

Result Update – Q3FY23

- Revenue from operations grew by 75% from Rs. 5,628 million in Q3 FY22 to Rs. 9,857 million in Q3 FY23. There was a sequential growth of 16%. Route mobiles organic revenue growth excluding revenue from entities acquired during FY22 was 34% on a YOY basis and 17.2% on a sequential basis.
- Billable transactions increased from 16.3 billion in Q3 FY22 and 26.9 billion in Q2 FY23, to 27.7 billion in Q3 FY23. Average realization per billable transactions increased from 31 paisa in Q2 FY23 to 36 paise in Q3 FY23. Gross profit margin expanded from 21.1% in Q3 FY22 and 22.3% in Q2 FY23 to 22.4% in Q3 FY23.
- Adjusted EBITDA grew by 66% YoY. EBITDA grew by 17% sequentially from Rs. 1,094 million in Q2 FY23 to Rs.1,283 million in Q3 FY23. EBITDA margin was 13% in Q3 FY23 as compared to 12.9% in Q2 FY23. The effective tax rate for the quarter was 17%. Adjusted Profit after tax grew 63% on a YoY basis and 10% on a sequential basis. Adjusted tax margin was at 10.2%.
- For nine months FY23 revenue from operations grew by 86% from Rs. 13,760 million in nine months FY22 to Rs.25,606 million in nine months FY23. In terms of certain KPIs for nine months, Route mobiles organic revenue growth excluding revenue from entities acquired during FY22 was 36% on a YoY basis.
- Billable transactions increased from 34 billion to 79 billion from nine months FY22 to nine months FY 23. Average realization per billable transaction was 32 paisa for nine months FY23. The company had a net revenue retention of 125%. They added over 700 new customers in the nine months FY 23 across all products. Gross profit margin expanded from 20.9% in nine months FY22 to 22.4% in nine months FY23.
- EBITDA grew by 72% from Rs. 1,879 million in nine months FY22 to Rs. 3,237 million in nine months FY23. In terms of operating leverage, EBITDA as a percentage of gross profits stood at 57%.EBITDA margin was at 12.6% in nine months for 9MFY23. Effective tax rate was 12.3% for 9MFY23.
- Adjusted profit per tax grew by 93% from Rs. 1,450 million in 9MFY22 to Rs. 2,803 million in 9MFY23. There was an improvement in adjusted profit margin to 10.9% in 9M23. Company added 66 new employees during Q3FY23 and 61 employees left during the year.
- Net cash as on December 31st 2022 was Rs.7482 million. Operating cash flows for three months FY23 was marginally negative owing to some strategic business initiatives towards large firewall contracts and discharge of a prior GST liability under reverse charge mechanism.

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- ❑ Route Mobile is seeing growth coming from different markets. The company is bullish on certain sectors including LatAm, Middle East etc. In India, while they were late to enter, they are making their presence felt and taking market share from competitors. Route expects that FY23 revenue guidance of 60% will be surpassed by a margin, and it expects to reach US\$175 million revenue from India in FY23.
- ❑ The company's clear growth strategy, deep customer focus and robust technology platform are tuned to deliver strong and sustainable performance year after year. We have revised our EPS estimates, We believe as the company is invested in Chile, Mexico, and Brazil which is key market growth for Route mobile within Latin will be going to benefit from FY23 onwards. We remain positive on medium-term growth prospects; its trading at 27x FY24E EPS. We maintain 'BUY' rating on the stock with revised TP of Rs.1,644.



Quarterly Results

Financial Results						
Consolidated						
(In ₹ mn)	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Net Sales	9,857	5,628	75.2%	25,606	13,760	86.1%
Operating Expense	8,612	5,019	71.6%	22,484	12,136	85.3%
EBITDA	1,246	608	104.8%	3,122	1,623	92.3%
Other Income	78	47	63.8%	248	117	112.9%
Depreciation	220	99	122.9%	604	238	153.9%
EBIT	1,103	557	98.1%	2,766	1,502	84.2%
Interest	72	6	1062.9%	155	18	774.0%
PBT	1,031	551	87.2%	2,611	1,484	75.9%
Tax	178	88	101.9%	321	258	24.5%
Consolidated PAT	854	463	84.4%	2,291	1,227	86.7%
Consolidated						
Margins	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Operating Margin %	12.6%	10.8%	183	12.2%	11.8%	39
PBT Margin %	10.5%	9.8%	67	10.2%	10.8%	-59
Net Margin %	8.7%	8.2%	43	8.9%	8.9%	3

Source: Company, Anand Rath Research



Consolidated Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	14,062	20,020	35,918	44,079
Operating Expense	12,313	17,819	31,770	38,723
EBITDA	1,749	2,202	4,149	5,356
Other Income	160	201	331	441
Depreciation	258	383	822	1,008
EBIT	1,651	2,019	3,657	4,789
Interest	36	67	87	94
PBT	1,616	1,952	3,570	4,694
Tax	288	251	536	845
Exceptional Items	6		-	-
PAT	1,333	1,701	3,035	3,849

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	47.1%	42.4%	79.4%	22.7%
PAT Growth %	128.8%	27.6%	78.4%	26.8%
Operating Margin %	12.4%	11.0%	11.6%	12.2%
Net Margin %	9.5%	8.5%	8.4%	8.7%

Source: Company, Anand Rathi Research

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Liabilities				
Equity Share Capital	577	817	817	817
Reserves & Surplus	5,944	15,908	18,943	22,792
Totat Shareholder's Funds	6,521	16,726	19,760	23,610
Minority Interest	(27)	21	21	21
Long-Term Liabilities	34	-	-	-
Other Long-term Liabilities	139	163	163	163
Deferred Tax Liability	(44)	596	596	596
Short-term Liabilities	3,550	9,028	9,878	11,999
Total	10,174	26,533	30,417	36,388
Assets				
Net Fixed Assets	1,939	9,523	6,525	7,357
Long-Term L&A	435	307	307	307
Non Current Investments	-	-	-	-
Other Non-Current Assets	103	16	16	16
Current Asset	7,697	16,688	23,570	28,708
Total	10,174	26,533	30,417	36,388

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	23.1	26.4	48.3	61.2
P/E (x)	53.2	46.5	25.5	20.1
P/B (x)	10.9	4.6	3.9	3.3
ROE	20.4%	9.9%	15.4%	16.3%

Key Risks:

- ❑ Client's misuse of the company's platform to send unauthorized text messages in violation of TRAI regulations
- ❑ Rising attrition impacting margins
- ❑ Threat of rising competitive intensity
- ❑ INR appreciation against USD, Euro and GBP



Rating and Target Price history:

ROUTE rating history & price chart



Source: Bloomberg, Anand Rath Research

NOTE: Prices are as on 31 January 2023 close.

ROUTE rating details

Date	Rating	Target Price (₹)	Share Price (₹)
24-Mar-2022	BUY	1,865	1,520
01-June-2022	BUY	1,865	1,387
16-Aug-2022	BUY	1,865	1,480
16-Nov-2022	BUY	1,644	1,332
31-Jan-2023	BUY	1,644	1,230

Source: Bloomberg, Anand Rath Research



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