

AFFLE (INDIA) LIMITED

Affle (India) Limited (AIL) is a global technology business. AIL has two business segments viz. Consumer Platform and Enterprise Platform. In 2019 ALL derived around 92% of its revenue came from Consumer Platform while the balance was contributed by Enterprise Platform. Consumer Platform majorly provides services of new consumer conversions (acquisitions, engagements and transactions) through relevant mobile advertising. The Enterprise Platform provides end-to-end solutions for enterprises to enhance their engagement with mobile users.

Positives: (1) AIL is focus on mobile advertising which is a fast growing area. 2) Experienced Promoters & management team. 3) Microsoft Global Finance is a shareholder in Affle Holdings & Affle Holdings is the shareholder of AIL. 4) AIL is present internationally also which contributes 56.4% of the company's revenues in FY19. 5) AIL has a profitable, low cost business model with margins which are significantly higher than peers.

Investment concerns: (1) Top 10 customer contributed 64.5% of the consolidated revenue in FY19. Revenue from largest and second largest customer was 22% and 20.8% respectively in FY19. 2) Ad space market is highly competitive and is dominated by giants like Google and Facebook. 3) If AIL's ability to collect data from various sources is restricted, it will have material adverse impact on the business.

Outlook & Valuation: At the upper end of the price band, AIL is valued at PE multiple of 37.1x of FY19 EPS. AIL has no listed peers in India. International peers such as Trade Desk and Criteo trades at 129 & 14 PE respectively. Considering the inherent risk in the business, **we have a NEUTRAL view. Investors with high risk appetite and short term view can subscribe to the issue for listing gains.**

Key Financials

Y/E March (` cr)	FY16	FY17	FY18	FY19
Net Sales	72.4	65.6	83.8	249.4
% chg	-	-9.4	27.6	197.8
Net Profit	5.8	0.3	8.8	48.8
% chg	-	-94.3	2,576.4	452.8
EBITDA (%)	7.9%	5.4%	20.0%	28.2%
EPS (Rs)	3.2	0.1	3.6	20.1
P/E (x)	235.8	5,483.7	204.9	37.1
P/BV (x)	89.6	86.0	60.0	25.0
RoE (%)	44.1%	1.6%	29.3%	67.4%
RoCE (%)	31.3%	5.0%	44.9%	74.0%
EV/EBITDA	206.3	511.1	107.1	25.4
EV/Sales	16.2	27.5	21.4	7.2

Company Source: RHP, Angel Research; Note: Valuation ratios based at upper end of the price band.

NEUTRAL

Issue Open: June 28, 2019

Issue Close: July 02, 2019

Present Eq. Paid up Capital: ₹24.29cr

Offer for Sale: **49.53 lakhs Shares

Fresh issue: ₹90 cr

Post Eq. Paid up Capital: ₹25.50cr

Issue size (amt): *₹456.5 - **459 cr

Price Band: ₹740-745

Lot Size: 20 shares and in multiple thereafter

Post-issue implied mkt. cap: *₹1887cr - **₹1900cr

Promoters holding Pre-Issue: 92.17%

Promoters holding Post-Issue: 68.38%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	10% of issue
Non-Institutional	15% of issue
Retail	75% of issue

Post Issue Shareholding Pattern

Promoters	68%
Others	32%

Keshav Lahoti

+022 39357600, Extn: 6363

keshav.lahoti@angelbroking.com

Company background

AIL was incorporated as 'Tejus Securities Private Limited', a private limited company on August 18, 1994 at Mumbai. As on January 2006, AIL was owned and managed by Mukesh Tulsyan, Raj Pal Singh Rana and certain other shareholders. Subsequently in January 2006, the entire equity share capital of Tejus Securities Private Limited was acquired by Anuj Khanna Sohum, Anuj Kumar and Madhusudan Ramakrishna. Thereafter, the name of our Company was changed to 'Affle (India) Private Limited'.

AIL did not have any subsidiaries or associates till F.Y. 17-18. Affle International Pte. Ltd. (the "Singapore Subsidiary") was incorporated on April 1, 2018 and it acquired the business, intangible assets and all of the equity interests in PT Affle Indonesia (the "Indonesian Subsidiary") from Affle Global Pte. Ltd. ("Affle Global") with effect from July 1, 2018. AIL holds 100% interest in Affle International Pte Ltd. Further, AIL acquired the Vizury by way of a slump sale on an "as-is-where-is" basis from Vizury Interactive Solutions Private Limited ("Vizury India") with effect from September 1, 2018. It has acquired RevX Inc for USD \$4.5 million (but not the Revx brand) with effect from April 1, 2019 and Shoffr for \$5,50,000 effective from February 19, 2019.

AIL Consumer Platform comprises the following:

- "Affle" branded consumer intelligence platform that deliver consumer acquisitions, engagements and transactions through relevant mobile advertising (the "Affle Consumer Platform");
- "RevX" branded mobile only self-serve programmatic platform that delivers consumer acquisitions , engagements and transactions through relevant mobile advertising (the "RevX Platform");
- "Vizury" branded retargeting media business for e-commerce companies and our push notifications offerings for e-commerce companies on a software as a service model (the "Vizury Commerce Business");
- "Shoffr" branded online to offline platform that converts online consumer engagement into in-store walk-ins and transactions (the "Shoffr Platform")

Issue Details

ALL is raising ₹90cr through fresh issue & selling 49.53 lakhs equity shares through offer for sale in the price band of ₹740-745.

Exhibit 1: Pre & Post IPO Shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	22,386,822	92.2	17,433,862	68.4
Public	1,901,432	7.8	8,062,506	31.6
Total	24,288,314	100.0	25,496,368	100.0

Source: RHP, Angel Research. Note: Calculated on upper price band.

Objects of the offer

Working capital requirements (₹69cr) and balance for general corporate purposes.

Key Management Personnel:

Anuj Khanna Sohum, aged 41 years, is the individual Promoter, and the Chairman, Managing Director and Chief Executive Officer of the Company. He completed a bachelor's degree in computer engineering from the National University of Singapore on a full scholarship in Singapore. He has also completed the Stanford Executive Program from Graduate School of Business, Stanford University and the Owner/President Management Program from Harvard Business School. He has over 18 years of experience in leading technology products/ platforms-based businesses. He has been associated with the Company since January 25, 2006.

Anuj Kumar, aged 41 years, is the Director and Chief Revenue & Operating Officer of the Company. He holds a bachelor's degree in arts (honors course in economics) from St. Stephen's College at University of Delhi and also holds a post-graduate diploma in communications from Mudra Institute of Communications, Ahmedabad (MICA). He has over 17 years of experience in advertising and technology platforms-based business roles. He has earlier worked in J Walter Thompson (Hindustan Thompson Associates Limited), WPP Marketing Communications India Private Limited in its Mindshare business and ESPN Software India Private Limited. He has been associated with Company since January 25, 2006.

Kapil Mohan Bhutani, aged 46 years, is a Director and Chief Financial and Operations Officer of the Company. He holds a bachelor's degree in commerce (honors) from University of Delhi and has also completed a certificate programme in production technology from the National Institute of Fashion Technology. He has also been admitted as a fellow of the Institute of Chartered Accountants of India.

Exhibit 2: Consolidated Balance Sheet

Y/E March (' cr)	FY16	FY17	FY18	FY19
SOURCES OF FUNDS				
Equity Share Capital	15.8	24.3	24.3	24.3
Reserves& Surplus	-2.7	-3.3	5.9	48.1
Shareholders Funds	13.2	21.0	30.2	72.4
Total Loans	4.3	3.4	-	9.0
Other Liab & Prov	0.5	0.9	1.1	1.8
Total Liabilities	18.0	25.3	31.3	83.2
APPLICATION OF FUNDS				
Net Block	1.3	14.3	15.1	57.3
Capital Work-in-Progress	4.2	0.3	-	1.8
Current Assets	33.2	31.5	41.8	99.1
Inventories				
Sundry Debtors	14.8	17.4	23.5	61.1
Cash	6.8	8.8	14.5	30.5
Loans & Advances	4.8	-	0.2	1.1
Other Assets	6.9	5.3	3.6	6.4
Current liabilities	24.5	23.4	26.7	75.1
Net Current Assets	8.8	8.1	15.1	24.0
Other Non Current Asset	3.7	2.6	1.1	0.1
Total Assets	18.0	25.3	31.3	83.2

Source: Company, Angel Research

Exhibit 3: Consolidated Income Statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19
Total operating income	72.4	65.6	83.8	249.4
% chg	-	-9.4	27.6	197.8
Total Expenditure	66.7	62.1	67.0	179.1
Inventory & data cost	51.8	32.4	42.4	134.1
Personnel	7.1	17.6	16.0	21.2
Others Expenses	7.8	12.1	8.6	23.8
EBITDA	5.7	3.5	16.8	70.3
% chg	-	-38.1	374.8	319.5
(% of Net Sales)	7.9	5.4	20.0	28.2
Depreciation & Amortisation	0.3	2.3	3.2	10.1
EBIT	5.5	1.2	13.6	60.2
% chg	-	-77.6	1,010.7	344.4
(% of Net Sales)	7.5	1.9	16.2	24.1
Interest & other Charges	0.9	1.6	1.1	0.8
Other Income	0.3	1.2	1.1	0.4
(% of Sales)	0.4	1.8	1.3	0.2
Recurring PBT	4.8	0.7	13.5	59.7
% chg	-	-85.3	1,827.4	342.4
Tax	1.0	-0.5	-4.8	-11.0
PAT (reported)	5.8	0.3	8.8	48.8
% chg	-	-94.3	2,576.4	452.8
(% of Net Sales)	8.0	0.5	10.5	19.6
Basic & Fully Diluted EPS (Rs)	3.2	0.1	3.6	20.1
% chg	-	-95.7	2,576.4	452.8

Source: Company, Angel Research

Exhibit 4: Consolidated Cash Flow Statement

Y/E March ('cr)	FY16	FY17	FY18	FY19
Profit before tax	4.9	0.8	13.6	59.8
Depreciation	0.3	2.3	3.2	10.1
Change in Working Capital	(0.9)	0.6	1.3	(13.8)
Interest	0.7	1.5	1.0	0.6
Direct taxes paid	(0.2)	(0.5)	(3.0)	(8.8)
Others	1.2	1.2	1.2	(0.2)
Cash Flow from Operations	5.8	5.8	17.4	47.8
(Inc.)/ Dec. in Fixed Assets	(5.2)	(3.1)	(3.7)	(15.1)
(Inc.)/ Dec. in Investments	0.4	(2.6)	2.3	(5.3)
Profit/ loss on business combination	-	-	-	(6.0)
Investment for acquisitions	-	-	-	(23.8)
Advance to related parties	(3.1)	-	-	-
Cash Flow from Investing	(7.8)	(5.7)	(1.4)	(50.2)
Interest paid	(0.8)	(1.4)	(1.0)	(0.6)
Borrowings	8.0	(0.9)	(7.1)	9.0
Cash Flow from Financing	7.2	(2.2)	(8.1)	8.4
Inc./ (Dec.) in Cash	5.2	(2.1)	7.9	6.0
Opening Cash balances	1.6	7.9	5.8	14.6
Closing Cash balances	6.8	5.8	13.7	20.6

Source: Company, Angel Research

Exhibit 5: Key Ratios

Y/E March	FY16	FY17	FY18	FY19
Valuation Ratio (x)				
P/E (on FDEPS)	235.8	5,483.7	204.9	37.1
P/CEPS	5.9	2.9	12.2	59.7
P/BV	89.6	86.0	60.0	25.0
EV/Sales	16.2	27.5	21.4	7.2
EV/EBITDA	206.3	511.1	107.1	25.4
EV / Total Assets	27.7	37.1	30.9	11.3
Per Share Data (Rs)				
EPS (Basic)	3.2	0.1	3.6	20.1
EPS (fully diluted)	3.2	0.1	3.6	20.1
Cash EPS	5.9	2.9	12.2	59.7
Book Value	8.3	8.7	12.4	29.8
Returns (%)				
ROA	13.7%	0.7%	15.2%	30.8%
ROCE	31.3%	5.0%	44.9%	74.0%
ROE	44.1%	1.6%	29.3%	67.4%
Turnover ratios (x)				
Receivables (days)	75	96	101	88
Payables (days)	104	93	118	104

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.comWebsite: www.angelbroking.com**DISCLAIMER**

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