Choice
Nurturing Financial Excellence

# IPO REPORT

“SUBSCRIBE” to

## Route Mobile Ltd.

**Presence in lucrative mobile technology services**

# IPO UPDATE

07th Sept. 2020

Choice
Nurturing Financial Excellence

## Salient features of the IPO:

- Cloud communications service provider, **Route Mobile Ltd.** (RML), is planning to raise up to Rs. 6,000mn through an IPO, which will open on 09th Sept. and close on 11th Sept. 2020. The price band is Rs. 345 - 350 per share.
- The issue is a combination of fresh (Rs. 2,400mn) and OFS (Rs. 3,600mn). The company will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, Rs. 365mn will be utilized towards repayment or prepayment in part or in full of the existing loan facilities availed by the company; Rs. 830mn will be used for acquisitions & other strategic investments and Rs. 650mn will be used in purchasing an office premises in Mumbai. Rest of the amount will be utilized for general corporate purposes.

## Key competitive strengths:

- Omni-channel cloud communication platform service provider with diversified service offerings for enterprises
- MNO focused suite of products
- Global connectivity through established relationships with MNOs
- Diversified and global client base across industries serviced locally
- Scalable delivery platform supported by robust infrastructure
- Robust business model and consistent financial track record
- Experienced promoters and senior management team

## Risk and concerns:

- Subdued economic growth and lower demand of the company's product
- Delay in the acquisition and related integration
- Inability to address the changing and evolving customer needs
- Unfavorable movement in forex rates
- Intense competition
- Difficulty in maintaining the profitability

**Peer comparison and valuation:** There are no listed peers, whose business operations are comparable to RML. At the higher price band of Rs. 350 per share, RML's share is valued at a P/E multiple of 28.8x (to its restated FY20 EPS of Rs. 12.2).

***Below are few key observations of the issue: (continued in next page)***

- Established in 2004, RML is among the global leading cloud-communication platform as a service (CPaaS) providers to enterprises, over-the-top (OTT) players and mobile network operators (MNO). According to the ROCCO Report 2020, it is ranked as a tier one application-to-peer (A2P) service provider internationally. The company is an associate member of the GSMA and an accredited open hub connectivity solution provider with its internally developed cloud communications platform allowing it to handle both A2P and peer-to-peer (P2P) traffic for enterprises, OTT players and MNOs.
- The company assists enterprises in their digital communication strategy by enabling multiple channels of communication to deliver messages to their stakeholders - including customers, suppliers, and employees. Enterprises can choose to communicate with the end user through select channels, for example SMS, or through multiple channels including SMS, OTT business messaging, voice and email amongst others.

| Recommendation | SUBSCRIBE |
|---|---|
| Price Band | Rs. 345 - 350 per Share |
| Face Value | Rs. 10 |
| Shares for Fresh Issue | 6.857 - 6.957mn shares |
| Shares for OFS | 10.286 - 10.435mn shares |
| Fresh Issue Size | Rs. 2,400mn |
| OFS Issue Size | Rs. 3,600mn |
| Total Issue Size | 17.143 - 17.391mn shares (Rs. 6,000mn) |
| Bidding Date | 09th Sept. - 11th Sept. 2020 |
| MCAP at Higher Price Band | Rs. 19,900mn |
| Enterprise Value at Higher Price Band | Rs. 16,771mn |
| Book Running Lead Manager | ICICI Securities Ltd., Axis Capital Ltd., Edelweiss Financial Services Ltd. and IDBI Capital Markets & Securities Ltd. |
| Registrar | KFin Technologies Pvt. Ltd. |
| Sector/Industry | Communication aggregator |
| Promoters | Mr. Sandip Kumar Gupta and Mr. Rajdip Kumar Gupta |

**Issue breakup**

| Category | Percent of issue (%) | Number of shares (mn) |
|---|---|---|
| QIB portion | 50% | 8.571 - 8.696mn shares |
| Non institutional portion | 15% | 2.571 - 2.609mn shares |
| Retail portion | 35% | 6 - 6.087mn shares |

**Indicative IPO process time line**

| | |
|---|---|
| Finalization of basis of allotment | 16th Sept. 2020 |
| Unblocking of ASBA account | 17th Sept. 2020 |
| Credit to demat accounts | 18th Sept. 2020 |
| Commencement of trading | 21st Sept. 2020 |

**Pre and post - issue shareholding pattern**

| | Pre - Issue | Post - Issue |
|---|---|---|
| Promoter & Promoter Group | 96.00% | 66.33% |
| Public | 4.00% | 33.67% |
| **Total** | **100.00%** | **100.00%** |

**Retail application money at higher cut-off price per lot**

| | |
|---|---|
| Number of Shares per Lot | 40 |
| Application Money | Rs. 14,000 per Lot |

**Analyst**

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- RML operates on a cost plus markup business model. Its range of enterprise communication services includes A2P/peer-to-application (P2A)/2Way Messaging, Rich Communication Services (RCS), OTT business messaging, voice, email, and omni-channel communication. Further, it also offers SMS analytics, firewall, filtering and monetization, SMS hubbing and Instant Virtual Number solutions to MNOs across the globe. Its clients include some of the world's largest and well-known organizations, including a number of Fortune Global 500 companies.

## Peer comparison and valuation (Contd…):

| Company name | Face value (Rs.) | CMP (Rs.) | MCAP (Rs. mn) | EV (Rs. mn) | Stock return (%) 1 W | 1 M | 3 M | 1 Y | Operating revenue (Rs. mn) | EBITDA (Rs. mn) | PAT (Rs. mn) | EBITDA margin (%) | PAT margin (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Route Mobile Ltd.** | **10** | **350** | **19,900** | **16,771** | | | | | **9,563** | **998** | **692** | **10.4%** | **7.2%** |
| Tata Communications Ltd. | 10 | 912 | 259,835 | 334,988 | 9.9% | 90.0% | 158.8% | 114.0% | 170,680 | 32,629 | (860) | 19.1% | -0.5% |
| Tanla Solutions Ltd. | 1 | 228 | 34,753 | 32,747 | 80.1% | 235.2% | 234.4% | 314.3% | 19,428 | 1,850 | (2,112) | 9.5% | -10.9% |
| **Average** | | | | | | | | | | | | **21.3%** | **15.5%** |

| Company Name | EPS (Rs.) | BVPS (Rs.) | DPS (Rs.) | Debt Equity Ratio | Total Asset Turnover Ratio | RoE (%) | RoCE (%) | P / E (x) | P / B (x) | EV / Sales (x) | EV / EBITDA (x) | MCAP / Sales (x) | Earning Yield (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Route Mobile Ltd.** | **12.2** | **89.8** | **2.6** | **0.1** | **1.1** | **13.6%** | **14.8%** | **28.8** | **3.9** | **1.8** | **16.8** | **2.1** | **3.5%** |
| Tata Communications Ltd. | (3.0) | (44.9) | 3.5 | (7.1) | 0.8 | | 8.6% | (302.3) | (20.3) | 2.0 | 10.3 | 1.5 | -0.3% |
| Tanla Solutions Ltd. | (13.9) | 46.1 | 5.5 | 0.0 | 1.6 | -30.1% | -26.9% | (16.5) | 5.0 | 1.7 | 17.7 | 1.8 | -6.1% |
| **Average** | | | **4.5** | **(3.6)** | **1.2** | **-30.1%** | **-9.1%** | **(159.4)** | **(7.7)** | **1.8** | **14.0** | **1.7** | **-3.2%** |

*Note: All financial data are of FY20; Source: Choice Broking Research*

- RML has established direct relationships with MNOs, which assist it in providing its clients with high quality global connectivity in a cost effective manner. As of 30th Jun. 2020, it had direct relationships with over 240 MNOs and four short messaging service centers hosted in various geographies across the globe, which provides its enterprise clients access more than 800 networks across the world. Wide reach also helps the company in attracting varied categories of enterprises that needs to communicate with their clients.
- RML's leadership position as a cloud-communication service provider is supported by its global operations covering 18 locations across Africa, Asia Pacific, Europe, Middle East and North America. Cumulatively since inception, its enterprise client base has grown from over 16,000 clients in FY15 to over 26,700 clients in FY20 and to over 30,150 clients in Q1 FY21, from a broad range of industries including social media companies, banks, financial institutions, e-commerce entities, travel aggregators and other client facing companies. RML's diverse global client base helps it to limit its dependency on a specific client, industry or geography thereby reducing the operating and financial risk. Over FY18-20, the company generated an average 82.5% of the revenue from global operations, while the rest from domestic operations.
- Its internally developed cloud-based delivery platform is scalable and requires limited capex when a new client is added or there is a spurt in message traffic volumes. Currently the company operates at a throughput capacity of over 10,000 messages per second. According to the ROCCO Report 2017, RML was ranked first for value added services provided, implementation process and uptime performance among tier one vendors. According to the management, these parameters ensure low latency and high availability of robust infrastructure for the clients.
- With growing internet penetration, business models are evolving and cloud communication services are being used by enterprises for streamlining back-end operations as well as for engaging with customers, employees and other stakeholders. A2P due to its reach is currently the largest enterprise cloud communication segment. The size of the global A2P messaging market was USD 37.9bn in 2017 and is estimated to grow at 4.4% CAGR over 2022 to reach at USD 46.9bn. Market growth seems to be low, but most of the tier one service providers are growing at relatively higher rates. RML with its access to key global telecom markets and association with various global organizations is expected to benefit from the expansion in the A2P market.
- RML has reported a short financial history with mixed set of performance. Over FY18-20, the company's business has grown organically and inorganically, but profitability declined. During the period, it has made couple of acquisitions to boost its product offerings. Decline in EBITDA margin was mainly due to its focus on emerging markets enterprise business. Over FY18-20, the company reported a 37.6% CAGR rise in consolidated top-line to Rs. 9,562.5mn in FY20. EBITDA increased by 14.9% CAGR with 453bps contraction in margin from 15% in FY18 to 10.4% in FY20. PAT increased by 20.2% CAGR to stand at Rs. 691.7mn in FY20. PAT margin contracted by 224bps to remain at 7.2% in FY20. The company had a positive operating cash flow over FY18-20, which increased by 70.4% CAGR. Average operating cash flow during the period was at around Rs. 513.6mn. Average RoIC and RoE during the period stood at 30% and 27.2%, respectively.
- Based on our quick conservative estimate, we are estimating a 17.9% CAGR rise in top-line over FY20-23 to Rs. 15,670.1mn in FY23. EBITDA and PAT are anticipated to grow by 21.7% and 27.4%, respectively. EBITDA and PAT margins are likely to expand by 104bps and 190bps, respectively.
- There are no listed domestic peers, whose business operations are comparable to RML. Above peers are the proxy peers and have small presence in the services offered by RML. Most of its international peers are loss making. At the higher price band, the demanded P/E valuation is 28.8x, which we believe is attractive for a company engaged in mobile technology services. A2P messaging services are most widely used by the enterprise and post-Covid world, migration to digital world will accelerate. RML has certain business moat like scale, collaboration with MNOs etc., which may act as an entry barrier for a new player. Considering the above observations, we assign a "**SUBSCRIBE**" rating for the issue.

## About the issue:

- RML is coming up with an IPO with 17.143 - 17.391mn shares (fresh issue: 6.857 - 6.957mn shares; OFS shares: 10.286 - 10.435mn shares) in offering. The offer represents around 30.15% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 6,000mn.

- The issue will open on 09th Sept. 2020 and close on 11th Sept. 2020.

- The issue is through book building process with a price band of Rs. 345 - 350 per share.

- Since the issue is a combination of fresh and OFS, the company will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, Rs. 365mn will be utilized towards repayment or prepayment, in part or in full, of the existing loan facilities availed by the company; Rs. 830mn will be used for acquisitions & other strategic investments and Rs. 650mn will be used in purchasing an office premises in Mumbai. Rest of the amount will be utilized for general corporate purposes.

- 50% of the net issue shall be allocated on a proportionate basis to qualified institutional buyers, while rest 15% and 35% is reserved for non-institutional bidders and retail investors, respectively.

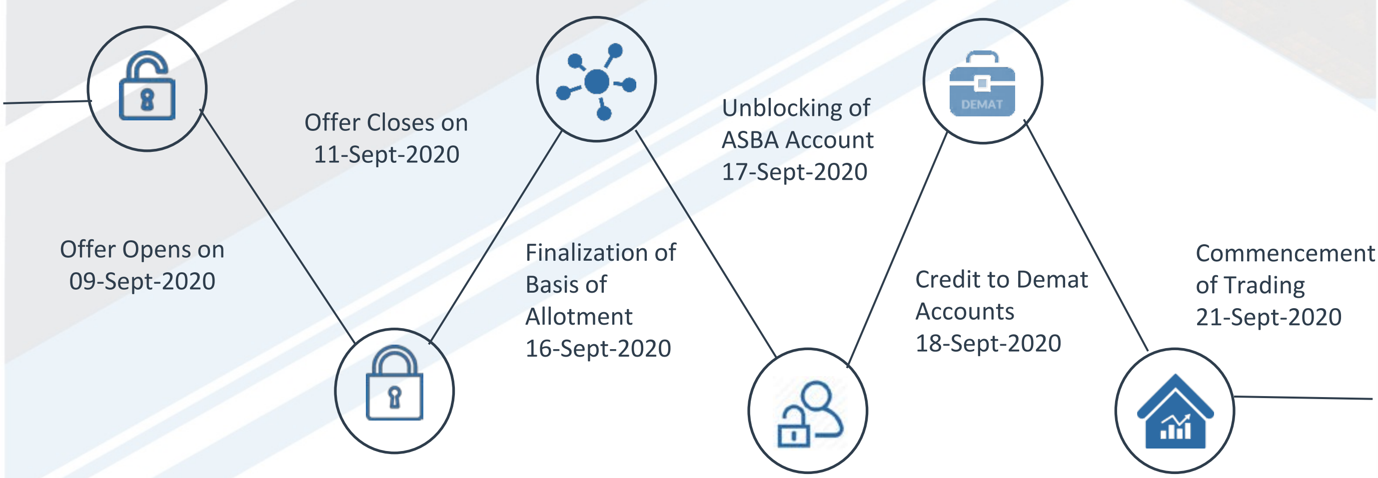
- Promoter holds 96% stake in the company and post-IPO this will come down to 66.33%. Public holding will increase from current 4% to 33.67%.

**Pre and post issue shareholding pattern (%)**

| | Pre Issue | Post Issue (at higher price band) |
|---|---|---|
| Promoter & Promoter Group | 96.00% | 66.33% |
| Public | 4.00% | 33.67% |

*Source: Choice Equity Broking*

## Indicative IPO process time line:



**Company introduction:**

**RML** provides cloud CPaaS to enterprises, OTT players and MNO. According to the ROCCO Report 2020, it is ranked as a tier one A2P service provider internationally. Further, the company was ranked second globally as a tier one A2P service provider in 2017. It was also ranked first for value added services provided, implementation process and uptime performance among tier one vendors. (Source: RHP).

RML'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 30$^{th}$ Jun. 2020), enabling it 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 RCS business messaging, offering multiple channels of communication to enterprises. Its omni-channel platform enables enterprises to leverage various modes of digital communication to engage with their stakeholders - including customers, employees and vendors.

The company has range of enterprise communication services including A2P/peer-to-application (P2A)/2Way Messaging, RCS, OTT business messaging, voice, email, and omni-channel communication. Further, it also offers SMS analytics, firewall, filtering and monetization, SMS hubbing and Instant Virtual Number solutions to MNOs across the globe. Its clients include some of the world's largest and well-known organizations, including a number of Fortune Global 500 companies.

RML was incorporated in 2004 and is headquartered in Mumbai, India. As of 30$^{th}$ Jun. 2020, it has serviced over 30,150 clients, cumulatively since inception, across sectors including social media, banking and financial services, aviation, retail, internet/ e-commerce, logistics, healthcare, hospitality, media and entertainment, pharmaceuticals and telecom. As on 2$^{nd}$ Sept. 2020, RML's global operations included nine direct and 12 step-down subsidiaries serving clients through 18 locations across Africa, Asia Pacific, Europe, Middle East and North America. Consistent with its strategy of pursuing inorganic growth to deepen relationship with MNOs and broaden its product and service portfolio, the company acquired 365squared Ltd. with effect from 1$^{st}$ Oct. 2017, which operates in SMS analytics, firewall, filtering and monetization. Further, it also acquired Call2Connect, effective 1$^{st}$ Apr. 2017, a company which offers voice, non-voice and consulting BPO services to some of the largest enterprises in India.

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

**Enterprise vertical:** 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. Its 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. RML's CPaaS platform gives its current and potential customers the ability to leverage the Super Network and APIs to build out their digital communication service needs. The company also provides a suite of APIs for various communication channels, across multiple geographies that are scalable and flexible to fit the customer's requirements. It has also 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:** RML's main service offerings in this segment include SMS analytics, firewall, filtering, monetization and CPaaS & 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. The company has developed multiple engagement models, to offer flexibility to MNOs while using its solution. RML typically engages with MNOs on a revenue share model when deploying this solution. Certain MNOs also engage with the company for hubbing solution and CPaaS offerings, to leverage its global connectivity and A2P platform.

**Company introduction (Contd…):**

**BPO:** RML provides a range of BPO services including client support, technical support, booking and collection services. Its strategic objective is to integrate BPO capabilities with its enterprise voice platform and deliver end-to-end offerings to enterprise customers.

The company is an associate member of the GSMA and an accredited open hub connectivity solution provider with its internally developed cloud communications platform allowing it to handle both A2P and peer-to-peer (P2P) traffic for enterprises, OTT players and MNOs. In addition, Route Mobile (UK) Ltd. is also an associate member of GSMA. In Q1 FY21, through its cloud communications platform, the company processed more than 6.95bn billable transactions. In FY20, it managed more than 30.31bn billable transactions from its clients and was used by more than 2,700 clients. In FY19, the company managed more than 24.74bn billable transactions.

**Competition:** The cloud communications market is characterized by fragmented and highly competitive market participants. RML competes with other global A2P service providers including Syniverse and Mblox in the United States, SAP Mobile in Germany and CLX in Sweden. The company is able to differentiate itself from local, domestic players in the space, through its global reach and ability to service large enterprise customers across multiple geographies.

## Company introduction (Contd…):

**Financial performance:** RML has reported a short financial history with mixed set of performance. Over FY18-20, the company's business has grown organically and inorganically, but profitability declined. During the period, it has made couple of acquisitions to boost its product offerings. Decline in EBITDA margin was mainly due to its focus on emerging markets enterprise business.

Over FY18-20, the company reported a 37.6% CAGR rise in consolidated top-line to Rs. 9,562.5mn in FY20. This was on the back of 20.1% and 14.5% CAGR rise in the billable transaction volume and blended realization, respectively. In Q1 FY21, top-line stood at Rs. 3,096.1mn.

RML purchases messaging services from mobile operators, the cost of which is around 80% of the top-line in FY20. The same stood at 67.5% in FY18. Consequently, cost of the purchase of messaging services increased by 49.8% CAGR over FY18-20. Employee cost increased by 7.4% CAGR, while other expenses declined by 5.5% CAGR during the period. Consolidated EBITDA increased by 14.9% CAGR (a rate lower than top-line growth) with 453bps contraction in margin from 15% in FY18 to 10.4% in FY20. In Q1 FY21, EBITDA stood at Rs. 376.2mn with a margin of 12.1%. Q1 margin improved mainly due to pandemic related cost reduction, so its not sustainable.

Depreciation charge increased by 19.7% CAGR over FY18-20. With the decline in debt levels, finance cost declined by 21% CAGR. Other income increased by 61.6% and tax charge increased by 23.7% CAGR. As a result, over FY18-20 reported PAT increased by 20.2% CAGR to stand at Rs. 691.7mn in FY20. PAT margin contracted by 224bps to remain at 7.2% in FY20. In Q1 FY21 PAT stood at Rs. 270.9mn with a margin of 8.7%.

The company had a positive operating cash flow over FY18-20, which increased by 70.4% CAGR. Average operating cash flow during the period was at around Rs. 513.6mn. Average RoIC and RoE during the period stood at 30% and 27.2%, respectively.

| Consolidated financial snapshot (Rs. mn) | FY18 | FY19 | FY20 | Q1 FY21 | CAGR (%) | Y-o-Y (%) |
|---|---|---|---|---|---|---|
| Messaging services | 4,896.3 | 8,223.2 | 9,274.7 | 3,047.2 | 37.6% | 12.8% |
| Call center services | 153.2 | 223.5 | 287.8 | 48.9 | 37.1% | 28.8% |
| **Revenue from operations** | **5,049.5** | **8,446.7** | **9,562.5** | **3,096.1** | **37.6%** | **13.2%** |
| EBITDA | 756.0 | 922.5 | 998.2 | 376.2 | 14.9% | 8.2% |
| Reported PAT | 478.4 | 559.5 | 691.7 | 270.9 | 20.2% | 23.6% |
| | | | | | | |
| Restated adjusted EPS | 8.4 | 9.8 | 12.2 | 4.8 | | 23.6% |
| | | | | | | |
| Cash flow from operating activities | 321.8 | 284.6 | 934.4 | 811.3 | 70.4% | 228.3% |
| NOPLAT | 481.9 | 582.4 | 672.1 | 266.7 | 18.1% | 15.4% |
| FCF | | 211.0 | 276.7 | | | 31.2% |
| | | | | | | |
| RoIC (%) | 30.8% | 30.6% | 28.6% | | (223) bps | (204) bps |
| | | | | | | |
| Revenue growth rate (%) | | 67.3% | 13.2% | | | (5,407) bps |
| EBITDA growth rate (%) | | 22.0% | 8.2% | | | (1,383) bps |
| EBITDA margin (%) | 15.0% | 10.9% | 10.4% | 12.1% | (453) bps | (48) bps |
| EBIT growth rate (%) | | 17.8% | 9.6% | | | (818) bps |
| EBIT margin (%) | 11.8% | 8.3% | 8.1% | 10.2% | (377) bps | (27) bps |
| Restated adjusted PAT growth rate (%) | | 16.9% | 23.6% | | | 670 bps |
| Restated adjusted PAT margin (%) | 9.5% | 6.6% | 7.2% | 8.7% | (224) bps | 61 bps |
| | | | | | | |
| Fixed asset turnover ratio (x) | 2.5 | 4.5 | 5.4 | 1.8 | 46.9% | 19.6% |
| Total asset turnover ratio (x) | 1.1 | 1.7 | 1.5 | 0.5 | 16.3% | -8.6% |
| Net debt (Rs.) | (210.0) | (288.6) | (728.8) | (1,280.2) | 86.3% | 152.5% |
| Debt to equity (x) | 0.5 | 0.4 | 0.2 | 0.1 | -44.9% | -57.9% |
| Net debt to EBITDA (x) | (0.3) | (0.3) | (0.7) | (3.4) | 62.1% | 133.4% |
| | | | | | | |
| RoE (%) | 29.7% | 26.4% | 25.6% | 9.1% | (416) bps | (83) bps |
| RoA (%) | 10.7% | 11.1% | 11.0% | 4.3% | 34 bps | (2) bps |
| RoCE (%) | 32.7% | 30.9% | 27.5% | 10.3% | (524) bps | (347) bps |

*Source: Choice Equity Broking*

## Competitive strengths:

- Omni-channel cloud communication platform service provider with diversified service offerings for enterprises
- MNO focused suite of products
- Global connectivity through established relationships with MNOs
- Diversified and global client base across industries serviced locally
- Scalable delivery platform supported by robust infrastructure
- Robust business model and consistent financial track record
- Experienced promoters and senior management team

## Business strategy:

- Continue to develop omni-channel digital communication offerings and innovative solutions
- Continue to focus on developer community program
- Enhance service offerings through inorganic opportunities
- Grow presence in additional markets to serve clients locally
- Leverage CPaaS platform and BPO expertise to deliver virtual contact center solutions


## Risk and concerns:

- Subdued economic growth and lower demand of the company's product
- Delay in the acquisition and related integration
- Inability to address the changing and evolving customer needs
- Unfavorable movement in forex rates
- Intense competition
- Difficulty in maintaining the profitability

## Financial statements:

| Consolidated profit and loss statement (Rs. mn) | FY18 | FY19 | FY20 | Q1 FY21 | CAGR over FY18 - 20 (%) | Annual Growth over FY19 (%) |
|---|---|---|---|---|---|---|
| **Revenue from operations** | **5,049.5** | **8,446.7** | **9,562.5** | **3,096.1** | **37.6%** | **13.2%** |
| Purchases of messaging services | (3,407.5) | (6,670.2) | (7,641.6) | (2,494.2) | 49.8% | 14.6% |
| Employee benefits expense | (504.6) | (554.5) | (582.0) | (130.3) | 7.4% | 5.0% |
| Other expenses | (381.5) | (299.5) | (340.8) | (95.4) | -5.5% | 13.8% |
| **EBITDA** | **756.0** | **922.5** | **998.2** | **376.2** | **14.9%** | **8.2%** |
| Depreciation and amortization expense | (158.4) | (218.7) | (226.8) | (60.2) | 19.7% | 3.7% |
| **EBIT** | **597.6** | **703.8** | **771.4** | **315.9** | **13.6%** | **9.6%** |
| Finance costs | (78.0) | (130.9) | (48.7) | (9.9) | -21.0% | -62.8% |
| Other income | 45.4 | 77.1 | 118.5 | 26.8 | 61.6% | 53.7% |
| **PBT** | **564.9** | **650.0** | **841.2** | **332.9** | **22.0%** | **29.4%** |
| Tax expenses | (98.2) | (104.7) | (150.2) | (63.5) | 23.7% | 43.4% |
| **PAT before minority interest** | **466.8** | **545.3** | **691.0** | **269.3** | **21.7%** | **26.7%** |
| Minority interest | 11.7 | 14.1 | 0.6 | 1.5 | -76.6% | -95.5% |
| **Reported PAT** | **478.4** | **559.5** | **691.7** | **270.9** | **20.2%** | **23.6%** |

| Consolidated balance sheet statement (Rs. mn) | FY18 | FY19 | FY20 | Q1 FY21 | CAGR over FY18 - 20 (%) | Annual Growth over FY19 (%) |
|---|---|---|---|---|---|---|
| Equity share Capital | 500.0 | 500.0 | 500.0 | 500.0 | 0.0% | 0.0% |
| Other equity | 1,108.5 | 1,617.8 | 2,203.7 | 2,470.2 | 41.0% | 36.2% |
| Minority interest | (6.6) | (18.8) | (21.7) | (23.3) | 81.5% | 15.3% |
| Long term borrowings | 38.3 | 42.9 | 43.1 | 42.4 | 6.1% | 0.3% |
| Long term lease liabilities | 172.6 | 117.8 | 56.2 | 47.3 | -42.9% | -52.3% |
| Long term provisions | 14.2 | 15.6 | 22.3 | 24.1 | 25.3% | 43.0% |
| Long term net deferred tax liability | 0.5 | 0.2 | 5.1 | 4.9 | 228.8% | 3286.7% |
| Short term borrowings | 777.7 | 731.6 | 373.6 | 388.2 | -30.7% | -48.9% |
| Current lease liabilities | 48.1 | 53.8 | 58.8 | 53.3 | 10.6% | 9.5% |
| Other current financial liabilities | 998.2 | 1,049.8 | 874.3 | 579.2 | -6.4% | -16.7% |
| Trade payables | 561.2 | 597.4 | 1,812.6 | 1,717.4 | 79.7% | 203.4% |
| Short term provisions | 7.6 | 5.8 | 8.3 | 8.2 | 3.9% | 43.5% |
| Current net tax liabilities | 37.9 | 116.4 | 243.8 | 303.2 | 153.6% | 109.5% |
| Other current liabilities | 215.4 | 227.6 | 85.4 | 233.3 | -37.0% | -62.5% |
| **Total liabilities** | **4,473.7** | **5,057.8** | **6,265.5** | **6,348.3** | **18.3%** | **23.9%** |
| | | | | | | |
| Property, plant and equipment | 207.3 | 217.2 | 224.3 | 212.8 | 4.0% | 3.3% |
| Other intangible assets | 755.1 | 644.0 | 590.9 | 556.8 | -11.5% | -8.2% |
| Intangibles assets under development | | 21.3 | | | | -100.0% |
| Goodwill | 841.4 | 831.2 | 854.5 | 851.5 | 0.8% | 2.8% |
| Right of use assets | 209.6 | 152.8 | 96.6 | 82.8 | -32.1% | -36.8% |
| Other long term financial assets | 42.7 | 47.1 | 162.0 | 275.1 | 94.7% | 243.6% |
| Long term net deferred tax assets | 68.5 | 75.1 | 38.3 | 26.9 | -25.2% | -49.0% |
| Long term net tax assets | 57.8 | 89.5 | 182.8 | 164.2 | 77.9% | 104.3% |
| Other long term assets | 95.2 | 162.7 | 75.2 | 20.8 | -11.1% | -53.8% |
| Trade receivables | 972.9 | 1,447.1 | 2,037.0 | 1,840.2 | 44.7% | 40.8% |
| Current investments | | 106.7 | 119.0 | 123.9 | | 11.6% |
| Cash and cash equivalents | 1,026.0 | 956.5 | 1,026.4 | 1,586.9 | 0.0% | 7.3% |
| Other current financial assets | 41.8 | 95.8 | 106.4 | 115.8 | 59.6% | 11.1% |
| Other current assets | 155.6 | 210.9 | 752.1 | 490.6 | 119.9% | 256.7% |
| **Total assets** | **4,473.7** | **5,057.8** | **6,265.5** | **6,348.3** | **18.3%** | **23.9%** |

*Source: Choice Equity Broking*

## Financial statements:

| Consolidated cash flow statement (Rs. mn) | | | | | | |
|---|---|---|---|---|---|---|
| Particulars (Rs. mn) | FY18 | FY19 | FY20 | Q1 FY21 | CAGR over FY18 - 20 (%) | Annual Growth over FY19 (%) |
| Cash Flow Before Working Capital Changes | 789.8 | 946.9 | 1,052.9 | 420.9 | 15.5% | 11.2% |
| Change in Working Capital | (384.1) | (596.8) | 61.2 | 393.4 | | -110.3% |
| **Cash Flow from Operating Activities** | **321.8** | **284.6** | **934.4** | **811.3** | **70.4%** | **228.3%** |
| Purchase of Property , Plant & Equipment | (59.5) | (105.4) | (72.8) | (2.7) | 10.6% | -31.0% |
| **Cash Flow from Investing Activities** | **(1,302.1)** | **(50.1)** | **2.2** | **(276.8)** | | **-104.5%** |
| **Cash Flow from Financing Activities** | **423.9** | **(225.8)** | **(623.4)** | **(10.6)** | | **176.1%** |
| | | | | | | |
| **Net Cash Flow** | **(577.3)** | **58.9** | **321.2** | **524.8** | | **445.6%** |
| Opening Balance of Cash and Bank Balances | 812.4 | 235.1 | 294.0 | 615.2 | -39.8% | 25.0% |
| **Closing Balance of Cash and Bank Balances** | **235.1** | **294.0** | **615.2** | **1,139.9** | **61.7%** | **109.2%** |

| Consolidated financial ratios | | | | |
|---|---|---|---|---|
| **Particulars (Rs. mn)** | **FY18** | **FY19** | **FY20** | **Q1 FY21** |
| Revenue Growth Rate (%) | | 67.3% | 13.2% | |
| EBITDA Growth Rate (%) | | 22.0% | 8.2% | |
| EBITDA Margin (%) | 15.0% | 10.9% | 10.4% | 12.1% |
| EBIT Growth Rate (%) | | 17.8% | 9.6% | |
| EBIT Margin (%) | 11.8% | 8.3% | 8.1% | 10.2% |
| PAT Growth Rate (%) | | 16.9% | 23.6% | |
| PAT Margin (%) | 9.5% | 6.6% | 7.2% | 8.7% |
| **Liquidity ratios** | | | | |
| Current Ratio | 0.8 | 1.0 | 1.2 | 1.3 |
| Debt Equity Ratio | 0.5 | 0.4 | 0.2 | 0.1 |
| Net Debt to EBITDA | (0.3) | (0.3) | (0.7) | (3.4) |
| **Turnover ratios** | | | | |
| Inventories Days | | | | |
| Debtor Days | 70.3 | 52.3 | 66.5 | |
| Payable Days | (60.1) | (31.7) | (57.6) | |
| Cash Conversion Cycle | 10.2 | 20.6 | 8.9 | |
| Fixed Asset Turnover Ratio (x) | 2.5 | 4.5 | 5.4 | 1.8 |
| Total Asset Turnover Ratio (x) | 1.1 | 1.7 | 1.5 | 0.5 |
| **Return ratios** | | | | |
| RoE (%) | 29.7% | 26.4% | 25.6% | 9.1% |
| RoA (%) | 10.7% | 11.1% | 11.0% | 4.3% |
| RoCE (%) | 32.7% | 30.9% | 27.5% | 10.3% |
| **Per share data** | | | | |
| Restated Reported EPS (Rs.) | 8.4 | 9.8 | 12.2 | 4.8 |
| Restated DPS (Rs.) | 1.3 | 1.3 | 2.6 | |
| Restated BVPS (Rs.) | 28.3 | 37.2 | 47.6 | 52.2 |
| Restated Operating Cash Flow Per Share (Rs.) | 5.7 | 5.0 | 16.4 | 14.3 |
| Restated Free Cash Flow Per Share (Rs.) | | 3.7 | 4.9 | |
| Dividend Payout Ratio | 15.7% | 13.4% | 21.7% | 0.0% |

*Note: Ratios calculated on pre-issue data; Source: Company RHP*

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