

**CMP: Rs 1063**

**Rating: Accumulate**

**Target Price: Rs 1325**

**Stock Info**

BSE	543228
NSE	ROUTE
Bloomberg	ROUTE IN
Sector	Communication
Face Value (Rs)	10
Equity Capital (Rs mn)	568
Mkt Cap (Rs mn)	60378
52W H/L (Rs)	1275/625
Avg Yearly Vol (in 000')	2238

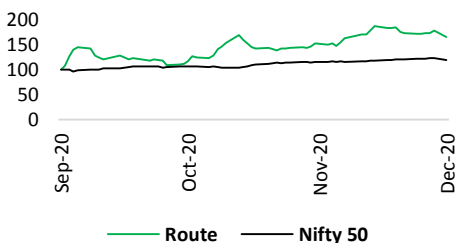
**Shareholding Pattern %**

(As on September 2020)

Promoters	66.33
Public & Others	33.67

Stock Performance (%)	3m	6m.	1 Yr
Route	53	0	0
Nifty50	20.7	30.6	9.7

**Route Mobile Price Chart**



*Route Mobile Ltd (Route), incorporated in 2004, is a Mumbai headquartered leading Cloud-communication platform provider, catering to enterprises, over-the-top (OTT) players and Mobile network operators. Their product portfolio includes smart solutions in Messaging, Voice, Email and SMS filtering, Analytics and Monetization. Route is one of the most prominent and largest CPaaS (cloud communication platform as a service) players in the world, especially in Asia, Africa & the Middle East. Route has ~300+employees and has served over 30,150 clients, since inception. They have access to 800+ networks across the globe, 255+ direct connections to Telecom operators and 3,000+ active monthly billable clients.*

**MNO focused suite of products** Route Mobile is able to diversify its service offerings in the mobile operator segment with its acquisition of 365 squared to include SMS analytics, firewall, filtering and monetization solutions. It proactively helps MNOs, identify A2P revenue leakage and monetize the same. In addition, it assists MNOs in securing their networks and improves their understanding of how A2P messages terminate on their network. On an average, its SMS firewall contracts with MNOs have a tenure of 3 years, which provides Route Mobile with reasonable visibility and stickiness of revenue from such business.

**Diversified Client base :** Route Mobile has a diverse enterprise client base across a broad range of industries including social media companies, banks, financial institutions, e-commerce entities, travel aggregators and other client facing companies. Additionally, its MNO clients include over 25 operators across 4 continents. In addition, its client base is spread across 4 continents and they had served over 30,150 clients, cumulatively since inception. In Fiscal 2018, 2019 and 2020 its 10 largest clients accounted for 36.08%, 46%, 52.50% of its revenue from operations, respectively, Its diverse global client base helps them limit its dependency on a specific client, industry or geography and reduces financial risk.

**CPaaS: Fast-growing industry; rapidly changing technology:** Various industry reports estimate the CPaaS industry to clock growth of 33-40% CAGR over FY19-24 led by a confluence of several factors-digital transformation of companies, consumers' smartphone adoption and emergence of API-based digital communication architecture. The covid pandemic has further accelerated the pace of digital communication adoption by enterprises. While emergence of new channels offers an opportunity to participate in enterprises' digital communication transformation journey, it's imperative for Route to develop the right products and processes in order to tap the same in the ever evolving competitive landscape.

**Valuation and Outlook**

At CMP of Rs 1063, is trading at PE of 76.9(x) to its FY20 EPS of Rs 13.8 and is enjoying expensive valuations due to its strong market positioning increasing market size. Company does not have any listed player as peers. We have a positive outlook on the stock from longer prospective. We value the stock at a P/E multiple of 65(x) to Its FY22E EPS to arrive at a target price of Rs 1325. Which gives a potential upside of 19% from the current level. We initiate coverage on the stock with **Accumulate** Rating.

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**Investment Rationale continued:**

**Robust Business Model:** Route operates through prepaid and post-paid business models with high operating margins and low cost base. The company has a number of clients on a pre-paid business model where the client pays upfront leading to reduced overall working capital cycle. In FY18, FY19 and FY20, 42%, 25%, 17% of revenue from operations, respectively, was through prepaid route. According to standard agreements with post-paid clients payments required to be made within 30 – 60 days. In addition to a security deposit or a credit line paid in advance, the company is required to pay MNOs within a specified period, usually ranging between 45 and 60 days. Hence, this business model provides a negative working capital cycle and supports flexibility in pricing its services. Further, revenue is directly linked to usage based on each transaction or communication sent by clients and is based on a pricing model where the prices offered can be changed based on prevailing market rates or rate increases by MNOs due to regulatory actions or legislations.

**Experienced Promoters and senior management team**

Company's Promoters, Sandipkumar Gupta and Rajdipkumar Gupta have approximately 2 decades of experience in the software and the communications sector. Rajdipkumar Gupta has extensive experience in the field of software designing and development and has wide technical and management expertise having worked with a number of organizations in India and abroad. Sandipkumar Gupta is a qualified chartered accountant and a SAP certified solution consultant - mySAP Financials - Managerial and Financial Accounting with over 19 years of experience in audit and accounts and business analysis, and over 16 years of experience in SAP configuration and software system consulting. Their experience in the software and telecommunications field, including extensive knowledge of the software life cycle and implementation strategy, is supplemented by its senior management team, which includes seasoned technology professionals with global experience, as well as professionals with deep experience in product development, strategy development, designing and installation of IT networks and network user management. Its senior management team has significant experience in all aspects of its business operations. Their management team's in-depth understanding of target markets and client demand and preferences for communications applications have enabled them to grow its business and expand its operations. Their understanding of industry trends, demands and market changes have enabled them to adapt and diversify its offerings and leverage market opportunities.

**Scalable delivery platform supported by robust infrastructure:** The company relies on various technology systems and infrastructures in providing services and solutions to their clients. Route Mobile operates on an internally developed software based cloud communication platform with capabilities to manage messaging, voice and mobile data traffic. The cloud based delivery platform builds and manages applications without having to create and maintain the underlying infrastructure for each client. Therefore, the company provides enterprises with solutions to operate applications without purchasing, configuring or managing the underlying hardware and software. Route currently operates at a throughput capacity of over 10,000 messages per second. The company has a total transaction processing capacity of up to 4bn transactions per month.

**Business Verticals:**

Company’s operations are internally aligned into the following business verticals: (i) enterprise; (ii) mobile operator; and (iii) business process outsourcing (“BPO”).

**Enterprise (83% of Total Revenue):** Its enterprise vertical primarily provides cloud based communication platform to enterprises to enable digital communication through multiple channels including RCS, A2P / P2A messaging, 2Way Messaging, OTT business messaging, enterprise email and URL shortening; and Mail2SMS. This platform also provides enterprise voice application services including interactive voice response, Click2Call, missed call facility and outbound dialer, which enable enterprises, to connect incoming and outgoing voice calls to their applications and systems. The CPaaS platform gives its current and potential customers the ability to leverage its Super Network and APIs to build out their digital communication service needs. Route Mobile provides a suite of APIs for various communication channels, across multiple geographies that are scalable and flexible to fit the customers’ requirements. It has also recently launched Route Mobile API Developer Network - a program that enables developers to leverage capabilities of its platform and seamlessly deploy digital communication features within their applications/software.

**Mobile Operator (14% of Total Revenue):** Its main service offerings in this segment include SMS analytics, firewall, filtering, monetization and CPaaS and hubbing solutions. Its analytics based SMS firewall solution helps MNOs identify grey route traffic terminating on their networks, block grey route traffic, identify the source of such grey route traffic, and monetize such traffic. It has developed multiple engagement models, to offer flexibility to MNOs while using its solution. Route Mobile typically engages with MNOs on a revenue share model when deploying this solution. Certain MNOs also engage with Route Mobile for its hubbing solution and CPaaS offerings, to leverage its global connectivity and A2P platform.

**Business Process Outsourcing (BPO) ( 3% of total Revenue) :** It Provides a range of BPO services including client support, technical support, booking and collection services. The strategic objective is to integrate its BPO capabilities with its enterprise voice platform and deliver end-to-end offerings to enterprise customers



## Company Overview ( Continued)

### History

The company was established as Routesms Solutions, a private limited company in 2004, in Mumbai (Maharashtra). Route's overall journey can be divided into three phases. During Phase 1, the company started operations to cater to the global market and an aggregator of traffic to gain MNO access. During this period, it hosted Short Message Service Centres (SMSC) in India and UK. It posted revenue of USD7mn at the end of the first phase in FY13.

During Phase 2 from FY14-17, the company transitioned from an aggregator model to a direct enterprise model. Route further opened offices in new regions like EMEA and South East Asia. During this phase, it also completed acquisitions of 365squared, Cellent Technologies, Start Corp India and Call2Connect. The company ended with revenue of USD62mn at the end of FY17.

During the third phase, which began in 2018, Route developed next gen services like RCS and OTT services. It also entered the lucrative North American market, became hubbing partners with top telecom partners globally and had a full messaging technology stack through the TeleDNA acquisition. At the end of FY20, Route posted revenue of USD131mn

### Awards & Recognition

Year	Awards & Recognition
2020	<ul style="list-style-type: none"> <li>Ranked 4th in the Tier One A2P SMS Vendor Benchmarking Report (MNO Edition) released by ROCCO</li> <li>Ranked 378th in the list of "The Next 500" by Fortune India</li> </ul>
2019	<ul style="list-style-type: none"> <li>Most Innovative Communication Solutions Provider 2019" at the CV Magazine – Technology Innovator Awards 2019</li> <li>Best Messaging Innovation – Consumer Solution at the Messaging and SMS Global Awards 2019.</li> <li>Best Governed Company under Unlisted Segment – Emerging Category at the 19th ICSI National Awards for excellence in Corporate Governance, 2019.</li> </ul>
2017	<ul style="list-style-type: none"> <li>Ranked 2nd as a Tier One A2P SMS Messaging Vendor, Report released by ROCCO</li> </ul>

### Key Risk:

- Company depends in part on the success of strategic relationship with third parties, particularly direct relationships with mobile network operations ("MNOs"). Company's inability to enter into or maintain such relationships, particularly with MNOs may adversely affect Company's business, financial condition and results of operations.
- Failures, defects, delays and other problems involving the technology systems and infrastructure on which company's rely for providing services and solutions to clients may adversely affect business , financial condition and results of operations.
- Company faces foreign exchange risks that could adversely affect company's results of operations and cash flows.

**Management Overview:****Mr. Rajdipkumar Gupta**

Mr. Rajdipkumar Gupta is the Managing Director and Group Chief Executive Officer of Route. He holds a bachelor's degree in science (physics) from the University of Mumbai and a master's diploma in software engineering from Aptech Computer Education. He is also a certified HTML programmer, Perl programmer and active server pages programmer from Brainbench. Mr. Gupta is the Promoter of the company and has been associated with Route since inception. Prior to incorporating the company, he has worked with Approved Information Systems (I) GurukulOnline Learning Solutions. He has more than 18 years of experience in the field of software designing and development.

**Mr. Sandipkumar Gupta**

Mr. Sandipkumar Gupta is Route's Non-Executive Director. He holds a bachelor's degree in commerce from the University of Mumbai. He is also a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of India. He is a SAP certified solution consultant – mySAP Financials – Managerial and Financial Accounting. Mr. Gupta is also the Promoter of the company and has been associated with Route since inception. Prior to incorporating Route, he has worked with Covansys (India) and PricewaterhouseCoopers. He has over 19 years of experience in audit and accounts and business analysis, and over 15 years of experience in SAP configuration and software system consulting.

**Mr. Gautam Badalia**

Mr. Gautam Badalia is the Chief Strategy Officer of Route. He holds a bachelor's degree in economics from the University of Calcutta and a master's degree in Business Administration (finance) from ICFAI University. He has 13 years of experience in investment banking, mergers & acquisitions and structured finance. Prior to joining Route, Mr. Badalia worked with YES Securities (India). He is responsible for development and execution of strategic initiatives to support long term growth of Route and enhance shareholders value.

**Mr. Suresh Jankar**

Mr. Suresh Jankar is the Chief Financial Officer of Route. He holds a bachelor's degree in commerce from the University of Pune and is a qualified Chartered Accountant from the Institute of Chartered Accounts of India. He has 10 years of experience in finance sector. Prior to joining Route, Mr. Jankar has worked with Capricorn Lifestyle. He leads the finance and accounts team and is responsible for activities pertaining to the accounts of Route in India.

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### Industry Outlook

Current State of Communications-as-a-Service (“CPaaS”).

Mobile channels are becoming increasingly important for brands and enterprises to connect with customers, with service providers looking to offer a comprehensive platform that enables the management of this communication. These are CPaaS platforms. CPaaS platform is defined as a service or solution that enables brands and advertisers to communicate to clients through multiple outbound online and mobile channels via a singular centralised platform. There are a number of services that can be considered part of CPaaS platform, including messaging technologies such as SMS, Rich Communication Services (“RCS”) and OTT messaging applications. Also offered are push notifications, voice services and email.

PRODUCT & POSITION	Disruptors & Emulators	Leading Challengers	Established Leaders
	Extensive breadth, depth and /or range	CM.com, Kaleyra, Plivo	Route Mobile, Infobip, Sinch, IMI Mobile
	Mid-market or segment focused	Comviva, OpenMarket, Soprano Design	Syniverse
Niche	GMS Worldwide, mGage, Mitto	Interop Technologies, Twilio	
Aspiring		Developing	Expansive

**JUNIPER RESEARCH**

	Capacity & Capability				Product & Positioning					
	Size of Operations in the CPaaS Sector	Experience in the CPaaS Sector	Geographical Reach of Operations	Marketing & Branding Strength	Financial Size in the CPaaS Sector	Breadth and Depth of CPaaS Technologies	Service Innovation over CPaaS Platforms	Notable Product Deployments	Industry Coverage of CPaaS Deployments	Future Business Products in the CPaaS Sector
CM.com	●	●	●	●	●	●	●	●	●	●
Comviva	●	●	●	●	●	●	●	●	●	●
GMS Worldwide	●	●	●	●	●	●	●	●	●	●
Infobip	●	●	●	●	●	●	●	●	●	●
Interop Technologies	●	●	●	●	●	●	●	●	●	●
Kaleyra	●	●	●	●	●	●	●	●	●	●
mGage	●	●	●	●	●	●	●	●	●	●
Mitto	●	●	●	●	●	●	●	●	●	●
OpenMarket	●	●	●	●	●	●	●	●	●	●
Route Mobile	●	●	●	●	●	●	●	●	●	●
Syniverse	●	●	●	●	●	●	●	●	●	●
Sinch	●	●	●	●	●	●	●	●	●	●
Twilio	●	●	●	●	●	●	●	●	●	●
IMI Mobile	●	●	●	●	●	●	●	●	●	●
Plivo	●	●	●	●	●	●	●	●	●	●
Soprano Design	●	●	●	●	●	●	●	●	●	●

HIGH ●●●● LOW



## Q2FY21 Result analysis &amp; Important Highlights

Rs Mn (Route Mobiles Ltd.)	Q2FY21	Q1FY21	Q2FY20	Q-o-Q	Y-o-Y	H1FY21	H1FY20	YoY
<b>Net Revenue</b>	<b>3,493</b>	<b>3,096</b>	<b>1,966</b>	<b>12.81%</b>	<b>77.68%</b>	<b>6589</b>	<b>4263</b>	55%
Purchase of messaging services	2,813	2,494	1,570	12.77%	79.13%	5307	3423	55%
Employee cost	146	130	143	11.79%	1.64%	276	296	-7%
Other Expenses	116	95	80	21.53%	44.12%	211	165	28%
<b>EBITDA</b>	<b>418</b>	<b>376</b>	<b>172</b>	<b>11.19%</b>	<b>143.68%</b>	<b>794</b>	<b>379</b>	110%
<i>EBITDA margin %</i>	<i>12.0%</i>	<i>12.2%</i>	<i>8.7%</i>	<i>-17bps</i>	<i>324bps</i>	<i>12.1%</i>	<i>8.9%</i>	<i>320 bps</i>
Other Income	52	27	48	94.89%	8.31%	79	79	0%
Depreciation	68	60	53	12.99%	27.75%	128	106	21%
<b>EBIT</b>	<b>402</b>	<b>343</b>	<b>167</b>	<b>17.42%</b>	<b>141.54%</b>	<b>745</b>	<b>352</b>	112%
Finance cost	9	10	10	-11%	-12%	19	22	-14%
Exceptional Item	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>394</b>	<b>333</b>	<b>157</b>	<b>18.27%</b>	<b>151.26%</b>	<b>727</b>	<b>330</b>	120%
Tax Expense	66	64	27	4.66%	149.00%	130	68	92%
Effective tax rate %	16.9%	19.1%	17.0%	-220bps	-15bps	17.9%	20.5%	
<b>PAT</b>	<b>327</b>	<b>269</b>	<b>130</b>	<b>21.48%</b>	<b>151.72%</b>	<b>597</b>	<b>262</b>	127%
<i>PAT margin %</i>	<i>9.4%</i>	<i>8.7%</i>	<i>6.6%</i>	<i>67bps</i>	<i>276bps</i>	<i>9.1%</i>	<i>6.2%</i>	<i>290bps</i>
<b>EPS (Rs)</b>	<b>6.5</b>	<b>5.4</b>	<b>2.6</b>	<b>19.2%</b>	<b>153.3%</b>	<b>11.9</b>	<b>5.2</b>	128%

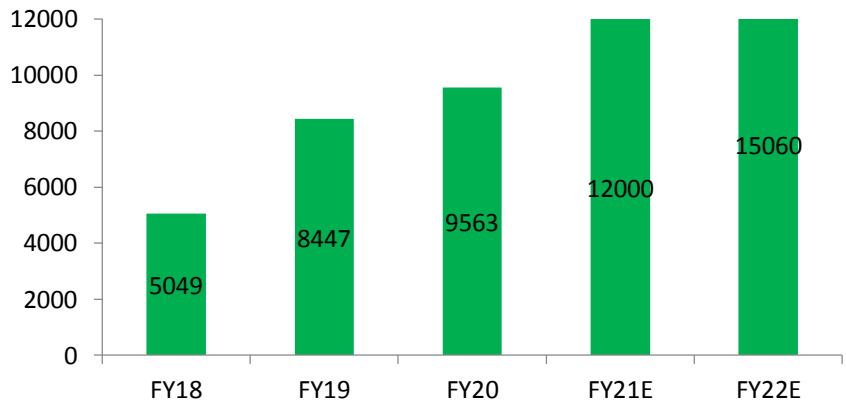
- Revenue from operation grew by 77% YOY and 12.8% QOQ in Q2FY21 to Rs 3,493mn. backed by healthy revenue growth across all geographies.
- EBIDTA grew by 144% YoY and 11% QoQ to Rs 418mn in Q2FY21 backed by healthy top line growth and better operational efficiency. EBIDTA margin expanded by 324 bps YoY in Q2FY21 to 12.0%.
- Growth in operating profit and lower Finance cost aided bottom line growth. PAT grew by 151%YoY & 21.4%in QOQ in Q2FY21. PAT margin expanded by 276 bps YoY and 67 bps QOQ to 9.4%.
- On a half yearly basis again company demonstrated similar growth trajectory. Revenue growth of 55%on a YOY basis from Rs 4,263 million in H1 FY 2020 to Rs 6,589 million in H1 FY 2021.EBITDA margin improved from 8.9% in H1 FY20 to 12.1% in H1 FY21 affecting high operating leverage of the business. PAT margin again grew from 6.2% to 9.1% for the same period and PAT grew almost 127% on a YOY basis.
- In terms of recurring revenue that has demonstrated almost a 60% strong recurring revenue growth and net revenue retention of 139% so that kind of depicts the quality standards and the kind of deliverability that company offers to client and hence company has been able to garner higher wallet share from existing clients.
- In terms of geographical revenue mix, Company is a dominant player in emerging markets and has been clocking super normal growth rates in most of the countries in the emerging markets be it in APAC, MEA or LATAM, Company's focus towards driving growth in this market continues undeterred and a lot of this is also attributed to the firewall acquisition that it have done that has really augured well in terms of the acting as a catalyst to drive the growth or being the technology partner with the MNOs in the emerging markets.
- Company have added about 164 clients in H1 FY2021 including two global Fortune 500 companies. During this pandemic what company has witnessed from enterprise is that they have started to adopt the next generation of messaging be it a WhatsApp, Viber, Management is seeing a lot of use cases wherein enterprises are increasingly looking at the new age messaging so that is where company has been able to on board almost 47 new clients and for the existing A2P business which continues to be company's cash cow, we have added about 117 clients.

## Financial Performance Analysis

### Strong revenue growth momentum to sustain

Over the past three years over FY18-FY20, Route has reported 24% revenue CAGR from 5,049 mn in FY18 to Rs 9,563 mn driven by strong growth in A2P volumes and a couple of tuck-in acquisitions. While the industry was growing at a slower pace, Route could capture higher volume market share due to its direct connect with 240+ operators. Scaling up to find a place in the top-5 clients has been one of the key reasons for Route's stupendous revenue growth. Over FY18-20, revenue contribution from the top-5 clients jumped to 40.6% from 24.9%. We believe the company could capture this growth as it could leverage its connectivity with multiple operators and focus on these accounts. Strong traction in the top-5 accounts and further hunting of other accounts will be key for growth, in our view.

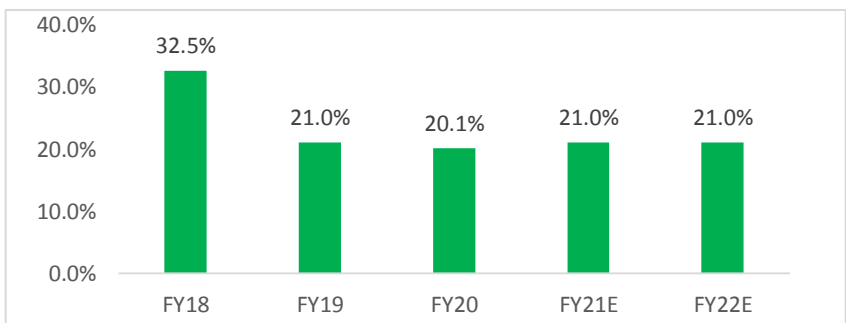
#### Exhibit 8 : Revenue. Chart (Rs in mn)



### Gross Margin to remain steady going ahead.

Route was enjoying higher gross margin of 33% in FY18 due to higher proportion of revenue coming from international geographies, which entailed higher gross margin. However, as the mix changed, the company's gross margin dipped to 20.1% in FY20. We do not estimate further downfall as we expect the business mix to remain the same and gross margin to remain at 21% going ahead in FY21E & FY22E. While the company's gross margin has fallen, its other expenses have grown at a much slower pace than revenue. Employee and other expenses as a % of revenue have dipped from 17.6% in FY17 to 9.7% in FY20. We expect this trend of lower operating cost growth versus revenue to sustain, which will lead to strong EBITDA growth going ahead. EBITDA is expected to grow at a CAGR of 31.3% over FY20 to FY22E and EBITDA margin to remain in range of 11-12% going ahead.

#### Gross Margin Chart





## Company's Key Strategies

### Continue to focus on developer community program

Route Mobile API Developer or RAPID network is an initiative to formally launch its developer community program. The objective of this program is to enable developers to leverage the capabilities of its CPaaS platform and seamlessly deploy communication features within their applications / software. Through the developer community program, they are in the process of adopting a bi-modal go-to-market strategy. The developer community program primarily will focus on agility, enabling developers and their enterprises to experiment with its APIs and leverage its platform to improve their digital communication solutions. Their business partners, system integrators and third party developers will have access to an online portal with APIs allowing them to integrate with its platform and develop digital communication solutions for end-users.

### Enhance service offerings through inorganic opportunities

Since Fiscal 2017, Route Mobile has expanded its operations through a number of acquisitions and successfully integrated these businesses into its operations. They continue to focus on building its presence in new markets and addressing the need for cloud-communications services in new industries. They intend to continue its strategic expansion plans through inorganic growth opportunities in new markets and geographies allowing them to complement its existing operations. Through strategic acquisitions, Route Mobile intends to increase the scale of its operations, access new clients and enter high-growth geographies in a cost-effective manner.

In conjunction with its organic growth strategies, Route Mobile intends to pursue strategic acquisitions or investments by selectively evaluating targets in order to increase its product and service offerings, expand its existing client base and its geographic reach to strengthen its position as a global cloud-communication platform services provider.

## Valuation and Outlook

At CMP of Rs 1063, is trading at PE of 76.9(x) to its FY20 EPS of Rs 13.8 and is enjoying expensive valuations due to its strong market positioning increasing market size. We have a positive outlook on the stock from longer prospective, Considering increasing internet penetration and more and more cloud communication services used by enterprise the size of global A2P market is expected to grow at a healthy rate in the coming years Route Mobile being ranked 2nd globally in tier 1 A 2 P service provider is likely to benefit Diversified and global client base across industries, scalable delivery platform supported by good Infrastructure, robust business model with consistent financial track record are the key positive factors which augur well for the company. We value the stock at a P/E multiple of 65(x) to Its FY22E EPS to arrive at a target price of Rs 1325. Which gives a potential upside of 19% from the current level. We initiate coverage on the stock with **Accumulate** Rating.

## Consolidated Financial Statement

## Income Statement

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E
<b>Revenues</b>	<b>5,049</b>	<b>8,447</b>	<b>9,563</b>	<b>12,000</b>	<b>15,060</b>
Change (%)	67.3%	13.2%	25.5%	25.5%	67.3%
Cost of Goods Sold	2,513	2,851	2,428	2,711	3,160
Employee costs	505	554	582	720	904
<b>Other expenses</b>	<b>381</b>	<b>300</b>	<b>341</b>	<b>428</b>	<b>537</b>
Total operating Expense	<b>4,294</b>	<b>7,524</b>	<b>8,564</b>	<b>10,628</b>	<b>13,338</b>
<b>EBITDA</b>	<b>756</b>	<b>923</b>	<b>998</b>	<b>1,372</b>	<b>1,722</b>
Other Income	45	77	119	119	119
Depreciation	158	219	227	304	389
Interest	78	131	49	40	42
<b>PBT</b>	<b>565</b>	<b>650</b>	<b>841</b>	<b>1,147</b>	<b>1,409</b>
Extra-ordinary	0	0	0	0	0
<b>PBT after ext-ord.</b>	<b>565</b>	<b>650</b>	<b>841</b>	<b>1,147</b>	<b>1,409</b>
Tax	98	105	150	205	252
Rate (%)	17.4%	16.1%	17.9%	17.9%	17.9%
<b>PAT</b>	<b>467</b>	<b>545</b>	<b>691</b>	<b>942</b>	<b>1,158</b>
Change (%)		16.8%	26.7%	36.3%	22.9%

Source: Company, Arihant Research

## Balance Sheet

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E
<b>Sources of Funds</b>					
Share Capital	500	500	500	568	568
Reserves & Surplus	1,109	1,618	2,204	5,320	6,285
Minority Interest	-7	-19	-22	-	-
<b>Net Worth</b>	<b>1,602</b>	<b>2,099</b>	<b>2,682</b>	<b>5,888</b>	<b>6,853</b>
Long term debt	36	40	37	40	42
Short term debt	778	732	373	300	312
<b>Total Debt</b>	<b>814</b>	<b>772</b>	<b>410</b>	<b>340</b>	<b>355</b>
Deferred Tax and other liability	2,058	2,187	3,173	3,388	4,137
<b>Capital Employed</b>	<b>4,474</b>	<b>5,058</b>	<b>6,265</b>	<b>9,616</b>	<b>11,345</b>
<b>Application of Funds</b>					
Net Block	207	217	224	304	389
other intangible Asset	1,806	1,649	1,543	1,804	1,693
Deferred Tax & other Non Current Asset	169	212	383	600	600
Other Non-Current Assets	95	163	75	75	75
<b>Non Current Asset</b>	<b>2,277</b>	<b>2,241</b>	<b>2,226</b>	<b>2,783</b>	<b>2,758</b>
Investments	0	107	118	125	125
Debtors	973	1,447	2,037	2,301	2,888
Cash & bank balance	320	362	744	1,458	2,127
other Financial & Current Asset	198	307	859	1,085	1,362
<b>Total current assets</b>	<b>2,197</b>	<b>2,817</b>	<b>4,039</b>	<b>6,834</b>	<b>8,587</b>
<b>Total Assets</b>	<b>4,474</b>	<b>5,058</b>	<b>6,265</b>	<b>9,616</b>	<b>11,345</b>

## Consolidated Financial Statement

## Cash Flow Statement

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E
<b>PBT</b>	<b>565</b>	<b>650</b>	<b>841</b>	<b>1,147</b>	<b>1,409</b>
Depreciation	158	219	227	304	389
Interst Exp	78	131	49	40	42
Other Non Cash Item	-11	-47	-40	-10	-10
Cash flow before WC changes	790	953	1,077	1,481	1,831
<b>(Inc)/dec in working capital</b>	<b>-384</b>	<b>-597</b>	<b>61</b>	<b>-604</b>	<b>-407</b>
Operating CF after WC changes	406	349	1,113	876	1,424
Less: Taxes	-84	-66	-180	-205	-252
<b>Operating cash flow</b>	<b>322</b>	<b>284</b>	<b>934</b>	<b>672</b>	<b>1,173</b>
(Inc)/dec in F.A + CWIP	-59	-105	-73	-79	-86
(Pur)/sale of investment	0	-100	-11	-7	0
<b>Other Investing activity</b>	<b>-1,244</b>	<b>155</b>	<b>75</b>	<b>25</b>	<b>26</b>
<b>Cash flow from investing</b>	<b>-1,304</b>	<b>-50</b>	<b>-9</b>	<b>-61</b>	<b>-59</b>
<b>Free cash flow (FCF)</b>	<b>262</b>	<b>178</b>	<b>861</b>	<b>593</b>	<b>1,087</b>
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	-157	-193
Other Interest exp	-8	-18	-28	-40	-42
Proceed from fresh Issue of equity share				2,400	
<b>Cash flow from financing activities</b>	<b>424</b>	<b>-226</b>	<b>-623</b>	<b>2,111</b>	<b>-224</b>
<b>Net inc/(dec) in cash</b>	<b>-578</b>	<b>58</b>	<b>309</b>	<b>2,722</b>	<b>890</b>
Opening balance of cash	808	234	291	601	3,322
Closing balance of cash	234	291	601	3,322	4,212

## Key Ratios

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E
<b>Per share (Rs)</b>					
EPS	9.3	10.9	13.8	16.6	20.4
CEPS	12.5	15.3	18.4	21.9	27.2
BVPS	32.0	42.0	53.6	103.7	120.6
DPS	1.5	1.4	2.9	2.8	3.4
<b>Valuation (x)</b>					
P/E	0.0	0.0	76.9	64.1	52.2
P/BV	0.0	0.0	19.8	10.3	8.8
EV/EBITDA	0.0	0.0	52.6	41.8	32.8
<b>Return Ratios (%)</b>					
Gross Margin	32.5%	21.0%	20.1%	21.0%	21.0%
EBIDTA Margin	15.0%	10.9%	10.4%	11.4%	11.4%
PAT Margin	9.2%	6.5%	7.2%	7.9%	7.7%
ROE	29.1%	26.0%	25.8%	16.0%	16.9%
ROCE	24.7%	24.5%	24.9%	17.2%	18.5%
<b>Leverage Ratio (%)</b>					
Total D/E	0.5	0.4	0.2	0.1	0.1
<b>Turnover Ratios</b>					
Asset Turnover (x)	1.1	1.7	1.5	1.2	1.3
Receivable Days	70	63	78	70	70
Payable days	41	26	69	51	51

Source: Company, Arianth Research

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**Stock Rating Scale**

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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