8	6.5	25.9%	12.3%

Key Con-Call Highlights

- Revenue clocked in Q2FY22 is best quarter till date In volume terms In volume terms company processed 9.11 bn transaction which is highest till date.
- 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 7.77 bn in Q2Fy21 to 9.22 bn in Q2FY22.
- Average realization decreased from 55paisa In Q2FY21 to 48 paisa in Q2FY22 due to geographical mix owing to change in country mix.
- In H1FY22 revenue from operation grew by 23.4% YoY to 8132 mn in H1FY22.
- Billable transaction increased from 14.73 bn in H1FY21 to 15.97 bn in H1FY22 Average realization per billable transaction increased from 45 paise to 51 paisa.
- Net revenue retention of 118%. Deep customer engagement is driving high net revenue retention.
- 400 new customer added across all products.
- EBIDTA grew by 39% YoY to 1108 mn in H1FY22 EBIDTA margin expanded from 12.1% to 13.6% for same period.
- PAT stood at 763 mn in H1FY22 from 596 mn in H1FY21.
- Cashflow from operation was -91.9 mn largely because of GST payment made by company for 311 bn for FY21.

Consolidated Financial Statement

Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Revenues	8,447	9,563	14,062	17,578	23,730
Change (%)	67.3%	13.2%	47.1%	25.0%	35.0%
Cost of Goods Sold	6,670	7,642	11,291	14,062	18,984
Employee costs	554	582	615	879	1,186
Other expenses	300	339	416	527	712
Total operating Expense	7,524	8,563	12,322	15,468	20,882
EBITDA	923	1,000	1,740	2,109	2,848
Other Income	77	119	160	216	290
Depreciation	219	227	258	252	318
Interest	131	49	27	27	27
PBT	650	843	1,615	2,047	2,792
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	650	843	1,615	2,047	2,792
Tax	105	111	288	365	498
Rate (%)	16.1%	13.2%	17.8%	17.8%	17.8%
PAT	545	732	1,327	1,682	2,294
Change (%)	16.8%	34.2%	81.3%	26.7%	36.4%

Source: Company, Aриhant Research

Balance Sheet

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Sources of Funds					
Share Capital	500	500	577	577	577
Reserves & Surplus	1,618	2,194	5,945	7,324	9,205
Minority Interest	-19	-22	-27		
Net Worth	2,099	2,672	6,495	7,901	9,782
Long term debt	40	37	34	34	34
Short term debt	732	373	0	0	0
Total Debt	772	410	34	34	34
Deferred Tax and other liability	2,187	3,173	3,692	4,654	5,708
Capital Employed	5,058	6,255	10,221	12,589	15,525
Application of Funds					
Net Block	217	224	211	296	374
other intangible Asset	1,649	1,531	1,717	1,697	1,688
Deferred Tax & other Non Current Asset	212	383	506	506	506
Other Non-Current Assets	163	75	78	78	78
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Non Current Asset	2,241	2,214	2,523	2,577	2,646
Investments	107	119	128	128	128
Debtors	1,447	2,037	2,173	2,697	3,641
Cash & bank balance	957	1,026	4,676	5,598	6,964
other Financial & Current Asset	307	859	721	1,589	2,145
Total current assets	2,817	4,041	7,698	10,012	12,878
Total Assets	5,058	6,255	10,221	12,589	15,525

Consolidated Financial Statement

Cash Flow Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
PBT	650	694	1,615	2,047	2,792
Depreciation	219	227	258	252	318
Interst Exp	131	49	27	27	27
Other Non Cash Item	-47	-40	-59	-56	-56
Cash flow before WC changes	953	929	1,841	2,269	3,082
(Inc)/dec in working capital	-597	259	627	-760	-352
Operating CF after WC changes	349	1,164	2,467	3,642	2,346
Less: Taxes	-66	-179	-173	-365	-498
Operating cash flow	284	985	2,294	3,277	1,848
(Inc)/dec in F.A + CWIP	-105	-72	-77	-85	-78
(Pur)/sale of investment	-100	0	0	0	0
Other Investing activity	155	74	-2,184	36	36
Cash flow from investing	-50	2	-2,261	-49	-42
Free cash flow (FCF)	178	913	2,217	3,192	1,770
Proceeds/(Repayment) of current borrowings	520	-54	-358	-73	12
Proceeds of Non Current Borrowing	38	5	-1	0	0
Interest & Lease Liability	-52	-68	-71	-18	0
Dividend	-75	-90	-165	-189	-227
Other Interest exp	-8	-18	-28	-40	-42
Proceed from fresh Issue of equity share				2400	
Cash flow from financing activities	424	-226	-623	2,080	-257
Net inc/(dec) in cash	58	321	2,071	2,898	1,366
Opening balance of cash	234	294	615	2,700	5,598
Closing balance of cash	294	615	2,700	5,598	6,964

Key Ratios

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Per share (Rs)					
EPS	10.9	11.7	23.0	29.1	39.8
CEPS	15.3	16.2	27.5	33.5	45.3
BVPS	42.0	53.4	112.6	136.9	169.5
DPS	1.4	2.9	2.0	5.2	7.2
Valuation (x)					
P/E	0.0	194.2	98.4	77.7	56.9
P/BV	0.0	42.3	20.1	16.5	13.3
EV/EBITDA	0.0	112.5	72.4	59.3	43.4
Return Ratios (%)					
Gross Margin	21.0%	20.1%	19.7%	20.0%	20.0%
EBIDTA Margin	10.9%	10.5%	12.4%	12.0%	12.0%
PAT Margin	6.5%	6.1%	9.4%	9.6%	9.7%
ROE	26.0%	21.8%	20.4%	21.3%	23.5%
ROCE	24.5%	25.1%	22.7%	23.4%	25.8%
Leverage Ratio (%)					
Total D/E	0.4	0.2	0.0	0.0	0.0
Turnover Ratios					
Asset Turnover (x)	1.7	1.5	1.4	1.4	1.5
Receivable Days	63	78	56	56	56
Payable days	26	69	62	62	62

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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