INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Mahindra & Mahindra Financial Services:** MMFS reported yet another quarter of earnings de-growth (-10% YoY) due to higher-than-expected provisions (140bps), driven by elevated write-offs (260bps) and a one-off incidence of fraud (54bps). Loan growth remained healthy (+24% YoY), driven by the PVs and used vehicles segment. MMFS continues to under-deliver on its Mission 2025, as the management revisited its guidance on most parameters, especially NIMs, opex efficiency and RoAs. MMFS's efforts towards reducing fraud, along with tech transformation and expansion of the distribution network, are likely to keep opex ratios elevated, although the product mix optimisation and focus on fee income are likely to partly cushion pressure on earnings. We reduce our FY25/FY26E earnings estimates by 1%/4% to factor in lower loan growth and higher credit costs; we maintain ADD with a revised SOTP-based TP of INR285 (implied standalone entity at 1.6x Mar-26 ABVPS).
- **CDSL:** CDSL delivered another quarter of strong growth (+12/93% QoQ/YoY), led by a jump in market-linked revenue and a stable annuity stream. The growth was driven by higher transaction revenue, KYC fetch/creation and stable issuer revenue, offset by a drop in IPO/corporate action revenue. The Demat account addition stood strong, and CDSL added ~10.9mn accounts in Q4FY24 (the highest ever); it commands a leadership position with a 76.4% market share and 90% incremental share. We expect slight moderation in the market-linked revenue in FY25/26E (~16% CAGR) after it clocked ~53% YoY growth in FY24. The rapid growth in the number of Demat accounts and retail folios will aid annuity revenue growth (~28% CAGR). The insurance opportunity is a reality but currently lacks clarity. The progress on compulsory Demat of non-small private companies is slow (deadline Sep-24). Investments in technology, increasing employee costs and regulatory compliance costs are leading to higher costs (+39% in FY24). EBITDA margins will be in the range of 60-62%. We maintain our growth/EPS estimate for FY26E and assume a ~3-4% contribution from the insurance opportunity. We maintain our BUY rating with a target price of INR 2,370, based on 40x FY26E EPS. The stock is trading at a P/E of 43/36x FY25/26E EPS and generates RoE/RoIC of 31/72% in FY24.
- **Aptus Value Housing Finance India:** APTUS reported largely in-line results with healthy loan growth (+29% YoY) and steady credit costs (~45bps), partly offset by higher opex intensity (2.8% of AUM). Core spreads remained broadly steady (8.7%), driven by asset yield reflation, while NIMs moderated marginally due to increasing leverage, partly offset by a run-down of negative carry. APTUS continues to be focused on the LIG, self-employed, rural-based customers in its core markets, with gradual geographical expansion. However, the geographical expansion in Odisha and Maharashtra has been protracted and APTUS's ability to deliver superior profitability and growth in these markets remain a key monitorable. We revise our FY25/FY26 earnings estimates upwards by 2%/3% to factor in higher loan growth and lower provisions and maintain REDUCE with a revised RI-based TP of INR 300 (implying 3x Mar-26 ABVPS).

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- **Birla Corporation:** We maintain BUY on Birla Corporation (BCORP), with a higher target price of INR 1,940/share (9x Mar-26E consolidated EBITDA). Cement sales volume grew 9/15% YoY/QoQ in Q4, aided by Mukutban ramp-up. NSR dipped only 1.6% QoQ on improvement in geo-mix and increase in premium sales. Lower fixed/ freight costs drove opex down by 3% QoQ. Thus, unitary EBITDA expanded by INR 60/MT QoQ to INR 960/MT. It expects to record incentive income for Mukutban FY25 onwards. Net debt to EBITDA cooled off to 2.2x in March 2024 (its lowest since BCORP had acquired Reliance Cement in FY17). We expect the gearing to remain under 2x during FY25-26E despite its planned major expansion in the central region.

- **Route Mobile:** Route reported a weak quarter with a revenue decline of 0.7% QoQ due to soft ILD volumes, a decline in MRM (client issue), and Masivian (seasonality). The ILD volume, which was impacted by cost savings initiatives by large e-commerce and OTT players, has stabilised. The VI A2P SMS firewall deal started in April 2024 and volume will ramp up gradually. The VI deal has a net new revenue potential of ~INR 5bn. Route has given a security deposit of INR 3.8bn related to the firewall deal which has impacted the operating cash generation for FY24. We expect a growth revival in FY25E, led by better ILD volume (e-commerce deal), new wins in the domestic market, and contribution from the VI deal. The deal with Proximus Group is expected to close in May 2024. The combined entity will bring synergies of USD 100mn and the target is to reach USD 1bn revenue. The EBITDA margin will remain in the 12-12.5% range. We cut our revenue/EPS estimate for FY26E by ~5% due to a delay in deal ramp-up. We maintain our BUY rating with a TP of INR 1,780, based on 22x FY26E EPS. The stock is trading at 22/19x FY25/26E EPS.

Mahindra & Mahindra Financial Services

Revisiting the FY25 roadmap

MMFS reported yet another quarter of earnings de-growth (-10% YoY) due to higher-than-expected provisions (140bps), driven by elevated write-offs (260bps) and a one-off incidence of fraud (54bps). Loan growth remained healthy (+24% YoY), driven by the PVs and used vehicles segment. MMFS continues to under-deliver on its Mission 2025, as the management revisited its guidance on most parameters, especially NIMs, opex efficiency and RoAs. MMFS's efforts towards reducing fraud, along with tech transformation and expansion of the distribution network, are likely to keep opex ratios elevated, although the product mix optimisation and focus on fee income are likely to partly cushion pressure on earnings. We reduce our FY25/FY26E earnings estimates by 1%/4% to factor in lower loan growth and higher credit costs; we maintain ADD with a revised SOTP-based TP of INR285 (implied standalone entity at 1.6x Mar-26 ABVPS).

- **Structural transformation to moderate near-term loan growth:** MMFS has indicated that the fraud incidence of INR1.4bn remains an isolated incident, with no such similar fraud in the rest of the portfolio. Nonetheless, MMFS is strengthening its underwriting processes with the introduction of centralised checks (50% of branches have gone live), while the branch-led decentralised model is likely to remain in place. This is likely to keep opex ratios elevated, while tempering loan growth in the near-term.
- **PPoP growth in line; NIMs remain steady:** MMFS's NIM (calculated on gross advances) reflated marginally to 7.3% (Q3FY24: 7.1%), driven by reflation in asset yields and steady cost of funds (7.8%). Strong other income (+30% YoY) further aided in driving PPoP growth of 24% YoY. MMFS's NIMs are likely to remain steady going ahead with increasing customer diversification to be offset by shifting product mix (high-yielding used vehicle loans).
- **FY25 roadmap revisited; portfolio stability remains key for re-rating:** MMFS has recalibrated its FY25 roadmap for most of the key metrics: NIM (7%), RoA (2.2%), opex ratio (2.8%), and share of new businesses (sub-15%). The ongoing rejigging of processes, and the tech transformation, is likely to take a toll on loan growth, while the visibility of 2.5% RoA remains limited. While credit costs are likely to taper off, stability in the portfolio quality, post- the customer and product diversification remains a key monitorable.

Financial summary

(INR bn)	Q4FY24	Q4FY23	*YoY (%)*	Q3FY24	*QoQ(%)*	FY23	FY24	FY25E	FY26E
NII	18.1	16.0	*13.2*	17.0	*6.7*	61.1	66.8	79.8	95.5
PPOP	11.7	9.4	*24.2*	10.6	*10.4*	37.5	41.8	50.6	61.8
PAT	6.2	6.8	*(9.5)*	5.5	*12.0*	20.4	17.6	26.4	32.0
EPS (INR)	5.0	5.5	*(9.7)*	4.5	*11.9*	16.5	14.3	21.4	25.9
ROAE (%)						12.5%	10.0%	13.8%	15.1%
ROAA (%)						2.4%	1.7%	2.1%	2.1%
ABVPS (INR)						115.9	126.2	138.2	153.3
P/ABV (x)						1.9	1.7	1.6	1.4
P/E (x)						15.7	18.2	12.2	10.0

Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	1,226	1,210	-1.3%	1,486	1,463	-1.5%
NIM (%)	6.7	6.6	-11 bps	6.6	6.6	-2 bps
NII	80.8	79.8	-1.2%	97.0	95.5	-1.5%
PPOP	50.8	50.6	-0.5%	62.4	61.8	-1.0%
PAT	26.7	26.4	-1.1%	33.2	32.0	-3.7%
ABVPS (INR)	137.1	138.2	0.8%	154.3	153.3	-0.6%

Source: Company, HSIE Research

ADD

CMP *(as on 6 May 2024)*	INR 260
Target Price	INR 285
NIFTY	22,443

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 290	INR 285
EPS %	FY25E	FY26E
	-1.1%	-3.7%

KEY STOCK DATA	
Bloomberg code	MMFS IN
No. of Shares (mn)	1,236
MCap (INR bn) / ($ mn)	321/3,844
6m avg traded value (INR mn)	1,092
52 Week high / low	INR 347/237

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(10.9)	(1.1)	(9.3)
Relative (%)	(13.3)	(14.8)	(30.3)

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	52.2	52.2
FIs & Local MFs	27.0	28.6
FPIs	12.7	12.0
Public & Others	8.1	7.2
Pledged Shares	0.0	

Source: BSE

Pledged shares as % of total shares

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CDSL

Strong growth engine

CDSL delivered another quarter of strong growth (+12/93% QoQ/YoY), led by a jump in market-linked revenue and a stable annuity stream. The growth was driven by higher transaction revenue, KYC fetch/creation and stable issuer revenue, offset by a drop in IPO/corporate action revenue. The Demat account addition stood strong, and CDSL added ~10.9mn accounts in Q4FY24 (the highest ever); it commands a leadership position with a 76.4% market share and 90% incremental share. We expect slight moderation in the market-linked revenue in FY25/26E (~16% CAGR) after it clocked ~53% YoY growth in FY24. The rapid growth in the number of Demat accounts and retail folios will aid annuity revenue growth (~28% CAGR). The insurance opportunity is a reality but currently lacks clarity. The progress on compulsory Demat of non-small private companies is slow (deadline Sep-24). Investments in technology, increasing employee costs and regulatory compliance costs are leading to higher costs (+39% in FY24). EBITDA margins will be in the range of 60-62%. We maintain our growth/EPS estimate for FY26E and assume a ~3-4% contribution from the insurance opportunity. We maintain our BUY rating with a target price of INR 2,370, based on 40x FY26E EPS. The stock is trading at a P/E of 43/36x FY25/26E EPS and generates RoE/RoIC of 31/72% in FY24.

- **Q4FY24 highlights**: CDSL revenue grew +12/93% QoQ/YoY to INR 2.41bn (vs our estimate of INR 2.26bn), led by growth in transaction/online data/others +29/24/13% QoQ. The annual issuer charges were up 1.6/38% QoQ/YoY and will be strong in Q1FY25E. Employee costs grew 16.5/49.0% QoQ/YoY, while technology expenses were up 28/89% QoQ/YoY and regulatory costs were up 46% YoY. EBITDA margin increased by 13bps QoQ to 61.4% due to higher revenue growth compared to costs. Going onwards, technology costs and employee costs are expected to remain elevated. CDSL has 115.6mn Demat accounts and added ~33mn incremental Demat accounts in FY24, which is ~130K account additions every day. Progress on the T+0 settlement is encouraging and will boost transaction revenue. Net cash stands at INR 12bn with ~80% OCF/EBITDA.
- **Outlook:** We expect revenue growth of +26/16% and an EBITDA margin of 60.9/62.2 for FY25/26E. The revenue CAGR of 21% over FY24-26E assumes +20/15/14/20/27% CAGR in annual issuer charges/transaction/IPO & corporate action/online data charges/e-CAS & e-voting revenue and INR 0.3/0.5 bn revenues from CIRL (included in others segment) for FY25E/FY26E. Core PAT CAGR over FY24-26E is at +24%.

Quarterly financial summary

YE March (INR mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	2,408	1,248	*93.0*	2,145	*12.3*	5,513	5,551	8,123	10,239	11,893
EBITDA	1,479	695	*112.7*	1,315	*12.5*	3,669	3,233	4,894	6,231	7,396
APAT	1,293	631	*104.8*	1,074	*20.3*	3,112	2,759	4,195	5,250	6,193
Diluted EPS (INR)	12.4	6.0	*104.8*	10.3	*20.3*	29.8	26.4	40.1	50.2	59.3
P/E (x)						72.1	81.3	53.5	42.7	36.2
EV / EBITDA (x)						58.1	66.1	43.4	33.8	28.1
RoE (%)						31.6	23.9	31.3	33.5	34.5
Cash/Mcap (%)						4.3	3.9	4.3	4.9	5.8

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

INR Mn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	9,983	10,239	*2.6*	11,705	11,893	*1.6*
EBITDA	6,251	6,231	*-0.3*	7,501	7,396	*-1.4*
EBITDA margin (%)	62.6	60.9	-177bps	64.1	62.2	-190bps
APAT	5,194	5,250	*1.1*	6,166	6,193	*0.4*
EPS (INR)	49.7	50.2	*1.1*	59.0	59.3	*0.4*

Source: Company, HSIE Research

BUY

CMP *(as on 6 May 2024)*	INR 2,146
Target Price	INR 2,370
NIFTY	22,443

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,360	INR 2,370
EPS %	FY25E	FY26E
	+1.1	+0.4

KEY STOCK DATA	
Bloomberg code	CDSL IN
No. of Shares (mn)	105
MCap (INR bn) / ($ mn)	224/2,685
6m avg traded value (INR mn)	3,063
52 Week high / low	INR 2,200/975

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	16.0	33.8	116.7
Relative (%)	13.6	20.1	95.7

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	15	15
FIs & Local MFs	21.33	23.15
FPIs	18.16	11.38
Public & Others	45.51	50.47
Pledged Shares	0.00	0.00

Source : NSE

Pledged shares as % of total shares

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Aptus Value Housing Finance India

Uptick in loan growth; limited margin of safety

APTUS reported largely in-line results with healthy loan growth (+29% YoY) and steady credit costs (~45bps), partly offset by higher opex intensity (2.8% of AUM). Core spreads remained broadly steady (8.7%), driven by asset yield reflation, while NIMs moderated marginally due to increasing leverage, partly offset by a run-down of negative carry. APTUS continues to be focused on the LIG, self-employed, rural-based customers in its core markets, with gradual geographical expansion. However, the geographical expansion in Odisha and Maharashtra has been protracted and APTUS's ability to deliver superior profitability and growth in these markets remain a key monitorable. We revise our FY25/FY26 earnings estimates upwards by 2%/3% to factor in higher loan growth and lower provisions and maintain REDUCE with a revised RI-based TP of INR 300 (implying 3x Mar-26 ABVPS).

- **Steady core spreads; NIMs continue to moderate:** APTUS's core spreads remained steady at 8.7%, driven by reflation in asset yields (due to higher growth in the NBFC portfolio). Cost of funds inched up marginally to 8.64% (Q3FY24: 8.55%) amidst a tight liquidity environment, although drawdown from NHB aided in cushioning the impact. Limited room for further liquidity run down (~4.5% of assets), the rising cost of funds, and increasing leverage are likely to drive NIMs lower.
- **Improving asset quality**: Asset quality improved sequentially with GS-II/GS-III clocking in at 4.3%/1.1% (Q3FY24: 4.9%/1.2%), alongside improving early delinquencies (30+ dpd at 5.4%). Credit costs remained as per expectations (45bps) and are likely to normalise to 50bps, going ahead.
- **Healthy uptick in disbursements; growth outside core markets key monitorable**: APTUS reported strong growth in disbursals (+45% YoY), with an uptick in disbursals in Tamil Nadu, which had remained tepid. AUM growth improved to 29% YoY, within management guidance of 25-30%. APTUS's NBFC subsidiary, focused on small business loans (yields of ~21%), grew by 101% YoY aiding in driving overall loan growth, as APTUS (standalone) remains focused on meeting its minimum threshold of 60% housing loans. Branch additions remain largely in the states of AP and Telangana, which continue to drive overall loan growth. Scale-up in Odisha and Maharashtra has been slow, which remains a key monitorable for APTUS's ability to deliver superior performance outside its core markets.

Financial summary (Consolidated)

(INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
NII	2.5	2.1	*18.1*	2.4	*4.8*	7.8	9.3	11.6	14.4
PPOP	2.2	1.8	*21.9*	2.1	*5.3*	6.9	8.2	10.2	12.7
PAT	1.6	1.4	*21.2*	1.6	*4.1*	5.0	6.1	7.5	9.3
EPS (INR)	3.3	2.7	*20.7*	3.2	*3.8*	10.1	12.3	15.0	18.6
ROAE (%)						16.1	17.2	18.4	19.4
ROAA (%)						7.8	7.6	7.2	6.9
ABVPS (INR)						65.9	74.1	86.1	101.0
P/ABV (x)						4.9	4.4	3.8	3.2
P/E (x)						32.0	26.3	21.5	17.4

Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	109	111	1.6%	137	139	1.9%
NIM (%)	11.1	11.1	-2 bps	10.7	10.7	3 bps
NII	11.5	11.6	0.8%	14.2	14.4	1.2%
PPOP	10.0	10.2	1.9%	12.4	12.7	2.5%
PAT	7.3	7.5	2.1%	9.0	9.3	2.7%
ABVPS (INR)	85.1	86.1	1.2%	99.6	101.0	1.4%

Source: Company, HSIE Research

REDUCE

CMP *(as on 6 May 2024)*	INR 323
Target Price	INR 300
NIFTY	22,443

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 280	INR 300
EPS %	FY25E	FY26E
	2.1%	2.7%

KEY STOCK DATA	
Bloomberg code	APTUS IN
No. of Shares (mn)	499
MCap (INR bn) / ($ mn)	161/1,929
6m avg traded value (INR mn)	278
52 Week high / low	INR 392/240

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(13.9)	11.8	25.4
Relative (%)	(16.2)	(1.9)	4.4

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	62.1	61.1
FIs & Local MFs	5.2	5.1
FPIs	15.4	19.6
Public & Others	17.3	14.2
Pledged Shares		

Source: BSE

Pledged shares as % of total shares

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Birla Corporation

Healthy margin; gearing lowest in past eight years

We maintain BUY on Birla Corporation (BCORP), with a higher target price of INR 1,940/share (9x Mar-26E consolidated EBITDA). Cement sales volume grew 9/15% YoY/QoQ in Q4, aided by Mukutban ramp-up. NSR dipped only 1.6% QoQ on improvement in geo-mix and increase in premium sales. Lower fixed/ freight costs drove opex down by 3% QoQ. Thus, unitary EBITDA expanded by INR 60/MT QoQ to INR 960/MT. It expects to record incentive income for Mukutban FY25 onwards. Net debt to EBITDA cooled off to 2.2x in March 2024 (its lowest since BCORP had acquired Reliance Cement in FY17). We expect the gearing to remain under 2x during FY25-26E despite its planned major expansion in the central region.

- **Q4FY24 performance:** Birla Corp's Q4FY24 came in 20/13% ahead of ours/consensus estimates, owing to better realisation (favourable market mix) and large op-lev gains. Cement sales volume grew 9% YoY (+15% QoQ). Mukutban ramp-up contributed ~8/5% YoY/QoQ volume growth. Cement NSR dipped a modest 1.6% QoQ (INR 85/MT), owing to improvement in geo-mix and the increase in premium sales QoQ (55% vs 52% QoQ). Opex cooled off by INR 145/MT (3% QoQ). Unit fixed expense/freight cost declined INR 120/40 per MT QoQ, while input cost broadly remained flat. Thus, unitary EBITDA expanded by INR 60/MT QoQ to INR 960/MT. Unit EBITDA continued to trend up QoQ for the sixth consecutive quarter.
- **Con call KTAs and outlook**: Management guided both its volume and unit EBITDA to grow by 8-10% YoY in FY25. It expects INR 1.1bn incentive income in FY25, mainly for Mukutban). It announced 1.4mn MT brownfield GU expansion at Kundanganj by FY26. It would spend INR 8bn in Capex in FY25 (4/2/2bn maintenance Capex/ coal mines/Kundanganj GU). Earlier, the company had guided that it will expand Maihar clinker capacity by 3.5mn MT (by FY27) and it will add grinding capacities across Bihar, UP and the west – all of these by FY27 - leading to 25mn MT capacity. Owing to a healthy margin in H2FY24, tightening of working capital, and a slower Capex outgo, its net debt to EBITDA cooled off to 2.2x in March 2024 (the lowest level since it acquired Reliance Cement in FY17). We expect the gearing to remain under 2x during FY25-26E despite its planned major expansion in the central region. Factoring in healthy Q4, we raise our FY25/26 EBITDA estimates by 6/3%. Considering the strong margin outlook and cool-off in gearing ratio, we upgrade its multiple to 9x FY26E EV/EBITDA vs 8.5x earlier.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q4 FY24	Q4 FY23	*YoY (%)*	Q3 FY24	*QoQ (%)*	FY22	FY23	FY24P	FY25E	FY26E
Sales Vol (mn MT)	4.85	4.44	*9.2*	4.21	*15.2*	14.22	15.73	17.65	18.71	19.65
NSR (INR/MT)	5,218	5,279	*(1.2)*	5,302	*(1.6)*	4,955	5,237	5,239	5,202	5,254
EBITDA(INR/MT)	955	600	*59.2*	893	*6.9*	746	462	800	879	948
Net Sales	26.56	24.63	*7.9*	23.12	*14.9*	74.61	86.82	96.63	101.49	107.59
EBITDA	4.72	2.74	*72.2*	3.79	*24.8*	11.10	7.72	14.38	16.73	18.94
APAT	1.93	0.85	*127.6*	1.09	*77.1*	4.30	0.34	4.14	6.72	8.58
AEPS (INR)	24.2	8.7	*179.5*	14.2	*70.7*	55.8	4.4	53.7	87.3	111.4
EV/EBITDA (x)						12.8	20.2	10.4	8.5	7.4
EV/MT (INR bn)						8.85	7.64	7.31	6.94	6.45
P/E (x)						27.9	354.2	29.0	17.8	14.0
RoE (%)						*8.0*	*0.6*	*6.5*	*9.7*	*11.3*

Source: Company, HSIE Research

BUY

CMP *(as on 6 May 2024)*	INR 1,544
Target Price	INR 1,940
NIFTY	22,443

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,685	INR 1,940
EBITDA revision %	FY25E *6.4*	FY26E *2.9*

KEY STOCK DATA	
Bloomberg code	BCORP IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	119/1,424
6m avg traded value (INR mn)	269
52 Week high / low	INR 1,802/970

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	1.7	17.8	57.6
Relative (%)	(0.7)	4.1	36.5

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	62.90	62.90
FIs & Local MFs	16.19	15.61
FPIs	6.44	6.79
Public & Others	14.47	14.70
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Route Mobile

Growth challenges but recovery ahead

Route reported a weak quarter with a revenue decline of 0.7% QoQ due to soft ILD volumes, a decline in MRM (client issue), and Masivian (seasonality). The ILD volume, which was impacted by cost savings initiatives by large e-commerce and OTT players, has stabilised. The VI A2P SMS firewall deal started in April 2024 and volume will ramp up gradually. The VI deal has a net new revenue potential of ~INR 5bn. Route has given a security deposit of INR 3.8bn related to the firewall deal which has impacted the operating cash generation for FY24. We expect a growth revival in FY25E, led by better ILD volume (e-commerce deal), new wins in the domestic market, and contribution from the VI deal. The deal with Proximus Group is expected to close in May 2024. The combined entity will bring synergies of USD 100mn and the target is to reach USD 1bn revenue. The EBITDA margin will remain in the 12-12.5% range. We cut our revenue/EPS estimate for FY26E by ~5% due to a delay in deal ramp-up. We maintain our BUY rating with a TP of INR 1,780, based on 22x FY26E EPS. The stock is trading at 22/19x FY25/26E EPS.

- **Q4FY24 highlights**: Revenue declined 0.7/+0.8% QoQ/YoY to INR 10.17bn due to volume/realisation growth of +9.0/-8.9% QoQ. New product sales were down 4.5% QoQ to INR 643mn in Q4FY24 due to MRM decline, offset by growth in WhatsApp and RCS. For the full year FY24, the new product portfolio contributed 5.7% to revenue and was up 55% YoY. Gross profit was up 2.2% to INR 2.22bn (GP margin +53bps to 21.8%). Reported EBITDA was flat QoQ to INR 1.25bn and the margin stood at 12.3% +11bps QoQ. The cash generation (OCF/EBITDA) excluding the security deposit for the firewall deal stood at 56% for FY24 vs 45% in FY23. The DSO days increased to 80 days and ~18% of the receivables were >3 months old. India terminations (~48% of revenue) were up 3.6% QoQ while international revenue was down 4.6% QoQ due to a 17% QoQ decline in Masivian and MRM. The top 2-5 client revenue was down 27% QoQ, offset by 9% QoQ growth in non-top 10 clients.
- **Outlook:** We estimate +17/20% revenue/EPS CAGR for FY24-26E, led by +18.3/16.9% revenue growth and 12.5/12.5% EBITDA margin for FY25/26E respectively. The VI deal will contribute ~10% growth for FY25E.

Quarterly financial summary

YE March (INR bn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	10.17	10.09	*0.8*	10.24	*-0.7*	20.02	35.69	40.23	47.61	55.64
Gross Profit	2.22	2.14	*3.3*	2.17	*2.2*	4.20	7.87	8.61	10.09	11.97
EBITDA	1.25	1.32	*-4.9*	1.25	*0.2*	2.19	4.44	5.11	5.96	6.97
APAT	0.86	1.02	*-15.1*	0.91	*-4.9*	1.62	3.19	3.55	4.31	5.09
EPS (INR)	13.7	16.2	*-15.1*	14.4	*-4.9*	25.9	50.8	56.6	68.6	81.1
P/E (x)						59.3	30.2	27.1	22.4	18.9
EV / EBITDA (x)						39.3	19.9	18.0	14.0	11.4
RoE (%)						14.0	18.3	17.9	18.5	18.7

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

INR bn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	49.71	47.61	*-4.2*	58.09	55.64	*-4.2*
EBITDA	6.19	5.96	*-3.7*	7.24	6.97	*-3.7*
EBITDA	12.5	12.5	*6bps*	12.5	12.5	*7bps*
APAT	4.52	4.31	*-4.8*	5.32	5.09	*-4.3*
EPS (INR)	72.2	68.6	*-5.1*	84.9	81.1	*-4.6*

Source: Company, HSIE Research

BUY

CMP *(as on 6 May 2024)*	**INR 1,535**
Target Price	**INR 1,780**
NIFTY	**22,443**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 1,870	INR 1,780
EPS %	FY25E	FY26E
	-5.1	-4.6

KEY STOCK DATA	
Bloomberg code	ROUTE IN
No. of Shares (mn)	63
MCap (INR bn) / ($ mn)	96/1,154
6m avg traded value (INR mn)	277
52 Week high / low	INR 1,760/1,277

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(4.2)	(1.6)	19.5
Relative (%)	(6.6)	(15.3)	(1.5)

SHAREHOLDING PATTERN (%)	**Dec-23**	**Mar-24**
Promoters	58.15	58.00
FIs & Local MFs	5.99	5.84
FPIs	21.59	15.84
Public & Others	14.27	20.32
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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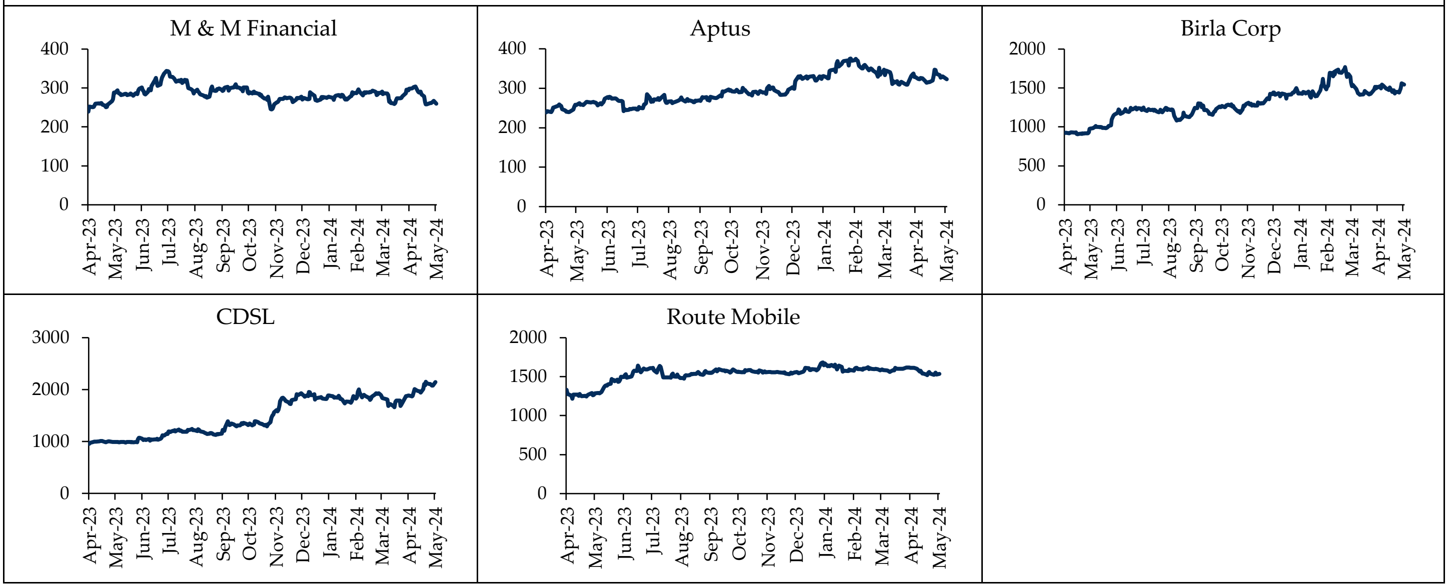
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	Mahindra & Mahindra Financial Services, Aptus Value Housing Finance India	PGDM	NO
Deepak Shinde	Mahindra & Mahindra Financial Services, Aptus Value Housing Finance India	PGDM	NO
Akshay Badlani	Mahindra & Mahindra Financial Services, Aptus Value Housing Finance India	CA	NO
Rajesh Ravi	Birla Corporation	MBA	NO
Keshav Lahoti	Birla Corporation	CA	NO
Amit Chandra	CDSL, Route Mobile	MBA	NO
Dhananjay Jain	CDSL, Route Mobile	CA	NO

1 Yr Price movement



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