Dart Consultants
MACHINE DRIVEN INVESTING

BUY

Route Mobile Ltd

NSE: ROUTE

Cash is 43% of the market cap, and the core business is valued at roughly 3x EBITDA. Growth is slow and capital allocation has been poor, but at ₹434 the price assumes things get worse. We think the risk-reward favours buying.

The call

- **BUY, 12-month target ₹575 (+32%).** This is 5x TTM EBITDA plus management's stated free cash of ₹1,150–1,200 cr, less minority interest.
- **At ₹434 the core business is almost free.** The market cap is ₹2,733 cr. Excluding ~₹1,175 cr of free cash, the EV is ~₹1,560 cr: 3.1x TTM EBITDA and ~4.8x ex-cash earnings.
- **Margins bottomed in Q1 FY27.** Gross margin recovered from 20.9% to 22.4% in Q2. Management is guiding back to an EBITDA margin of ~12% (Q2: 10% adjusted), helped by the Oct–Dec festive quarter. That quarter was the best of FY26, with a 13.2% operating margin.
- **Revenue mix is improving.** New products (RCS, WhatsApp, IP messaging) grew 36.7% YoY to ₹128 cr in Q2 and are now over 10% of revenue. Heltar added only ~₹5 cr, so the rest was organic.
- **Holders have left.** FII + DII ownership fell from 12.8% (Sep-24) to 3.9% (Sep-26), and the stock trades near its ₹407 52-week low. Selling is largely done, so it may not need much good news to move.
- **What would make us wrong:** the cash being spent on another poor acquisition or prepayment, or RCS price rises denting the H2 volume recovery.

TARGET & RATING	
Rating	**BUY**
12-month target	**₹575**
CMP (18 Nov 2026)	₹434
Upside	+32%

KEY STOCK DATA	
Market cap	₹2,733 cr
Shares outstanding	6.30 cr (FV ₹10)
52-week range	₹407 – ₹771
P/E (TTM)	7.8x
EV / TTM EBITDA*	3.1x
Book value / share	₹462
Dividend (FY26)	₹11 / share (2.5%)
Free cash (mgmt, Q2 call)	₹1,150–1,200 cr
Cash + bank (Mar-26)	₹1,389 cr; no bank debt

SHAREHOLDING (SEP 2026)	
Promoter (Proximus Global)	74.85%
FII	1.65% (6.65% Sep-24)
DII	2.20% (6.14% Sep-24)
Public (1.56 lakh holders)	21.30%

FINANCIAL SNAPSHOT (₹ CR, CONSOLIDATED)

	FY25	FY26	Q2 FY27
Revenue	4,576	4,408	1,180
Growth YoY	+13.7%	−3.7%	+5.4%
Gross profit	951	1,007	264
Gross margin	20.8%	22.9%	22.4%
EBITDA	528	537	118†
EBITDA margin	11.5%	12.2%	10.0%†
Exceptional items	(18)	(136)	–
PAT	**334**	**257**	**83†**
EPS (₹)	50.69	37.94	12.63
Op. cash flow	602	581	n/d

**EV = market cap less ₹1,175 cr free cash (mid-point of mgmt range). †Company-adjusted figures from the Q2 call; EPS from screener.in. n/d = not disclosed. FY25/FY26 from audited FY26 annual report.*

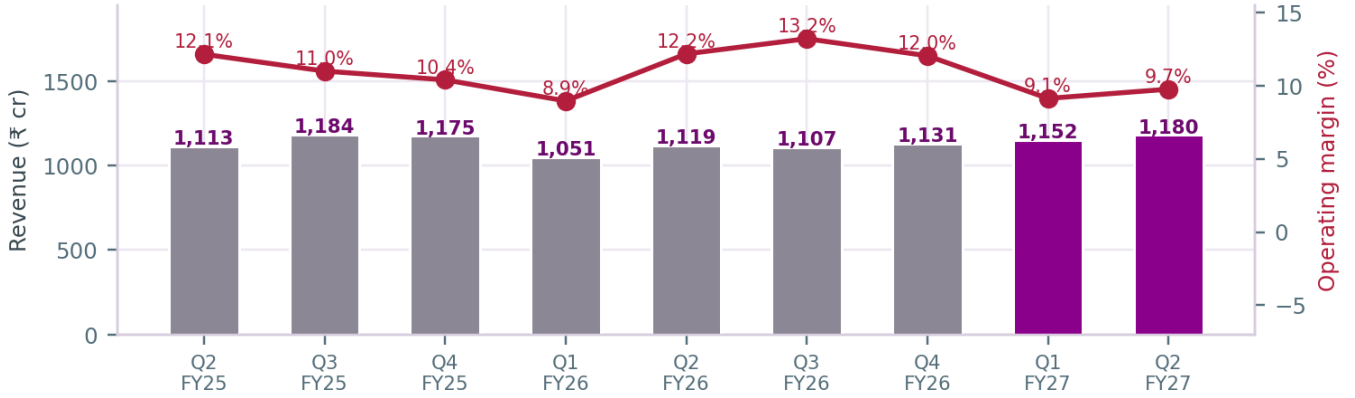
Business summary

- **What it does.** Mumbai-based CPaaS (cloud communications) company, founded in 2004. It carries A2P SMS, WhatsApp/Viber, RCS, voice and email traffic for 3,100+ enterprise clients, and processed 174.9 bn billable transactions in FY26.

- **Four verticals:** (1) Enterprise & OTT messaging, which is the bulk of revenue; (2) Mobile Operator: AI SMS firewalls (365guard), filtering and SMSC; (3) Digital Identity: network-API silent verification and SIM-swap detection, built on Proximus's Konera; (4) BPO through Call2Connect, which has 837 of the group's 1,615 staff.
- **Geography.** Companies registered outside India produce 81% of external revenue (₹3,557 cr of ₹4,408 cr in FY26) and 84% of segment profit. It has direct links to 280+ mobile operators and access to 900+ networks.
- **Ownership.** Proximus Global (Belgium) owns 74.85%. The Gupta founders exited the promoter group in FY25, and Rajdip Gupta continues as MD. Route sits alongside BICS and Telesign inside Proximus Global.
- **Economics.** It is a low-margin pass-through business: buying messaging services from operators cost 77% of FY26 revenue. Gross margin is 22–23%, EBITDA ~12% and ROE 9.7% (FY26, depressed by write-offs).
- **Customers.** The top 5 account for 30% of revenue (33% a year ago). 80 customers bill more than $1 mn a year, H1 net revenue retention was 105%, and recurring revenue is 93% of the last 12 months. BFSI is the largest vertical at 15%, followed by digital natives at 12%.

Exhibit 1: Quarterly revenue and operating margin

₹ cr; consolidated



Source: screener.in consolidated quarterly results (operating profit / sales). The Q2 FY27 figure (9.7%) is screener's; the company's adjusted EBITDA margin is 10.0%. The Oct–Dec quarter (Q3) is seasonally strongest.

What we took from the Q2 FY27 call (28 Oct 2026)

- **Q1's margin dip was temporary.** Management says Q1's gross margin dip came from traffic from a few high-margin customers pausing while new features were deployed, plus the security incident at Masivian (Colombia). It says the business was not lost, and gross profit was up 9.8% QoQ in Q2.
- **Opex had one-offs.** Q2 opex included Masivian remediation costs and a performance-bonus provision. The CFO says neither affects the run rate.
- **Guidance is unchanged:** revenue growth at the middle of a mid-to-high single-digit range, and a return to an EBITDA margin of ~12%, implying ~6% EBITDA growth for the year. The CFO himself flagged "execution issues" on the path from 10% to 12%.
- **RCS pricing.** Operators raised RCS rates from 1 Sep. Marketing messages roughly doubled in price; utility and authentication rose only marginally, and WhatsApp pricing is unchanged. The festive mix across SMS, WhatsApp and RCS is still unclear to management.
- **Firewall.** The product is now at 12 operators, carries a 50–60% blended gross margin (up to 70% for some customers) and is still a single-digit share of revenue. The Claro (LatAm) contract is live and stable, and more deals are at "fairly advanced" stages.
- **Use of cash.** Acquisitions are under evaluation in LatAm, KSA and SE Asia (conversational-AI and non-SMS channel players), but nothing has reached agreement. Management did not commit to a buyback.
- **ILD** (international SMS into India) is still not growing. MD&A calls it a "secular decline", and the company is managing it for gross profit rather than volume.

Where the bear case has a point

- **₹162.6 cr written off on two supplier prepayments over FY24–FY26.**
  - A subsidiary prepaid ₹196.6 cr for minimum-guaranteed SMS volume. It provided ₹26.7 cr in FY24 and wrote off ₹108.0 cr in FY26 after a SIAC partial award went against it, then settled in Feb-26.
  - A further ₹27.9 cr advance was written off after that vendor ceased operations.
- **Earlier acquisitions have also cost money.** FY25 carried a ₹40.4 cr goodwill impairment on MR Messaging FZE. Goodwill of ₹545 cr is the auditor's only key audit matter.
- **Revenue fell 3.7% in FY26.** Excluding new products, Q2 FY27 revenue grew only ~2.6% YoY (₹1,052 cr against ~₹1,025 cr, our calculation from disclosed figures). The core is barely growing.
- **Q2 FY27 adjusted PAT of ₹82.5 cr was down 17.8% YoY.**

SWOT analysis

STRENGTHS

- Net cash: ₹1,389 cr cash + bank, no bank borrowings (Mar-26); OCF of ₹581–602 cr in each of the last two years
- Backed by Proximus Global: BICS carrier reach (900+ networks) and Telesign identity products to cross-sell
- Direct connections to 280+ mobile operators; 93% recurring revenue; 105% net revenue retention
- Gross profit crossed ₹1,000 cr in FY26 even as revenue fell
- Pays out: ₹11/share for FY26 (three ₹3 interims + ₹2 final)

WEAKNESSES

- Thin margins: 77% of revenue goes to operators; EBITDA margin ~10–12%
- ₹162.6 cr written off on supplier prepayments; ₹40.4 cr goodwill impairment in FY25
- Top 5 customers are 30% of revenue; a pause in traffic from a few large clients took Q1 FY27 gross margin to 20.9% (FY26: 22.9%)
- Security incident at Masivian hit Q1 gross profit and Q2 costs
- ROE of 9.7% in FY26, held down by idle cash and write-offs

OPPORTUNITIES

- New products growing 30%+ YoY, now >10% of revenue; Heltar adds AI-led, no-code customer journeys and a route to subscription pricing
- SMS firewall at 50–60% gross margin, live at 12 operators, with a pipeline
- Network APIs (silent verification, SIM swap) through Konera, sold across the Proximus footprint
- Oct–Dec festive quarter: Q3 FY26 delivered a 13.2% operating margin
- ₹1,150–1,200 cr of free cash available for buybacks or bolt-on acquisitions

THREATS

- International A2P SMS in structural decline; WhatsApp and RCS substituting for SMS
- RCS marketing rates roughly doubled from 1 Sep 2026, which could hurt volumes after the season
- Price competition among CPaaS players on commoditised routes (MD&A)
- Capital-allocation risk: a large acquisition at a full price would undo the cash argument
- Rising operator termination charges and grey-route traffic; data rules (DPDPA, GDPR)

Valuation: how we get to ₹575

Scenario	EBITDA (₹ cr)	EV/ EBITDA	+ Free cash	− Minority	Equity (₹ cr)	Per share	vs CMP
Bear: EBITDA −20%, multiple stays depressed	402	3.0x	1,175	52	2,330	₹370	−15%
Base: TTM EBITDA, modest re-rating	**503**	**5.0x**	**1,175**	**52**	**3,638**	**₹577**	**+33%**
Bull: FY26 EBITDA, 12% margin restored	537	6.0x	1,175	52	4,346	₹690	+59%

Our assumptions. TTM EBITDA is screener.in operating profit (₹503 cr); FY26 EBITDA ₹537 cr is from the annual report. Free cash is the mid-point of management's ₹1,150–1,200 cr; minority interest is book NCI at Mar-26. 6.30 cr shares. At its 52-week high of ₹771, the market cap was ~₹4,860 cr.

- **Why 5x.** It is still a low multiple for a cash-generative, debt-free business with a profitable parent. We are not paying for a turnaround; we only assume the multiple recovers part of the way.
- **Limited downside.** Even the bear case leaves cash at ~₹186/share, about 43% of the current price. The dividend pays ~2.5% while we wait.
- **Catalysts:** Q3 FY27 results (festive season, Masivian recovery), a 12% EBITDA margin print, a firewall contract win, or a buyback or special dividend.
- **We would cut to HOLD** on a large acquisition at a rich price, another write-off on supplier advances, or a Q3 operating margin below 10%.

Sources: Route Mobile Annual Report FY2025-26 (audited consolidated statements, notes 33 and 45, MD&A, auditor's report); Q2 FY27 earnings call transcript (28 Oct 2026); screener.in consolidated data (price, market cap, quarterly results, shareholding), fetched 18 Nov 2026. Target price, scenarios and multiples are Dart Consultants' own estimates. Educational material only, not investment advice. Dart Consultants is not a SEBI-registered Investment Adviser or Research Analyst.