

# Affle India Limited

**Issue Snapshot:**

Issue Open: July 29 – July 31, 2019

Price Band: Rs. 740 – 745

Issue Size: 6,161,074 eq shares (Fresh issue of 1,208,054 + 4,953,020 Offer for sale)

Issue Size: Rs.455.91 crs – 459.00 crs

QIB                                   atleast 75% eq sh  
Non Institutional               upto 15% eq sh  
Retail                               upto 10% eq sh

Face Value: Rs 10

Book value: Rs 29.81 (March 31, 2019)

Bid size: - 20 equity shares and in multiples thereof

100% Book built Issue

**Capital Structure:**

Pre Issue Equity:               Rs. 24.28 cr  
Post issue Equity:              Rs. 25.50 cr

Listing: BSE & NSE

Book Running Lead Manager: ICICI Securities Ltd, Nomura Financial Advisory & Services Pvt Ltd

Registrar to issue: Karvy Fintech Private Limited

**Shareholding Pattern**

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	92.17	68.38
Public & Employee	7.83	31.62
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source for this Note: RHP

\*Assuming pricing at the higher end of band

**Background & Operations:**

Affle India Ltd is a global technology business. It has two business segments: its Consumer Platform; and its Enterprise Platform. Its Consumer Platform primarily provides the following services: (1) new consumer conversions (acquisitions, engagements and transactions) through relevant mobile advertising; (2) retargeting existing consumers to complete transactions for e-commerce companies through relevant mobile advertising; and (3) an online to offline (“O2O”) platform that converts online consumer engagement into in-store walk-ins. Its Enterprise Platform primarily provides end-to-end solutions for enterprises to enhance their engagement with mobile users.

AIL’s Consumer Platform aims to enhance returns on marketing spend through delivering contextual mobile ads and reducing digital ad fraud, while proactively addressing consumer privacy expectations. As at March 31, 2019, its Affle Consumer Platform had approximately 2.02 billion consumer profiles, of which approximately 571 million were in India, 582 million were in Other Emerging Markets (which comprises Southeast Asia, the Middle East, Africa and others) and 867 million were in Developed Markets (which comprises North America, Europe, Japan, Korea and Australia). Its Consumer Platform is used by business to consumer (B2C) companies across industries, including e-commerce, fin-tech, telecom, media, retail and FMCG companies, both directly and indirectly through their advertising agencies.

AIL’s Consumer Platform benefits from broad access to mobile ad inventory through relationships with publishers and data platforms. It encourages publishers to provide with access to their mobile ad inventory by offering a platform through which they can tap into its advertisers’ marketing budgets and manage their inventory yields. It also has access to mobile display advertising inventory through real-time-bidding advertising exchanges. AIL’s proprietary optimization algorithms enable to buy media efficiently and at high scale, giving the ability to drive high volumes of CPCU-led campaigns at efficient prices. It also provides end-to-end solutions for enterprises to enhance their engagement with mobile users, such as developing Apps, enabling offline to online commerce for offline businesses with e-commerce aspirations and providing enterprise grade data analytics for online and offline companies (collectively, the “Enterprise Platform”).

AIL’s solutions are sold through its sales and marketing team, which as at May 31, 2019 comprised 51 persons across its six offices, one sales agent in Malaysia and through referrals from existing customers. Its customers include the companies for which it undertakes a mobile ad campaign as well as the advertising agencies acting for such companies. Its business is asset light and scalable as shown by the fact that its employee benefits expenses, depreciation and amortization expenses and other expenses has remained relatively unchanged despite significant changes in its revenue in the last three fiscal years.

**Objects of Issue:**

The Offer consists of the Fresh Issue and the Offer for Sale. The object of the Offer for Sale is to allow Affle Holdings to sell up to 4,953,020 Equity Shares held by it. AIL will not receive any proceeds from the Offer for Sale.

AIL intends to utilize the Net Proceeds for the following objects:

- Funding the working capital requirements of the Company; and;
- General corporate purposes.

**Schedule of Deployment**

Sr. No	Particulars	Amount to be funded from Net Proceeds	Amount to be deployed from the Net	
			FY20	FY21
1	Funding the working capital requirements of AIL	689.35	-	300
2	General Corporate purposes*	*	-	-

### Competitive Strengths

**Consumer Platform has a leading position in India; a high growth market with substantial barriers to entry:** AIL is a leading ad tech solution provider in India. As at March 31, 2019, its Affle Consumer Platform had approximately 571 million consumer profiles in India. It provides services across the value chain in digital advertising, spanning the areas of DMP, DSP/SSP, fraud detection and ad network. It is one of the very few companies that has products spanning the entire value chain. Further, it has increased its breadth of its service offerings, especially to e-commerce and mobile app driven companies, following the acquisition of Vizury Commerce Business and RevX Platform. The Indian market presents high barriers to entry given its unique challenges, such as a disjointed demographic, which is just getting habituated to digital applications (such as the use of e-commerce, digital payments, etc.) and low CPCU. In the last two calendar years, only about 25% of all Internet users in India have shopped online. This makes it a more challenging landscape for marketing tech to be able to discern the users who have the highest propensity to transact online. The range of CPCU in India is quite low compared to the global market. Achieving profitability in such a price-sensitive market is possible only for companies that are familiar with the dynamics of consumer profiles and has a track record of working alongside brands locally for years. Therefore, extensive consumer profile data, proprietary technology and local knowledge makes AIL better placed compared to global peers to deliver profitability in India.

**Proven international track record:** For the Fiscal 2019 AIL's revenue from contracts with customers outside India was Rs 1,571.88 million, which was 58.5% of its total revenue from contracts with customers. For Fiscal 2019 on a consolidated basis, its revenue from contracts with customers outside India was Rs 1,405.41 million, which 56.4% of its total revenue from contracts with customers. Its key international markets are Other Emerging Markets (which comprises Southeast Asia, the Middle East, Africa and others) and Developed Markets (which comprises North America, Europe, Japan, Korea and Australia). It has three international offices: Singapore; Jakarta (Indonesia); and Dubai (UAE). As at May 31, 2019, its international offices had 11 sales staff and its India offices had 13 sales staff focussed on international markets. As at May 31, 2019, it also had one sales agent in Malaysia. The global ad tech market is expected to grow at a CAGR of 10% from US\$34 billion in Fiscal 2017 to US\$54 billion in Fiscal 2022.

**Profitable, low-cost business model built on an asset light, automated and scalable platform:** AIL's Affle Consumer Platform is the result of over 13 years of focused research and development and investment. Its Affle Consumer Platform is supported by a flexible and scalable infrastructure, built in-house using cloud computing infrastructure. Its Affle Consumer Platform consists of proprietary machine and deep learning algorithm for prediction and recommendation that operates in real time and at significant scale. Over time, as it has attracted more marketing budgets and delivered advertisements, its data assets have grown. As a result, the accuracy of prediction and recommendation algorithm for AIL's Affle Consumer Platform has improved, enabling to deliver even more precisely targeted and personalised advertisements. As AIL's ability to generate actions improves with increased user intelligence and targeting, more businesses will use the company's Affle Consumer Platform and increase their marketing spend with it. This network effect will continue to fuel AIL's growth.

**As at March 31, 2019, AIL's Affle Consumer Platform had approximately 2.02 billion consumer profiles:** As at March 31, 2019, AIL's Affle Consumer Platform had approximately 2.02 billion consumer profiles, of which approximately (a) 571 million consumer profiles were in India, (b) 582 million consumer profiles were in Other Emerging Markets; and (c) 867 million consumer profiles were in Developed Markets. For Fiscal 2019, its Affle Consumer Platform accumulated over 300 billion data points. It continually accumulates consumer profiles and data points. It is in the process of integrating the consumer profiles and the related consumer data points of its Vizury Commerce Business, the RevX Platform and the Shoffr Platform with its Affle Consumer Platform. Subsequent to the completion of this integration, AIL will see a significant qualitative increase in its consumer profiles and the related data points. By dynamically matching what to be users' intent or interest with relevant advertisements, AIL is able to deliver more relevant and engaging experiences to consumers, which are therefore more likely to lead to the desired action, such as the downloading of an App or the purchase of a product or service, on the basis of which it earns revenue. Therefore, having significant number of consumer profiles and data points enables to expand into markets and deliver results to its customers for its Consumer Platform more quickly and at lower costs.

**Growth driven, global customer base:** AIL works with customers who are likely to grow, which helps to grow in the various countries in which its customers provide services. It is engaged to run ad campaigns either directly by the advertisers or indirectly via advertising agencies. Global advertising spend is managed largely through six major advertising agency groups: WPP (GroupM); Publicis; Omnicom (OMG); Dentsu Aegis Network (DAN); Interpublic Group (IPG) Mediabrands and Havas. (Source: Frost & Sullivan Report). It currently works with all of the top six global advertising agency groups and with other mobile focussed advertising agencies, such as M&C Saatchi Mobile, and with domestic advertising agencies, such as Interactive Avenues and Madison.

**Addressing digital fraud and data safety issues that are prevalent in the industry:** AIL's mFaaS platform helps to detect fraud on a real time basis, thus minimising wastage of marketing spend. It processes large volumes of click and conversion data using multiple algorithms to detect patterns of indicative or definitive fraud. mFaaS sets AIL apart from its competitors as it offers a real time solution for addressing fraud, which is a major issue for online advertising. mFaaS also helps advertising agencies, advertising networks and publishers to optimise the spend on marketing for their customers by helping weed out significant amounts of fraudulent traffic. mTraction (v4.0) CDP is accredited

under the Accreditation@SG Digital (SG:D) programme by the Info-communications Media Development Authority (“IMDA”), a Singapore government statutory board under the Ministry of Communications and Information. Its accreditation by IMDA strengthens that AIL follow the highest standards in product development, business practices, data security and scalability.

**Vizury Commerce Business and RevX Platform expand engagement with e-commerce companies to include retargeting services and Vizury Commerce Business expands reach in the Middle East and Africa:** AIL’s Affle Consumer Platform, which is mainly focussed on delivering new consumer acquisitions, has run mobile advertising campaigns for some of the largest e-commerce and mobile app companies in the world. It’s Vizury Commerce Business and the RevX Platform offer retargeting services for e-commerce companies. As a result of its acquisition of the Vizury Commerce Business and the RevX Platform, it has the opportunity to avail of business synergies where the Vizury Commerce Business and the RevX Platform can offer retargeting services to customers of its Affle Consumer Platform and vice versa. In addition, AIL’s Vizury Commerce Business is primarily focussed on the Middle East and Africa, which is a market in which it is planning to expand its Affle Consumer Platform in.

**Experienced and dedicated Key Management Personnel, who are ably supported by other employees:** AIL has an experienced and dedicated team of Key Management Personnel, with significant experience in all aspects of its business operations. Its stable, senior management team has helped in successfully implementing development and operating strategies over the years. Its executive Key Management Personnel’s understanding of the industry trends, demands and market changes, has enabled to adapt and diversify its operating capabilities and take advantage of market opportunities. Its Key Management Personnel are ably supported by its employees. As at May 31, 2019, it had 236 employees, 100 of whom are R&D personnel focusing on areas of machine learning, artificial intelligence and fraud analytics, among other areas.

#### Business Strategy:

**Enhance Affle Consumer Platform’s revenue from existing and new customers in India and acquire new consumer profiles beyond Tier 1 cities:** The ad tech market in India is fast growing, with a market size of US\$304.9 million in 2017 and will likely grow at a CAGR of 39% to US\$808 million by 2022. Revenue from contracts with customers from the Consumer Platform on an unconsolidated basis has grown by 40.0% from Rs 769.40 million in Fiscal 2018 to Rs 1,076.83 million in Fiscal 2019. It intends to continue to grow its Affle Consumer Platform business in India by increasing its revenue from existing customers by deepening relationships with them. However, with further increase in avenues for digital payments, accelerated broadband penetration, and an increasing number of product options across the breadth of the country, the market has the potential to grow to US\$130 billion over the same time period. Over the last two calendar years, approximately 25% of all internet users in India has shopped online and the number of e-commerce shoppers is forecast to grow at a CAGR of 33.7% from 100 million in 2017 to 320 million in 2022. Historically, it has primarily focused on gaining consumer profiles in Tier 1 cities. In addition to focusing on consumers in Tier 1 cities, it intends to increase the number of consumer profiles in Tier 2 cities, Tier 3 cities and rural markets, which are areas that its customers have not placed much emphasis on to date. AIL has partnered in the past with Micromax Informatics Ltd. in order to enhance its consumer intelligence and it intend to continue to do that in the future, which will enable to increase its consumer intelligence in Tier 2 cities, Tier 3 cities and rural markets. In addition, AIL will encourage its Affle Consumer Platform’s customers to put more emphasis on ad campaigns that focus on consumers in Tier 2 cities, Tier 3 cities and rural markets, which will increase its consumer profile base in those areas.

**Expand international business through local business development efforts and through referrals from existing customers:** As at March 31, 2019, AIL’s Affle Consumer Platform had approximately 2.02 billion consumer profiles, of which approximately 571 million were in India and 1,449 million were outside of India (approximately 582 million in Other Emerging Markets and 867 million in Developed Markets). For the Fiscal 2019 on a consolidated basis, the average CPCU was Rs 25.3 in India, Rs 60.2 in Other Emerging Markets and Rs 114.1 in Developed Markets. It currently has business development teams outside India in Singapore, Jakarta (Indonesia) and Dubai (UAE) (it opened an office in Dubai in March 2019). AIL’s plan for increasing its business development efforts outside India is to build a business development team in North America during Fiscal 2020 to service the North American market. This is to win more advertising campaigns with local and international companies operating in the region by demonstrating its successful track record internationally and through its on the ground presence to deliver better support and build more trust with the market participants.

**Drive further penetration in its top customers and deliver more converted users for large e-commerce companies:** During Fiscal 2019, AIL had 80% recurrence of the Company’s top 10 customers for Fiscal 2018 on an unconsolidated basis and during Fiscal 2018, The Company had 100% recurrence of Company’s top 10 customers for Fiscal 2017 on an unconsolidated basis. For Fiscal 2019 on an unconsolidated basis, AIL’s top customer was an advertising agency group. The revenue from the company’s top customer grew at a CAGR of 56.0% over the last three fiscal years. One of its goals is for its Consumer Platform to deliver more converted users for large e-commerce companies, such as Amazon, Flipkart and Gojek globally by being part of their expansion plans. AIL delivered converted users for Amazon and its related group entities in 21 countries across North America, South America, Southeast Asia, Europe, the Middle East and Africa in Fiscal 2019 on a consolidated basis.

**Continue to invest in and develop technological capabilities:** AIL intends to continue devoting substantial resources on its research and development efforts. As at May 31, 2019, it had 100 full-time employees in its research and development team. To expand research and development efforts by recruiting more employees. It plans to continue to invest more in research and development into: artificial intelligence, machine learning and deep learning in identifying and classifying its consumer profiles; a combination of data science and artificial intelligence, machine learning and deep learning in identifying fraud; moving to cloud agnostic platforms to enable multi-cloud deployments; and using database lakes that utilise multiple best of breed database technologies to distribute the data load and reduce costs and in some cases increase the speed of processing.

**Continue to develop award-winning fraudulent data detection and prevention platform:** mFaaS sets AIL apart from its competitors as it offers a real time solution for addressing fraud, which is a major issue for mobile advertising. Its fraud detection technology needs to continually evolve to counter and stay ahead of persons engaged in ad fraud. It intends to continue to build more fraud checks to detect and prevent mobile advertisement fraud and hence ensuring actual returns to its customers. It has also applied for 10 patents in India covering various algorithms in the area of digital fraud detection, all of which are pending.

**Continue to selectively pursue acquisitions:** AIL has successfully acquired and integrated businesses, including Markt in March 2018, which it acquired as it had an offline to online commerce platform through which it could enhance its platform propositions for e-commerce companies. It acquired the Vizury Commerce Business effective September 1, 2018, the Shoffr Platform Business on May 18, 2019, effective February 19, 2019, and the RevX Platform Business on June 28, 2019, effective April 1, 2019. It looks to continue acquiring businesses, assets, and technologies that complement its existing capabilities, revenue streams and marketing presence and which will result in sustainable financial growth. Its pre-deal assessment examines the key attributes of the potential target, with a focus on the target's knowledge, customers and expected future financial results. It looks for targets that (a) have complementing teams, technology and data that strengthen its strategic focus and facilitate an efficient expansion into other emerging markets, (b) have complementing customer relationships such that an acquisition and the integrated technology and data that accompanies it would foreseeably result in enhanced growth and an increase in recurrence and retention of customers and (c) will enhance value for its shareholders, through increasing the profitability of the target and an increased price-to-earnings multiple of the target post-acquisition.

**Cross-sell solutions:** The solutions in AIL's Enterprise Platform enable offline to online commerce for currently offline businesses. Its Enterprise Platform solutions create a new segment of potential customers for its Consumer Platform. Having developed a relationship with them through helping them build an e-commerce business, is ideally placed to help them get customers for their online business through its Affle Consumer Platform and to re-target those customers through the solutions in its Vizury Commerce Business and the RevX Platform. Global e-commerce revenue was US\$2.29 trillion in 2017, which comprised only 10% of the total global retail sales, thereby providing significant opportunity in the medium to long term to enable the shift to e-commerce globally.

## Industry

### The Growing Impact of E-Commerce

E-commerce comprised one-tenth of the total global retail sales at USD 2.29 trillion (Source: eMarketer 2017), with about a fifth of this contribution coming from the United States. The U.S. has over 200 million e-commerce users (comprising 74% of its Internet users) and generated about USD 460 billion in 2017. This market is expected to grow to 250 million by 2022, exceeding USD 640 billion in revenue. The Indian e-commerce market had revenues of USD 38.5 billion in 2017 and is likely to grow at a CAGR of 12.4% to USD 69.2 billion by 2022. However, with further increase in avenues for digital payments, accelerated broadband penetration, and an increasing number of product options across the breadth of the country, the market has the potential to grow to USD 130 billion over the same time period. M-commerce (goods and services purchased via mobile) contributed about 55% of the total Indian e-commerce market in 2017. With increasing data speeds, along with falling data access prices, this is likely to grow to over 70% of the e-commerce market by 2022.

### Regional Focus across India

Transactions from Tier 2 cities and beyond are growing 3X faster than metropolitan cities, unleashing an untapped market for the next growth phase. Initiatives by the government including the Jan DhanYojana-Aadhaar-Mobile (JAM) scheme, and Unified Payments Interface (UPI) have led to the adoption of digital payments. While they are yet to drive critical mass in adoption, they will be essential in boosting large-scale uptake among rural users.

### Targeting the e-commerce shopper in India

E-commerce spending in India is still reserved and currently at an annual average of USD 385 compared to USD 1,700 in the U.S.

### The Growing Influence of Amazon over the Internet

Apart from the U.S., which continues to be its single biggest market, the company has had considerable success in Germany, Japan, the U.K., China and India, and through its international shipping feature enables selling to customers across 100 countries.

### China's Growth Trends: Holding up a Mirror to India

India with its 1.3 billion people represents a significant market potential for any business, but for sceptics, its prospects are marred by its challenges, such as inadequate infrastructure, poor access to broadband and technology, and regulatory and taxation roadblocks. However, several initiatives taken over the last decade including electrification, BharatNet, Aadhar, GST, telecom spectrum allocation, higher FDI approvals, among others, have triggered rapid change that will eventually cause significant growth, and native business catering to local demand will stand to benefit.

China faced similar scepticism in the late nineties and early 2000s, but grew to become a formidable world economy over the past two decades riding on the back of investment in public infrastructure, manufacturing, its rural economy and technology. Such stimulus boosted GDP per capita 4x from 2000 to 2010 and increased FDI inflows. Once on this trajectory, China's growth only spiralled leading to transformation across sectors including information, communication and technology.

China's Internet penetration grew by leaps and bounds from 2006 onwards, also reflecting a similar trend in e-commerce adoption. By 2016, China's digital economy accounted for USD 3.4 trillion contributing to over 30% of the country's GDP. China's digital economy has been fuelled by its state-driven and local enterprises that have constantly customized their offerings to suit the highly populous but fragmented demographic.

### The Advertising and the Ad Tech Industry

India is one of the very few markets in the world where advertising spends are likely to grow at double digits. While adversely impacted by demonetisation and the introduction of GST in 2017, the industry grew by 9.6% in 2017 compared to 11.9% in 2016, increasing spends driven by e-commerce, major events such as IPL and World Cup FIFA, as well as campaigns for the upcoming elections in 2019 will likely boost higher growth at 12.5% to reach USD 8.1 billion in 2018, and a CAGR of 13% to USD 13.2 billion by 2022.

Digital advertising spend in India has ramped up in growth over the past three years. It gained USD 1.1 billion in revenue in 2017 and will likely grow at a CAGR of 28.6% to USD 4 billion. A segment that is fuelling growth for digital segment is mobile advertising, driven by 4G penetration, cost-effective data packages, proliferation of the mobile apps and social media, M-commerce and rapid growth in smartphone penetration. Mobile advertisement spend is expected to grow at a CAGR of 32.7% to reach USD 1.93 billion in 2022. Among types of advertising, there is a gradual shift from display and paid search ads to other forms - especially online video, and social media. The availability of smartphones and access to free data has increased the viewership for video-on-demand content (such as Hotstar, Prime and Netflix) and enabled easy access to social media.

In terms of contribution towards digital advertising spend by sector, banking and financial institutions (BFSI) is currently the largest in India, accounting for 22% of all digital spend (Source: Dentsu Aegis Reports and Frost & Sullivan Estimates). There is significant momentum on part of banks and financial institutions to push digital banking, digital payments, and other services such as insurance. It is followed by e-commerce, fast-moving consumer goods (FMCG) and telecom.

Digital advertising by e-commerce is forecast to grow at a CAGR of 35% to equal 22% of the total digital ad spend, while FMCG is forecast to comprise 19% in 2022 (Source: Dentsu Aegis Reports and Frost & Sullivan Estimates). In the near term, Frost & Sullivan anticipates that advertisers from both sectors will make higher investments to cultivate and nourish consumer habits on digital platforms.

### Advertising Technology Market

The ad tech market today has evolved beyond the advertiser-publisher to include a number of intermediaries controlling one or more than one part of the value chain. The solutions offered by these companies range from Demand Side Platforms (DSP), Supply Side Platform (SSP), Data Management Platforms (DMP) to ad networks, ad exchanges and so on.

Frost & Sullivan estimates that the global ad tech market earned revenue of USD 34 billion in 2017 and is likely to grow at a CAGR of 10% over the next five years. The global advertising technology market is highly competitive, with multiple regional and global players. Although it is dominated by digital giants such as Google and Facebook, there are over a hundred companies who offer one or more components of this solution. However, only a few –such as Affle, InMobi, Criteo, The Trade Desk, FreakOut, Mobvista and YouAppi – operate internationally. India has become an attractive destination for many of these companies. Frost & Sullivan estimates that the Indian ad tech market with a market size of USD 304.9 million in 2017 will likely grow at a CAGR of 39% to USD 808 million in 2022. As digital advertising and in turn

programmatic ad spend will grow at a rapid rate, it will help drive growth of the ad tech market. Retail, digital payments, gaming, travel, hospitality and e-commerce are the prime verticals contributing to the market growth currently.

However, less than 10% of Indian internet users today are active (that is those who make a purchase at least once a month) e-commerce customers. This makes it more challenging landscape for marketing tech to be able to discern the users who have the highest propensity to transact online.

### Competitive Landscape

Very few companies such as us, Criteo and the Trade Desk have products that span the entire value chain. While some companies are more focussed on buy-side platforms, some others are focused on the publisher side. While competitors are dispersed geographically, China, South East Asia and India prove to be regions with high potential in the near future.

### Capturing India

India with its rapidly growing Internet user base has become an attractive destination for international ad tech vendors, including Criteo, Mobvista, FreakOut – who have set up recently, alongside existing companies such as Affle, RevX, InMobi, among others. However, India presents its unique set of challenges such as a disjointed demographic which is just getting habituated to digital applications (such as use of e-commerce, digital payments, etc.). Only 10% of Internet users are active (i.e., making a purchase at least once per month) e-commerce customers. Frost & Sullivan believes that this makes it a more challenging landscape for marketing tech to be able to discern the users who have the highest propensity to transact online.

It can be a hard market to sustain, even for market participants who are globally successful. With an average CPC at USD 0.1 to 0.3, the price points are quite low compared to the global market. Frost & Sullivan believes that achieving profitability in such a price-sensitive market is possible only for companies that are familiar with the dynamics of consumer profiles and have a track-record of working alongside brands locally for years. Ad tech, while being extremely attractive, hinges on the success of data acquisition and several vendors globally have demonstrated low profitability or losses even in high CPC markets. Frost & Sullivan believes that India, with its constraints of low CPC, inadequate availability of data and technology will pose significant challenges for scalability and growth, even for established international companies.

### Key Concerns:

**AIL does not own any of the properties from which it operates:** AIL lease/license six properties for its operations, comprising its corporate office in Gurugram (India) and commercial offices in each of Mumbai (India), Bengaluru (India), Dubai (UAE), Singapore, and Jakarta (Indonesia). There is no guarantee that these leases/licences will be renewed or extended once their term is complete. If it is unable to renew or extend its current leases/licenses, or if it renews or extend them on terms which are detrimental to it, AIL may suffer a disruption in its operations or increased relocating costs, or both, which could adversely affect the business, results of operations, cash flows and financial condition.

**If AIL's ability to collect significant amounts of data from various sources is restricted by consumer choice, restrictions imposed by customers, publishers and browsers or other software developers, or changes in technology it may have a material adverse effect on AIL's business, results of operations, cash flows and financial condition:** AIL's ability to optimize the delivery of mobile ads for its customers depends on its ability to successfully leverage user data, including data that it collect from its customers, data it receives from its publisher partners and third parties and data from its own operating history. AIL's ability to successfully leverage such data depends on its continued ability to access and use such data, which could be restricted by a number of factors, including consumer choice, restrictions imposed by customers, publishers and web browser developers or other software developers, changes in technology, including changes in web browser technology and new developments in, or new interpretations of, laws, regulations and industry standards. Consumer resistance to the collection and sharing of the data used to deliver targeted advertising, increased visibility of consent or "do not track" mechanisms as a result of industry regulatory and/or legal developments, the adoption by consumers of browsers settings or "ad-blocking" software and the development and deployment of new technologies could have a material adverse effect on AIL's ability to collect data or reduce its ability to deliver relevant ads, which could have a material adverse effect on its business, results of operations, cash flows and financial condition.

**Regulatory, legislative or self-regulatory developments regarding data protection could adversely affect the ability to conduct business:** The legal, regulatory and judicial environment AIL face around data protection and other matters is constantly evolving and can be subject to significant change. Various governments have enacted, considered or are considering legislation or regulations that could significantly restrict its ability to collect, process, use, transfer and pool data collected from and about consumers and devices. Trade associations and industry self-regulatory groups have also promulgated best practices and other industry standards relating to targeted advertising. Additionally, public perception and standards related to the privacy of personal information can shift rapidly, in ways that may affect its business or influence regulators to enact regulations and laws that may limit AIL's ability to provide certain products and services. Any failure

or perceived failure by AIL to comply with Indian or foreign laws and regulations, including laws and regulations regulating privacy, data security, or consumer protection, or other policies, public perception, standards, self-regulatory requirements or legal obligations, could result in lost or restricted business, proceedings, actions or fines brought against AIL or levied by governmental entities or could adversely affect its business and its reputation. Regulators globally are also imposing greater monetary fines for privacy violations and some regulators may pass legislation that would impose fines for privacy violations based on a percentage of global revenues. Responding to an investigation or enforcement action could divert attention and resources of AIL's management, which would cause it to incur investigation, compliance and defence costs and other professional fees and adversely affect its business, operating results, financial condition and cash flows.

**If AIL fails to predict an engagement by consumers with mobile ads with a sufficient degree of accuracy, it could have a material adverse effect on business, results of operations, cash flows and financial condition:** AIL's Consumer Platform primarily provides the following services: (1) new consumer conversions (acquisitions, engagements and transactions) through relevant mobile advertising; (2) retargeting existing consumers to complete transactions for e-commerce companies through relevant mobile advertising; and (3) an online to offline ("O2O") platform that converts online consumer engagement into in-store walk-ins. Its Enterprise Platform primarily provides end-to-end solutions for enterprises to enhance their engagement with mobile users. It primarily earns revenue from its Consumer Platform on a cost per converted user ("CPCU") basis, which comprises user conversions based on consumer acquisition and transaction models. Its consumer acquisition model focuses on acquiring new consumers for businesses, which is usually in the form of a targeted user downloading and opening an App or engaging with an App after seeing an advertisement delivered by AIL. If it fails to predict engagement by consumers with mobile ads with a sufficient degree of accuracy, this may result in the delivery of ads that are less relevant or irrelevant to consumers, which would lower profitability per action, up to and including negative margins. This may have a material adverse effect on the business, results of operations, cash flows and financial condition.

**The market in which AIL participates is intensely competitive and may not be able to compete successfully with current or future competitors:** The market for mobile advertising solutions is highly competitive and rapidly changing with multiple regional and global players. Although it is dominated by digital giants such as Google and Facebook, there are over a hundred companies around the world who offer one or more components of this solution. However, only a few companies/groups operate internationally, including, among others, us, InMobi, Criteo, Tradedesk, Freakout, Mobvista and YouAppi. Some of these companies could leverage their positions to make changes to, among other things, their web browsers, mobile operating systems, platforms, exchanges, networks or other products or services that could be significantly harmful to its business and results of operations, cash flows and financial condition. AIL may also face competition from companies it does not yet know about. If existing or new companies develop, market or resell competitive high-value marketing products or services, acquire one of its existing competitors or form a strategic alliance with one of its competitors, its ability to compete effectively could be significantly compromised and its results of operations, cash flows and financial condition could be harmed. Additionally, AIL may be required to incur additional marketing and branding expenses to retain its competitive position.

**If AIL is unable to protect proprietary information or other intellectual property, its business, results of operations, cash flows and financial condition could be adversely affected:** AIL generally seeks to protect its proprietary information through confidentiality, non-disclosure and assignment of invention agreements with its employees and confidentiality provisions in agreements with parties with whom it do business. Further, its standard form employment agreement contains non-compete clauses that prohibit employees from providing services similar to those of the Company, or utilising business information or knowledge acquired during employment with the Company in business that competes with the Company, or solicit or recruit employees of the Company for a stipulated period after expiry or termination of their employment with it. However, AIL may not execute these agreements with every party who has access to its confidential information or contributes to the development of its intellectual property. In addition, as it continues to develop new solutions and expand its platforms using new technologies, its exposure to threats of infringement may increase. Likewise, any of the services provided by AIL could also be subject to intellectual property infringement claims. To protect or enforce its intellectual property rights, it may initiate litigation against third parties. Any lawsuits that it initiate could be expensive, take significant time and divert management's attention from other business concerns. Additionally, AIL may unintentionally provoke third parties to assert claims against it. These claims could invalidate or narrow the scope of its own intellectual property. AIL may not prevail in any lawsuits that it initiate, and the damages or other remedies awarded, if any, may not be commercially valuable. Accordingly, despite its efforts, it may be unable to prevent third parties from infringing upon or misappropriating its intellectual property. The occurrence of any of these events may adversely affect the business, results of operations, cash flows and financial condition.

**Business may suffer if it is alleged or determined that its technology or another aspect of the business infringes the intellectual property rights of others:** The mobile advertising industry is characterized by the existence of large numbers of patents, copyrights, trademarks, trade secrets and other intellectual property and proprietary rights. Companies in AIL industry are often required to defend against litigation claims that are based on allegations of infringement or other violations of intellectual property rights. Its technologies may not be able to withstand any third-party claims or rights against their use. Its success depends, in part, upon non-infringement of intellectual property rights owned by others and being able to resolve claims of intellectual property infringement or misappropriation without major financial

expenditures or adverse consequences. It does not maintain any liability insurance. As a result, it may be required to satisfy its indemnification obligations to advertising agencies, media networks and exchanges and publishers or claims against it with its assets, which could have a material adverse effect on the business, results of operations, cash flows and financial condition.

**Business is concentrated around key customers, which account for a significant amount of revenue:** Revenue from Top 10 customers account for 64.5% of its revenues in FY19. If AIL fails to keep key customers or fail to attract a broader range of customers, it would have a material adverse effect on its business, results of operations, cash flows and financial condition. Furthermore, its entry into new markets has largely been in order to cater to existing major customers. If AIL fails to retain these customers, it may have fewer prospects for expansion of its business to new markets.

**A significant amount of business is conducted through advertising agencies:** Four of AIL's top 10 customers for Fiscal 2019 on a consolidated basis were advertising agencies. Most of its agreements with these parties are typically for a period of one year or two years. There is no guarantee that these agreements will be extended, renewed or replaced. If it has an unsuccessful engagement with an advertising agency on a particular advertising campaign, it risk losing the ability to work not only for the company for whom the campaign was run, but also for other companies represented by that agency. Further, its agreements with advertising agencies may rely on those agencies building good relationships with advertisers, over which it may have no control. If it fails to maintain, renew, or replace these agreements, or if these advertising agencies fail to connect AIL with enough advertisers, it would adversely affect its business, results of operations, cash flows and financial condition.

**If AIL fails to innovate, adapt and respond effectively to rapidly changing technology, its solutions may become less competitive or obsolete:** AIL's continued success will depend on its ability to continuously enhance and improve its solutions to meet customers' needs. If it is unable to enhance its solutions to meet market demand in a timely manner, it may not be able to maintain its existing customers or attract new customers, which would have a material adverse effect on the business, results of operations, cash flows and financial condition.

**Business depends on the ability to maintain the quality of content for customers and publishers:** If AIL is unable to keep its customers' ads from being placed in unlawful or inappropriate content, its reputation and business may suffer. In particular, it could be treated as a spammer and blocked by internet service providers or face regulatory liability. In addition, if AIL place ads on websites containing content that is not permitted under the terms of the applicable agreements with a customer, it may be unable to charge the customer for actions or clicks generated on those sites, the customer may terminate their campaign, blacklist AIL and require it to indemnify them for any resulting third party claims, or the customer may allege breach of contract. Further, publishers rely upon the company not to place ads on websites that are unlawful or inappropriate. If it is unable to maintain the quality of its customer and publisher content as the number of customers and publishers it works with continues to grow, its reputation and business may suffer and it may not be able to retain or secure additional customers or publisher relationships.

**AIL's international operations and expansion expose it to several risks:** AIL have three international offices: one in Singapore; one in Indonesia; and one in Dubai (UAE). For Fiscal 2019 on a consolidated basis, its revenue from contracts with customers outside India was Rs 1,405.41 million, which was 56.4% of its total revenue from contracts with customers. One of its strategies is to expand its international business through local business development efforts and through referrals from its existing customers. Additionally, operating in international markets also requires significant management attention and financial resources. It cannot be certain that the investment and additional resources required in establishing operations in other countries will produce desired levels of revenue or profitability. Further, while it has obtained a significant number of approvals, licenses, registrations and permits from the relevant authorities, it is yet to obtain a few approvals, licenses, registrations and permits. It cannot be assured that it will apply for and receive these approvals and clearances in time or at all. There can be no assurance that the relevant authority will issue an approval within the applicable time-period or at all. Any delay in receipt or non-receipt of such approvals, licenses, registrations and permits could result in cost and time overrun or which could adversely affect its related operations.

**AIL's business depends substantially on the continuing efforts of Mr. Anuj Khanna Sohum, its individual Promoter, Chairman, Managing Director and CEO, and its other Key Management Personnel and its business operations may be disrupted if AIL lose their services.**

If Mr. Anuj Khanna Sohum or any of its other Key Management Personnel were to reduce or cease their involvement with AIL, it may take time for AIL to hire a suitably qualified replacement with the necessary experience and expertise and this may adversely affect its business, results of operations, cash flows and financial condition.

**Business involves the use, transmission and storage of confidential information:** AIL's business involves the storage and transmission of confidential consumer, customer and publisher information, including certain purchaser data, as well as financial, employee and operational information. Security breaches could expose AIL to unauthorized disclosure of this information, litigation and possible liability, as well as damage to its relationships with its customers and publishers. If AIL security measures are breached as a result of third-party action,



employee or contractor error, malfeasance or otherwise and, as a result, someone obtains unauthorized access to its data or the data of consumers, its customers, publishers, employees or other third parties, its reputation could be damaged, AIL's business may suffer and it could incur significant regulatory liability. Computer viruses, malware, ransomware, worms, or trojans may harm its systems or cause the loss or alteration of data and the transmission of computer viruses or malware via its technology could expose AIL to litigation and a loss of confidence in the security of its technology.

**Failures in systems and infrastructure supporting AIL's system and operations could significantly disrupt the operations:** In addition to the optimal performance of AIL's services, its business relies on the continued and uninterrupted performance of its software and hardware infrastructures. AIL currently license and/or utilise platforms from certain third parties and if it suffers any software glitches, malfunctioning, low performance, hacking, disruptions and or shut down of these services it could materially impact the functioning of certain and/or all modules of its platforms, which could have a material adverse effect on the business, results of operations, cash flows and financial condition. Its failure to continuously upgrade or increase the reliability and redundancy of its infrastructure to meet the demands for its solutions could adversely affect the functioning and performance of the technology and could in turn affect the results of operations, cash flows and financial condition.

**If AIL is unable to use software licensed from third parties or if it makes use of open source software under license terms that interfere with its proprietary rights it could disrupt the business:** AIL's technology platform and internal systems incorporate software licensed from third parties, including some software, known as open source software, which it uses without charge. Although it monitors its use of open source software, the terms of many open source licenses to which it is subject have not been interpreted by the courts of many jurisdictions and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on its ability to provide its technology offering to its customers. In addition, the terms of open source software licenses may require AIL to provide software that it develop using such software to others on unfavourable terms, such as by precluding it from charging license fees or by requiring it to disclose its source code. Any such restriction on the use of its own software, or inability to use open source or third-party software, could result in disruptions to the business or operations, or delays in development of future solutions or enhancements of its existing platform, which could impair the business.

**Businesses may delay or reduce their spending on marketing in periods of economic uncertainty, which could materially harm the business:** Historically, economic downturns have resulted in overall reductions in advertising spending and businesses may curtail spending both on advertising in general and on solutions such as AIL's. Therefore, any macroeconomic deterioration in the future could have a material effect on its business, results of operations, cash flows and financial condition.

**AIL is exposed to foreign exchange risks:** AIL exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities (when revenue or expense is denominated in a foreign currency). To the extent that its revenue or receipts and costs or payments are not perfectly matched in the same currency or there are time gaps between revenue recognition and actual receipts and between cost recognition and actual payments, it will be exposed to foreign exchange fluctuations. Following the Affle Global Transaction and Vizury Commerce Transactions, AIL earns more revenue in foreign currency, which increases its foreign currency risk. Appreciation of the USD against the Rupee and the Indonesian Rupiah against the Rupee may adversely affect the results of operations and financial condition.

**Exposed to the credit risks of customers:** AIL may extend credit terms to its customers ranging from 35 to 70 days on a case-by-case basis depending on, amongst others, their creditworthiness and the length of the customer relationship. Its customers may be unable to meet their contractual payment obligations to it, either in a timely manner or at all. The reasons for payment delays, cancellations or default by its customers may include insolvency, bankruptcy, insufficient financing or working capital due to late payments by their respective end-customers. AIL may not be able to enforce its contractual rights to receive payment through legal proceedings. In the event that it is not able to collect payments from its customers, its business, results of operations, cash flows and financial condition may be adversely affected.

**AIL earns more revenue in the third quarter due to the festive season:** AIL's business earns relatively more revenue in the third quarter of each fiscal year, as compared to the other quarters, as Diwali, Christmas and Black Friday occur in this period and e-commerce companies increase their digital ad spend in that period.

**Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws, in the jurisdictions in which AIL operates may adversely affect its business and results of operations:** AIL's business is subject to various laws and regulations, which are evolving and subject to change. It is also subject to corporate, taxation and other laws in effect in India, Singapore and Indonesia, which require continued monitoring and compliance. These laws and regulations and the way in which they are implemented and enforced may change. There can be no assurance that future legislative or regulatory changes will not have any adverse effect on its business, results of operations, cash flows and financial condition.

ALL does not currently intend to pay dividends on its Equity Shares and, consequently, investors' ability to achieve a return on their investment will depend on appreciation in the price of the Equity Shares.

**Profit & Loss**

Rs in million

Particulars	FY19*	FY18	FY17
Revenue from operations	2494.0	837.6	656.3
Other Income	4.0	11.2	11.7
Total Income	2497.9	848.8	668.0
<b>Total Expenditure</b>	<b>1790.9</b>	<b>669.9</b>	<b>621.1</b>
Inventory and data costs	1341.1	424.3	323.8
Employee benefits expense	212.3	159.5	176.2
Other expenses	237.5	86.1	121.1
PBIDT	707.1	178.9	46.9
Interest	8.1	10.8	15.9
PBDT	699.0	168.1	31.1
Depreciation and amortisation expense	101.0	32.1	23.1
PBT	598.0	136.0	8.0
Tax (incl. DT & FBT)	109.8	47.7	4.7
Current tax	102.1	46.2	1.8
Deferred tax (net)	7.7	1.5	2.9
PAT	488.2	88.3	3.3
EPS (Rs.)	20.10	3.6	0.1
Equity	242.9	242.9	242.9
Face Value	10.0	10.0	10.0
OPM (%)	28.2	20.0	5.4
PATM (%)	19.6	10.5	0.5

\*= Consolidated nos

**Balance Sheet:**

Rs in million

Particulars	FY19*	FY18	FY17
<b>Assets</b>			
<b>Non-Current Assets</b>	<b>592.0</b>	<b>162.2</b>	<b>171.9</b>
Property, Plant and Equipment	7.49	3.7	3.6
Goodwill	325.3	59.2	59.2
Other Intangible assets	240.2	88.2	80.1
Intangible assets under development	18.0	0.0	3.1
Investments	0.3	0.3	0.2
Loans	0.8	5.8	6.3
Deferred tax asset (Net)	0.0	4.94	18.96
Other non-current assets	0.0	0.05	0.32
<b>Current assets</b>	<b>990.7</b>	<b>418.1</b>	<b>315.0</b>
Contract asset	131.9	77.2	38.9
Trade receivables	478.8	158.2	135.3
Cash and cash equivalents	206.1	136.7	57.9
Bank Balances other than cash and cash equivalents	98.8	8.2	29.6
Loans	10.8	1.6	0.4
Others financial assets	29.0	0.1	0.1
Current tax assets	11.6	24.4	28.5
Other current assets	23.7	11.74	24.46
<b>Total Assets</b>	<b>1582.7</b>	<b>580.3</b>	<b>486.9</b>
<b>Equity &amp; Liabilities</b>			
<b>Shareholders Funds</b>	<b>724.1</b>	<b>301.7</b>	<b>210.3</b>
Equity Share Capital	242.9	242.9	242.9
Other Equity	481.2	58.8	-32.6
<b>Non-Current Liabilities</b>	<b>87.2</b>	<b>11.4</b>	<b>14.4</b>
Borrowings	69.2	0.0	5.3

Long-term Provisions	15.4	11.4	9.1
Deferred tax liabilities (Net)	2.7	-	-
<b>Current Liabilities</b>	<b>771.4</b>	<b>267.2</b>	<b>262.2</b>
Contract liabilities	6.8	3.4	1.0
Borrowings	20.8	0.0	28.3
Trade Payables - others	517.1	220.2	160.1
Other financial liabilities	198.8	24.9	59.7
Short-term Provisions	3.5	1.1	1.5
Other current liabilities	24.5	17.6	11.6
<b>Total Equity &amp; Liabilities</b>	<b>1582.7</b>	<b>580.3</b>	<b>486.9</b>

\*= Consolidated nos

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