

CMP: INR 672

Rating: Buy

Target Price: INR 910

Stock Info

BSE	543228
NSE	ROUTE
Bloomberg	ROUTE IN
Sector	Communication
Face Value (INR)	10
Equity Capital (INR mn)	630
Mkt Cap (INR mn)	43,720
52W H/L (INR)	1,542 / 706

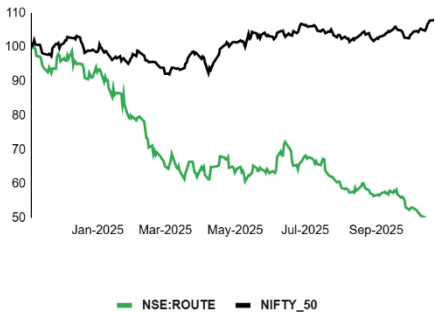
Shareholding Pattern %
(As on Sept, 2025)

Promoters	74.9
Public & Others	25.1

Stock Performance (%)

	1m	3m	12m
Route	-8.2	-6.1	-47.5
Nifty 50	0.6	4.6	0.6

Route Mobile Vs Nifty Price Chart



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Route Mobile's reported Decent Top line and Margin but PAT impacted due to one-off. Reported revenue of INR 11,194 Mn up 0.5% YoY/ up 6.5% QoQ in slightly above with our estimate of INR 11,010 Mn. International business, ILDO business expansion, and domestic volume growth (offset partially by lower realizations) combined with routing synergies, driving overall revenue growth. Consolidated Gross profit stood at INR 2,471Mn in Q2FY26 up by 5.2%YoY/ 9.8% QoQ. Gross Profit margin of 22.07% in Q2FY26 against 21.42% in Q1FY26. Gross Profit Margin expansion reflects the focus on retention of higher margin traffic and better routing strategy. Adjusted EBITDA stood at INR 1,332 Mn, up by 15.5% QoQ above with our estimate of INR 1,270 Mn. Adjusted EBITDA margin stood at 11.9% up by 92bps QoQ above our estimate of 11.5%. One time severance cost of INR 18.9 mn incurred in Q2FY26 Adj PAT loss of INR 188.3 Mn due to Exceptional loss of (INR 1358.7 Mn). Exceptional items for Q4FY25 include goodwill impairment of a step-down subsidiary, write-off of receivables from an MNO, and loss on non-fulfilment of a short-term MNO contract. For FY25, these were partly offset by a fair value gain on contingent consideration from a past acquisition. The Group's subsidiary has written off INR 1079.6 cr of advance paid to an SMS vendor, following contract termination and failed renegotiations. The amount has been fully provided as an exceptional item in Q2FY26 after arbitration proceedings and legal assessment. Board recommended INR 3 per share interim dividend

New Product Portfolio Gaining Strong Traction: New product revenues grew 13.1% sequentially, outpacing overall growth. Adoption of Route's Omnichannel and integrated communications platform accelerated, with new wins in mobility, transportation, and metro segments. The company expanded into Bangladesh's bus booking ecosystem, showcasing the versatility of its platform. Integration of WhatsApp, RCS, and email solutions continues to drive cross-channel adoption. Partnerships with Tech Mahindra and system integrators have opened enterprise access to newer segments, validating the company's "platform-first" strategy and expanding its TAM beyond traditional SMS-based business.

Strengthening Telco Ecosystem and API-Led Opportunities: Route Mobile is actively participating in the telecom network API ecosystem, leveraging the Proximus Global Konera initiative to unlock structural long-term opportunities. The company's firewall, RCS Map Server, and CPaaS-in-a-Box offerings position it at the intersection of telecom infrastructure and enterprise services. The Claro partnership in Latin America has led to deployments across three networks, with revenue ramp-up expected in coming quarters. The API business, still in early stages, aligns with the company's goal of future-proofing growth by building scalable, high-margin, and technology-driven communication infrastructure.

Valuation and Outlook

Route Mobile expects H2FY26 on a strong note with revived growth momentum and a sharper focus on profitable execution. Management expects the positive trend in new product adoption, omnichannel expansion, and telco-led opportunities to sustain, aided by seasonally stronger demand and festive traction. Margin is expected to remain stable at 12%+ EBITDA, supported by customer mix optimization and higher contribution from value-accretive products like WhatsApp, RCS, and network APIs. Strategic synergies with Proximus Global and partnerships with large enterprises are likely to accelerate revenue diversification and margin expansion. The company remains confident of delivering double-digit growth in the medium term, backed by a healthy balance sheet, expanding product ecosystem, and disciplined capital allocation. We expect RML revenue, EBITDA, and PAT to grow at a CAGR of ~5%, %, and 4%, respectively, over FY26e-28e. **We value the stock at a PE multiple of 15x to its FY28E EPS of INR 64.5, which yield a revised target price of INR 910 per share. We upgrade our rating to Buy on the stock.**

Exhibit 1: Financial Overview

YE March (INR Mn)	Revenues	EBITDA	EBITDA Margin (%)	PAT	EPS (INR)	RoE (%)	P/E (x)
FY25	45,756	5,278	11.53%	3,524	50.7	13.55%	13.3
FY26E	48,959	5,635	11.51%	3,389	53.8	12.36%	12.5
FY27E	53,365	6,164	11.55%	3,661	58.1	12.03%	11.6
FY28E	58,702	6,927	11.80%	4,063	64.5	12.04%	10.4

Source: Company, Arihant Research

Exhibit 3: Q2FY26 Financial Performance

INR Mn (Route Mobiles Ltd.)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Net Revenue	11,194	10,508	11,134	6.5%	0.5%
Purchase of messaging service	8,723	8,258	8,785	5.6%	-0.7%
Gross Profit	2,471.0	2,250.7	2,349	9.8%	5.2%
Gross Profit (%)	22.07%	21.42%	21.10%	3.1%	4.6%
Employee cost	716.6	685.9	629	4.5%	14.0%
Other Expenses	394.9	625.8	368	-36.9%	7.3%
EBITDA	1,359.5	939.0	1,352	44.8%	0.5%
EBITDA margin %	12.1%	8.9%	12.1%	321bps	0bps
(+) Employee stock option expense (non cash)	5.8	5.7		1.8%	
(+) Net loss on foreign currency transactions and translation	0	247.3		-100.0%	
(-) Intangible assets under development	32.9	38		-13.4%	
(+) Non-cash impact related to refundable security deposit provided to MNO	-	-			
Adj EBITDA	1332	1154		15.5%	
Adj EBITDA Margin	11.9%	11.0%		92bps	1190bps
Other Income	271.6	109.7	326	147.6%	-16.6%
Depreciation	228.7	224.8	223	1.7%	2.6%
EBIT	1,402	824	1,455	70.2%	-3.6%
EBIT margin %	12.5%	7.8%	13.1%	469bps	-54bps
Finance cost	23.7	58.2	144	-59.3%	-83.6%
Exceptional Item	-1358.7		-	-	-
Profit Before Exceptional item	20.0	765.7	1,310.6	-97.4%	-98.5%
Exceptional Item			63		
Tax Expense	208.3	177.9	303	17.1%	-31.3%
Effective tax rate %	1041.5%	23.2%	23.1%		
PAT	-188.3	587.8	1,070.3	-132.0%	-117.6%
Non-controlling interest		55.7	57.6	-	-
adjusted PAT	(188.3)	532.1	1,012.7	-135.4%	-118.6%
PAT margin %	-1.7%	5.1%	9.1%	-675bps	-1078bps
EPS (INR)	-3.37	8.45	16.1		
Segment Revenue INR Mn.	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
India (Companies registered in India)	2,257	2,195	2,315	2.8%	-2.5%
Overseas (Companies registered outside India)	10,695	9,927	10,438	7.7%	2.5%
Inter segment revenue	-1757.1	-1613.7	(1,618)	8.9%	8.6%

Source: Company, Arianth Research

Route Mobile-Q2FY26 Concall KTAs

Revenue from operations at INR 11,194 mn, up 6.5% QoQ and 0.5% YoY, reflecting renewed growth momentum.

Exceptional items relate to advances written off for one aggregator and one MNO and management confirmed no further write-offs expected.

Core profitability remains strong and sustainable despite the one-time impact.

Operating cost growth limited to 11.5% YoY, reflecting disciplined cost management.

OCF/EBITDA conversion at ~80%, indicating strong working capital control and sustainable cash generation.

Net cash balance remains robust (~INR 1,000 cr), giving headroom for investments and tuck-in acquisitions.

Management emphasized a shift from volume-led to profitable growth and higher-quality customers.

Recalibration of business model towards margin-accretive accounts and new product revenue streams.

Company now operates under two verticals – Telco (firewall, CPaaS-in-a-box) and Enterprise (omnichannel messaging, RCS, WhatsApp).

Dedicated teams for each vertical are improving focus and sales efficiency.

Route Mobile's strategy is aligned with sustainable profitability and expanding addressable markets.

Proximus Global partnership continues to deliver routing synergies with no dilution to margins.

RPT (related party transaction) with Telesign contributes ~15% of total revenue, at 10–11% EBIT margins.

Strategic partnerships with Tech Mahindra, BICS, Claro, and Microsoft are opening new enterprise opportunities.

Collaboration with Proximus for platform integration, API, and synergy delivery remains a key growth driver.

New product revenue grew 13.1% QoQ, outpacing consolidated growth.

Strong traction in omnichannel communication, including WhatsApp, RCS, and email.

Expanded into mobility and transport verticals, securing new clients in metro and bus booking (India and Bangladesh).

Partnership-led customer acquisition (via Tech Mahindra and GSIs) accelerating go-to-market.

Firewall and network security deployments expanding with major MNOs, contributing to high-margin recurring revenue.

Claro integration completed across three networks and revenue ramp-up expected in coming quarters.

Network API initiative (Konera) with Proximus Global positions Route at the intersection of telecom and enterprise CPaaS.

Management sees Network APIs as a major long-term growth avenue and new revenue stream.

Focus on AI-driven anti-spam and security products for telecom operators expanding addressable market.

Portfolio & Client Mix

SMS remains the largest revenue driver; ~85% transactional and ~15% promotional, minimizing risk from regulatory SMS decline.

Promotional SMS volumes being offset by rising WhatsApp, RCS, and email traffic.

Shift in business mix toward higher-margin domestic and enterprise customers.

ARPU decline driven by mix change (growth in India and email) but offset by margin expansion.

No major customer churn and optimization focused on improving route profitability and client quality.

Growth seen across ILD, domestic, and non-SMS portfolios sequentially.

India remains the largest and fastest-growing market and steady traction also in LatAm, Africa, and Middle East.

Growth across multiple geographies with strong synergies from Masivian integration.

BICS partnership accelerating international operator engagements for firewall and RCS products.

Non-SMS portfolio (WhatsApp, RCS, email) now ~8–9% of revenue, expected to scale rapidly.

Company evaluating tuck-in acquisitions in AI and voice tech to enhance the platform offering.

Plans to expand BPO capacity by 500–1,000 seats to meet rising customer demand.

CapEx to remain moderate, mainly toward platform enhancements and integration synergies with Proximus Global.

Exhibit 2: Above with our estimate led by decent topline

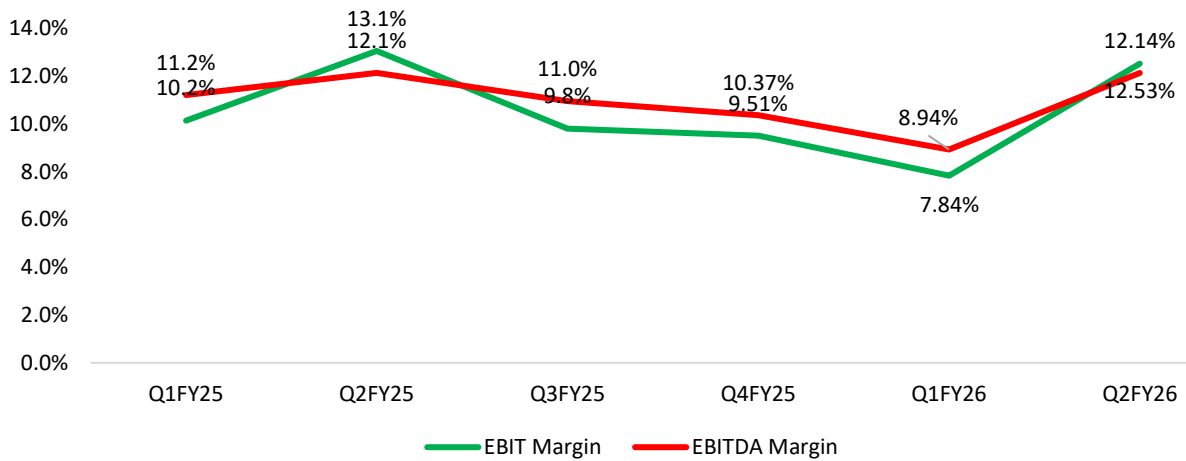


Exhibit 3: Growing number of Multi-million dollar accounts with Improving Client Diversification

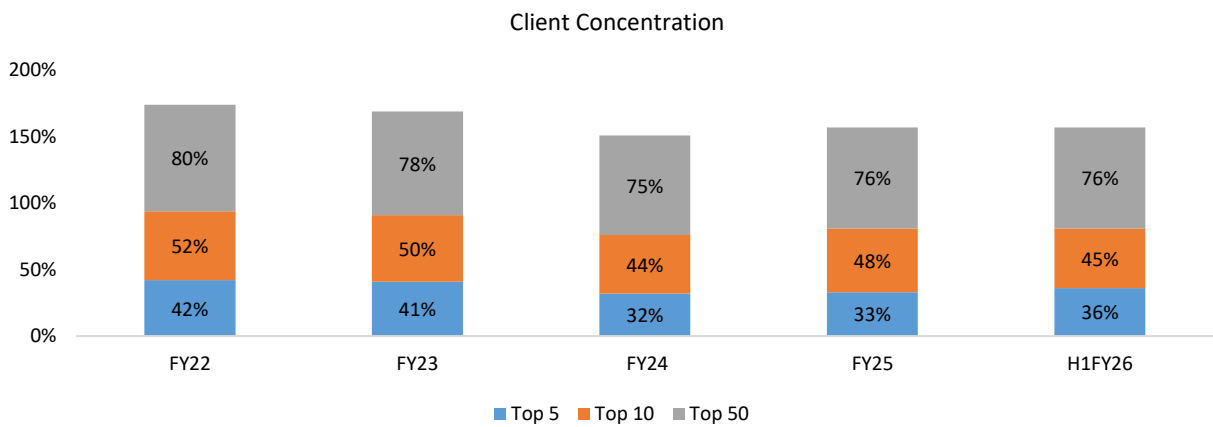
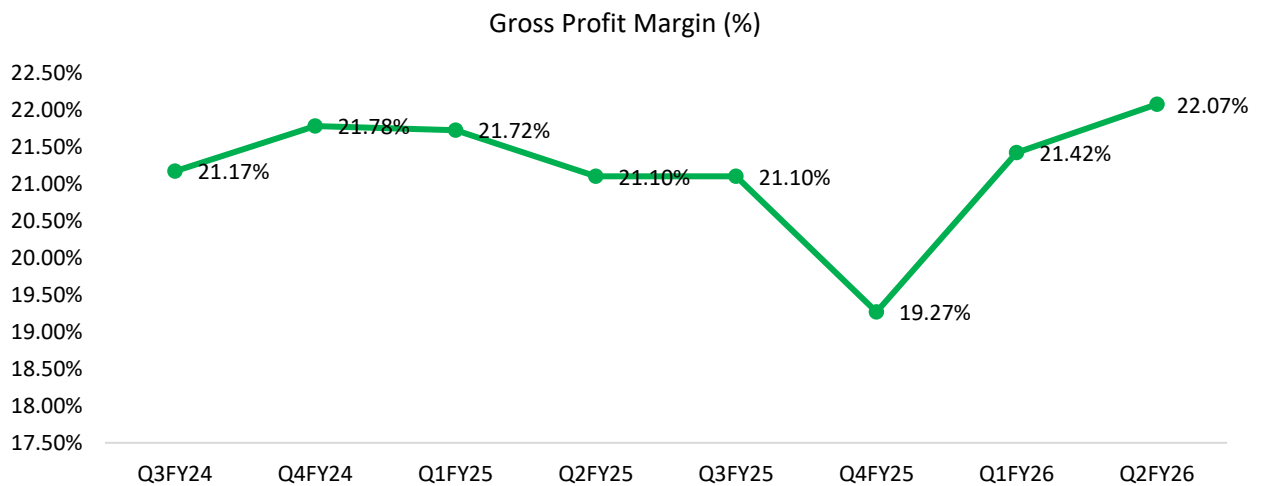


Exhibit 4: Gross Profit Margin



Source: Company, Arianth Research

Income Statement				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
Revenues	45,756	46,671	49,005	51,455
Change (%)	13.7%	2.0%	5.0%	5.0%
Cost of Goods Sold	36,247	36,404	38,420	40,341
Employee costs	2,600	3,216	3,283	3,345
Other expenses	1,631	1,680	1,740	1,955
Total operating Expense	40,479	41,299	43,443	45,641
EBITDA	5,278	5,372	5,562	5,814
EBITDA Margin (%)	11.5%	11.5%	11.4%	11.3%
Other Income	468	473	482	492
Depreciation	891	1,249	1,083	1,121
Interest	409	286	287	287
PBT	4,446	4,309	4,675	4,899
Extra-ordinary	-	-	-	1.00
PBT after ext-ord.	4,446	4,309	4,675	4,898
Tax	922	948	1,028	1,078
Rate (%)	20.7%	22.0%	22.0%	22.0%
Adj. PAT	3,524	3,361	3,646	3,820
Change (%)	-5.3%	-4.6%	8.5%	4.8%

Balance Sheet				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Share Capital	630	630	630	630
Reserves & Surplus	23,690	26,446	29,436	32,569
Minority Interest	321	321	321	321
Net Worth	24,641	27,397	30,387	33,520
Long term debt				
Short term debt	4,410	4,586	4,769	4,960
Total Debt	4,410	4,586	4,769	4,960
Capital Employed	38,257	45,009	48,797	52,835
Application of Funds				
Net Block	343	568	833	1,067
other intangible Asset	7,833	8,336	8,179	8,116
Deferred Tax & Non Current Asset & Financial Asset	836	836	836	836
Other Non-Current Assets	1,561	1,561	1,561	1,561
Capital WIP	1.10	1.10	1.10	1.10
Non Current Asset	10,573	11,301	11,409	11,581
Investments	161	161	161	161
Debtors	9,328	11,380	11,949	12,547
Cash & bank balance	8,504	14,718	17,699	20,830
other Financial & Current Asset	4,545	2,625	2,756	2,894
Total current assets	22,537	28,884	32,565	36,431
Total Assets	38,257	45,009	48,797	52,835

Cash Flow Statement				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
PBT	4,261	4,309	4,675	4,899
Depreciation	891	1,249	1,083	1,121
Interst Exp	0	286	287	287
Other Non Cash Item	(256)	(240)	(240)	(240)
Cash flow before WC changes	4,896	5,605	5,804	6,066
(Inc)/dec in working capital	1,432	1,962	(65)	(19)
Operating CF after WC changes	7,013	5,830	4,004	4,313
Less: Taxes	(922)	(948)	(1,028)	(1,078)
Operating cash flow	6,091	4,882	2,976	3,235
(Inc)/dec in F.A	(213)	(225)	(265)	(234)
Other	14,817	45	45	45
Cash flow from investing	(2,601)	(180)	(220)	(189)
Free cash flow (FCF)	5,878	4,657	2,711	3,001
Proceeds/(Repayment) of current borrowings	3,013.20	176.38	183.44	190.78
Proceeds/(Repayment) of non-current borrowings	(2,189.20)	-	-	-
Interest & Lease Liability	(131.70)	-	-	-
Dividend	-742	-605	-656	-688
Intereset exp	-357	-286	-287	-287
Cash flow from financing activities	-337.9	2028.3	225.8	86.2
Currency fluctuation arising on consolidation	-	-	-	-
Net inc /(dec) in cash	3,152	6,731	2,982	3,132
Opening balance of cash	4,838	7,989	14,718	17,699
Closing balance of cash	7,989	14,718	17,699	20,830

Key Ratios				
Y/E March (INR Mn)	FY25	FY26E	FY27E	FY28E
Per share (INR)				
EPS	50.7	53.4	57.9	60.6
CEPS	67.1	73.2	75.1	78.4
BVPS	391.1	434.9	482.3	532.1
Valuation (x)				
P/E	13.3	12.6	11.6	11.1
P/BV	1.7	1.5	1.4	1.3
EV/EBITDA	26.2	24.7	23.3	21.8
Return Ratios (%)				
Gross Margin	20.8%	22.0%	21.6%	21.6%
EBIDTA Margin	11.5%	11.5%	11.4%	11.3%
PAT Margin	7.3%	7.2%	7.4%	7.4%
ROE	13.6%	12.3%	12.0%	11.4%
ROCE	15.1%	12.9%	12.7%	12.2%
Leverage Ratio (%)				
Turnover Ratios				
Asset Turnover (x)	1.2	1.0	1.0	1.0
Receivable Days	74	89	89	89
Payable days	55	86	86	86

Source: Company, Arihant Research

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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