

Qualitative Analysis

Sector Analysis:

Growing Demand

- In FY22, the top three Indian IT companies, TCS, Wipro and Infosys, are expected to offer 1.05 lakh job opportunities due to the increasing demand for talent and skill.
- India's IT and business services market is projected to reach US\$ 19.93 billion by 2025.
- According to Gartner estimates, IT spending in India was forecasted to be US\$ 81.89 billion in 2021 and further increase to US\$ 101.8 billion in 2022.

Global Footprint

- Indian IT firms have delivery centres all across the world.
- IT & BPM industry is well diversified across verticals such as BFSI, telecom and retail.
- Increasing strategic alliance between domestic and international players to deliver solutions across the globe.

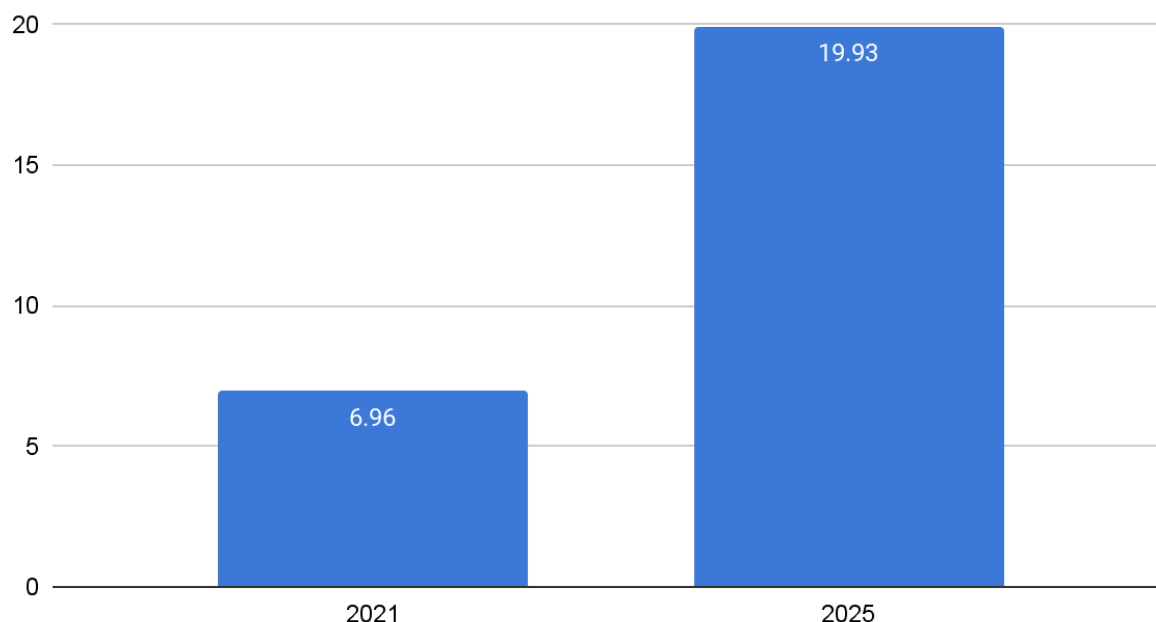
Competitive Advantage:

- In FY21, India ranked third worldwide with 608,000 cloud experts across all verticals, including technology.
- The computer software and hardware sector in India attracted cumulative foreign direct investment (FDI) inflows worth US\$ 88.94 billion between April 2000-June 2022.

Policy support:

- In the Union Budget 2022-23, the allocation for IT and telecom sector stood at Rs. 88,567.57 crore (US\$ 11.58 billion).
- The government introduced the STP Scheme, which is a 100% export-oriented scheme for the development and export of computer software, including export of professional services.

Market Size of IT Industry (US \$billion)



Company Analysis:

Affle (India) limited is an India-based global technology company, which offers a consumer intelligence platform that delivers consumer recommendations and conversions through relevant mobile advertising for brands and business-to-consumer companies globally. The Company's segments include the consumer platform and enterprise platform. Its platforms include Appnext, Jampp, Faas, Mediasmart, mTraction Enterprise, RevX and Vizury. Its consumer platform primarily provide services, such as new consumer conversion, retargeting existing consumers.

Taking them closer to transactions. It also provides end-to-end solutions for enterprises to enhance their engagement with mobile users, such as developing

apps, enabling offline to online commerce for offline businesses with e-commerce aspirations and providing enterprise-grade data analytics for online and offline companies. Its user acquisitions and engagement solutions help apps, businesses and brands to discover their customers.

ABOUT:

- o Global technology company
- o Leading market position in India
- o Profitable business model
- o Well-defined strategic growth plan

GLOBAL REACH:

India, Southeast Asia (SEA), Middle East and Africa (MEA), North America (NA), Europe, Japan, Korea and Australia (JKA)

34.7% India revenue :FY2022

65.3% International revenue :FY2022

END TO END MOBILE ADVERTISING PLATFORM:

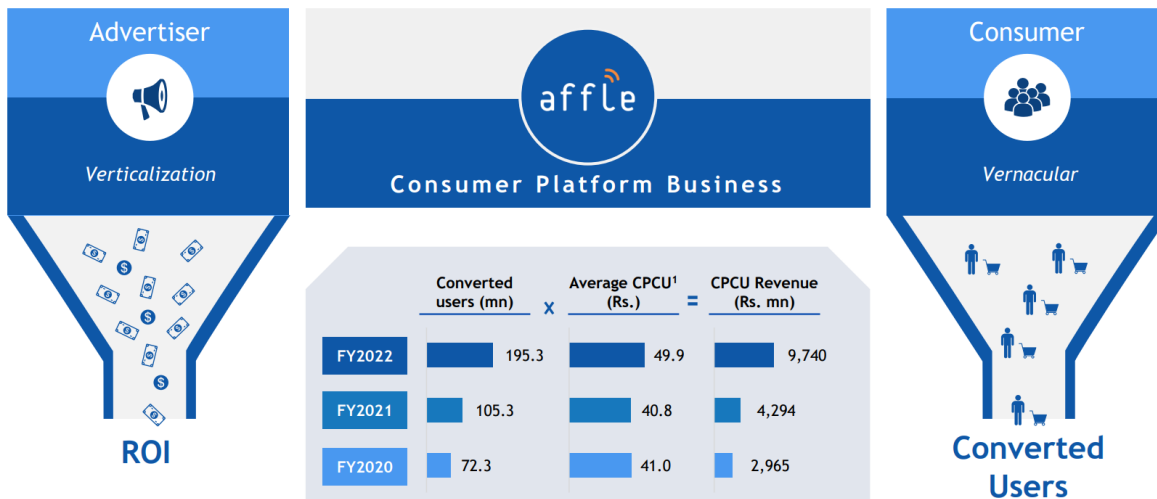
- o In-house data management platform with over 2.5 Bn4 connected devices reached, that drives our predictive optimization algorithm
- o Fraud Detection platform to help deliver high ROI to our customers

R&D FOCUS WITH A STRONG PATENT PORTFOLIO:

6 Patents granted in US related to digital advertising, detection of fraud and voice-based intelligence

14 Patents filed in US, India and/or Singapore related to innovative futuristic use cases

AFFLE ECOSYSTEM:

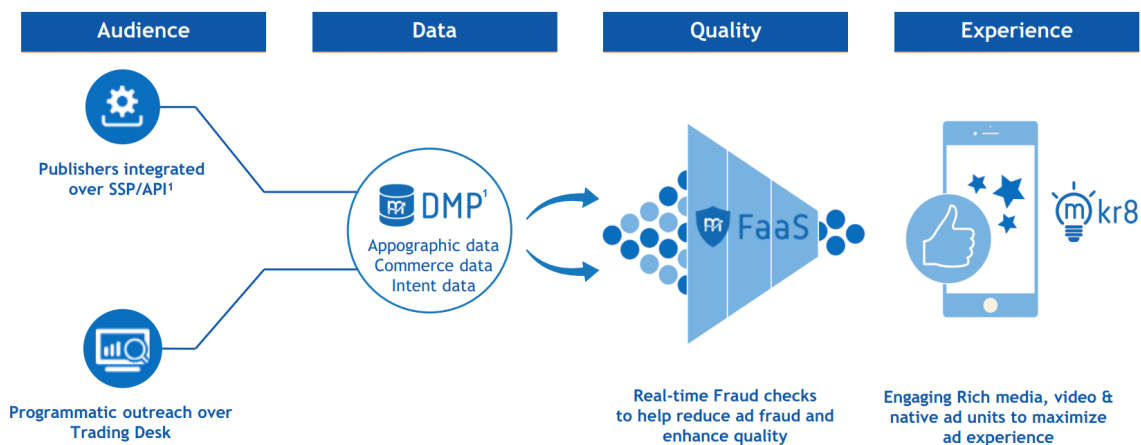


Company's Strengths and differences:

- Performance driven, high ROI CPCU business model:

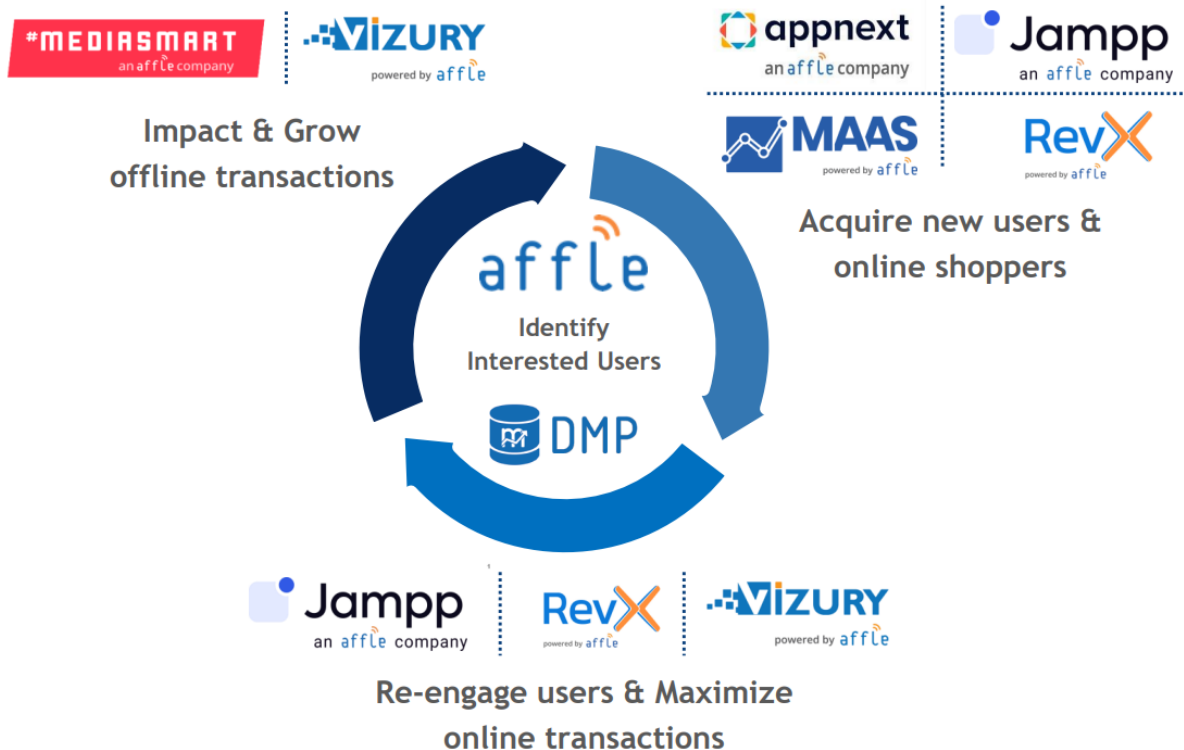
90.8% of Consumer Platform revenue contributed by CPCU model and 9.2% from Non-CPCU in FY2022

- Consumer intelligence driven end-to-end mobile tech platform



- Technology and innovation powered growth:

Affle Platforms enabling an omni-channel connected ecosystem:



Asset light, automated and scalable platform:

Flexible and scalable

More ads delivered —> Growth in connected devices reached
 —> Self learning & predictive algorithm —> Delivery of targeted ads

Strong network effects – Generate actionable outcomes, more businesses to use Affle's platforms

In-house platform leveraging cloud computing infrastructure –
 Securely process and store large scale data

Proprietary and real time (RT) – RT prediction and recommendation algorithm

Research & development (R&D) – 16+ years of focused R&D and innovation

- Robust IP portfolio addressing data privacy issues, ad fraud and futuristic tech use cases:

Global Tech IP Portfolio: Total 20 Patents with 6 granted in US and 14 other filed across jurisdictions

Award-winning Ad Fraud Detection Platform: Affle's mFaas: Real-time solution for addressing digital ad fraud, with multiple patents granted and/or filed.

SGD Accreditation Affle Platforms accredited by IMDA Singapore for 3rd consecutive time in December, 2020.

- Leading position in India, operating in a market with substantial barriers to entry:

Indian market – substantial barriers to entry:

Disjointed demographics: Wide variation in shopping patterns by audience segment makes optimization of marketing spends challenging.

Price sensitivity: India remains a low CPCU market vs. other global markets

User behavior: Online commerce penetration is still low in India and thus challenging to convert transacting users.

AFFLE STRATEGIC ADVANTAGE:

Familiarity with local demographics

Track record of working with Indian brands

Predictive algorithm and strong network enabling precise consumer targeting

Track record of profitability in the low CPCU Indian market

Extensive connected devices reach, proprietary technology and local knowledge

Strengths

- **Strong Growth:** The company has shown a good profit growth of 50.23% for the Past 3 years. Company has an increasing revenue over the past 2 quarters. Company has been maintaining a healthy ROCE of 26.33% over the past 3 years.
- **Global Reach:** Company primary markets include India, South East Asia, Middle East & Africa and Latin America and North America, Europe, Japan, Korea and Australia.
- **Strong Partnership:** Affle has partnered with major brands and mobile platforms, which helps it to reach a large and diverse audience.
- Company is virtually debt free.
- **Innovative Technology:** Affle has its own technological solutions that enable it to offer users highly customized and successful mobile advertising experiences.

Limitations

- The company is trading at a high PE of 322.33.
- The company is trading at a high EV/EBITDA of 204.48.

MD and CEO

Anuj Khanna Sohum is a serial entrepreneur and innovator. Anuj started as an entrepreneur at the age of 20, while enrolled in a computer engineering course, on a Singapore Airlines scholarship, at the National University of Singapore (NUS). His first company, Anitus Technologies, was acquired in 2001 by MCSB and rechristened myMCSB. His second company, SecLore Technology, was acquired by Herald Logic in 2007.

In 2006, he founded Affle with the bold ambition of becoming a global leader in the mobile media space. Using his entrepreneurial acumen, ability to leverage technology trends and user insights he has strategically transformed Affle into a smart media company. He also founded ad2c in 2012, by enabling the joint venture between D2C Inc, Japan and the Affle Group, Singapore and

simultaneously acquiring MobiMasta India, with the ambition of vitalizing the Asian mobile advertising industry.

Business Segment

Affle India is a mobile marketing and advertising company that specializes in providing targeted advertising to consumers based on their mobile device usage data. The company operates in several segments, including mobile advertising, consumer insights and analytics, and mobile apps and games. Affle India provides a range of services to businesses, including mobile advertising campaigns, consumer data analytics and mobile application development and distribution. The company's technology platform, called MAAS (Mobile as a Service), enables businesses to target their advertising to specific audiences based on various factors such as demographics, location and mobile usage patterns.

1) Consumer Platform: Delivers consumer recommendations and conversions through relevant mobile advertising for leading app marketers. Aims to enhance ROI through contextual mobile ads and reducing digital ad fraud (99.1% 9M FY22 revenue)¹

2) Enterprise Platform: Enabling offline businesses to go online through app development, O2O2 commerce & data analytics (0.9% of 9M FY22 revenue)¹

Collaborations:

D Accredite 0Affle International, a wholly-owned subsidiary of Affle (India) Limited, a global technology business, announced its partnership with IMDA (Infocomm Media Development Authority of Singapore), to strengthen Affle's platforms with cloud-native architecture today. It will also enable emerging technology offerings as component services for assets that are widely reused in a variety of applications since every business process does not have to be

re-created from scratch and existing functionalities can be leveraged from multiple sources. Affle International will enable APIs (Application Programming Interfaces) to expose component services to users and facilitate innovation by producing new business processes, products or services to facilitate communication between services.

Future Prospects:

Affle 2.0 strategy aims at following aspects:

Aspire: Imagine how the future will look like

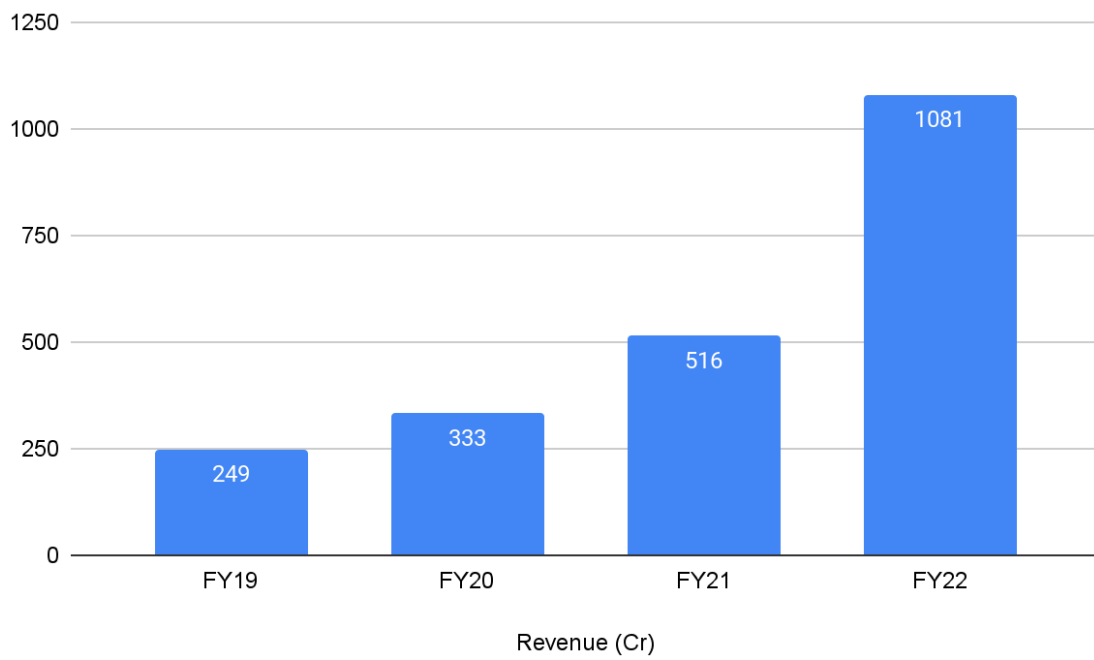
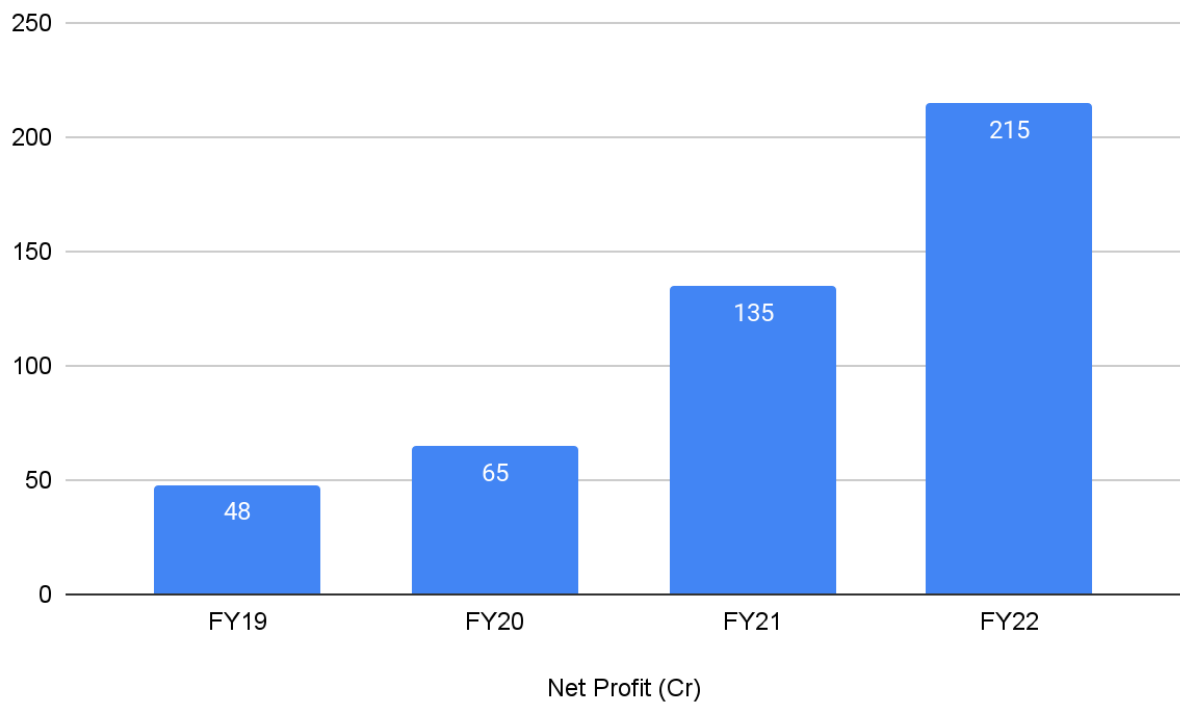
Strategize: Prioritize between short-range product, markets, teams expansion and long-range R&D backed sustainable growth

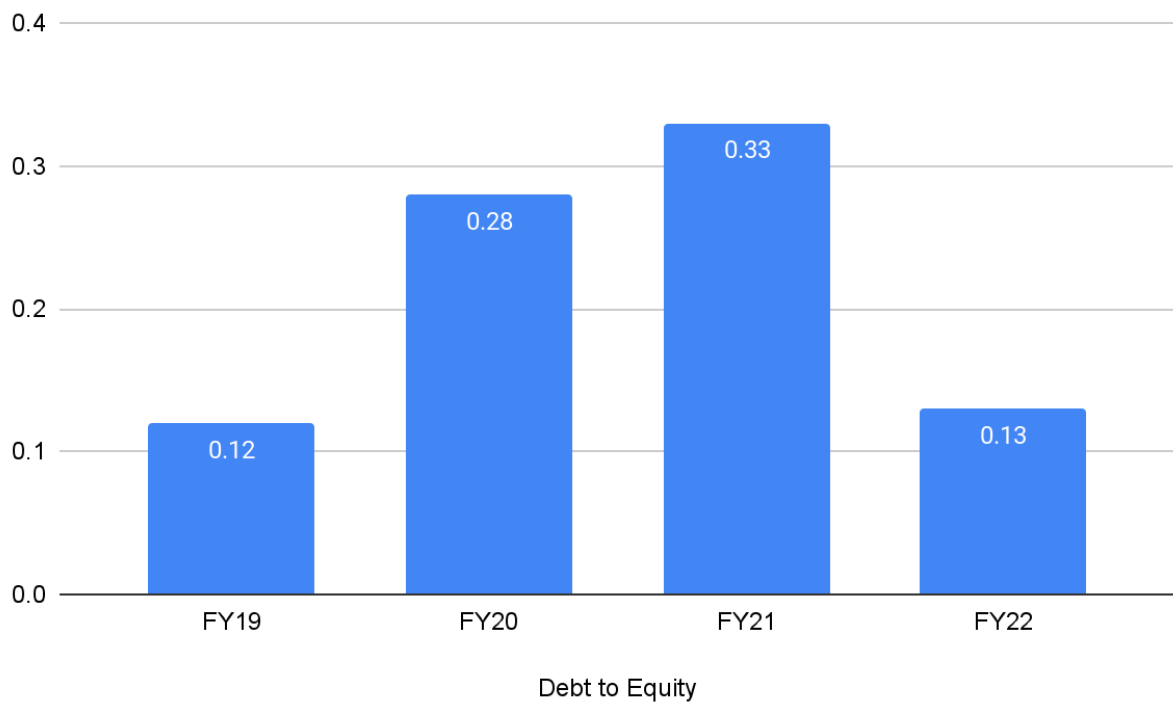
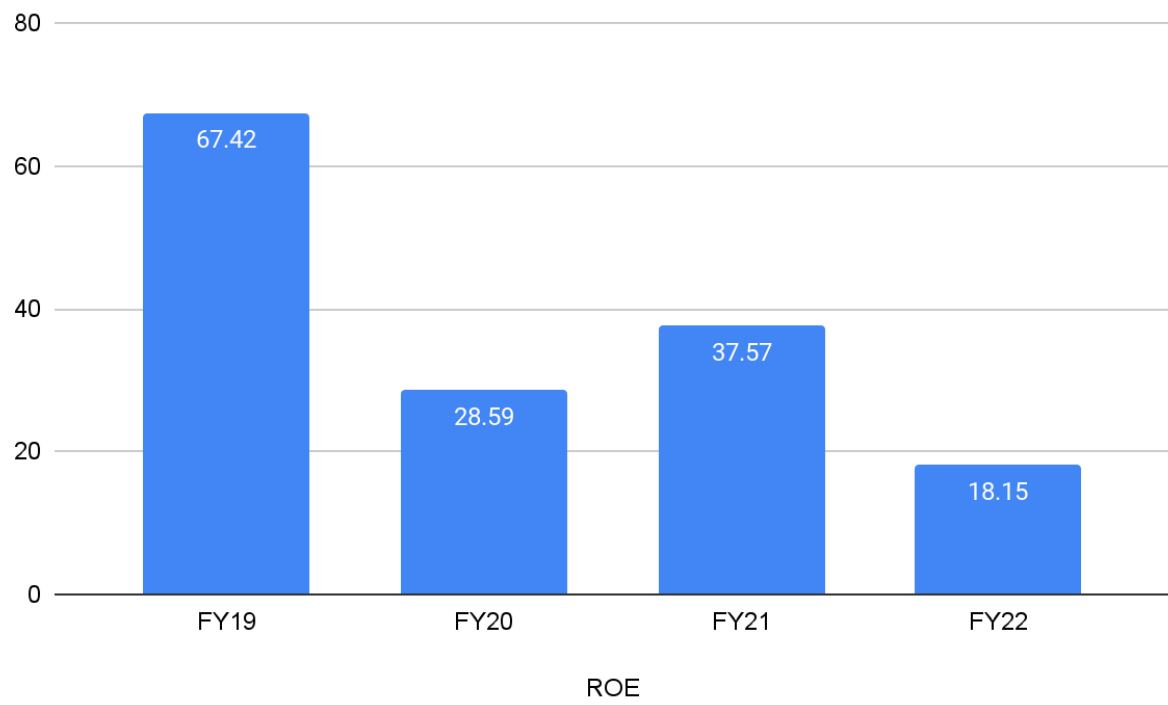
Evolve: Translate into an effective business strategy, team culture and work ethics

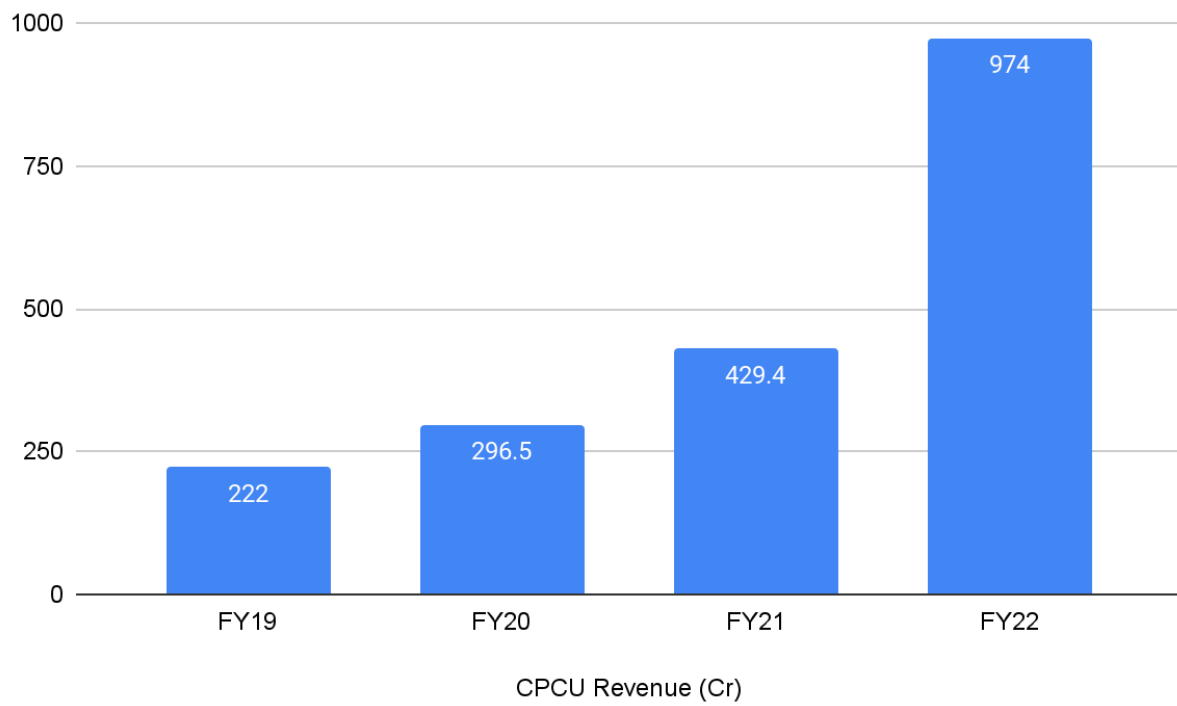
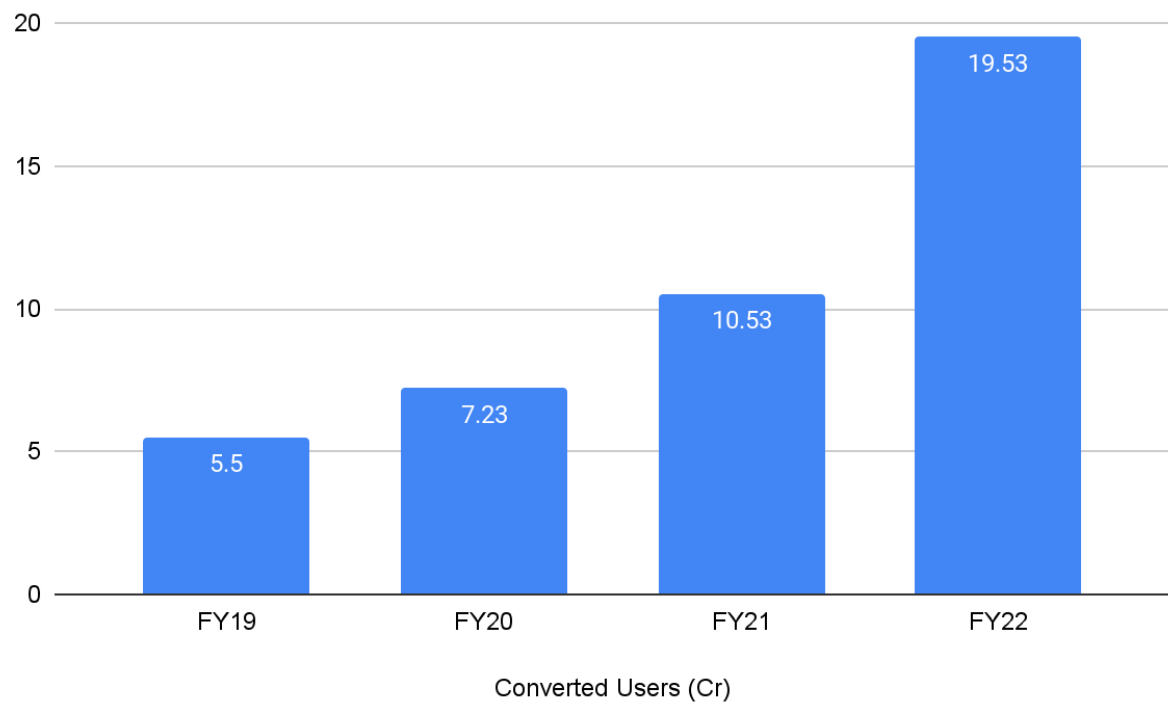
Accelerate: Power innovative results at scale with global market leadership position

Sustainable: Deliver continued profitability with social impact, backed by prudent risk management, robust governance and well-grounded ESG practices

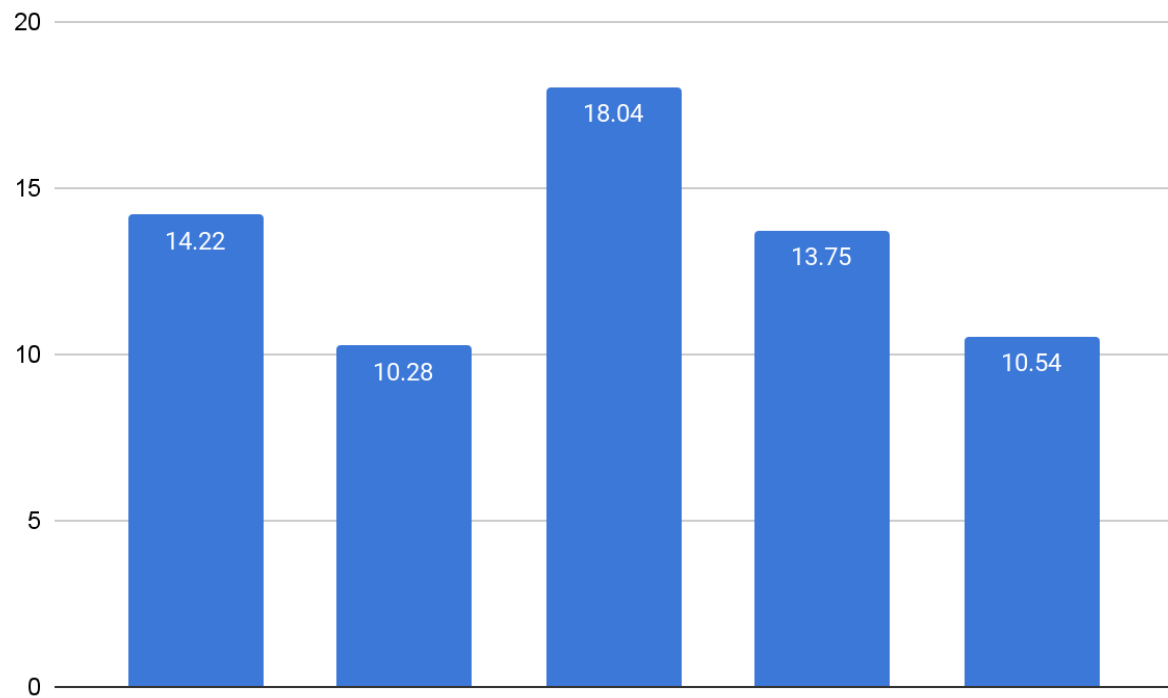
QUANTITATIVE ANALYSIS



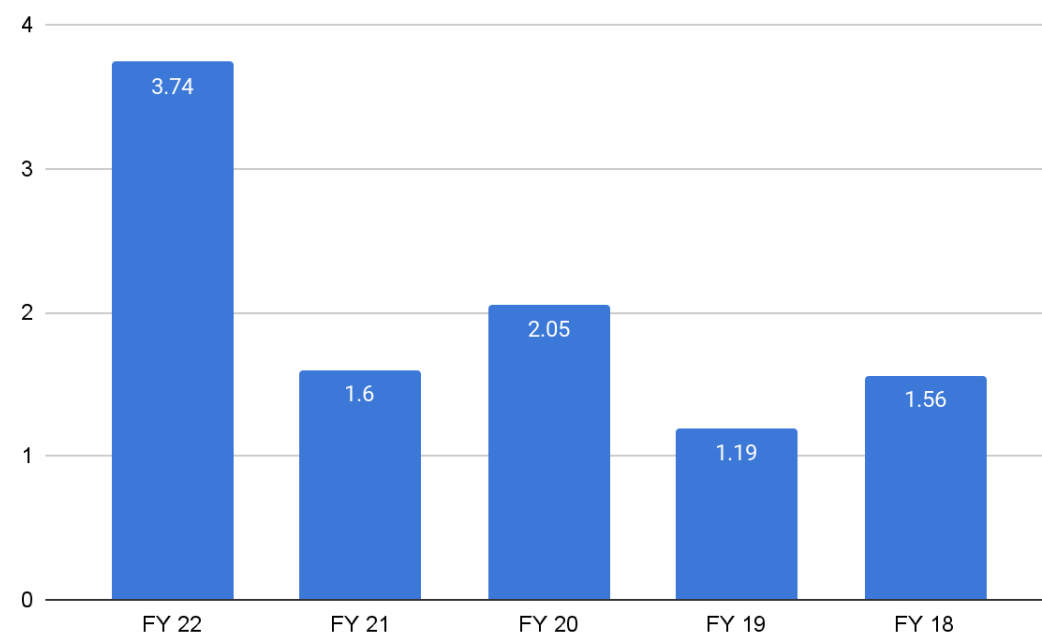




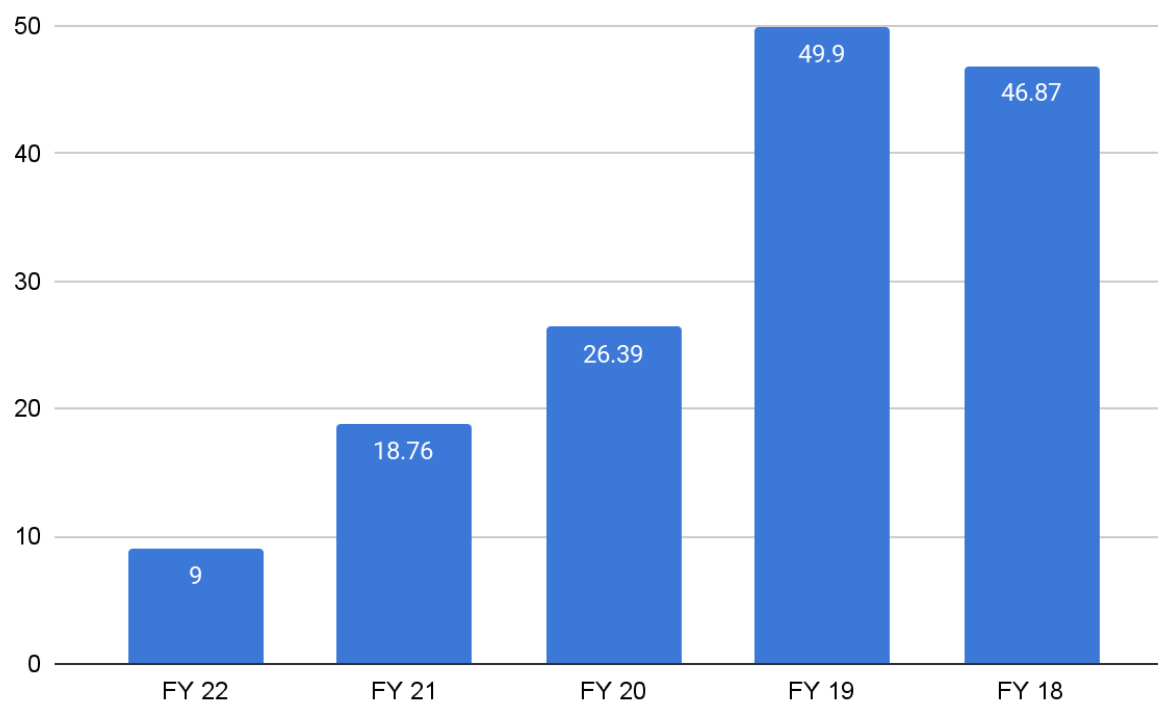
Net Profit Margin (%)



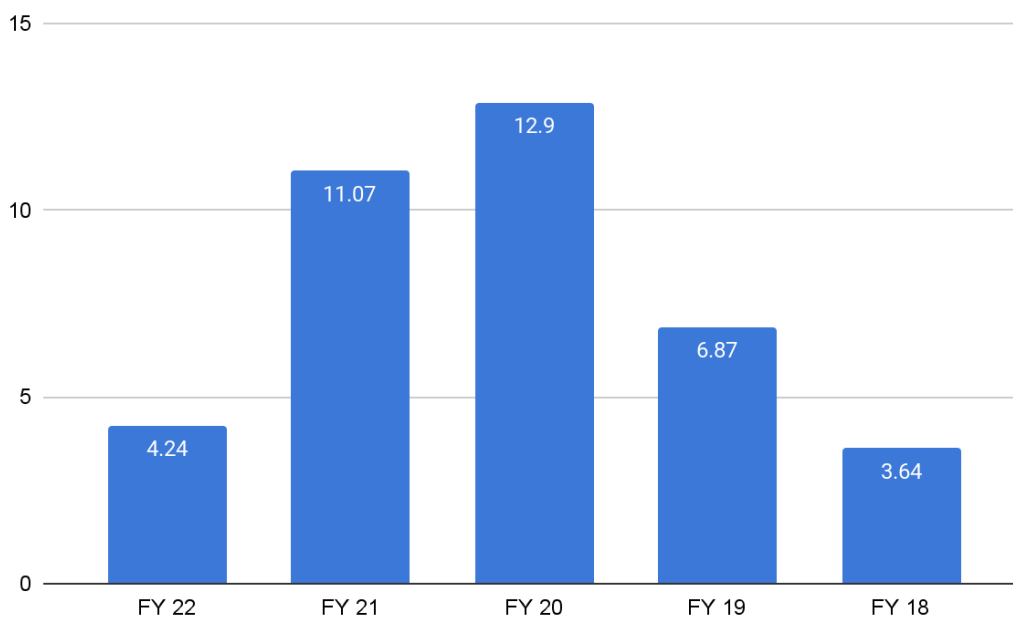
Current Ratio (X)



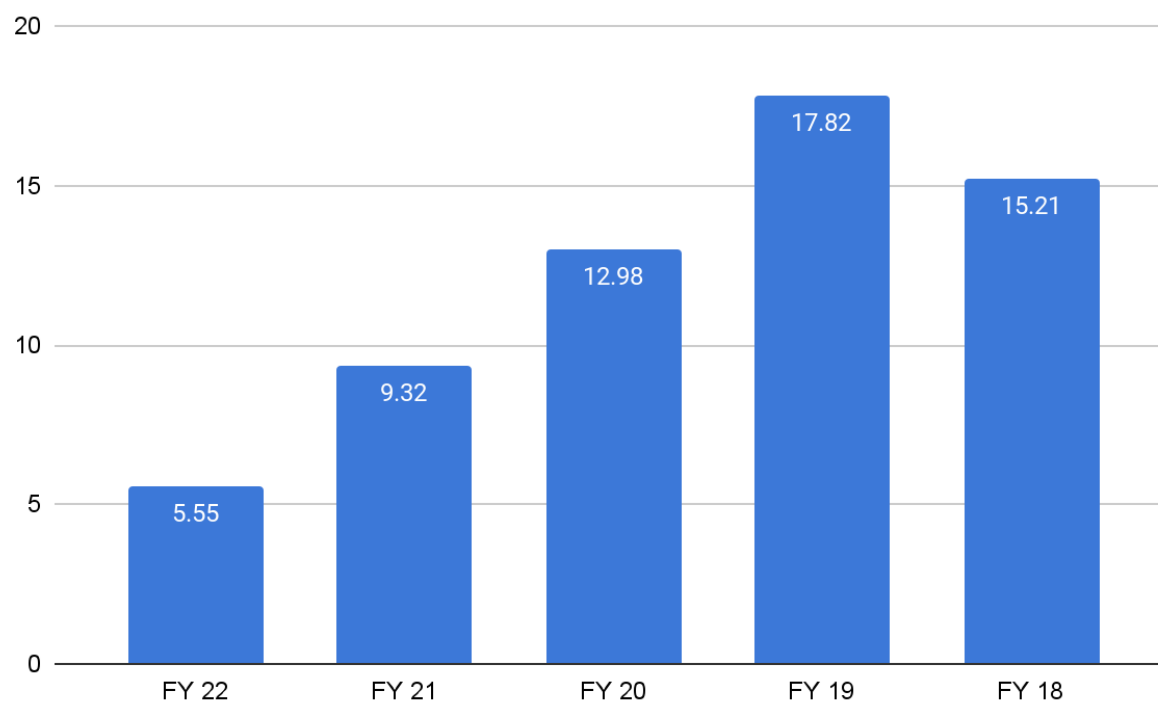
Return on Capital Employed (%)



Net Profit/Share (Rs.)



Return on Assets (%)



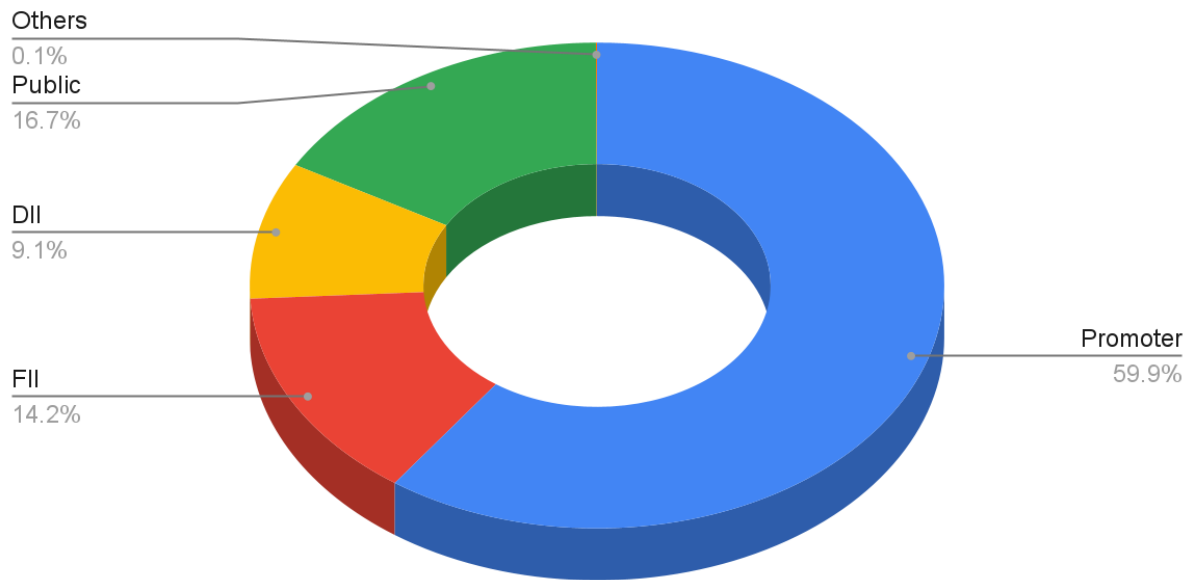
Financial Ratios	FY 22	FY 21	FY 20
Total Revenue	11,533	5,580	3,399
PAT	2,139	1,348	655
EBITDA	2,135	1,303	888
Operating Cash Flows	2,060	1,032	719
Converted Users	195.3	105.3	72.3
Current Ratio	3.74	1.3	1.8
Asset Turnover Ratio (%)	0.60	88.09	71.94
ROCE (%)	18.6	19.7	26.39

Book Value / Share	63.32	75.77	64.73
Debt / Equity	0.20	0.33	0.28
EPS (Rs)	16.18	52.96	26.13
Interest Coverage Ratio	25.6	30.4	53.1
Return on Net Worth (%)	27.2	37.6	28.6

Shareholding Pattern

According to FY 2021-22

Category of Shareholder	Total no. of shares held	Shareholding as a % of total no. of shares
Promoter & Promoter Group	79,805,180	59.89
Public	53,445,880	40.11
Total	133,251,060	100



Top Holdings:

Promoters Holding:

- AFFLE HOLDINGS PTE LTD 44.81%
- AFFLE GLOBAL PTE LTD 10.05%

FII Holding:

- ABERDEEN STANDARD ASIA FOCUS PLC 1.15%

DII Holding:

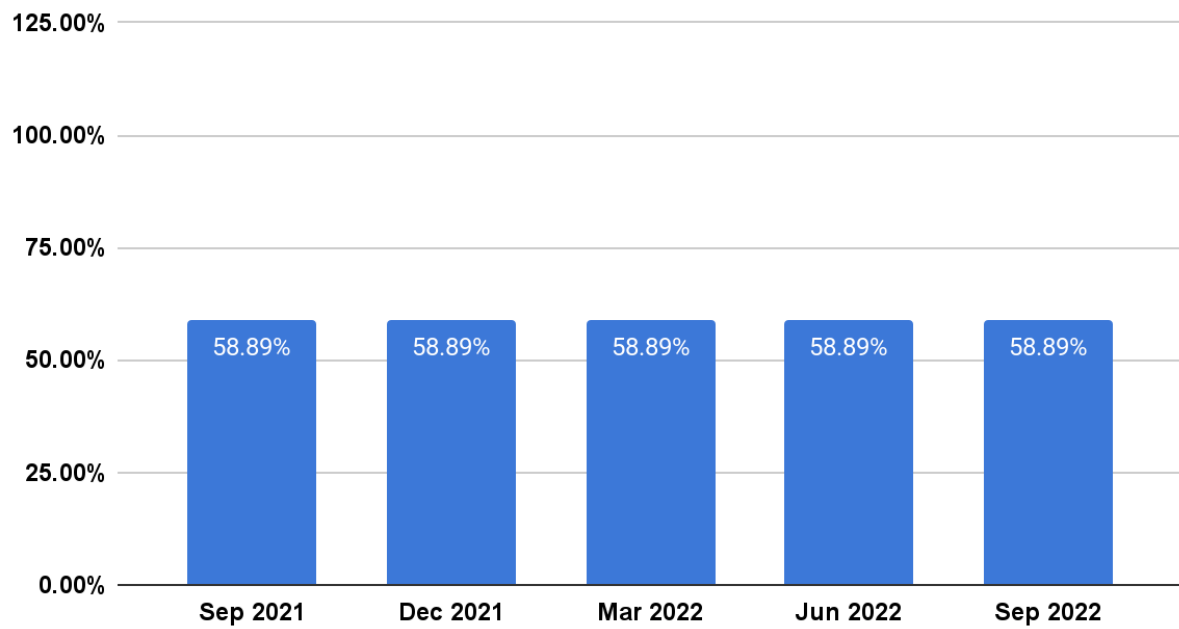
- NIPPON LIFE INDIA TRUSTEE LTD 2.70%
- ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED 1.93%

Public:

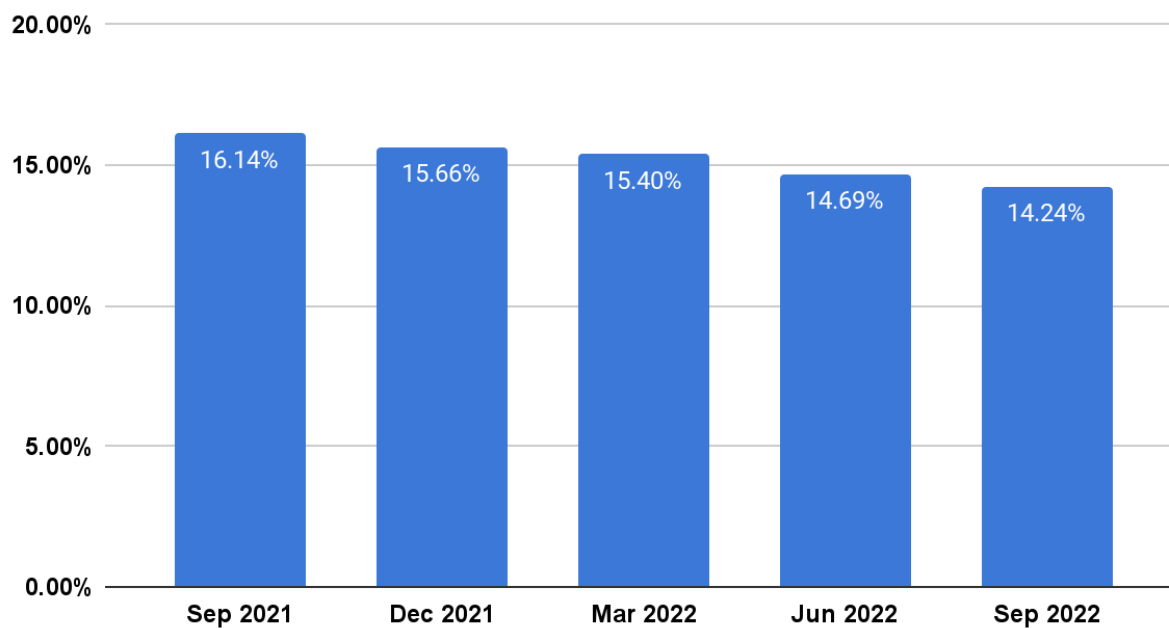
- MALABAR INDIA FUND LIMITED 3.14%

Shareholding Historical Trend:

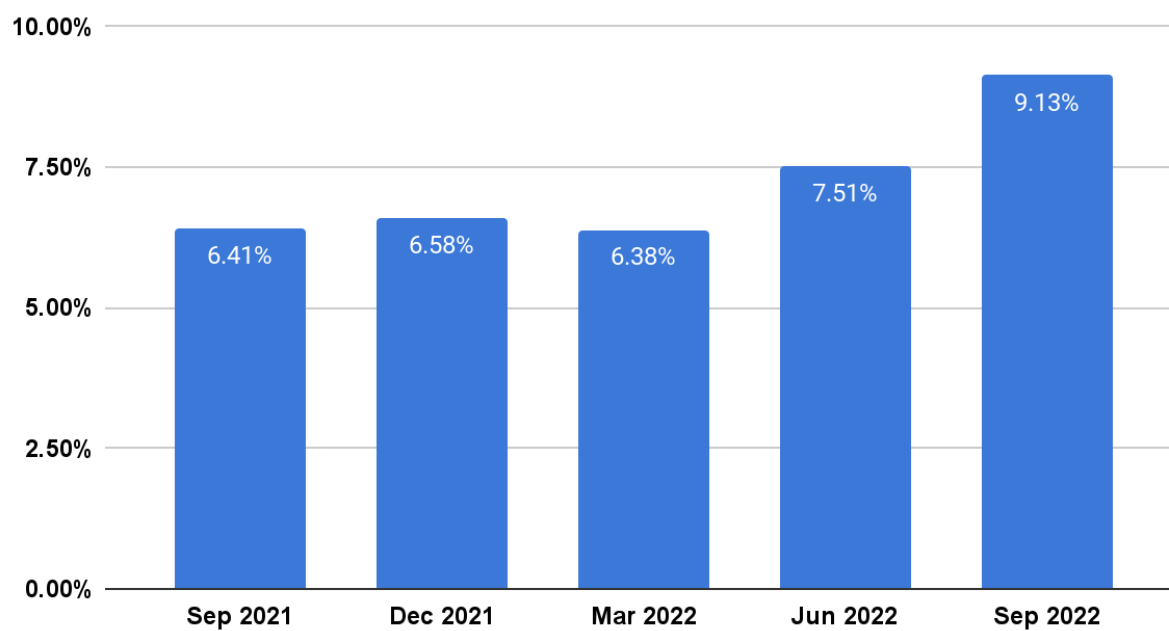
Promoter Shareholding (%)



Foreign Institutional Investor (FII)

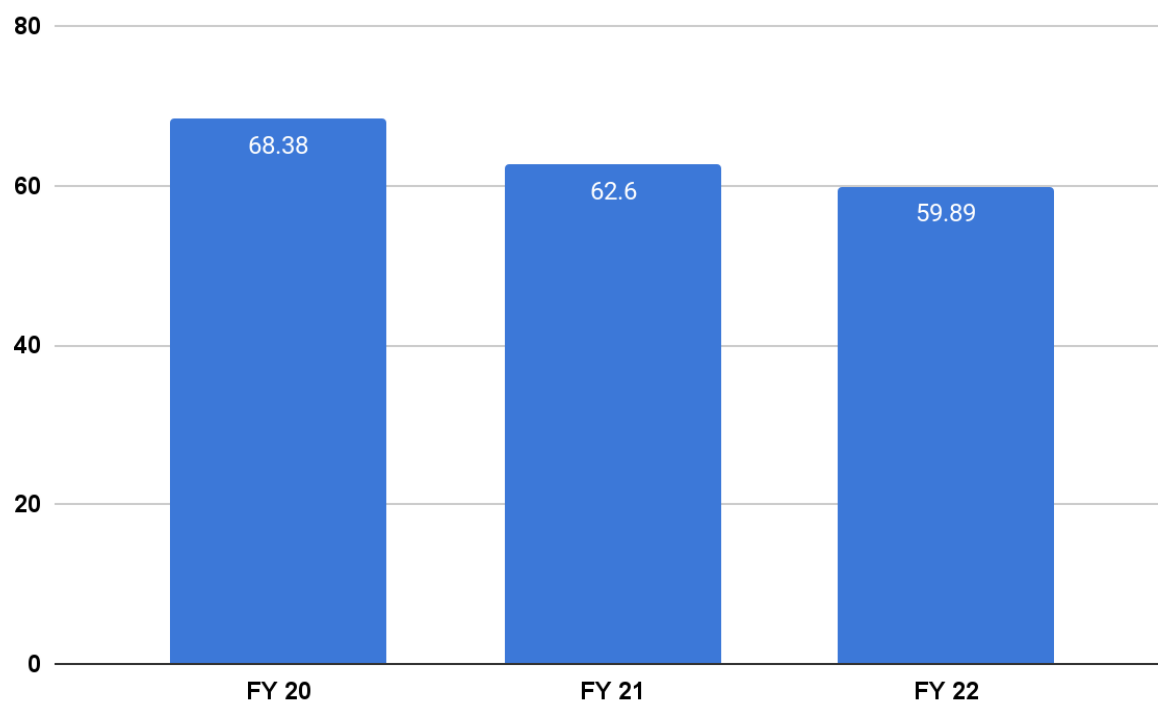


Domestic Institutional Investor (DII)

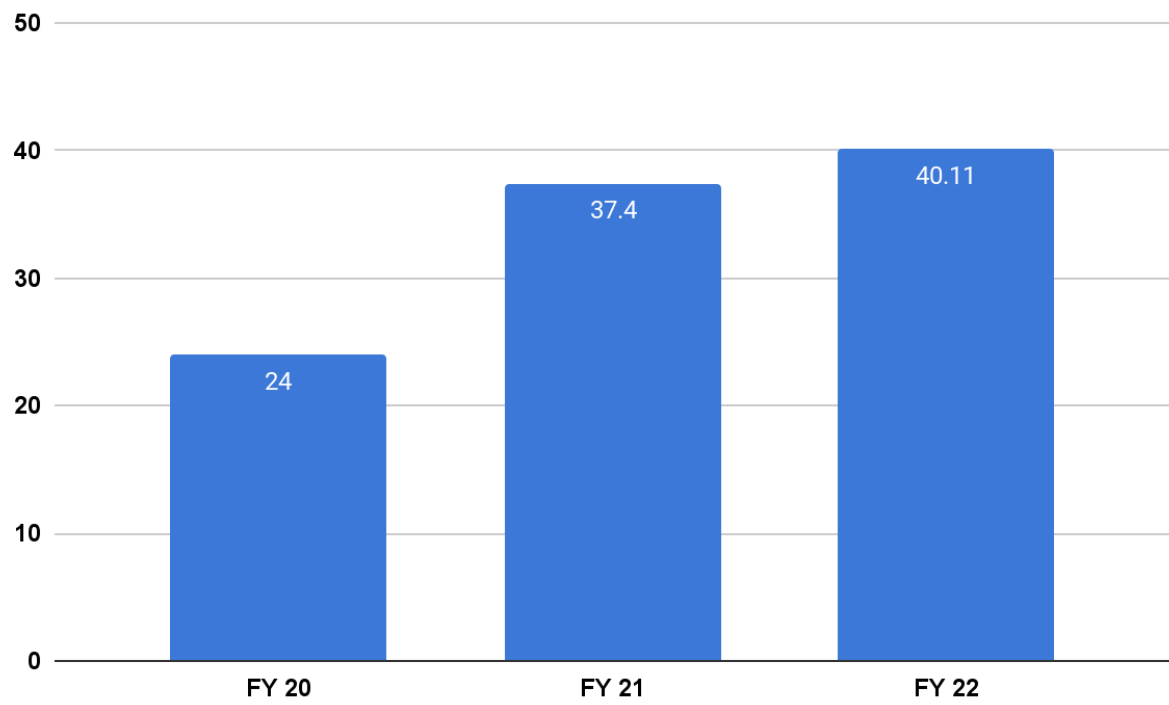


Historical Shareholding Pattern:

Promoter & Promoter Group (Shareholding as a % of total no. of shares)



Public (Shareholding as a % of total no. of shares)



ADDITIONALS

Peer Comparison:

	Market Capital Rs. Cr	P/E (TTM)	ROE (%)	ROCE (%)	Debt / Equity	NPM (%)	EPS	Net Profit (Rs. Cr)
Affle India	15537.13	63.71	27.83	27.92	0.10	14.23	4.26	56.55
Tata Elxsi	41447.17	61.86	37.18	47.72	0.11	22.25	88.26	549.67
L & T Technology	41277.81	38.72	24.48	30.77	0.10	7.80	56.09	7879.45
Mphasis	37527.17	23.96	21.24	27.38	0.15	16.72	65.93	1235.25
Persistent Systems Ltd.	30942.89	38.22	21.51	26.30	0.21	19.18	89.74	685.87
Oracle Financial Services	26562.41	14.68	27.08	36.03	0.01	46.49	210.19	1811.21
Coforge	24020.40	32.31	25.43	32.08	0.27	19.45	106.19	644.50
HCL Tech	292478.82	54.42	22.0	25.4	0.11	26.76	40.10	10,874.00
Infosys	629441.00	26.5	29.0	37.1	0.10	20.43	50.27	21,235.00
KPIT Technologies Ltd.	18570.47	58.45	21.49	24.14	0.13	20.16	8.83	238.12

NPM, Net Profit, EPS is of FY 21-22

Although the company's Net sales turnover grew from Rs 105.16 Cr in Q1 to Rs 115.86 Cr in Q2 leading to an increase in operating profit from Rs 12.27 Cr to Rs 16.95 Cr still the growth in the net profit during Q2 was the minimum among its competitors.

INFOSYS

Revenue (Rs. Cr) : 1,03,940.00

Net Profit (Rs. Cr): 21,235.00

Employees: 314,015

No of Shares: 420,67,38,641

Infosys Ltd is a global technology services firm that outlines designs and delivers IT-enabled business solutions to its customers. The company provides end-to-end business solutions that enhance their customers' technologies including integrating and building product engineering technology for package-enabled consulting and implementation integration programs and infrastructure management services.

HCL Tech:

Revenue (Rs. Cr): 40,638.00

Net Profit (Rs. Cr): 10,874.00

Employees: 210,966

No of Shares: 2,71,36,65,096

HCL Technologies is a next-generation global technology company that helps businesses rethink their businesses in the digital age. Its technology products and services are built over forty years of innovation, with world- renowned management philosophy, a strong culture of innovation and risk- taking, and a never-ending focus on customer relationships. HCL is proud of its diversity, social responsibility, sustainability, and education programs. HCL Tech has a global network of R&D venues and co-branding labs, global delivery capabilities

Oracle Financial Services :

Revenue (Rs. Cr): 3,896.13

Net Profit (Rs. Cr): 1,811.21

Employees: 8,001

No of Shares: 86,246,465

Oracle Financial Services Software Limited (OFSS) is a subsidiary of Oracle Corporation. It is a provider of retail banking, corporate banking and insurance technology solutions for the banking industry. It also provides risk and compliance management and performance measurement applications, as well as accounting, business process management, human resources and procurement tools.

Risks and Concerns:

Technological / Data-related Changes: Affle is a B2B company that focuses on increasing consumer engagement, and acquisitions through relevant mobile advertising which requires strong investment towards R&D as the company needs to implement deep learning and AI-powered algorithms which need to adapt according to the changes taking place in the market. Any disruptive changes in technology could have an adverse impact on the business model.

Macroeconomics Risk: Customers can reduce their marketing spending due to economic uncertainties in key markets like India, South East Asia, Middle East Africa, Latin America, US and Europe. The company needs to regularly track the markets that they are working in order to predict any future economic uncertainties.

Systems, Data and Digital Infrastructure Security Failures: Any failures in systems and the digital infrastructure supporting the systems could significantly disrupt our operations. The company needs to ensure that all critical information is securely stored across different layers of attached/cloud/remote distributed storage to mitigate risks while allowing for quick restoration of backups.

Competition Risk: Mobile advertising industry is competitive, dominated by digital giants such as Google and Facebook and rapidly changing with multiple smaller players coming in. The company also needs to look for investment opportunities that will enhance their product offerings and platform capabilities, with a greater tech emphasis. These will act as key differentiators for business sustainability.

Foreign Currency Risk: Foreign currency risk is the risk that the fair value or future cash flows of exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency)

Credit Risk: The default or inability of the customers to pay on time may impact the balance sheet position and/or profitability.

Reputation Risk: Negative media coverage or certain actions by activist shareholders may divert the time and attention of our board and management and adversely affect the share price.

Environmental Sustainability: While the Company being in the mobile advertising business is less resource intensive with low direct environmental impact. However, there can be broad-based external environmental risks that could potentially impact the health and safety of our employees.

Relating to Industry:

Affle is a global technology company, which offers a consumer intelligence platform that delivers consumer recommendations and conversions through relevant mobile advertising for brands and business-to-consumer companies globally hence the major drivers of the industry include the rising population, growing use of smartphones and the internet.

Digital adoption has continued to evolve at a tremendous speed in the past few decades. Global mobile network data traffic has doubled in the last two years, driven by continuing growth in smartphone usage, mobile broadband and broader digitalisation of industries. Recent development in the telecom sector such as the introduction of 5G has led to increased mobile network speed. By the end of 2027, Global 5G subscriptions are projected to reach 4.4 billion, accounting for 48% of all mobile subscriptions.

Summing Up:

Considering fundamental analysis we would recommend buying position on Affle considering the IT sector is booming in India with a revenue of US\$ 227 billion in FY22, a 15.5% YoY growth and contributed to about 7.4% of India's GDP in FY22, and it is expected to contribute to 10% of India's GDP by 2025.

Technological developments such as the Adoption of AI, Blockchain, IoT, and Robotics, the introduction of 5G services, significant increase in data usage, low latency, and high reliability, Government policies such as the introduction of the concept of digital India are few of the key drivers leading to high growth of IT sector.

Although, the company has shown significant growth in Net Profit and Revenue and a decline in ROE and Debt/Equity ratio in FY'22, which makes future aspects for investment positive, while looking at the OPM, EPS and Net Profit is much lower than the rest of the competitors.

Affle continues to look forward to acquisitions and strategic investments to reaffirm its commitment to building sustainable market leadership.