

23 February 2023

MapMyIndia

Growth story unscathed; maintaining a Buy

MapMyIndia's 9M FY23 revenue grew 45.7% y/y (org. 23.4%) to Rs2.1bn. Its A&M business (bringing 53.8% to revenue) grew 51.1% y/y, and its C&E business (46.2%) grew 40.1% y/y. The 9M EBITDA margin was flat y/y at 42.2%, chiefly due to higher marketing expenses and high growth in the IoT business. This initially compresses margins as device hardware has lower margins, but then (12 months down) generates high margin SaaS revenue. Factoring in all this, we cut our FY23e/FY24e EBITDA 4.4%/7.4% and introduce FY25e. We retain our Buy rating on the stock with a lower TP of Rs1,500 (45x FY25 earnings). Given MMI's clear advantages in the context of India, which are not easily replicable and huge barriers to the maps-and-navigation business, we believe its premium valuations should endure.

We anticipate a 35.8% revenue CAGR over FY23-FY25 based on FY23's opening order book of Rs7bn, which shot up ~86% y/y (~24% of it to be recognized in FY23 itself) and the greater contribution from Gtropy. We expect the A&M business to record a 30% CAGR over FY23-FY25, and the C&E business a 43% CAGR.

We expect EBITDA to clock a ~34.8% CAGR over FY23-FY25. Excl. the Gtropy business, the 9M FY23 EBITDA margin was 53%. The 9M consolidated EBITDA margin was flat y/y at 42.2%, chiefly due to a pick-up in the device-driven IoT/Gtropy businesses. These are margin-dilutive in the first year, but pick up from the next year due to the greater SaaS revenue contribution. Margins were also compressed by higher marketing expenses and due to investments in product development. To factor in the greater contribution from the Gtropy business, we lower our FY25e EBITDA margin 400bps to 41%.

Risks: Competition from large global operators such as Google; high client-concentration (80% of its revenue comes from 35 clients).

Key financials (YE Mar)	FY21	FY22	FY23e	FY24e	FY25e
Sales (Rs m)	1,525	2,004	2,900	3,944	5,348
Net profit (Rs m)	598	871	1,076	1,357	1,771
EPS (Rs)	11.1	15.9	19.7	24.8	32.4
P/E (x)	105.0	72.1	58.4	46.3	35.5
EV / EBITDA (x)	121.0	72.2	51.6	38.5	28.4
P / BV (x)	17.6	14.1	11.3	9.1	7.3
RoE (%)	18.3	21.7	21.5	21.8	22.8
RoCE (%)	9.1	13.8	16.2	17.1	18.6
Dividend yield (%)	-	0.2	-	-	-
Net debt / equity (x)	-0.6	-0.6	-0.6	-0.7	-0.7

Source: Company, Anand Rathi Research

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Rating: **Buy**
Target Price: Rs.1,500
Share Price: Rs.1,153

Key data	MAPMYIND IN
52-week high / low	Rs.1,716 / 1,022
Sensex / Nifty	59606 / 17511
3-m average volume	\$1m
Market cap	Rs.62bn / \$747.2m
Shares outstanding	54m

Shareholding pattern (%)	Dec'22	Sep'22	Jun'22
Promoters	53.3	53.3	53.7
- of which, Pledged	-	-	-
Free float	46.7	46.7	46.3
- Foreign institutions	5.5	5.6	5.6
- Domestic institutions	3.7	4.4	5.3
- Public	37.5	36.7	35.4

Estimates revision (%)	FY23	FY24
Revenue	3.4	1.6
EBITDA	(4.4)	(7.4)

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY21	FY22	FY23e	FY24e	FY25e
Net revenues	1,524.6	2,004.4	2,900.3	3,943.6	5,347.5
Growth (%)	3	31	45	36	36
Direct costs	163.9	186.0	446.6	591.5	802.1
Gross profit	1,360.7	1,818.4	2,453.7	3,352.1	4,545.4
Gross margins (%)	89.2	90.7	84.6	85.0	85.0
SG&A	847	956	1,247	1,735	2,353
EBITDA	514	862	1,207	1,617	2,192
EBITDA margins (%)	33.7	43.0	41.6	41.0	41.0
Depreciation	-98	-83	-77	-99	-134
Other income	398	416	352	394	428
Interest expenses	-25	-22	-27	-28	-27
PBT	789	1,173	1,454	1,885	2,460
Effective tax rates (%)	24	26	26	28	28
+Associates / (Minorities)	-	0	-	-	-
Net income	598	871	1,076	1,357	1,771
WANS	54.1	54.6	54.6	54.6	54.6
FDEPS (Rs / sh)	11.1	15.9	19.7	24.8	32.4

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY21	FY22	FY23e	FY24e	FY25e
PBT	789	1,173	1,454	1,885	2,460
+ Non-cash items	-226	358	104	126	161
Oper. prof. before WC	562	1,531	1,558	2,011	2,620
- Incr. / (decr.) in WC	-408	887	155	236	329
Others incl. taxes	-152	-357	-378	-528	-689
Operating cash-flow	818	288	1,025	1,247	1,603
Free cash-flow	796	248	922	1,124	1,442
- Acquisitions	-	-135	-	-	-
- Div. (incl. buyback & taxes)	-	-106	-	-	-
+ Equity raised	-	8	-	0	0
+ Debt raised	-	-	-	-	-
- Fin investments	438	287	-	-	-
- Misc. (CFI + CFF)	-146	-756	761	28	27
Net cash-flow	350.1	-71	896	1,096	1,415

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

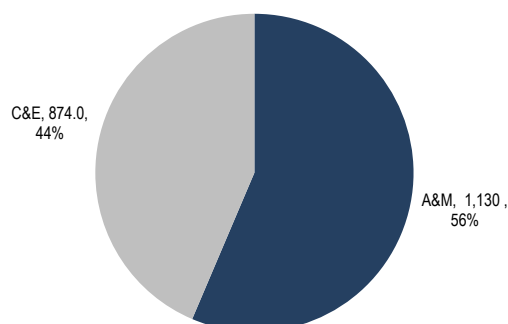
Year-end: Mar	FY21	FY22	FY23e	FY24e	FY25e
Share capital	1,328	106	106	106	106
Net worth	3,577	4,460	5,536	6,893	8,664
Debt	-	-	-	-	-
Deferred tax liability	-	-	-	-	-
Lease & long-term liabilities	187	173	173	173	173
Capital employed	3,764	4,631	5,707	7,065	8,835
Net tangible assets	64	69	76	83	91
Net intangible assets	28	122	140	157	176
Goodwill	-	42	42	42	42
CWIP (tang. & intang.)	-	-	-	-	-
Right of use assets	160	124	124	124	124
Investments (strategic)	-	-	-	-	-
Investments (financial)	1,329	2,122	2,074	2,074	2,074
Current assets (excl. cash)	2,020	2,086	2,317	2,585	2,956
Cash	672	601	1,496	2,593	4,008
Current liabilities	510	534	562	593	636
Working capital	1,510	1,552	1,755	1,991	2,320
Capital deployed	3,764	4,631	5,707	7,065	8,835

Fig 4 – Ratio analysis

Year-end: Mar	FY21	FY22	FY23e	FY24e	FY25e
P/E (x)	105.0	72.1	58.4	46.3	35.5
EV / EBITDA (x)	121.0	72.2	51.6	38.5	28.4
EV / Sales (x)	40.8	31.0	21.5	15.8	11.6
P/B (x)	17.6	14.1	11.3	9.1	7.3
RoE (%)	18.3	21.7	21.5	21.8	22.8
RoCE (%) - after tax	9.1	13.8	16.2	17.1	18.6
DPS (Rs / sh)	0.0	1.9	0.0	0.0	0.0
Dividend yield (%)	0.0	0.2	0.0	0.0	0.0
Dividend payout (%) - incl. DDT	-	12	-	-	-
Net debt / equity (x)	-0.6	-0.6	-0.6	-0.7	-0.7
Receivables (days)	67.7	79.3	79.3	79.3	80.0
Inventory (days)	7	15	15	15	15
Payables (days)	11	11	11	11	11
CFO : PAT %	137	33	95	92	90

Source: Company, Anand Rathi Research

Fig 6 – Revenue contribution, FY22 (Rs m)

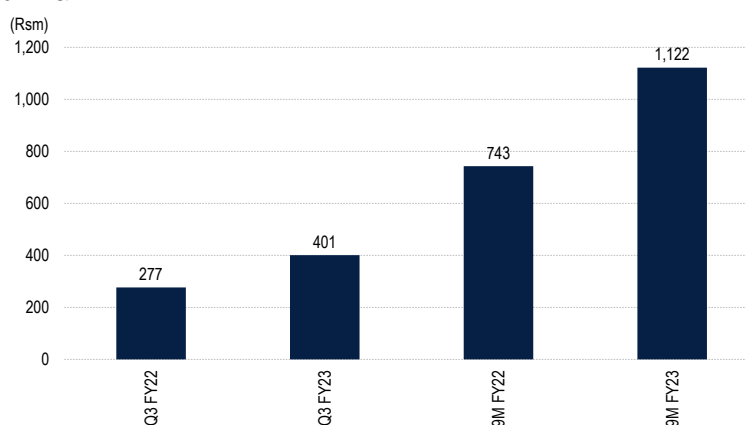


Source: Company

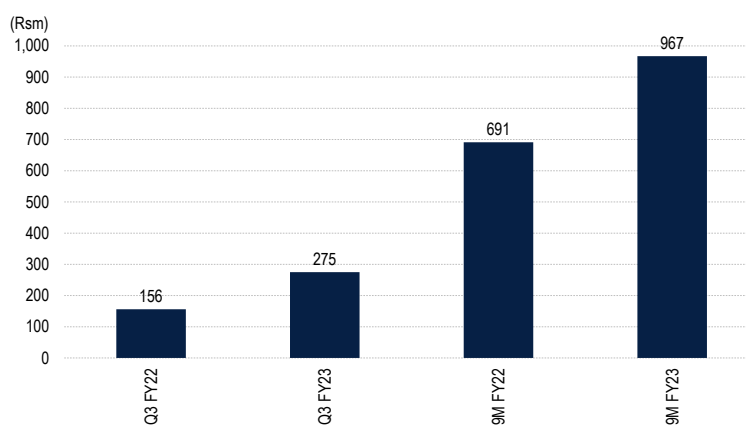
Fig 7 – Quarterly results

(Rs m) (consolidated)	9M FY23	9M FY22	% change
Revenues	2,090	1,434	45.7
EBITDA	882	613	43.8
EBITDA margins %	42.2	42.8	-56 bps
EBIT	824	555	48.5
EBIT margins %	39.4	38.7	75 bps
PBT	1,050	838	25.3
Net profit	792	688	15.0

Source: Company, Anand Rathi Research

Fig 8 – A&M

Source: Company, Anand Rathi Research

Fig 9 – C&E

Source: Company, Anand Rathi Research

Valuation

We all know Google Maps because of its reach through android phones. MapMyIndia is just as big but, unfortunately, still unknown. A B2B and B2B2C market leader in India, MMI was an early mover (1995) in India's digital mapping. It pioneered digital-mapping technologies such as an AI-powered 4D high-definition digital map of the real world, and an N-CASE mobility suite for digital vehicles, etc.

Factoring in the impact on EBITDA due to more growth from the low-margin IoT-led business, we cut our FY23e/FY24e EBITDA 4.4%/7.4% and introduce FY25e. We retain our Buy rating on the stock, with a lower TP of Rs1,500 (45x FY25 earnings). Given that MMI has clear advantages in the context of India, not easily replicable and which prove to be huge barriers to the map and navigation business, we believe the premium valuations should endure

Fig 10 – Change in estimates

Rs m	FY23			FY24		
	New	Old	% change	New	Old	% change
Revenues	2,900	2,805	3.4	3,944	3,882	1.6
EBITDA	1,207	1,262	(4.4)	1,617	1,747	(7.4)
EBITDA margins %	41.6	45.0	-339 bps	41.0	45.0	-401 bps
EBIT	1,129	1,177	(4.1)	1,518	1,650	(8.0)
EBIT margins %	38.9	42.0	-303 bps	38.5	42.5	-401 bps
PBT	1,454	1,727	(15.8)	1,885	2,398	(21.4)
Net profit	1,076	1,281	(16.0)	1,357	1,780	(23.8)

Source: Company, Anand Rathi Research

Key risks

- A large part of the business depends on the performance of the automotive sector (FY22: 56%). Any adverse changes in the sector could affect the business.
- Competition from large global operators such as Google.
- High client-concentration (80% of revenue generated by 35 clients in FY22, and 25 in FY21).

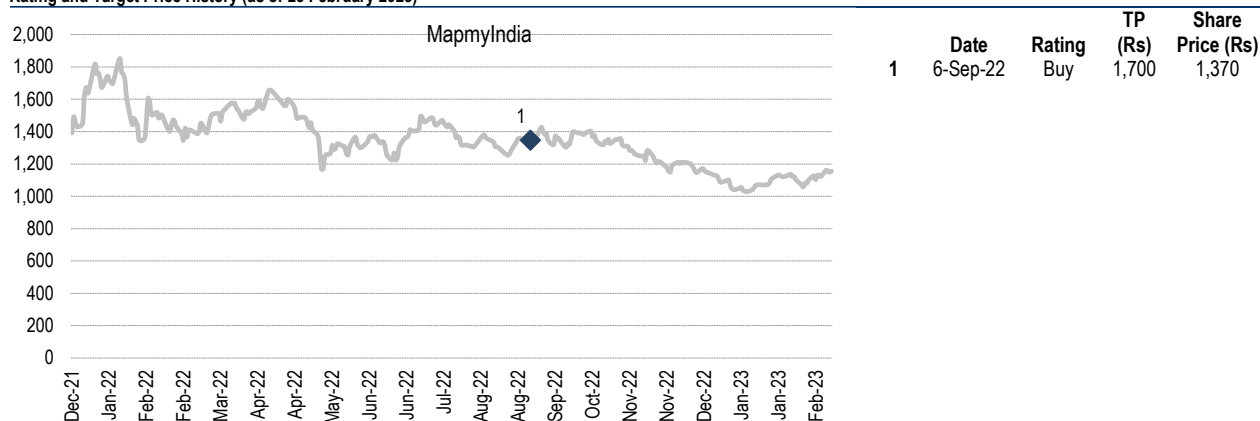
Appendix

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