

## Subscribe for Long Term

Issue Details	
Price Band (Rs)	Rs. 740 - 745
Face Value (Rs)	10
Issue Size (Rs)	459 cr
Issue Type	Book Building
Minimum lot	20
Issue Opens	July 29,2019
Issue Closes	July 31,2019
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	August 05,2019
Unblocking of Funds	August 06,2019
Credit of shares to Demat Account	August 07,2019
Listing on exchange	August 08,2019

Other Detail	
Book Running Lead Managers	ICICI Securities Limited, Nomura Financial Advisory and Securities (India) Private Limited
Registrar	Karvy Fintech Private Limited

## Affle (India) Limited

### Company Background

Incorporated in 2005, Affle (India) Limited (AIL) is a mobile marketing firm offering Consumer and Enterprise Platforms. The platform is built to mitigate digital ad fraud, assisting consumer privacy expectations, and improve returns on marketing expenses by delivering mobile ads. The advertising agencies of business to consumer (B2C) companies use the consumer platform across different industries. The list of industries includes telecom, fin-tech, e-commerce, retail, FMCG companies, and media. Affle uses user-intent indicators based on transactional data, marketing attribution and behavioral signals. Based on such information, the company predicts the likely interest of the user. It keeps on updating the system based on data to improve consumer engagement and enable consumer actions. The company runs the campaigns on data intelligence basis to drive high volumes at an efficient price.

The company earns revenue from a cost per converted user (CPCU) basis. The conversion can be based on the transaction (purchase a product or service) and consumer acquisition model (acquire a new consumer). Moreover, the company earns revenue by engagement and awareness type advertising. Affle also provides end-to-end solutions by developing App, offering enterprise platform, assisting offline e-commerce businesses in offline to online commerce. Microsoft has a 6.48% stake in the Singapore based Affle Holdings.

### Issue Details

The company through the IPO offers 61,61,074 Shares of Rs.10 each amounting to Rs. 459 cr on the upper price band. The offer comprises of Fresh Issue of 12,08,054 shares amounting to Rs. 90 cr on the upper price band and Offer for sale of 49,53,020 shares by Affle Holdings Pte. Ltd, representing a post-offer stake sale of about 24%.

### Objectives of the Issue are:

- 1) Funding the working capital requirements of the company and
- 2) General Corporate Purposes

### IPO share allotment pattern

Category	Allocation	Number of Shares	Issue Size (Rs. Cr) at	
			Lower Band (Rs.740)	Upper Band (Rs.745)
QIB	75%	46,20,805	342	344
Non-Institutional	15%	9,24,161	68	69
Retail	10%	6,16,107	46	46
<b>Total</b>		<b>61,61,074</b>	<b>456</b>	<b>459</b>

Source: Company RHP, ACMIIL

### Outlook and Valuations

AIL is a global technology business company having a unique business model providing consumer platform for B2C. Its revenue includes nearly 60% global business and the rest from domestic markets. According to Frost & Sullivan. The ad tech market in India is fast growing with a market size of US\$304.9 million in 2017. It will likely grow at a CAGR of 39% to US\$808 million by 2022. 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. We believe AIL's extensive consumer profile data with deep understanding of consumer intent and behavior and with its proven technology makes them better placed to deliver profitability going ahead. At the upper price band of Rs 745/-, the stock trades at 37x its FY19 Consolidated EPS of Rs. 20.10/-. We recommend to **SUBSCRIBE** the issue with a long-term perspective.

### Distribution Team

E: ipo@acm.co.in  
D: +91 22 6132 5931

### Analyst

**Dhiral Shah**  
E: dhiral.shah@acm.co.in  
D: +91 22 2858 3211

## Business Overview

AIL is a global technology business company. It has two business segments: Consumer Platform and Enterprise Platform. Consumer Platform primarily provides the services that include:

- (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. AIL's Enterprise Platform primarily provides end-to-end solutions for enterprises to enhance their engagement with mobile users.

As on March 31, 2019, company's 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). During Fiscal 2019, AIL's Affle Consumer Platform accumulated over 300 billion data points, which power its prediction and recommendation algorithm for Affle Consumer Platform. The company is in the process of integrating the consumer profiles and the related consumer data points of the Vizury Commerce Business, the RevX Platform and the Shoffr Platform with Affle Consumer Platform.

AIL's 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. For Fiscal 2019 on a Proforma basis, the company's revenue from Consumer Platform contributed 97.2% of revenue from contracts with customers. For Fiscal 2019 on a consolidated basis, revenue from Consumer Platform contributed 97.0% of revenue from contracts with customers. AIL primarily earn revenues from Consumer Platform on a cost per converted user ("CPCU") basis, which comprises user conversions based on consumer acquisition and transaction models.

As on May 31, 2019, it had 236 full-time employees across six offices located in Gurugram (India), Mumbai (India), Bengaluru (India), Singapore, Jakarta (Indonesia) and Dubai (UAE). The company has three registered patents in the United States with multiple patent claims in areas of advertising via data communication clients, online search system, method and computer programme and method and system for extending the use and/or application of the messaging system.

## Investment Rationale

### A high growth market with substantial barriers to entry

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. According to Frost & Sullivan, AIL is a leading ad tech solution provider in India. As on March 31, 2019, AIL's Affle Consumer Platform had approximately 571 million consumer profiles in India. AIL provide services across the value chain in digital advertising, spanning the areas of DMP, DSP/SSP, fraud detection and ad network. AIL is one of the very few companies that have products spanning the entire value chain. AIL has increased their breadth of service offering to e-commerce and mobile app driven companies.

In the last two calendar years, only about 25% of all Internet users in India have shopped online. 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. 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 have a track record of working alongside brands locally for years. AIL's extensive consumer profile data, proprietary technology and local knowledge makes them better placed compared to global peers to deliver profitability in India.

### Proven international track record

AIL's revenue from contracts with customers outside India was ₹ 1,571.88 million, which was 58.5% of total revenue from contracts with customers. Key International markets for AIL are Emerging Markets (Southeast Asia, the Middle East, Africa and others) and Developed Markets (North America, Europe, Japan, Korea and Australia). According to Frost & Sullivan Report 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.

### Growth driven, global customer base

Global advertising spend is managed largely through six major advertising agency groups: WPP (GroupM); Publicis; Omnicom (OMG); Dentsu Aegis Network (DAN); Interpublic Group (IPG) Media brands and Havas. AIL currently work with all of the top six global advertising agency groups and with other mobile focused advertising agencies, such as M&C Saatchi Mobile, and with domestic advertising agencies, such as Interactive Avenues and Madison. AIL has run mobile advertising campaigns for some of the largest e-commerce and mobile App companies / brands in the world, such as Amazon, Flipkart, Goibibo, Zee, Dunzo, Dailyhunt, Meesho, Games 24x7, Jabong, BookMyShow, Wynk, ALT Balaji, PhonePe, Gojek, Spotify, Sivi, and well-known companies in other industries such as Airtel, Reckitt Benkiser, Johnson & Johnson, McDonalds, Nissan, Air Asia, Axis Bank, Citibank, and BTPN.

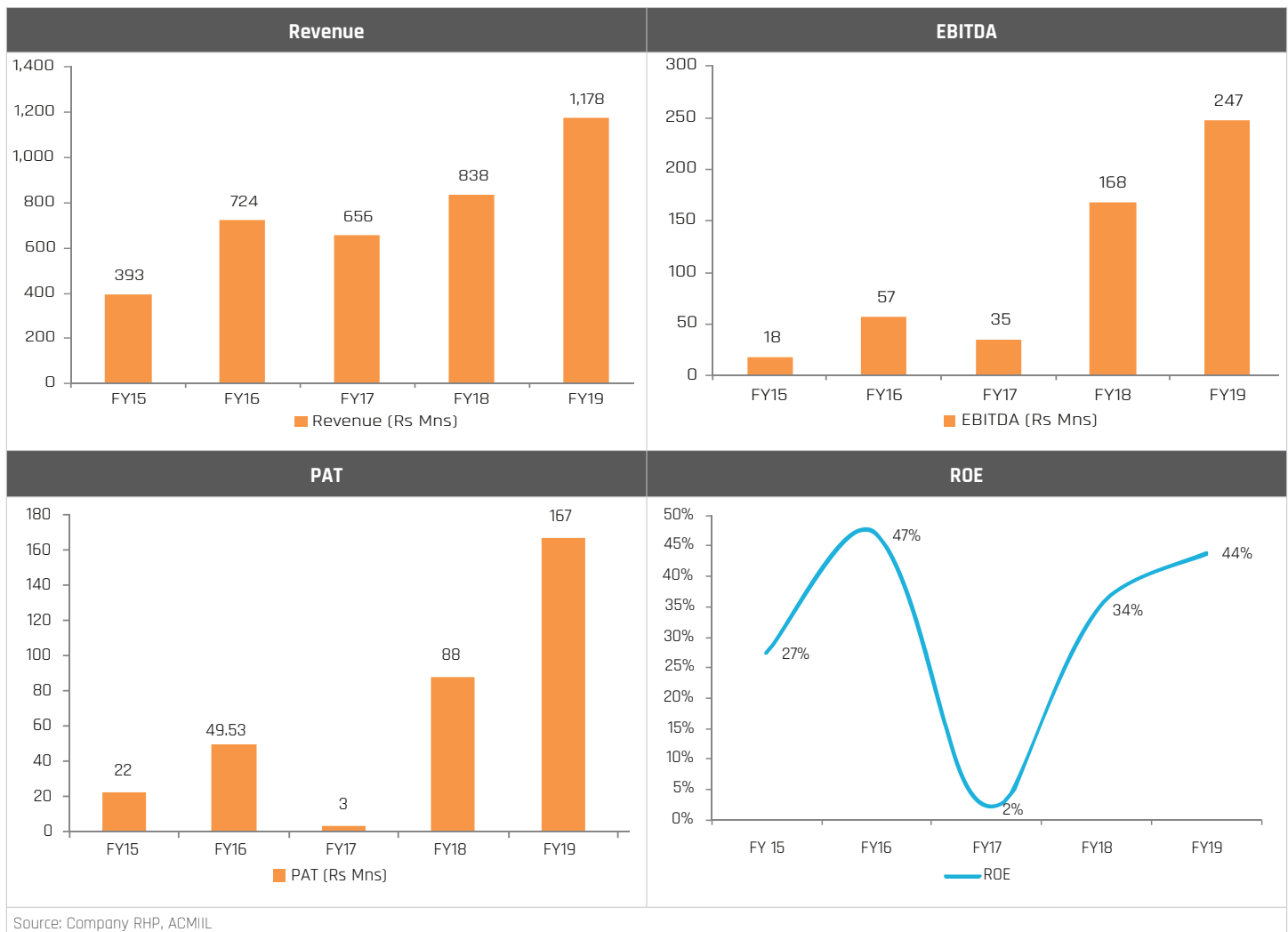
As on March 31, 2019, AIL's Affle Consumer Platform had approximately 2.02 billion consumer profiles. For Fiscal 2019, AIL's Affle Consumer Platform accumulated over 300 billion data points. This gives AIL a deep data-driven understanding of consumer intent and behaviour.

## Established financial track record

AIL has established a consistent track record of financial performance and growth. From FY16 to FY19, On standalone basis, net revenue and net profit of the company grew at a CAGR of 18% and 49% respectively. Moreover, EPS of the company grew at a CAGR of 28% from Rs.3.16 to Rs. 6.7 from FY16 to FY19. Further, the company's net debt to equity on consolidated basis stands at 0.12x as on March 2019. Further AIL' ROE and ROCE stands at 67% and 74% as on March 2019 on consolidated basis.

## Risks and concerns

- 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 our business, results of operations, cash flows and financial condition
- The market in which AIL participate is intensely competitive and the company may not be able to compete successfully with current or future competitors.



## Financials

### Income statement

Particulars ( Rs Mns)	FY15	FY16	FY17	FY18	FY19	FY19*
<b>Revenue from Operations</b>	<b>393</b>	<b>724</b>	<b>656</b>	<b>838</b>	<b>1,178</b>	<b>2,494</b>
Less: Expenses						
Inventory and data costs	282	518	324	424	623	1341
Employee Benefit Expenses	54	71	176	160	196	212
Other Expenses	39	78	121	86	112	237
Total Expenses	375	667	621	670	931	1790
<b>EBITDA</b>	<b>18</b>	<b>57</b>	<b>35</b>	<b>168</b>	<b>247</b>	<b>704</b>
EBITDA %	4.6%	7.9%	5.3%	20.0%	21.0%	28.2%
Less : Dep & Amortization	1	3	23	32	44	101
EBIT ( before Other income)	17	54	12	136	203	603
Add : Other Income	1	3	12	11	37	4
EBIT ( After Other Income)	18	57	24	147	240	607
Less : Finance cost	1	9	16	11	4	8
<b>PBT</b>	<b>17</b>	<b>48</b>	<b>8</b>	<b>136</b>	<b>236</b>	<b>599</b>
Less : Tax paid/reversal	-5	-2	5	48	69	110
<b>Net Profit</b>	<b>22</b>	<b>50</b>	<b>3</b>	<b>88</b>	<b>167</b>	<b>489</b>
PAT %	5.6%	6.8%	0.5%	10.5%	14.2%	19.6%
EPS (Rs)	1.43	3.16	0.14	3.64	6.87	20.10

Source: Company RHP, ACMIIL

\* Consolidated basis

## Balance Sheet

Particulars (Rs Mns)	FY15	FY16	FY17	FY18	FY19	FY19*
Share Capital	158	158	243	243	243	243
Reserves	-77	-27	-33	59	220	481
Total Shareholders Fund	81	131	210	302	463	724
<b>Non Current Liabilities</b>						
<b>Financial Liabilities :</b>						
(i) Borrowings	0	43	5.26	0	0	69
Long term provisions	4	5	9	11	15	15
Deffered tax liabilities (net)	0	0	0	0	3	3
<b>Total Non Current Liabilities</b>	<b>4</b>	<b>48</b>	<b>14</b>	<b>11</b>	<b>18</b>	<b>87</b>
<b>Current Liabilities</b>						
Contract Liabilities	0	0	1	3	3	7
<b>Financial Liabilities :</b>						
(i) Borrowings	0	0	28	0	0	21
(ii) Trade payable	168	191	160	220	324	517
(iii) Other financial liabilities		51	60	25	104	199
Short term provisions	4	3	1	1	1	3
Other current liabilities	31	0	12	18	23	25
<b>Total Current Liabilities</b>	<b>203</b>	<b>245</b>	<b>262</b>	<b>267</b>	<b>455</b>	<b>772</b>
<b>Total Liabilities</b>	<b>288</b>	<b>424</b>	<b>487</b>	<b>580</b>	<b>936</b>	<b>1,583</b>
<b>Assets</b>						
Tangible Assets	1	2	4	4	7	8
Intangible assets	5	11	139	147	229	565
Intangible assets under development	0	42	3	0	18	18
Non Current Investment	0	0	0.2	0.3	138	0.3
Long term loans & advances	2	32	6	6	0.1	0.8
Deferred tax assets (net)	4	5	19	5	0	0
Other Non current assets	0	0	0.3	0.05	0	0
<b>Total Non Current Assets</b>	<b>12</b>	<b>92</b>	<b>172</b>	<b>162</b>	<b>392</b>	<b>592</b>
<b>Current Asset</b>						
Contract asset	0	0	39	77	96	132
Trade Receivables	223	148	135	158	269	479
Cash & Bank bal	19	68	87	145	100	305
Short Term Loans & Advances	21	48	0.39	2	8	11
Other financial assets	0	0	0.08	0.1	13	29
Current tax assets (net)	0	0	29	24	36	12
Other Current Assets	13	68	25	12	22	23
<b>Total Current Asset</b>	<b>276</b>	<b>332</b>	<b>315</b>	<b>418</b>	<b>544</b>	<b>991</b>
<b>Total Asset</b>	<b>288</b>	<b>424</b>	<b>487</b>	<b>580</b>	<b>936</b>	<b>1,583</b>

Source: Company RHP, ACMIIL

\* Consolidated basis

## ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum calls
Equi-Tea	Smart Delivery trades
Market Watch	Positional technical calls
Investor First	Investment ideas
Preview	Master trades High & Medium Risk
Market Pulse	Techno Funda
RBI Monetary Policy	Equity SIP
Budget Report	Mutual fund model portfolios
Weekly Derivatives Synopsis	Portfolio Doctor
Rollover Snapshot	
Rollover Analysis (Monthly)	
<p>For More Information on Retail Research Products please visit  <a href="http://www.investmentz.com/research-report/">http://www.investmentz.com/research-report/</a></p>	

# Asit C. Mehta

## INVESTMENT INTERMEDIATES LTD.

### Retail Research Desk:

Akhil Rathi	D: 91 22 2858 3210
Hrshikesh Yedve	D: 91 22 2858 3207
Vrinda Aditya	D: 91 22 2858 3209
Neeraj Sharma	D: 91 22 2858 3208
Rohan Gawale	D: 91 22 2858 3213
Dhiral Shah	D: 91 22 2858 3211

Email: [retailresearch@acm.co.in](mailto:retailresearch@acm.co.in)

### Research Analyst Registration Number:

**INH000002483**

**CIN: U65990MH1993PLC075388**

**An ISO 9001:2015 Certified Company**



Follow us on:



Information pertaining to Asit C. Mehta Investment Intermediates Limited (ACMIIL):

ACMIIL is a SEBI registered Stock Broker, Merchant Banker and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. It does not have any disciplinary history. Its associate/group companies are Asit C. Mehta Commodity Services Limited, Asit C. Mehta Realty Services Pvt. Ltd, Asit C. Mehta Forex Pvt. Ltd, Nucleus IT Enabled Services , Asit C. Mehta Financial Services Limited (all providing services other than stock broking and merchant banking).

Disclosures

ACMIIL/its associates and its Research analysts have no financial interest in the companies covered on the report. ACMIIL/its associates and Research analysts did not have actual/beneficial ownership of one per cent or more in the companies being covered at the end of month immediately preceding the date of publication of the research report. ACMIIL/its associates or Research analysts have no material conflict of interest, have not received any compensation/benefits for any reason (including investment banking/merchant banking or brokerage services) from either the companies concerned/third parties with respect to the companies covered in the past 12 months. ACMIIL/its associates and research analysts have neither managed or co-managed any public offering of securities of the companies covered nor engaged in market making activity for the companies being covered. Further, the companies covered neither are/nor were a client during the 12 months preceding the date of the research report. Further, the Research analyst/s covering the companies covered herein have not served as an officer/director or employee of the companies being covered

Disclaimer:

This report is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon such. ACMIIL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in the report. To enhance transparency we have incorporated a Disclosure of Interest Statement in this document. This should however not be treated as endorsement of the views expressed in the report