



SMC Ranking
★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	E-Commerce
Offer for sale (Shares)	4,953,020
Fresh Issue (Shares)	1,208,054
Net Offer to the Public	6,161,074
Issue Size (Rs. Cr.)	455-460
Price Band (Rs.)	740-745
Offer Date	29-Jul-19
Close Date	31-Jul-19
Face Value	10
Lot Size	20

Issue Composition

	In shares
Total Issue for Sale	6,161,074
QIB	4620805
NIB	924161
Retail	616107

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	92.17%	68.38%
QIB	0.00%	18.12%
NIB	7.83%	11.08%
Retail	0.00%	2.42%
Total	100.00%	100.00%

*Calculated on the upper price band

Objects of the Issue

Funding the working capital requirements of the Company; and General corporate purposes.

Book Running Lead Manager

- ICICI Securities Limited
- Nomura Financial Advisory and Securities (India) Private Limited

Name Of The Registrar Karvy Fintech Private Limited

About the Company

Incorporated in 2005, Affle (India) Limited is a mobile marketing firm offering a Consumer and Enterprise Platforms. Its Consumer Platform primarily provides the following services: (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. Its 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. As at March 31, 2019, its 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).

Strength

Its Consumer Platform has a leading position in India; a high growth market with substantial barriers to entry: The company provides services across the value chain in digital advertising, spanning the areas of DMP, DSP/SSP, fraud detection and ad network. The company has increased its breadth of its service offerings, especially to e-commerce and mobile app driven companies, following the acquisition of its Vizury Commerce Business and its RevX Platform. Industry the company serves has a high growth market with substantial barriers to entry. The company believes that its extensive consumer profile data, proprietary technology and local knowledge make it better placed as compared to global peers to deliver profitability in India.

Proven international track record: For the Fiscal 2019 on a Proforma Basis its revenue from contracts with customers outside India was Rs. 1,57.18 Cr, which was 58.5% of its total revenue from contracts with customers. For Fiscal 2019 on a consolidated basis, its revenue from contracts with customers outside India was Rs.1,40.54 Cr, which 56.4% of its total revenue from contracts with customers. Its key international markets are Other Emerging Markets (which comprises Southeast Asia, the Middle East, Africa and others) and Developed Markets (which comprises North America, Europe, Japan, Korea and Australia).

Profitable, low-cost business model built on an asset light, automated and scalable platform:

Its Affle Consumer Platform is supported by a flexible and scalable infrastructure, built in-house using cloud computing infrastructure. The Affle Consumer Platform consists of its proprietary machine and deep learning algorithm for prediction and recommendation that operates in real

time and at significant scale. The ability of the company to generate actions has improved with increased user intelligence and targeting. The company expects this network effect will continue to fuel its growth. As at May 31, 2019, it had 236 employees, of which 209 were in India.

Strong consumer profiles: As at March 31, 2019, the Affle Consumer Platform had approximately 2.02 billion consumer profiles, of which approximately (a) 571 million consumer profiles were in India, (b) 582 million consumer profiles were in Other Emerging Markets; and (c) 867 million consumer profiles were in Developed Markets. For Fiscal 2019, its Affle Consumer Platform accumulated over 300 billion data points.

Growth driven, global customer base: The Company is currently working with all of the top six global advertising agency groups (WPP (GroupM); Publicis; Omnicom (OMG); Dentsu Aegis Network (DAN); Interpublic Group (IPG) Mediabrands and Havas.) and with other mobile focussed advertising agencies, such as M&C Saatchi Mobile, and with domestic advertising agencies, such as Interactive Avenues and Madison. The company 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, Shipt, Jabong, BookMyShow, Wynk, ALTBalaji, PhonePe, Gojek, Spotify, Sivvi, and well-known companies in other industries such as Airtel, Reckitt Benkiser, Johnson & Johnson, McDonalds, Nissan, Air Asia, Axis Bank, Citibank, and BTPN.

Addressing digital fraud and data safety issues that are prevalent in the industry: Its mFaaS platform helps to detect fraud on a real time basis, thus minimising wastage of marketing spend. It processes large volumes of click and conversion data using multiple algorithms to detect patterns of indicative or definitive fraud.

Business is engaged with e-commerce companies: Vizury Commerce Business and RevX Platform have expanded its engagement with e-commerce companies to include retargeting services and its Vizury Commerce Business expands its reach in the Middle East and Africa.

Strategy

To Enhance its Affle Consumer Platform's revenue: The company intends to continue to grow its Affle Consumer Platform's revenue by gaining new customers in the fast-growing e-commerce market, through its existing sales team in India and through referrals from existing customers. The company also intends to increase the number of consumer profiles in Tier 2 cities, Tier 3 cities and rural markets, which are areas that its customers have not placed much emphasis on to date.

Expand its international business: The Company intends to increase the Monetization Factor for its Affle Consumer Platform's consumer profiles outside India by increasing its business development efforts to gain more customers outside India and through referrals from its existing customers. It currently has business development teams outside India in Singapore,

Jakarta and Dubai. Its plan for increasing its business development efforts outside India is to build a business development team in North America during Fiscal 2020 to service the North American market.

Continue to invest in and develop its technological capabilities: The company plans to continue to invest more in research and development into: artificial intelligence, machine learning and deep learning in identifying and classifying its consumer profiles; a combination of data science and artificial intelligence, machine learning and deep learning in identifying fraud; moving to cloud agnostic platforms to enable multi-cloud deployments; and using database lakes that utilise multiple best of breed database technologies to distribute the data load and reduce costs and in some cases increase the speed of processing.

Continue to develop its award-winning fraudulent data detection and prevention platform: The Company intends to continue to build more fraud checks to detect and prevent mobile advertisement fraud and hence ensuring actual returns to its customers. It has also applied for 10 patents in India covering various algorithms in the area of digital fraud detection, all of which are pending.

Continue to selectively pursue acquisitions: The Company looks to continue acquiring businesses, assets, and technologies that complement its existing capabilities, revenue streams and marketing presence and which it believes will result in sustainable financial growth. Its pre-deal assessment examines the key attributes of the potential target, with a focus on the target's knowledge, customers and expected future financial results. The company had acquired and integrated businesses, including Markt , e Vizury Commerce Business, the Shoffr Platform Business and the RevX Platform Business since March 2018.

Risk Factor

Tough competition: The market for mobile advertising solutions is highly competitive and rapidly changing with multiple regional and global players. In any situation if the company finds difficult to sell its solutions and could result in increased pricing pressure, reduced gross margins, increased sales and marketing expense and/or the loss of market share, any of which may have a material adverse effect on its business, results of operations, cash flows and financial condition.

Business is concentrated around key customers: The business of the company is concentrated around key customers, which account for a significant amount of its revenue. If it fails to keep these customers or fail to diversify its customer base, its business, results of operations, cash flows and financial condition may be materially adversely affected.

Significant amount of its business is conducted through advertising agencies: A significant amount of its business is conducted through advertising agencies. If the company fails to maintain its relationships with these advertising agencies, or if these relationships cease to be effective, it may have a material adverse effect on its business, results of operations, cash flows and financial condition.

Peer Comparison

As per offer documents, the company has no listed peers to compare with.

Valuation

Considering the P/E valuation on the upper end of the price band of Rs. 745, the stock is priced at pre issue P/E of 37.06x on its FY19 EPS of Rs. 20.10. Post issue, the stock is priced at a P/E of 38.91 x on its EPS of Rs. 19.15. Looking at the P/B ratio at Rs. 745 the stock is priced at P/B ratio of 24.99x on the pre issue book value of Rs.29.81 and on the post issue book value of Rs. 63.70 the P/B comes out to 11.70x.

On the lower end of the price band of Rs.740 the stock is priced at pre issue P/E of 36.81x on its FY19 EPS of Rs. 20.10. Post issue, the stock is priced at a P/E of 38.65x on its EPS of Rs. 19.15. Looking at the P/B ratio at Rs. 740, the stock is priced at P/B ratio of 24.82x on the pre issue book value of Rs. 29.81 and on the post issue book value of Rs. 63.70 , the P/B comes out to 11.62x.

Industry Overview

The Indian e-commerce market had revenues of USD 38.5 billion in 2017 and is likely to grow at a CAGR of 12.4% to USD 69.2 billion by 2022. However, with further increase in avenues for digital payments, accelerated broadband penetration, and an increasing number of product options across the breadth of the country, the market has the potential to grow to USD 130 billion over the same time period. M-commerce (goods and services purchased via mobile) contributed about 55% of the total Indian e-commerce market in 2017. With increasing data speeds, along with falling data access prices, this is likely to grow to over 70% of the e-commerce market by 2022. Transactions from Tier 2 cities and beyond are growing 3X faster than metropolitan cities, unleashing an untapped market for the next growth phase. Initiatives by the government including the Jan DhanYojana-Aadhaar-Mobile (JAM) scheme, and Unified Payments Interface (UPI) have led to the adoption of digital payments. E-commerce spending in India is still reserved and currently at an annual average of USD 385 compared to USD 1,700

in the U.S. India is one of the very few markets in the world where advertising spends are likely to grow at double digits.

Outlook

The company is having a unique business model and the company earns 70% from its global business and the rest 30% from home. The company runs the asset-light business model with debt-free status. The company has stated that it has applied for 10 patents in India covering various algorithms in the area of digital fraud detection, all of which are pending. It has no listed peers to compare with.

EVENT	INDICATIVE DATE (On or about)
FOR ALL BIDDERS	29-Jul-19
Bid/ Offer Closing Date	31-Jul-19
Finalisation of Basis of Allotment with the Designated Stock Ex.	On or about Aug 5, 19
Initiation of refunds for anchor investors/unblocking of funds	On or about Aug 6, 19
Credit of Equity Shares to demat accounts of Allottees	On or about Aug 7, 19
Commencement of trading of the Equity Shares on the Stock Ex.	On or about Aug 8, 19

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	31/03/2019 (Consolidated)	31/03/2018 (UnConsolidated)	31/03/2017 (UnConsolidated)
Revenue from operations	249.40	83.76	65.63
Total expenditure	179.09	66.99	62.11
Operating Profit	70.31	16.77	3.52
OPM%	28.19	20.02	5.37
Other Income	0.40	1.12	1.17
PBDIT	70.71	17.89	4.69
Depreciation	10.10	3.21	2.31
PBIT	60.61	14.67	2.39
Interest	0.81	1.08	1.59
PBT	59.80	13.60	0.80
Tax	10.98	4.77	0.47
Profit After Tax	48.82	8.83	0.33

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	31/03/2019 (Consolidated)	31/03/2018 (UnConsolidated)	31/03/2017 (UnConsolidated)
Non-current assets			
Property, plant and equipment	0.75	0.37	0.36
Goodwill	32.53	5.92	5.92
Other intangible assets	24.02	8.82	8.01
Intangible assets under development	1.80	0.00	0.31
Financial assets	0.00	0.00	0.00
Investments	0.03	0.03	0.02
Loan	0.08	0.58	0.63
Deferred tax asset (net)	0.00	0.49	1.90
Other non-current assets	0	0.005	0.032
Total non-current assets	59.20	16.22	17.19
Current assets			
Contract asset	13.19	7.72	3.89
Trade receivable	47.88	15.82	13.53
cash and cash equivalent	20.61	13.67	5.79
other bank balance	9.88	0.82	2.96
loans	1.08	0.16	0.04
Other financial assets	2.90	0.01	0.01
Current Tax Assets (Net)	1.16	2.44	2.85
Other current assets	2.37	1.17	2.45
Total current assets	99.07	41.81	31.50
Total Assets	158.27	58.03	48.69
Non-current liabilities			
Borrowings	6.92	0.00	0.53
Long Term Provisions	1.54	1.14	0.91
Deferred tax liabilities (net)	0.27	0.00	0.00
Total non-current liabilities	8.72	1.14	1.44
Current liabilities			
contract liabilities	0.68	0.34	0.10
Borrowings	2.08	0.00	2.83
Trade payables - SME	0.00	0.00	0.00
Other	51.71	22.02	16.01
Other current financial liabilities	19.88	2.49	5.97
Other current liabilities	2.45	1.76	1.16
Short term Provisions	0.35	0.11	0.15
Total current liabilities	77.14	26.72	26.22
Total	85.86	27.87	27.66
NET Worth	72.41	30.17	21.03
Net worth represented by:			
Share capital	24.29	24.29	24.29
Reserves and surplus	48.12	5.88	-3.26
Net Worth	72.41	30.17	21.03

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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