



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Route Mobile Q2FY25 consolidated revenues came in at ₹1113.41 Cr, up 9.74% YoY and up +0.91% QoQ.
- Op Profit for Q2FY25 stood at ₹135.23 Cr, up +5.53% YoY and up +9.28% QoQ.
- Op margins for Q2FY25 came at 12.15%, -48 bps YoY and +93 bps QoQ.
- PAT for Q2FY25 stood at ₹107.03 Cr, up +21.14% YoY and up +31.88% QoQ.

2. MANAGEMENT COMMENTARY:

- Management is anticipating strong growth in H2FY25 with revenue growth expected to be 18%-22% and 13% EBITDA margin in FY25.
- Going forward gross margins would not see pressure.
- Exit Tax rate to be in range of 20%-22%.
- Revenue growth and improvement in margin would come from festive season and ongoing business momentum.

3. SEGMENTAL ANALYSIS:

- H1FY25 Revenue Breakup by Customer (HQ): Americas (41%), Asia (35%), Europe (13%), Africa (2%).

4. CONCALL SUMMARY

- In Q2FY25, Co achieved highest quarterly revenue despite being a typically soft quarter and impact of geographical issues.
- ILD volumes in India was impacted due to infrastructure issues and firewall software upgrade.
- Revenue growth was also impacted due to devaluation of Nigeria currency.
- New product revenue showed strong growth, up by 32% YoY and 4% QoQ.
- Co added over 300 new customers in H1 FY25 across all products.
- Launched a WhatsApp-based utility communication service for IRCTC
- Signed a significant deal with global e-commerce player which will lead to ramp up in traffic over time.
- Proximus and Infosys formed the long-term Strategic Partnership, which combines Route Mobile CPaaS solutions, telephone DI services and based offering with Infosys Digital services.
- Co continue to focus on emerging markets.

5. OTHER DEVELOPMENTS:

- Proximus completed the OFS to meet public shareholding criteria.

6. VALUATION AND OUTLOOK:

Route Mobile (Route) stands as one of the leading entities in the Application to Person (A2P) messaging market and is rapidly becoming a significant force in the fast-growing CPaaS sector.

The H2 is expected to be much stronger according to the Co's guidance.

We initiate a "BUY" rating on the stock and value the stock at 20.5x FY26E earnings to arrive at the target of ₹1656.

RECOMMENDATION - BUY

CMP – 1428

TARGET – 1656 (16%)

Industry	IT - Software
NSE CODE	ROUTE
BSE CODE	543228
Market Cap (₹ Cr)	8996.05
Shares Outstanding (in Cr)	6.30
52 wk High/Low (₹)	1942.45 / 1334
P/E	24.08
P/BV	3.84
Face Value (₹)	10.00
Book Value (₹)	371.71
EPS (FY24) (₹)	59.74
Dividend Yield (%)	0.69
Debt / Equity	0.16
Interest Coverage	16.27

SHAREHOLDING PATTERN

	Sep 24	Jun 24	Mar 24
Promoters	74.90	83.11	58.00
MF/ DII	6.08	1.01	2.35
FII/FPI	6.65	5.75	15.83
Retail & Others	12.30	10.11	20.33
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Crore			
Sales	4023	4747	5697
Sales Gr. (%)	12.72	18.00	20.00
EBITDA	514	593	741
EBITDA %	12.77	12.50	13.00
PAT	388.8	416.6	509.0
EPS (₹)	59.74	66.14	80.80
EPS Gr. (%)	14.04	10.71	22.17
Valuation			
P/E (x)	23.90	21.59	17.67

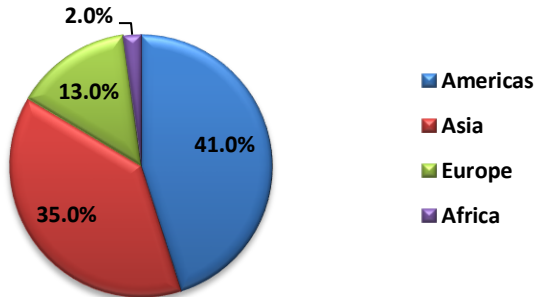
Historical & Industrial Val Ratios

Historical P/E	43.07
Industry P/E	37.91
Historical P/B	6.97
Industry P/B	11.73

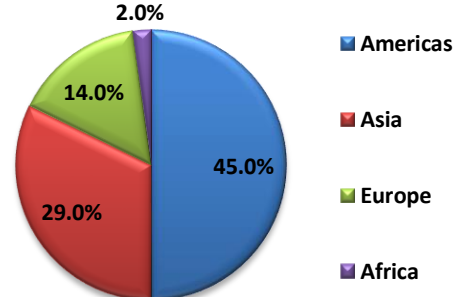


REVENUE SPLIT (H1 FY25)

Revenue by customer HQ (continent)
H1FY25



Revenue by customer HQ (continent)
H1FY24



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23		FY24				FY25			FY24	FY25E*
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3E*			
Net sales	1,009	967	1,015	1,024	1,017	1,103	1,113	1,250	4,023	4,747	
YoY change (%)	61.11%	32.69%	19.95%	3.91%	0.83%	14.07%	9.74%	22.07%	12.72%	18%	
Total Expenditures	877	840	886	899	892	980	978	1,088	3,510	4,514	
EBITDA	132	127	128	125	125	124	135	162.5	514	593	
Margins (%)	13%	13%	13%	12%	12%	11%	12%	13%	13%	13%	
Other income	15	11	4	35	13	11	39	10	57	70	
Interest	5	7	7	6	8	9	14	13	30	48	
Depreciation	21	21	21	22	22	22	22	22	86	88	
PBT	120	110	104	132	109	103	137	137.5	455	527	
Rate (%)	14%	17%	15%	14%	13%	21%	22%	22%	15%	21%	
Adjusted PAT	104	92	88	114	95	81	107	107.25	389	417	
EPS in Rs	16.27	14.8	14.18	16.89	14.03	12.51	16.08	17.02	59.74	66.14	

Key Performance Indicators

EBITDA%	13%	13%	13%	12%	12%	11%	12%		
PAT%	10.3%	9.5%	8.7%	11.1%	9.3%	7.3%	9.6%		
Total Billable Transac (Bn)	27.0	29.5	31.3	31.2	34.0	37.1	40.5		
Rev/ Billable Transac	0.37	0.33	0.32	0.33	0.30	0.30	0.27		
New Prod Sales (Cr)	36.8	38.5	58.9	67.3	64.3	74.5	77.5		

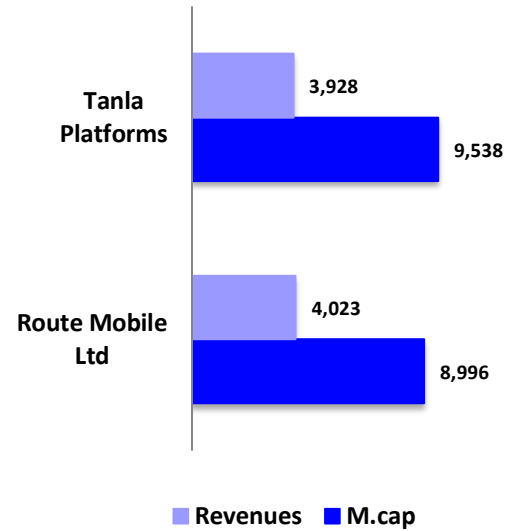
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- A communication platform as a service (CPaaS) is a cloud-based delivery architecture that enables businesses to add real-time communication capabilities.
 - It can be used to integrate features like text messaging, video-based services, and call-based help into a single application. CPaaS can be cost-efficient and flexible, allowing businesses to add or remove features as needed.
 - The Indian CPaaS market is driven primarily by increased digital customer engagement, cloud encryption, and digital transformation.
 - The India Communication Platform As A Service Market size is estimated at USD 0.81 billion in 2024, and is expected to reach USD 2.46 billion by 2029, growing at a CAGR of 24.83% during the forecast period (2024-2029).
 - For CPaaS providers, the enormous and rapidly expanding market for SMEs in India offers a significant chance to expand their operations across the ecosystem.
- The India Communications Platform-as-a-Service (CPaaS) Market is moderately fragmented, with major players like Twilio Inc., Tanla, Route Mobile, AMD Telecom (Routee), and Netcore Cloud, among others.

KEY PLAYERS in CPaaS



PEER PERFORMANCE

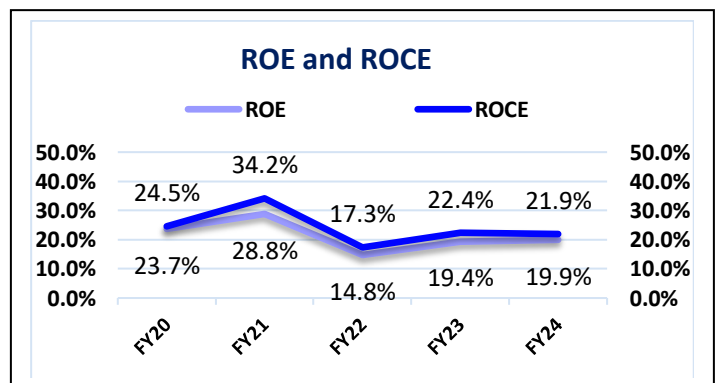
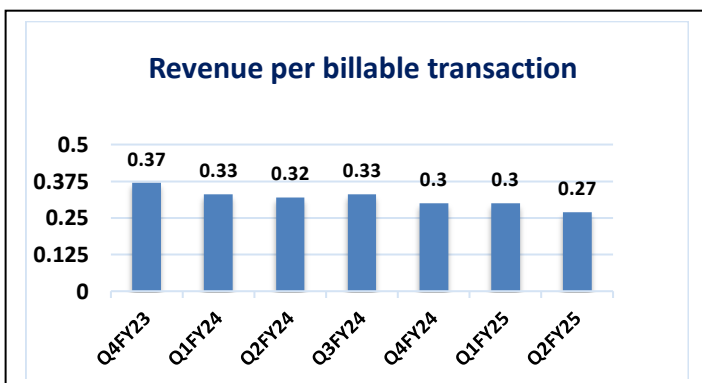
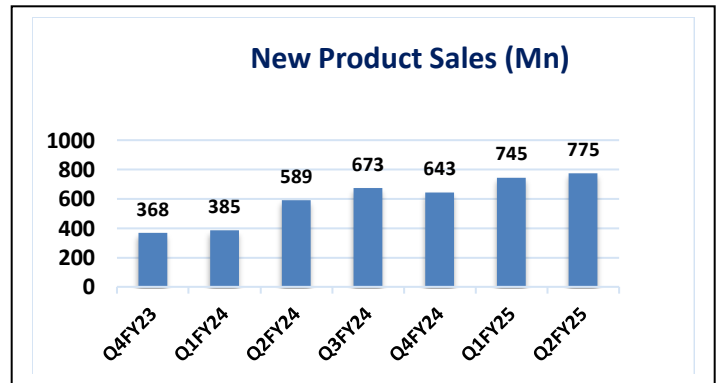
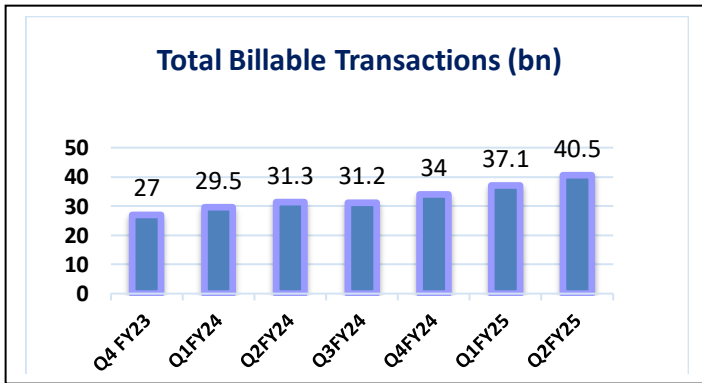
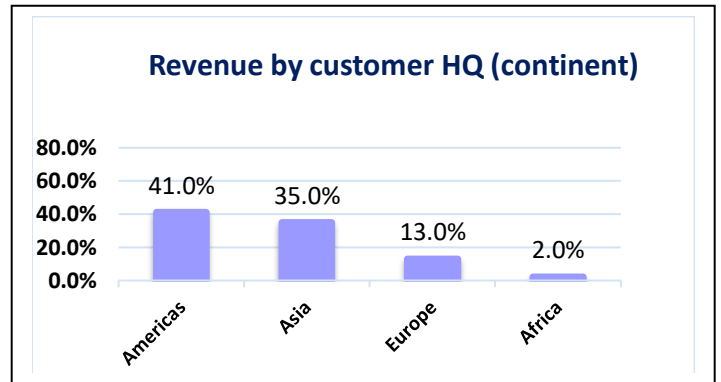
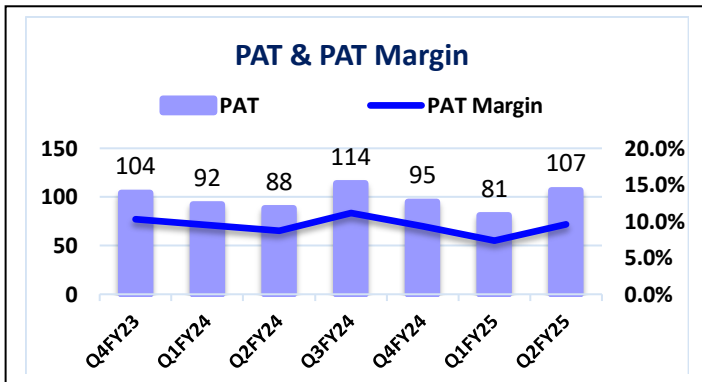
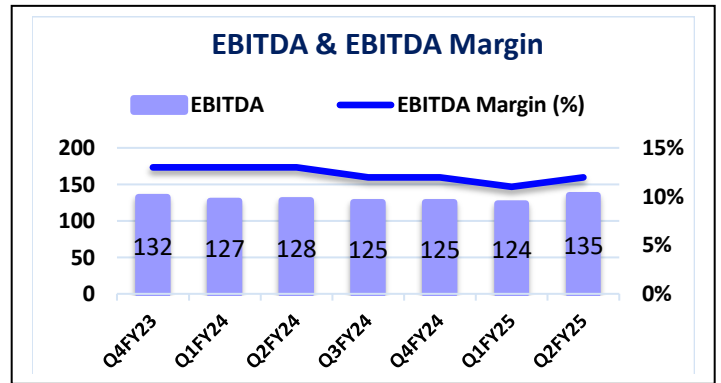
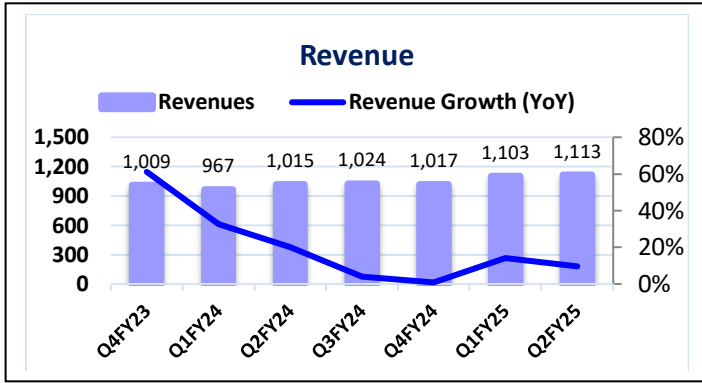
(₹ Cr)

Particulars	Route Mobile Ltd.	Tanla Platforms Ltd.
Market Cap	8,996.1	9,538.3
Net Sales	4,023.3	3,927.8
EBITDA	513.6	734.8
PAT	375.1	548.3
EPS(₹)	59.7	40.8
EBITDA MARGIN %	13.8	19.8
PAT MARGIN %	9.7	14.0
ROCE %	21.9	40.0
ROE %	19.9	32.2
P/E TTM	24.1	17.6
P/B TTM	3.8	4.5
EV/EBITDA	14.5	11.8
Dividend Yield %	0.8	1.7
MCap/ Sales TTM	2.1	2.4

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- With its robust Super Network, Route stands out as a desirable partner for enterprises, facilitating cost-effective communication across various regions.
- Route Mobile collaborates with all leading cloud service providers. Their communication platforms are seamlessly integrated into enterprise sectors, especially BFSI, ensuring efficient and reliable service delivery.
- Partnership with Proximus is aiding the company's reach into developed markets. Organic efforts would have entailed high customer acquisition costs. Rephrase
- Proximus has entered into a significant agreement with Infosys. As part of this deal, Infosys will assist in generating specific committed CPaaS revenues for Route Mobile.
- Route's business model, which necessitates minimal investment in fixed assets, contributes to its strong return ratios.
- During FY22, Route successfully completed four acquisitions, significantly expanding its footprint, particularly in LATAM and Europe.

RISK / NEGATIVE FACTORS:

- Client Concentration Risk
- Substantial increase in competitive intensity
- Failure to enter into or maintain long-term relationships with MNOs and OTT players
- Not able to maintain strategic relationships with third parties
- Inability to acquire or upgrade new technologies, clients or expand geographic reach

COMPANY RECAP

- Leading global cloud communication platform service providers to enterprises, over-the-top ("OTT") players and mobile network operators.
- Co offer omni-channel digital communication solutions, including messaging (A2P SMS, OTT Messaging, and RCS, amongst others), enterprise voice and email, to enterprise clients across the globe.
- Co's global operations included 9 direct and 26 step-down subsidiaries serving our clients through more than 35 locations across Africa, Asia Pacific, Europe, Middle East and the Americas.
- As of March 31, 2024, our global operations included 9 direct and 26 step-down subsidiaries serving our clients through more than 35 locations across Africa, Asia Pacific, Europe, Middle East and the Americas.
- In July 2023, Proximus S.A. ("Proximus"), the leading telecommunications operator in Belgium, signed Definitive Agreements to acquire 57.71% of Route Mobile and make a mandatory tender offer to acquire upto 26% of the public shareholders.

ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)	
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	
Revenue from operations	956.25	1,406.18	2,002.03	3,569.23	4,023.29	4747.48	5696.98	
Growth YoY (%)	13.21	47.05	42.37	78.28	12.72	18%	20%	
Total Expenditure	855.46	1231.28	1781.88	3124.00	3509.68	4154.05	4956.37	
(%) of sales	89.46	87.56	89	87.53	87.23	87.50%	87.00%	
EBITDA	100.79	174.9	220.15	445.23	513.61	593.44	740.61	
EBITDA Growth (%)	18.94	73.53%	25.87%	102.24%	15.36%	15.54%	24.80%	
EBITDA Margin (%)	10.54%	12.44%	11.00%	12.47%	12.77%	12.50%	13.00%	
Depreciation	22.68	25.76	38.32	81.6	86.05	88	90	
EBIT	78.11	149.14	181.83	363.63	427.56	505.44	650.61	
EBIT Growth (%)	-3.11	90.94%	21.92%	99.98%	17.58%	18.21%	28.72%	
Net Interest Expenses	5.71	3.57	6.67	21.53	29.8	48	48	
Other Income	11.85	15.98	20.06	39.4	40.48	70	50	
Earnings before Taxes	69.36	161.55	195.22	381.5	455.08	527.44	652.61	
EBT Margin (%)	7.25%	11.49%	9.75%	10.69%	11.31%	11.11%	11.46%	
Tax-Total	11.16	28.79	25.14	48.39	66.24	110.76	143.57	
Rate of tax (%)	16.09	17.82	12.88	12.68	14.56	21%	22%	
Net Profit	58.2	132.76	170.08	333.11	388.84	416.67	509.03	
PAT Growth (%)	4.86	128.11%	28.11%	95.85%	16.73%	7.16%	22.17%	
PAT Margin (%)	6.09%	9.44%	8.50%	9.33%	9.66%	8.78%	8.94%	
Minority Interest	0.07	0.57	-3.91	-6.05	-13.76	0	0	
Adjusted PAT	58.27	133.33	166.17	327.06	375.08	416.67	509.03	
EPS	11.65	23.1	26.43	52.38	59.74	66.14	80.80	
EPS Growth (%)	4.98	98.24	14.4	98.18	14.04	10.71%	22.17%	

Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	50	58	63	62	63
Reserves	219	594	1,610	1,758	2,087
Borrowings	53	20	16	140	378
Other Liabilities	302	350	964	916	934
Total Liabilities & Equity	625	1,022	2,653	2,877	3,462
Fixed Assets	176	193	952	953	898
CWIP	0	1	0	15	26
Investments	12	13	13	20	15
Other Assets	438	815	1,688	1,889	2,523
Total Assets	625	1,022	2,653	2,877	3,462

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2020	2021	2022	2023	2024
Profitability and return ratios					
Net profit margin (%)	6.09	9.44	8.50	9.33	9.66
EBITDA margin (%)	11.78	13.57	12.00	13.58	13.77
EBIT margin (%)	7.85	11.74	10.08	11.29	12.05
ROE (%)	23.65	28.81	14.75	19.37	19.90
ROCE (%)	24.50	34.15	17.34	22.40	21.94
Working Capital & liquidity ratios					
Payables (Days)	57.54	67.84	82.52	61.92	65.80
Inventory (Days)	0.00	0.00	0.00	0.00	0.00
Receivables (Days)	66.49	54.64	66.89	62.28	80.43
Current Ratio (x)	1.17	2.17	2.52	2.28	2.06
Valuations Ratios					
EV/sales (x)	-0.01	5.46	4.33	2.17	2.40
EV/EBITDA (x)	-0.10	40.22	36.07	16.01	17.41
P/E (x)	0.00	61.06	58.31	26.09	26.81
P/BV (x)	0.00	12.48	5.86	4.78	4.74
Dividend Yield (%)	0.00	0.14	0.32	0.80	0.69
Return on Assets (%)	10.53	16.20	9.27	12.05	12.27
Leverage Ratio					
Debt/Equity (x)	0.15	0.01	0.00	0.06	0.16

Cash Flow Statement					
Y/E March	2020	2021	2022	2023	2024
CF from Operating activities (A)	98	222	135	73	-98
CF from Investing Activities (B)	1	-225	-821	111	-2
CF from Financing Activities (C)	-67	211	824	-108	158
Net Cash Flow	32	208	137	76	59
Add: Opening Bal.	29	62	270	407	484
Closing Balance	62	270	407	484	542

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
13 Dec 2024	Buy	1656

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Name of the Research Analyst: ABHISHEK SHARDA

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