



Affle (India) Limited

18th October 2024

Unique business model with unmatched network effects

Established in 2006, Affle (India) Ltd. (Affle) is a pioneer in programmatic digital advertising for mobile devices in India. The Company's unique approach involves using a Return On Investment (ROI) linked Cost Per Converted User (CPCU) model, where earnings are based on conversions and positive ROI for advertisers, rather than the traditional Cost Per Click (CPC) and Cost Per Mille* (CPM) models. Over the years, it has made multiple strategic acquisitions to enhance its Consumer Platform by integrating advanced capabilities. It has been successful in creating a solid platform for mobile-first digital advertising market with its proprietary tech stack, acquisitions, and continuous R&D. Further it has been able to execute well and has grown its revenue and PAT at a CAGR of 49% and 44% respectively from FY19 to FY24. As of FY24, ~73% of its revenue came from emerging markets, including India. The Company is expanding into both emerging and developed markets, which will boost its revenue. Entering developed markets and accessing premium inventories is expected to enhance the overall CPCU rate.

Differentiated business model

The Company's model stands out in the digital advertising landscape by directly addressing the common challenges faced by traditional models. These conventional methods, while effective in reaching large audiences at lower costs, often struggle to convert viewers into actual customers, leading to uncertain ROI for advertisers. Affle charges only when a conversion occurs—such as a purchase or registration. This approach aligns the Company revenue with the advertiser's success, ensuring that advertisers pay only for tangible results.

Strategic Acquisitions: Expanding Affle's Value Chain and Market Reach

The Company has made a multiple strategic acquisitions to expand its presence across the value chain. It follows a Buy V/s Build approach while acquiring the businesses. This involves a careful assessment of whether to develop a capability internally or accelerate growth by acquiring companies with the desired technology and market presence. The companies it acquired offered products or services that were immediately valuable for its Consumer Platform. Through acquisitions it has gained capabilities like online-to-offline conversion, geotagging, customer targeting and retargeting, mobile app recommendations, and user behavior prediction.

View and Valuation

Affle is poised for substantial value creation by combining robust growth in its existing business with strategic inorganic expansions. With a unique business model, unmatched network effects, and a prudent acquisition strategy. Further it is expanding into new geographies and has able to grow faster than the industry making it an attractive investment. Therefore, we initiate coverage on Affle (India) Ltd. with a BUY rating and a target price of Rs. 2,522 (60x FY27E EPS), resulting in ~60% upside from current levels.

BUY

CMP Rs. 1,580

TARGET Rs. 2,522 (+59.6%)

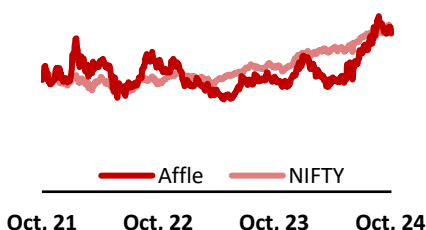
Company Data

Bloomberg Code	AFFLE IN
MCAP (Rs. Mn)	2,21,200
O/S Shares (Mn)	140
52w High/Low	1,715 / 990
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	791.8

Shareholding Pattern %

	Sept 24	Jun 24	Mar 24
Promoters	55.09	55.14	56.92
FII's	15.55	15.30	14.79
DII's	15.59	16.21	14.72
Non-Institutional	13.79	13.37	13.58

Affle vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs. Mn)	FY24	FY25E	FY26E
Revenue	18,428	23,633	30,141
EBITDA	3,600	4,419	5,877
Net Profit	2,973	3,337	4,275
Total Assets	33,124	37,717	43,340
ROCE (%)	15%	13%	14%
ROE (%)	15%	12%	14%

Source: Company, Keynote Capitals Ltd.

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*Cost per Mille – Cost per 1,000 impressions

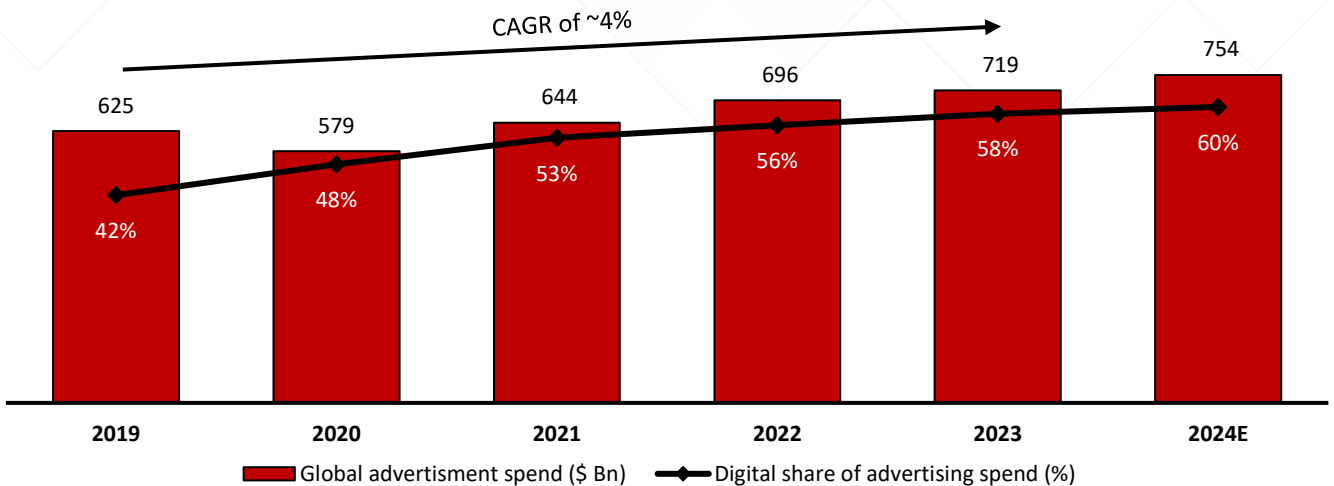
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Industry

The global advertising industry is experiencing a significant transformation. The array of channels available for marketing to consumers has expanded considerably, moving beyond traditional print, television, and radio to include a variety of digital media platforms. This shift is primarily driven by the rapid growth in the number of internet users and the widespread adoption of smartphones.

Global Ad Industry CAGR – ~4%
Global Digital Ad Industry CAGR – 12%

Increasing share of digital advertisement in Global advertisement spend

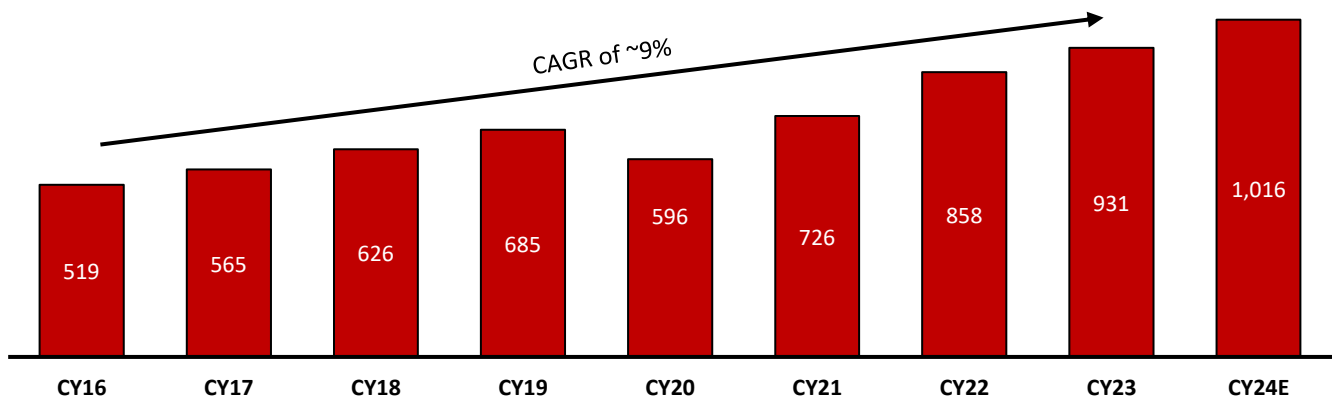


Source: Dentsu report, Keynote Capitals Ltd.

Over the past few years, the digital advertising landscape has undergone significant transformations driven by improved connectivity, rapid technological advancements, evolving consumer behaviors, and the influence of global events. In an environment where attention spans are brief, online platforms have become a powerful tool for engaging consumers effectively.

Digital transformation in India is happening now and moving into new, uncertain areas. The COVID-19 pandemic has accelerated this change, acting like a Chief Digital Transformation Officer for the country, society, and businesses.

Indian Advertising Industry (Rs. Bn)

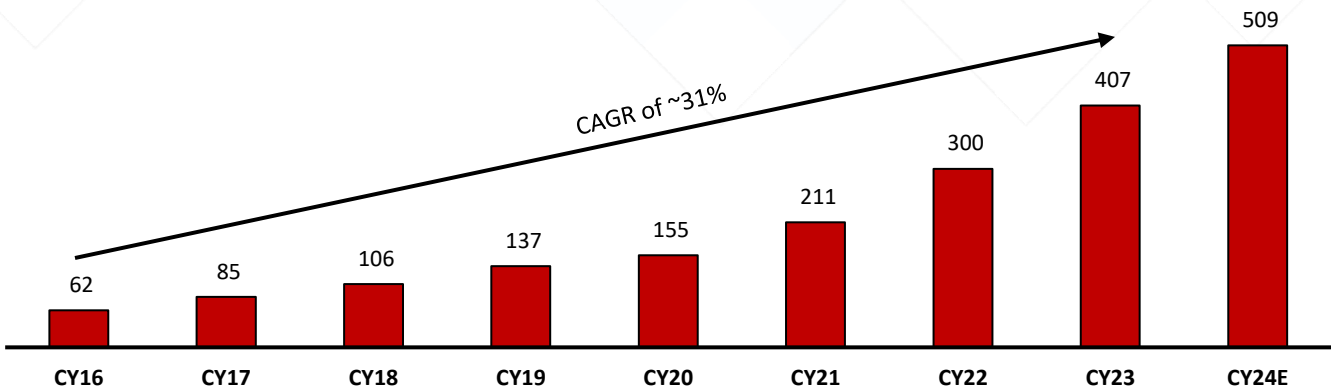


Source: Dentsu report, Keynote Capitals Ltd.

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Digital media has been instrumental in driving the growth of the Indian advertising market and is expected to continue playing a pivotal role. The widespread adoption of smartphones and devices and improved and affordable internet connectivity have positioned digital media as a dominant force. Continuous advancements in digital infrastructure, coupled with robust e-commerce activities, have propelled digital media to become the largest advertising platform, significantly contributing to the overall expansion of the advertising industry in India.

Digital Advertising Industry in India (Rs. Bn)

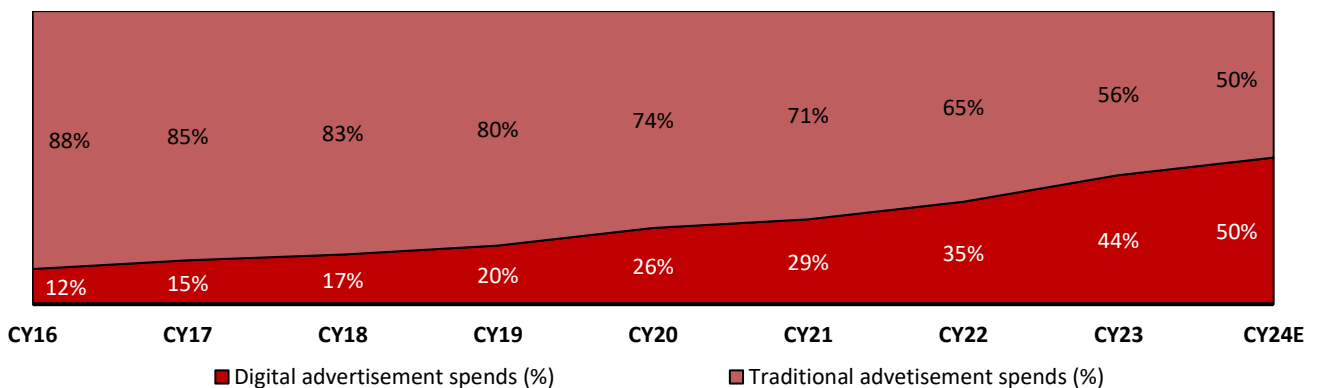


Source: Dentsu report, Keynote Capitals Ltd.

The digital advertising industry has come a long way and has grown at a CAGR of 31% from CY16 to CY23, while the overall advertising industry has grown at 9% over the same period. The digital advertisement industry has been leading the growth rally by growing thrice at the overall industry rate and is expected to grow by 25% in 2024.

The COVID-19 pandemic has led to a rapid increase in the use of digital media among consumers, resulting in higher trust in digital applications for entertainment, e-commerce, and transactions. This increase in confidence has led to a boost in advertising spending on digital media, rising from 20% in 2019 to 44% in 2023 of the overall ad spend in India.

Growing share of digital advertising in India's ad market



Source: Dentsu report, Keynote Capitals Ltd.

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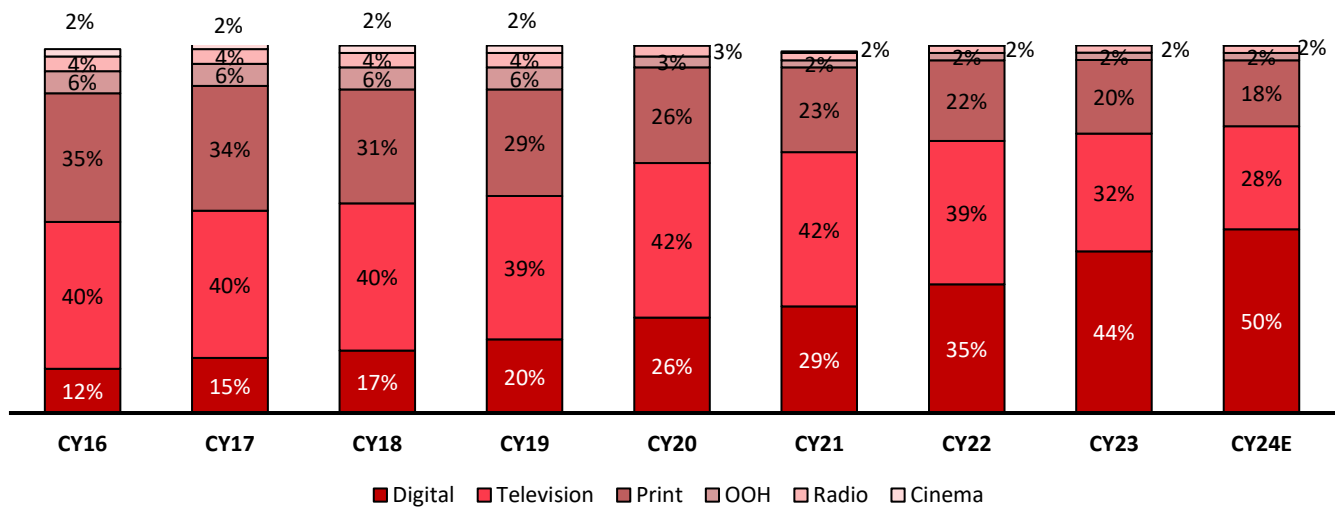
Difference between traditional and digital advertisement

Particulars	Traditional advertisement	Digital advertisement
Conversion	Slow	Comparatively fast
Engagement	Low	Comparatively high
Return on Investment	Cannot be measured easily	Can be measured
Effectiveness	Less effective	More effective
Expensiveness	More expensive	Less expensive
Interactive	Cannot be changed once published	Marketing efforts can be tweaked frequently after feedback
Sharing (Scalability)	Limited sharing	Can be shared easily across multiple platforms

Source: Company, Keynote Capitals Ltd.

Advertisers used to prefer TV and print because of their wider reach, local content, and the ability to build strong brand perception. However, this is changing due to the significant increase in digital adoption, higher screen time, and the growth of vernacular content on digital media.

Increasing share of digital advertising in total advertising industry



Source: Dentsu report, Keynote Capitals Ltd.

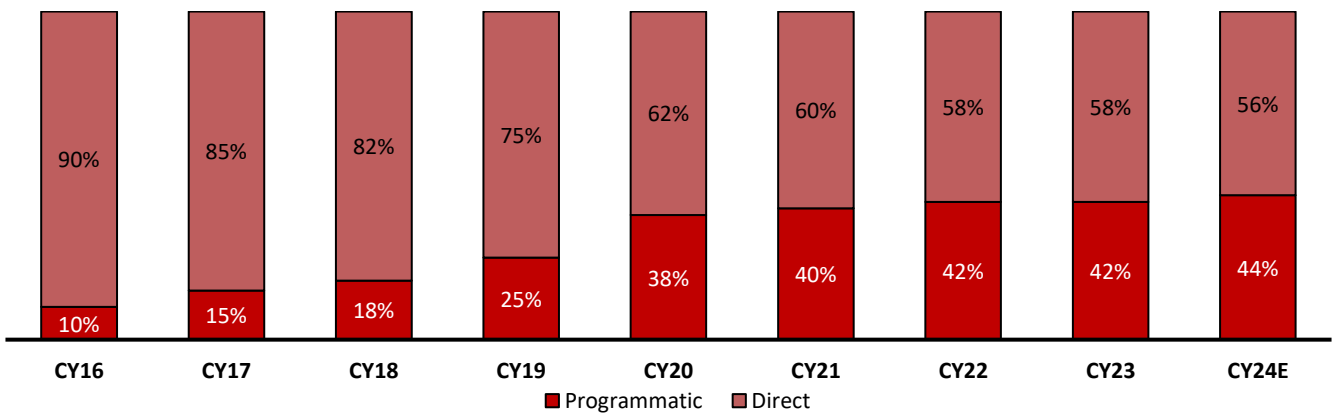
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In digital advertising, advertisers can deploy their ad campaigns through two primary methods: direct and programmatic. Direct digital advertising offers several advantages due to the availability of diverse platforms and devices, such as gaming, social media, and video applications. However, this diversity also adds complexity to online advertising, as advertisers must carefully select the appropriate platform, timing, and audience to optimize their campaigns. To address the complexities of digital advertising, AdTech companies have developed solutions focused on programmatic digital advertising. They use data analytics, AI, and machine learning to make the advertising process easier. These companies automate tasks for advertisers and publishers, such as securing ad space and tracking ad impressions. Advances in AI and machine learning have greatly improved targeted advertising by delivering personalized content. Over time, programmatic advertising has grown significantly, increasing from 10% in 2016 to 42% in 2023.

Direct ad – Advertisers manually purchase ad spaces on platforms like Amazon and Zomato where their target audiences are present.

Programmatic ad – Using automated platforms like Affle, The Trade Desk, and InMobi to streamline the ad buying process through advanced algorithms and data analysis to automate the placement of ads

Increase in programmatic advertisement (%) in India's digital advertising sector



Source: Dentsu report, Keynote Capitals Ltd.

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About Affle (India) Ltd.

Affle (India) Ltd (Affle) is a global programmatic mobile-based ad-tech player that enables advertisers to acquire, engage, and transact through relevant mobile advertising. It has carved a niche for itself in the advertising industry by adopting a differentiated business model known as the CPCU model. This approach sets it apart from the industry players who largely operate on CPC and CPM.

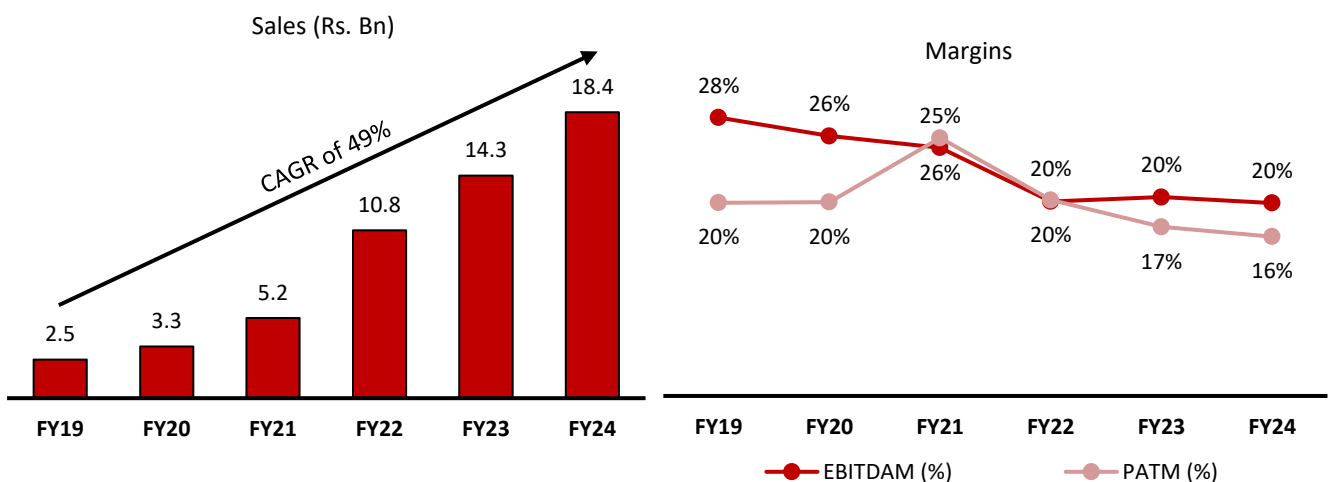
CPC – Cost Per Click
 CPM – Cost per Mille (thousand impressions)
 CPV – Cost per View

The Company was established in 2006 by Anuj Khanna Sohum, alongside Anuj Kumar and Madhusudan Ramakrishna. Initially, the Company introduced a service known as SMS 2.0 in partnership with Bharti Airtel. In 2014-2015, the Company recognized the growing significance of mobile devices in consumers' lives and the resulting opportunities for businesses to engage users, leading it to strategically expand its focus beyond SMS services. It embraced mobile advertising technologies by developing a consumer intelligence platform that utilizes data-driven insights to deliver personalized and contextual mobile advertisements.

Affle's Consumer Platform receives payment only when it generates ROI for advertisers. By leveraging its extensive big data and ML capabilities, the Company effectively targets genuine shoppers from a broad user base while simultaneously mitigating ad fraud.

Over the years, the Company has made multiple strategic acquisitions to enhance its consumer platform by integrating advanced capabilities such as mobile Demand Side Platform (mDSP), mobile Data Management Platform (mDMP), and mTraction Fraud Analytics as a Service (mFaaS). These platforms have substantially increased its business capabilities, positioning the Company as a comprehensive solution for advertisers. Moreover, the Company possesses a strong portfolio of intellectual property, having filed 36 patents, with 10 already granted in the USA and India. This portfolio highlights innovative advertising technology and data safety, bolstering the platform's cutting-edge status and trustworthiness in data management within an industry frequently scrutinized for privacy concerns.

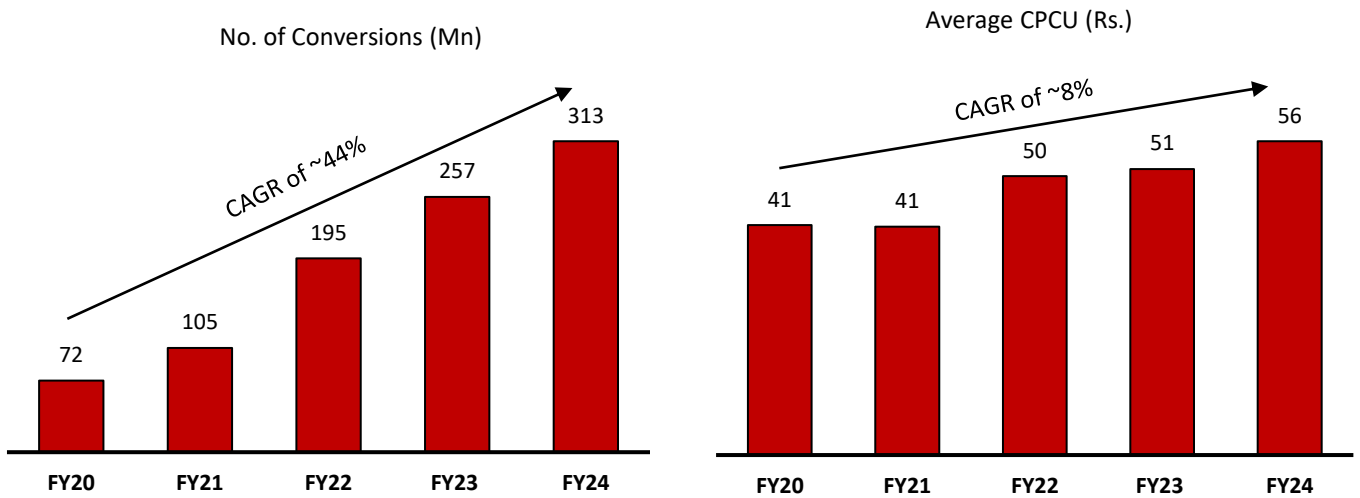
Following its IPO in 2019, Affle experienced strong growth due to its unique business model. The Company has achieved its revenue and PAT at a CAGR of 49% and 44% from FY19 to FY24, respectively.



CPCU-led Consumer Platform

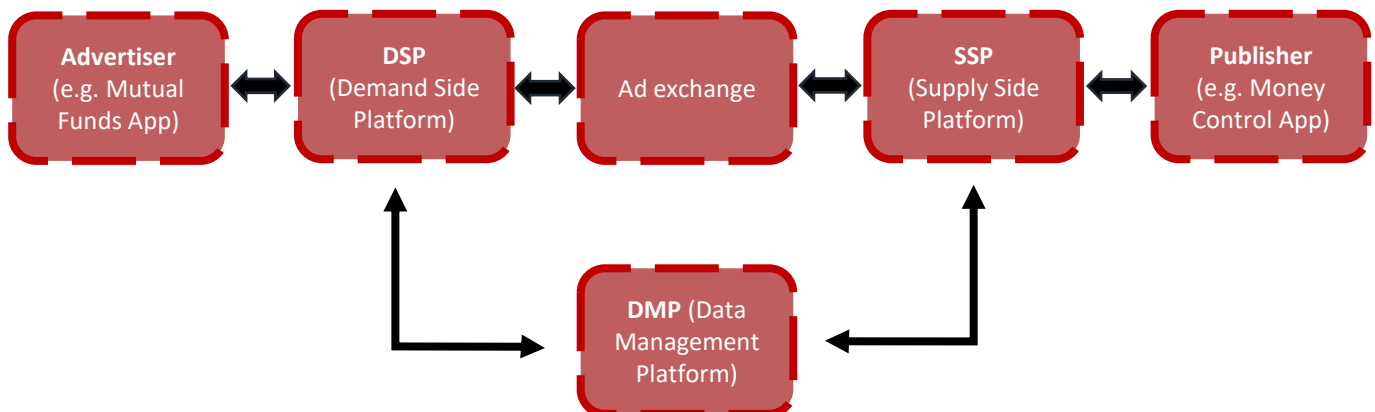
The Company applies the CPCU model across three primary use cases: 1) Targeting potential users to register or make a transaction. 2) Encouraging users to complete or repeat a transaction. 3) Driving Offline Traffic: Facilitating online bookings to increase footfall in physical locations. This model is particularly effective for aligning the incentives of the Company and its clients, as it ensures that the Company earns revenue only when the ad leads to a tangible conversion. This approach contrasts with the traditional advertisement companies, where advertisers pay for clicks or impressions without guaranteed conversions, often resulting in uncertain ROI. Consequently, the CPCU pricing is typically higher than that of CPC and CPM models due to the guaranteed outcome of user conversion.

As of FY24, the Company's CPCU revenue accounts for 95.5% of the total net sales, while earnings from CPC and CPM, accounts for the remaining 4.5%.



Source: Company, Keynote Capitals Ltd.

Programmatic Digital Advertisement Value Chain



Source: Company, Keynote Capitals Ltd.

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Key components of the advertising value chain

Advertisers – Advertisers, including brands and companies, are entities that initiate advertising campaigns to promote and sell their products or services while increasing their visibility across various platforms. E.g.: Amazon, HUL, Tanishq, Swiggy, Rare Rabbit, etc.

Demand Side Platform (DSP) – DSPs are tools that enable advertisers to buy ad impressions across multiple publishers' websites efficiently. They provide advanced targeting options, Real-Time Bidding (RTB), and data-driven optimization, allowing advertisers to reach specific audience segments at scale. This automation reduces the need for manual negotiations and enhances the effectiveness of ad campaigns. E.g.: Affle, Google DoubleClick, AppNexus, Trade Desk.

Ad Exchanges – Ad networks/ exchanges serve as intermediaries in the digital advertising ecosystem by aggregating ad inventory from publishers and selling it to advertisers. They simplify the process of buying and selling ad space by organizing inventory into packages based on criteria such as demographics and relevance, thereby facilitating efficient transactions between advertisers and publishers. E.g.: Google Ad Exchange, OpenX, PubMatic.

Supply Side Platforms (SSP) – It is a technology that aggregate advertising inventory from publishers globally, incorporating data such as user demographics. SSP help publishers sell their ad inventory to advertisers at the best possible price by connecting them to multiple ad exchanges and DSPs. They facilitate real-time auctions, manage inventory pricing through features like price floors, and optimize ad revenue through yield management techniques E.g.: Affle, Google DoubleClick, Applovin.

Publishers – Publishers operate websites and apps, offering products or services to users. To monetize, they allocate ad space, known as inventory, on their platforms for a specified period to display ads, generating revenue and diversifying income streams. Publishers use Supply Side Platforms (SSPs) to sell inventory to advertisers, ensuring ads are displayed when users engage with their services. Examples include Moneycontrol, Amazon, Times of India, Business Today, etc.

Data Management Platforms (DMP) – DMP is a critical part of the value chain that serves as a centralized system that collects, organizes, and analyzes data from various sources, including online, offline, and mobile channels. It primarily utilizes second- and third-party data to create anonymous customer profiles, which marketers use for targeted advertising campaigns. By integrating with other platforms such as DSPs and SSPs, a DMP enables businesses to segment audiences, personalize marketing efforts, and optimize ad targeting. This process enhances customer insights and supports data-driven decision-making, ultimately improving marketing efficiency and effectiveness. E.g.: Affle, Oracle, BlueKai, and Aggregate.

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Use Case: Angel One

Objective of the Client: Angel One sought to enhance its market penetration and increase the number of account openings on its app among digitally savvy customers interested in investing.

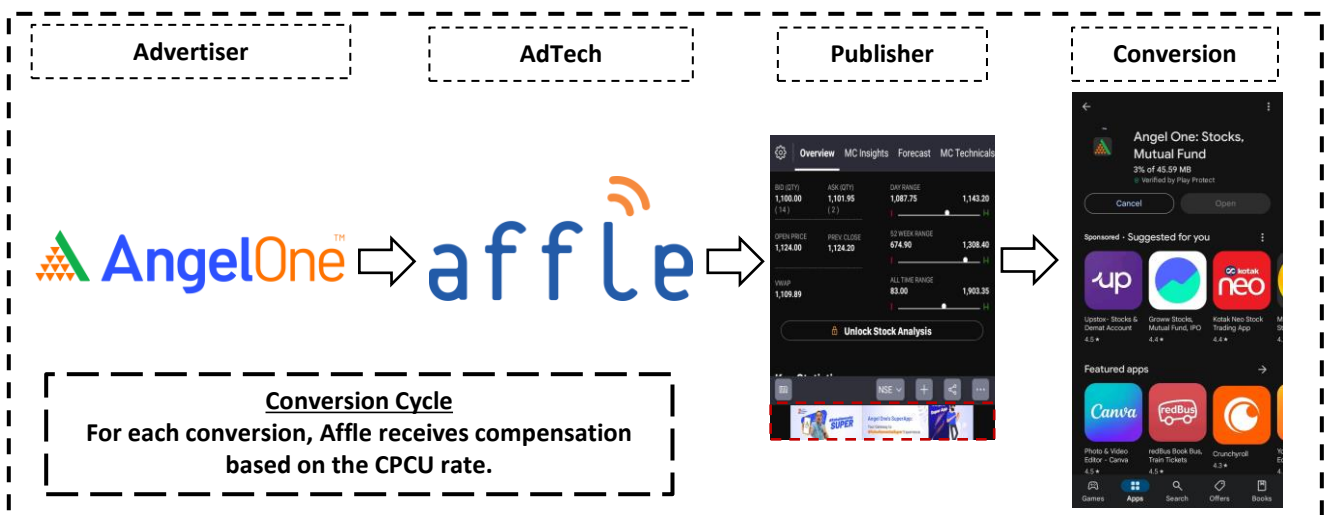
Comprehensive Solution offered by Affle:

Identifying desired users - It utilized mDMP, a sophisticated data management tool, to identify and target specific audience segments. By leveraging data science models and real-time analytics, the platform was able to pinpoint young millennials and users with a strong interest in trading and investing, based on detailed usage and preference data.

Targeting Ads – After identifying the user cohorts, the Company launched targeted advertisements across mobile channels aimed at maximizing account openings.

Result – Angel One experienced a substantial increase in performance metrics, achieving over a 150% rise in quarterly conversions on a QoQ basis. Additionally, it saw more than a 30% improvement in its conversion ratio and an over 80% growth in new app users onboarded.

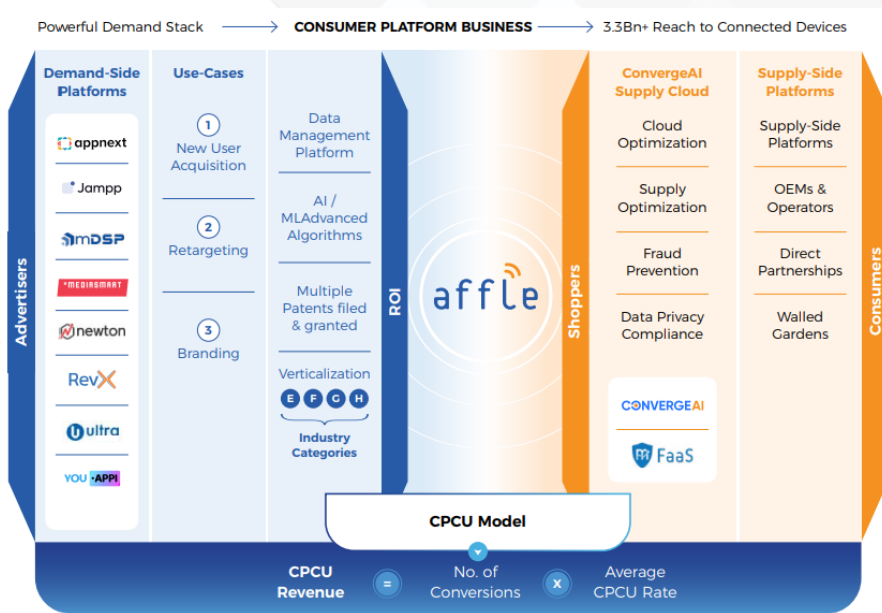
Each instance of a user selecting the advertisement and downloading the Angel One app is classified as a conversion.



Source: Company, Keynote Capitals Ltd.

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Consumer Platform: In-House + Strategic Acquisitions



Source: Company, Keynote Capitals Ltd.

Affle's flagship product is its Consumer Platform that allows brands to easily engage with consumers through multiple use cases. It is designed to boost consumer engagement and achieve high conversion rates on a large scale. The platform integrates various components of the value chain and is powered by ConvergeAI Supply Cloud, focusing on providing comprehensive mobile commerce and marketing solutions by optimizing marketing spend and enhancing ROI through targeted programmatic buying.

It is now a leading programmatic ad-tech platform, offering end-to-end digital advertising solutions. However, these capabilities have been developed over time through internal efforts and strategic acquisitions.

In-house platforms

Mobile Audience-as-a-Service (MAAS) - Affle transitioned into a programmatic ad tech company in 2015 with its MAAS platform, integrating key components like DSP and SSP to provide comprehensive mobile commerce and marketing solutions. This approach optimized marketing spend and improved ROI through targeted programmatic procurement.

mTraction Fraud Analytics as a Service (mFaaS) - In 2017, it introduced mFaaS, a platform specifically designed for the real-time detection and prevention of mobile ad fraud. Leveraging artificial intelligence, machine learning, and blockchain technology, mFaaS identifies fraudulent activities such as click spamming and bot installs during advertising campaigns. This capability aids advertisers in optimizing their marketing expenditures by ensuring that budgets are allocated towards genuine user engagement.

mDSP - The platform is designed to provide programmatic advertising solutions that leverage data-driven insights to optimize ad placements and enhance user acquisition and engagement. It integrates machine learning algorithms to deliver targeted advertising, thereby improving conversion rates and maximizing ROI for advertisers.

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mSSP – Its is designed to help publishers maximize monetization from their mobile applications by connecting them with multiple advertisers. It provides tools and technologies that allow publishers to manage and optimize their ad inventory, ensuring effective ad placements and maximizing revenue from ad spaces. The platform leverages data insights and programmatic advertising to enhance the efficiency and effectiveness of ad delivery.

ConvergeAI – ConvergeAI is a unified platform that optimizes advertising spending using advanced AI technology. It offers advertisers actionable insights for each partner, providing comprehensive performance measurement across various channels. This platform consolidates media spending, enhances consumer reach, and boosts Return on Ad Spend (ROAS) through specific recommendations, helping reduce acquisition costs and improve media efficiency.

Mkr8 – Affle's mKr8 platform is a mobile ad authoring tool that allows for the creation of engaging rich media and video ads. It utilizes phone sensors such as the camera, location, and accelerometer to enhance user interaction and ad effectiveness.

Acquisitions

In its acquisition strategy, the Company prioritizes buy over building from scratch, evaluating whether to develop technology or establish a deep geographical presence internally versus acquiring to accelerate growth. This buy-versus-build approach involves acquiring companies which has collaborated with the Company over the past 2-3 years, ensuring cultural compatibility and understanding. It aims to acquire these companies before they reach breakeven to secure reasonable valuations.

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Acquisitions throughout the ad-tech value chain

Date	Affle's 100% Acquisition	Affle's Value Enhancement	Valuation
Sept 2018	Vizury Commerce	mDSP - Enhanced the retargeting capabilities & introduced push notification CRM functionalities	Cost - \$4.2 Mn (P/S - ~6.8x)
May 2019	Shoffr Platform	mDSP - Added the capabilities of O2O conversion	Cost - \$0.5 Mn
June 2019	RevX	mDSP - Strengthened new acquisition, retargeting and re-engagement capabilities	Cost - \$4.5 Mn
March 2020	Media Smart S.L.	mDSP - Added proximity marketing, location-targeted campaigns, real-time footfall tracking mDMP - Affle's own mDMP capabilities were established for better targeting and data management	Cost - \$5.12 Mn (P/S - ~0.8x)
June 2020	Appnext	mDSP - Added app discovery and recommendation capabilities mSSP - Partnerships with top OEMs and its 'Timeline' technology allowed Affle to enhance its inventory and reach	Cost - \$26.96 Mn (FY19 P/S - 1.76x)
Feb 2021	Discover Tech	mSSP - Integrations with OEMs and MNOs, facilitating dynamic app discovery and recommendations during the initial boot or reset of mobile devices	Cost - \$4.52 Mn
July 2021	Jampp	mDSP - Strengthen user acquisition and engagement strategies across global markets mSSP - Expanded its reach and inventory	Cost - \$41.3 Mn (P/S - 1.4x)
May 2023	YouAppi	mDSP - AI and ML-powered technology for real-time optimization and audience segmentation	Cost - \$45 Mn (P/S - ~1.4x)

Source: Company, Keynote Capital

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Vizury Commerce – This acquisition improved the Consumer Platform's re-targeting capabilities and added push notification CRM feature. It also boosted the Company's ability to serve e-commerce companies, which were Vizury's core customers.

Shoffr Platform – This acquisition enabled the Company to incorporate Online-to-Offline (O2O) capabilities, facilitating the conversion of digital interactions into physical store visits.

RevX Platform – RevX offers a self-serve programmatic platform focused on new user acquisition and retargeting. This acquisition strengthened the Company's mDSPs retargeting capabilities and added machine learning-driven algorithms to its offerings, allowing it to offer more precise targeting and personalized ad experiences.

Mediasmart S.L. – This acquisition brought advanced programmatic advertising capabilities to platform, making it easier and more efficient to buy digital ad space automatically. It improved the Company's real-time bidding and optimized ad spending for better campaign results. Mediasmart also supports online-to-offline conversions by tracking in-store visits using geo-tagging technology. Importantly, this acquisition enabled the Company to integrate a mDMP into its consumer platform, enhancing audience targeting with premium data sources. This added another key piece to the Company's ad tech capabilities. Currently, mDMP has access to 3.3 Bn devices.

Appnext – Appnext's platform helps phone makers and app developers offer personalized app suggestions, turning ads into a service for users. This strengthened its CPCU model by boosting ROI for advertisers through better app recommendations and user engagement. Appnext's 'Timeline' technology, which predicts which apps users might use next, further enhanced its ability to offer personalized experiences. Currently, Appnext's discovery platform powers 6.5Bn personalized app recommendation daily via 60,000 different apps through exclusive in-app and on-device placements,

Discover Tech – This platform allows for dynamic app discovery and recommendations when a device is first booted or reset, integrating with Original Equipment Manufacturers (OEMs) and Mobile Network Operators (MNOs). This acquisition helped Consumer Platform by strengthening its ability to connect with advertisers, OEMs, and MNOs, particularly in emerging markets like India and Africa. It fortified the Company's on-device consumer experiences, providing a major touchpoint in the mobile device lifecycle and enabling more personalized and engaging user interactions.

Jampp – This acquisition added a top mobile advertising platform to the Company's offerings. Jampp is great at attracting new users and encouraging repeat purchases, which boosted its CPCU model and helped it grow in North American and Latin American markets.

YouAppi – This added a mobile app marketing platform focused on gaming to the Company's offerings. YouAppi uses AI and machine learning to support detailed audience segmentation, aligning with its CPCU model to boost consumer conversions for game developers worldwide. The addition of YouAppi's platform brought advanced AI and machine learning technologies to the Company's mDSP, enhancing audience segmentation and targeting precision.

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Minority Ownership

Bobble AI – In 2020, it acquired an 8% stake in Bobble AI, a local keyboard app that allows the Company for personalized and AI-driven contextual recommendation, enhancing user engagement through branded stickers and emojis. By 2022, the Company increased its ownership to 26.24%

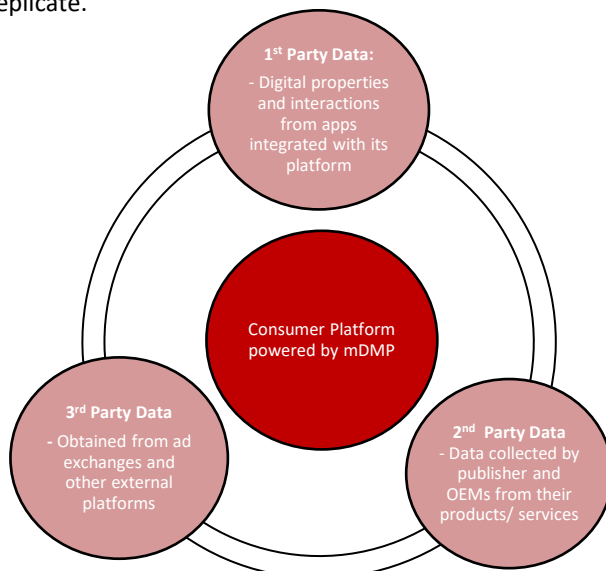
Explurger – In 2024, it acquired 9.03% stake in Explurger Pvt. Ltd. is an AI-powered social media platform designed to enhance the travel experience by automatically generating travelogues and offering a gamified user engagement system with rewards. This platform focuses on travelers, allowing them to share and document their journeys while engaging with a community of like-minded individuals.

Over the years, the Company has developed key technologies and acquired multiple businesses to enhance its capabilities. It has successfully integrated these acquisitions into its Consumer Platform, creating a unified system. As a result, Consumer Platform now encompasses nearly all major components of the ad tech value chain, except for an ad exchange, and includes access to OEMs. This makes it a comprehensive end-to-end advertising provider capable of delivering strong ROI for advertisers and marketers.

Data Collection & Processing – The Edge

Sourcing rich data

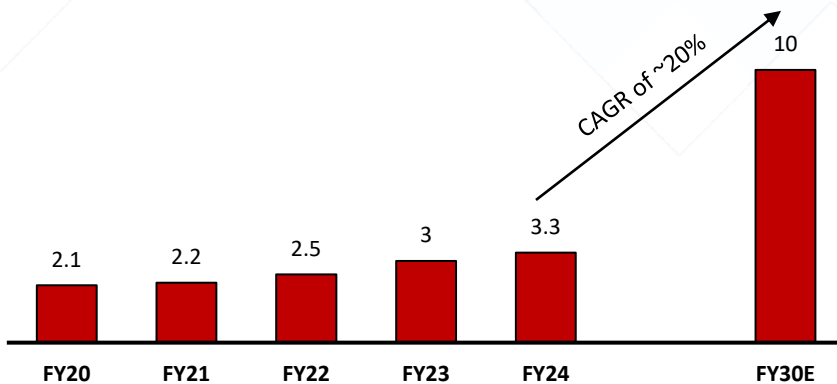
Consumer Platform uses advanced machine and deep learning algorithms to make real-time predictions and recommendations. It gathers rich data from various sources: first-party data collected directly through its platform, second-party data from publishers and partnerships with OEMs, and third-party data from ad exchanges and SSPs. This data is processed through mDMP for precise targeting. The combination of these data resources and machine learning enables superior user profiling and platform performance, giving it a competitive edge developed over 19 years. This extensive experience in processing large datasets for consumer profiling is difficult for new industry players to replicate.



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As of now, the Consumer Platform operates with 3.3 Bn connected devices across the world, which serve as the foundation for its predictive algorithms. By 2030, the Company aims to expand this network to 10 Bn connected devices, incorporating technologies such as connected TVs, wearables, and smart appliances. This strategic expansion is expected to significantly enhance the capabilities of its Consumer Platform, allowing for more precise and personalized advertising solutions.

Connected Devices (In Bn)



Source: Company, Keynote Capitals Ltd.

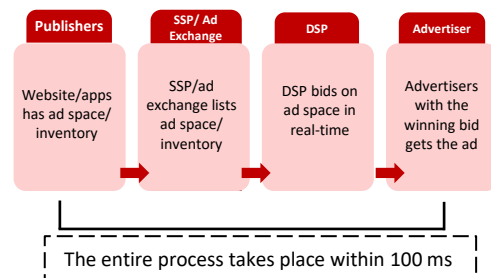
Access to Exclusive Inventory

The Company acquires ad inventory of publishers through two primary methods.

Ad Exchange – Through mDSP, it utilizes ad exchanges, purchasing inventory via a real-time bidding process. During this process, third-party software is employed to ensure that the inventory meets the specific requirements of advertisers.

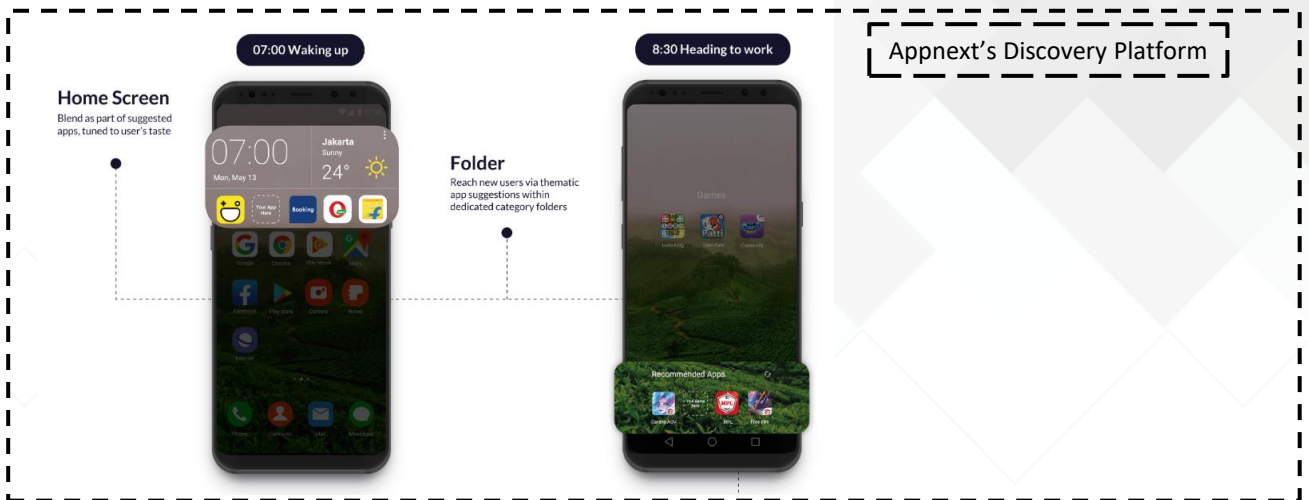
Direct Inventory – The Company buys ad space directly from publishers through deals and sometimes gets exclusive, real-time access to ads using special agreements. It has strong partnerships with major phone makers like Samsung, Oppo, Vivo, Xiaomi, and now TCL for smart TVs. These partnerships give the Company premium access to ad spaces throughout the device's life, allowing them to target ads more precisely. Through acquiring companies like Appnext and Discover Tech, it can offer personalized app recommendations directly on users' devices, helping advertisers connect with them more effectively.

Real-time Bidding Process



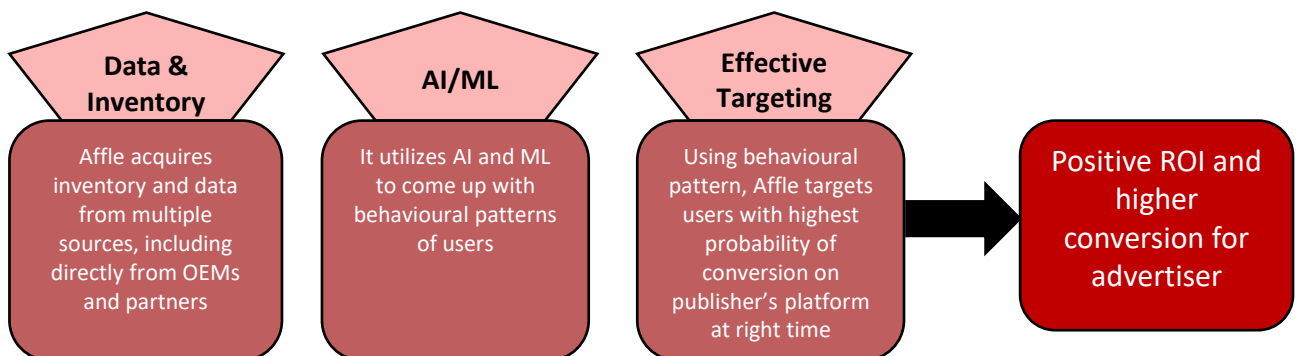
Source: Company, Keynote Capitals Ltd.

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Source: Company, Keynote Capitals Ltd.

This access to direct inventory and rich data enables it to analyze the behaviour of targeted users using AI and ML. This capability allows the Company to effectively identify the right users and display ads at the optimal time, thereby increasing the chances of conversion for advertisers.



Source: Company, Keynote Capitals Ltd.

Engaging With Clients

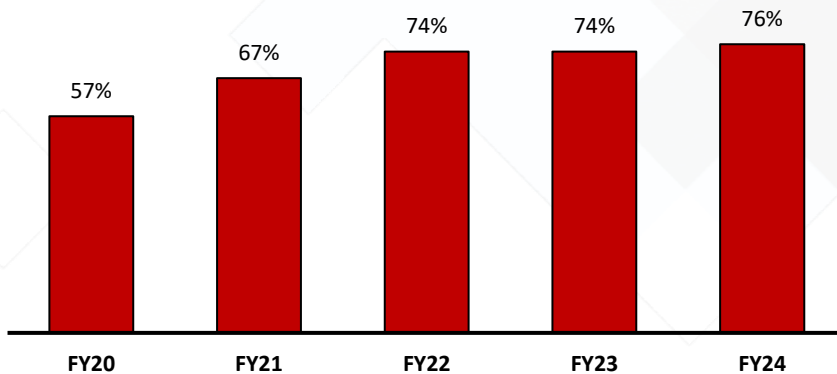
An advertiser often launches marketing campaigns either on its own or through media ad agencies. When using an agency, the agency handles everything: creating the campaign and ad content, buying ad space, showing ads on multiple channels, and ensuring the campaign generates a good ROI. The industry is dominated by major agencies like WPP, Publicis, Omnicom, Dentsu Aegis Network, Interpublic Group, and Havas. Here, the Company partners with these agencies to enhance their advertisement capabilities through its platform.

The Company is increasingly focusing on working directly with advertisers to secure a portion of their marketing budgets and deliver positive ROI. By engaging directly, it builds stronger relationships with advertisers, leading to better partnerships and a deeper understanding of their needs. This approach allows it to offer more customized and targeted advertising solutions, using its AI and data-driven insights to maximize ROI.

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Over the years, revenue from direct customers has grown and now makes up most of the Company's revenue.

Revenue from Direct Customers

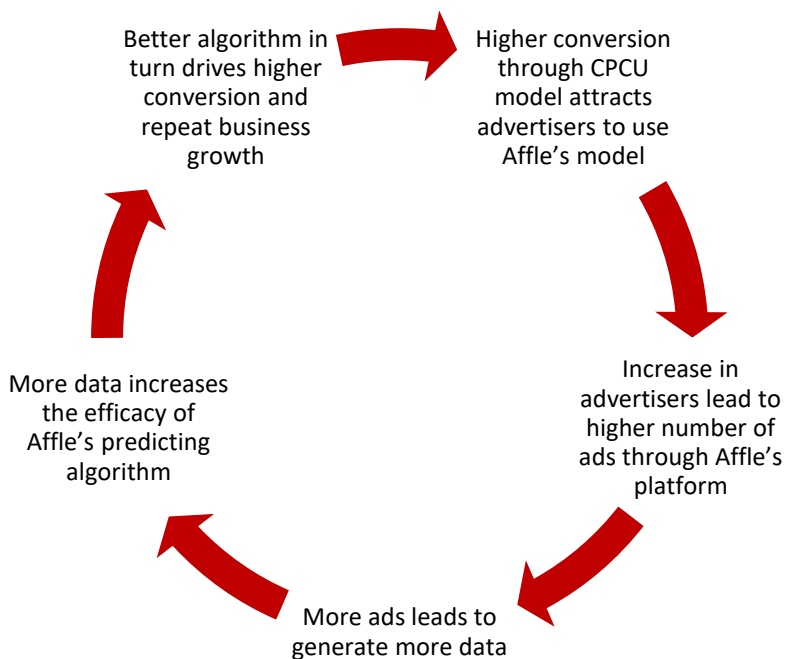


The remaining revenue comes from the advertising agencies.

Source: Company, Keynote Capitals Ltd.

Network Effects

The Company's Consumer Platform gathers rich data from various sources and uses AI and ML to create detailed consumer profiles. This allows the Company to target potential users at the best times across multiple platforms, leading to successful conversions. The platform benefits from a network effect: as the Company delivers more conversions, more advertisers are attracted to work with it. This increase in advertisers results in more ads on the platform, generating more data. This data helps the Company to better understand user behavior on connected devices, improving the accuracy of its AI models. Consequently, it can achieve higher conversion rates and foster repeat business growth.



Source: Company, Keynote Capitals Ltd.

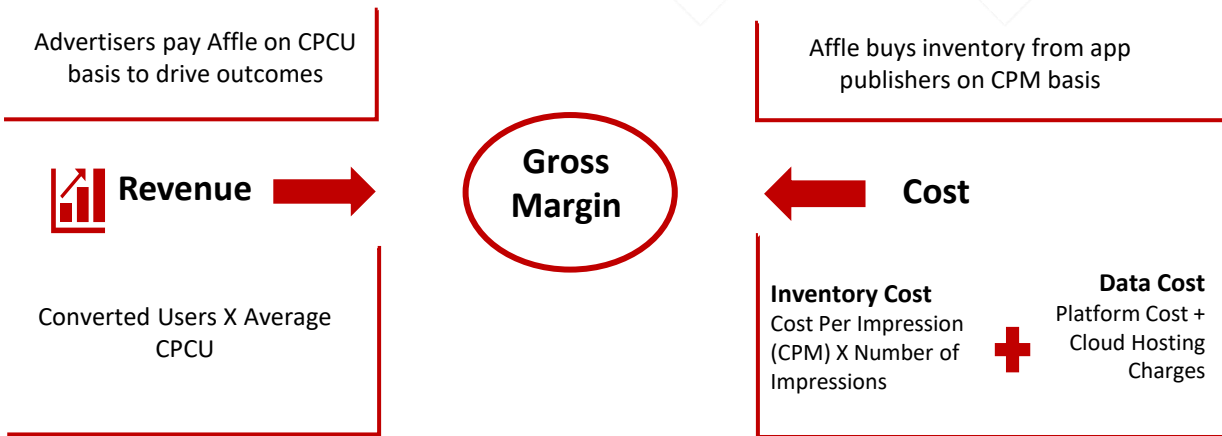
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Inventory & Data Cost

The Company's pricing is designed to maximize conversions while keeping inventory costs low, similar to how manufacturing companies manage raw material costs to determine gross profit. It contracts with advertisers at a set rate and aims to minimize data and inventory expenses.

This is where Affle's consumer intelligence and high-quality inventory comes into play. It uses its rich data and algorithmic efficacy to determine which inventory has the chances of higher conversion and targets them.

The Company also uses algorithm to determine whether it needs to bid for the available inventory, how much it should bid, and where to bid. This process allows the Company to maximize conversion and minimize its cost.



Source: Company, Keynote Capitals Ltd.

The Company's spending on data and ad space isn't immediately converted into revenue. This is because part of these costs is used to gather data and ad inventory to better understand new markets. In India, the Company is expanding to more tier 2 and tier 3 cities, as well as rural areas, which are growing due to more people using smartphones and the internet. This strategy ensures that the Company is ready with consumer profiles when advertisers want to target these areas. Similarly, it is entering new markets and industries, needing insights into these areas and developing relevant consumer profiles.

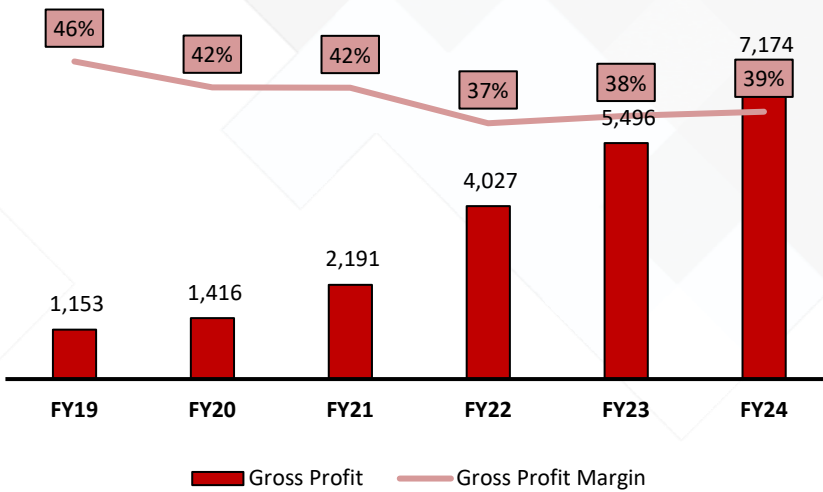
This has led to lower gross margins. The Company plans to keep spending on data and inventory to better understand new markets and explore existing ones more thoroughly.

Affle's co-founder and CEO explained this during the conference call for Q1FY25.

Anuj Sohum Khanna: "When we talk about the data and inventory costs, we are consistently not just utilizing that to earn our revenue but we are also investing in the future to make sure we are listening deeply enough across different verticals and predictively understand what is working and what is not....When you look at financials and numbers, you see revenue. You see that all the data and inventory cost is going straight because its creating that revenue. But there is an element of forward-looking investment in that."

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Gross Profit & Margin Post Inventory & Data Costs



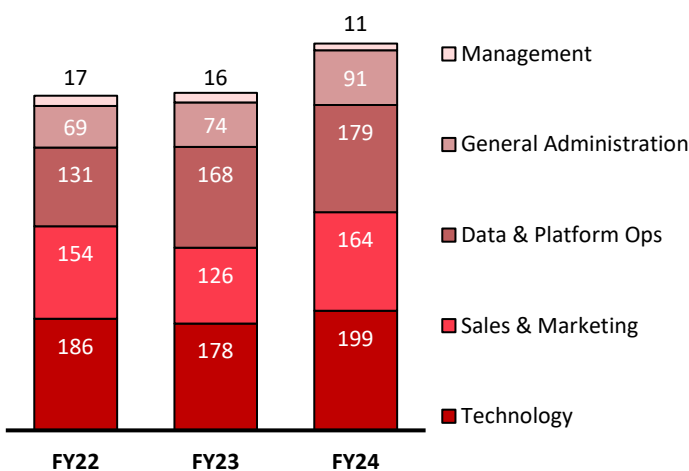
Source: Company, Keynote Capitals Ltd.

R&D Focus

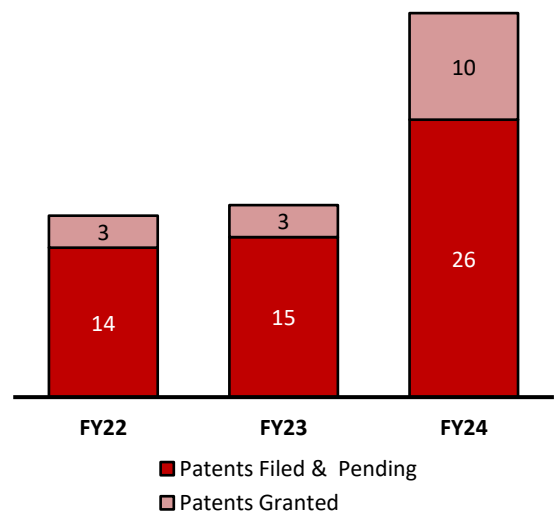
The Company is constantly enhancing its platform to stay at the forefront of the industry. The Company has filed 36 patents, with 10 already granted across the USA, India, and Singapore. These patents cover areas like digital advertising, AI, data protection and voice intelligence. Securing patents, especially in the USA, is challenging, yet it has successfully obtained several of them. It continues to file and secure patents annually.

All these innovations are developed in-house by the Company's R&D team, which makes up a significant portion of its workforce.

Total Employees



Affle's Patents



Source: Company, Keynote Capitals Ltd.

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Vertical Focus: E, F, G, H

The Company focuses on high-growth areas known as EFGH verticals, which include over 10 consumer tech industries. It provide custom solutions for each of these verticals. These sectors are very profitable and continue to grow despite competition. It generates 90%+ of the revenue from these 4 high growth segments.









E – Ecommerce, Entertainment, Edtech

F – Fintech, Foodtech, FMCG

G – Gaming, Grocery, Government

H – Healthtech, Hospitality & Travel

Uses Cases – Successful Campaign by Affle

Advertisers	Verticals - EFGH	Objective	Results Delivered by Affle
SHEIN	E-commerce	Shein wanted to grow its business in the fast-growing markets	<ul style="list-style-type: none"> >20% growth in quarterly Conversions 27% growth in quarterly New Users onboarded
 LOOK GOOD. FEEL GOOD.	E-commerce	Engage existing users to boost repeat bookings by increasing both ride bookings and trip completions	<ul style="list-style-type: none"> >150% Growth in quarterly conversions >250% ROAS delivered in campaign quarter Monthly conversion ratio increased by 23%
	Entertainment	Grow conversions and boost engagement levels for existing users	<ul style="list-style-type: none"> >12X Growth in monthly conversions ~9X Growth in Unique Views ~5X growth in Investment ROI
	Finance	MOFSL wanted to grow the user base in key cities, while enhancing engagement via app.	<ul style="list-style-type: none"> 18% growth in New Users onboarded 59% growth in New Investments 74% growth in successful eKYC completions
	Fintech	Drive market penetration and usage for Bank Jago's digital banking services	<ul style="list-style-type: none"> 2.5X Quarterly Growth in conversions 35% Growth in average conversion ratio A huge 49% conversion ratio recorded
	Gaming	Increase overall retention and achieve 100% Return On Ad Spend (ROAS) for one of the game.	<ul style="list-style-type: none"> Delivered >125% ROAS in the quarter Delivered 2X over the set 100% ROAS goal Grew User sessions consistently
	Gaming	Bridge the gap between mobile and CTV through ads & drive greater ROI through cross screen campaign	<ul style="list-style-type: none"> Increased unique app reopens by >15% Delivered excellent Day 7 ROI of more than 230% ROI delivered was 450% over benchmarks
	Hospitality & Traveling	Increase user base among high intent users, & drive growth in bookings	<ul style="list-style-type: none"> 65% Growth in Total Bookings during the Quarter >10% Quarterly Growth in New App Onboards
	Healthtech	Raise adoption of its services in India especially in Tier 2 & 3 markets	<ul style="list-style-type: none"> 27,000+ conversions delivered in Q4 11% average conversion ratio maintained 1.7X more engagements among Tier 2 & 3 locations

Source: Company, Keynote Capitals Ltd.

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Prudence

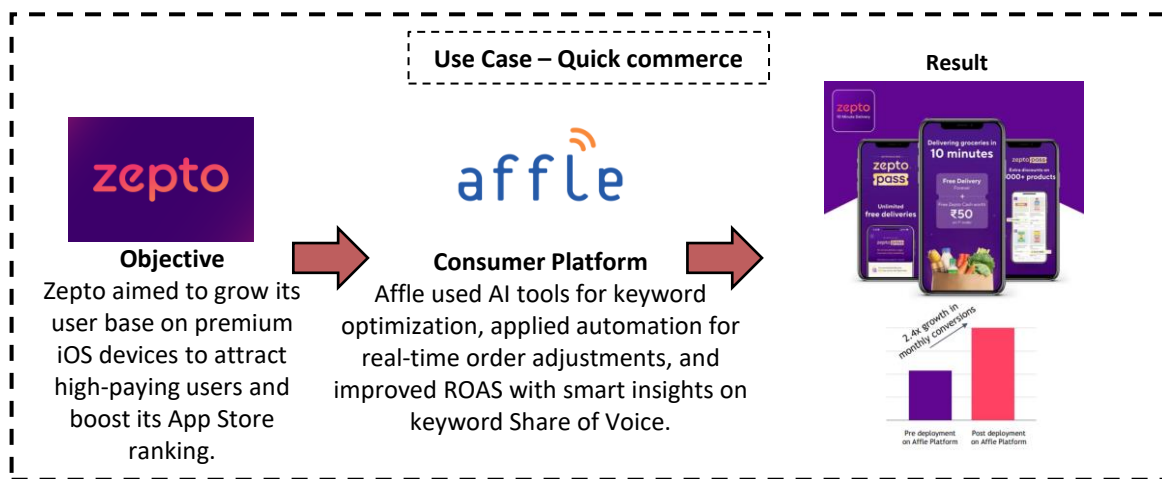
The Company carefully evaluates ad campaigns before accepting them. Once approved, campaigns are processed through an algorithm that prioritizes high-quality conversions and pricing. This approach ensures that it selects campaigns that provide a ROI for advertisers while maintaining profit margins for itself. Even as it expands into new markets and industries, it remains careful in choosing campaigns, focusing on profitability rather than just growth.

Diversified Verticals

The Company runs ad campaigns across various industries and countries, but it can be affected if a specific industry in a country faces issues. In 2024, a new 28% GST on real money gaming in India made the business model unprofitable which impacted the Company gaming revenue. Similarly, the fintech sector in the USA saw a downturn due to the country's macroeconomic environment, affecting its fintech vertical there. However, the Company is mostly protected from such downturns because it is diversified across different industries and regions. Currently, all its business areas are experiencing growth.

New Use Cases

Each quarter, the Company rolls out new use cases within these verticals, applying them to its ad campaigns. In Q1FY25, it implemented 3 new case studies: 1) D2C fashion retail for international market. 2) Quick commerce as an emerging vertical India. 3) Leveraged GenAI solution. These cases serves as like template for advertisers from industry to show its capabilities there.



Source: Company, Keynote Capitals Ltd.

Affle's Global Presence

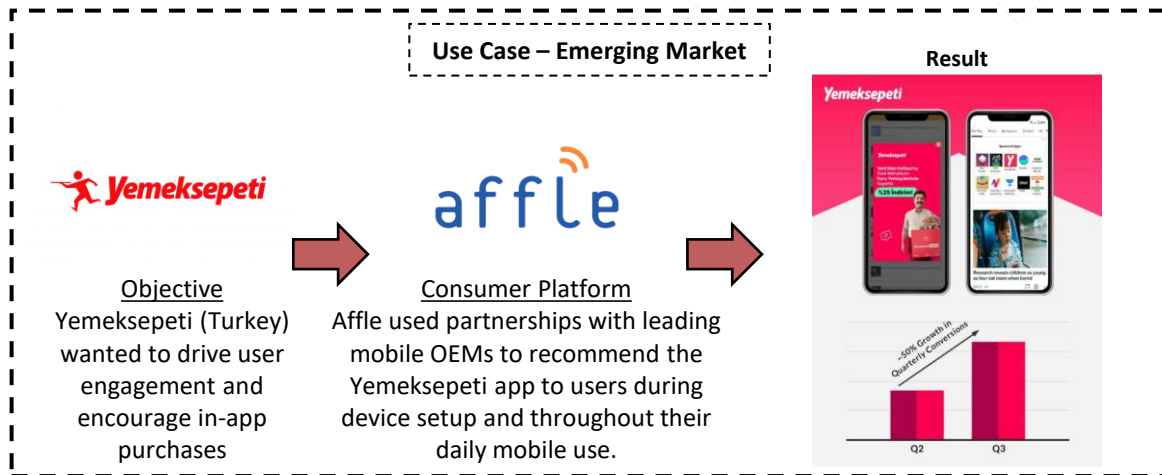
The Company has a significant global presence, with its primary operations in 'Emerging' markets such as India, Southeast Asia, Latin America, and the Middle East & Africa. As of FY24, these regions account for ~73% of the Company's total revenue. In contrast, 'Developed' markets including North America, Europe, Japan, South Korea, and Russia serve as secondary markets, contributing 27% to the total revenue during the same period. Each market segment exhibits distinct characteristics that influence the Company strategic approach.

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Emerging markets

The Company began its operations in India, which remains its largest market. Through strategic acquisitions like Vizury, Appnext, and Mediasmart, it has expanded into global emerging markets. In India, the Company has developed robust capabilities to handle large volumes of consumer data efficiently. These processes are being replicated in other emerging markets with similar economic conditions and pricing pressures, contributing to its success.

The digital advertising sector in these regions is still a relatively smaller segment of the overall market but is projected to experience significant growth as advertisers recalibrate to increase their digital ad spends. The Company strategically selects campaigns within industries that offer substantial profit potential, enabling them to charge competitive rates.



Source: Company, Keynote Capitals Ltd.

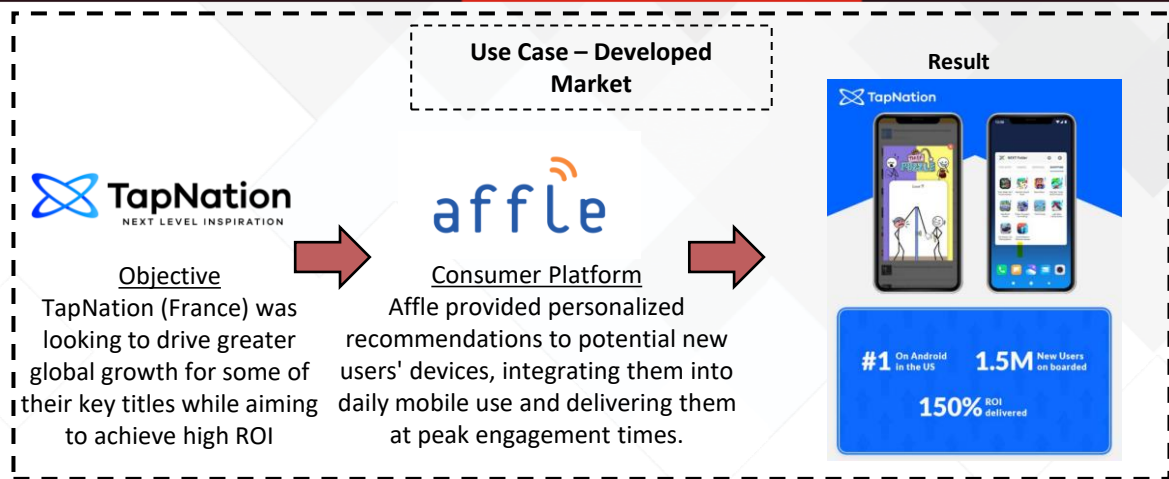
Developed markets

In the developed markets, particularly the USA, the Company positions itself as an integrated premium platform, offering high-quality conversions by leveraging multiple touchpoints, including premium smartphones and Connected TV (CTV). The acquisitions of Jampp and YouAppi have enabled the Company to penetrate various verticals within the country, creating synergies and promoting specific use cases in an integrated manner across North America.

Despite the mature state of the digital advertising industry in developed markets, where growth is relatively low, the addressable market remains extensive, and the Company's current market share is relatively small.

The CPCU rates in these markets are more favorable compared to emerging markets, presenting an opportunity for the Company to achieve significant growth. To capitalize on this potential, it has invested heavily in sales and marketing efforts, which have begun to show positive results. The Company has also shifted its focus towards up-selling and cross-selling its Consumer Platform, emphasizing premium and resilient verticals managed by a substantial number of full-time team members in the USA. As a result, the Company anticipates consistent broad-based growth in developed markets moving forward.

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Source: Company, Keynote Capitals Ltd.

Privacy Concerns

There are two types of data that are collected by tech companies;

- 1) **Critical data** – It includes sensitive information like names, addresses, financial details (such as bank account and credit card numbers), and health records, which require strict protection to prevent unauthorized access or breaches.
- 2) **Non-critical data** – It includes less sensitive information that doesn't directly identify individuals, such as user preferences, general usage patterns, and aggregated data that help companies understand consumer behavior. This type of data usually doesn't require the same level of protection as critical data.

Regulatory frameworks like the GDPR in Europe and CCPA in the USA require tech companies to clearly inform users about data collection practices and obtain explicit consent, even for non-critical data.

Affle Privacy Framework

Data collected by the Company is considered non-critical, so it faces fewer regulations compared to sensitive critical data. The Company processes appographic data, which looks at the apps on a user's phone to understand their preferences and interests based on app categories. This approach focuses on user behavior and intent signals for targeted advertising and enhancing user experience.

Appographic data – Information derived by analyzing users' app usage patterns and preferences which helps in targeting ads and personalizing content based on their interests.

The Company data protection framework is robustly supported by two significant accreditations. Firstly, the Company has been accredited by the Infocomm Media Development Authority of Singapore (IMDA) through the Accreditation@SG Digital (SGD) program, which enhances their credibility and establishes a reliable track record. Secondly, it has achieved GDPR accreditation, which includes an evaluation by a GDPR lawyer and third-party auditors to ensure adherence to the European Union's data protection regulations. These accreditations underscore the Company commitment to data security and compliance with international standards.

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Privacy Risks

The Company as a mobile-first advertising technology, is minimally affected by changes in browser-based tracking methods, but it faces privacy challenges from Apple iOS and Google Android on mobile devices.

Apple – Apple is a leader in user data privacy, designing its hardware and software to protect user data with features like on-device processing for facial recognition and fingerprint data. Apple introduced App Tracking Transparency to enhance data privacy, which affects how companies like Affle collect data.

Tracking Transparency (ATT) – Apple introduced ATT in April 2021, allowing users to opt out of app tracking, which stops individual data tracking. To assist advertisers, Apple developed SKAdNetwork (SKAN), which helps marketers track ad performance at a group level. Instead of tracking individual users, Apple form groups or cohorts based on similar traits and behaviors. When ads are shown to Apple users and some of them convert, Apple provides information about these conversions at a group level, known as cohort data. This means that while advertisers receive useful insights into the effectiveness of their campaigns, Apple does not disclose detailed personal information about individual users, thereby maintaining user privacy.

The Company wasn't significantly impacted by Apple's ATT changes as much of its revenue comes from Android-focused emerging markets. In the U.S., where iPhone usage is higher, it operates mainly through Jampp and YouAppi. Jampp, acquired in July 2021, adapted to privacy changes like ATT by successfully implementing cohort-based targeting, which integrates with Apple's SKAdNetwork by grouping users into cohorts based on shared characteristics, allowing Jampp to continue providing effective advertising solutions while complying with Apple's privacy guidelines. Jampp has actively engaged with Apple's ATT framework. They were one of the first DSPs to be approved on Apple's SKAdNetwork, which is closely related to ATT compliance.

In 2023, Jampp introduced an iOS SKAdNetwork 4.0 Guide to help advertisers in the APAC region grow their businesses on Apple devices. This move provided the Company with a new way to effectively target Apple users globally. With more people using iOS devices in India and other growing markets, it is not worried about complying with Apple's ATT rules and is confident in its ability to effectively target iOS users.

Google Privacy Sandbox – Due to Android's open-source nature, significant privacy changes are unlikely. In 2019, Google announced the Privacy Sandbox to replace third-party cookies with privacy-friendly alternatives, but its implementation has been delayed due to the complexity of balancing privacy with advertiser and publisher needs. Even if Google implements the Privacy Sandbox, it will need some identifier for ad tracking. The Company is prepared for potential changes, designing YouAppi products to be compatible with the Privacy Sandbox, ensuring continuity without Google Advertising Identifier. This proactive approach positions the Company ahead of potential privacy changes in the Android ecosystem.

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Management Analysis

Key Managerial Personnel

Name	Designation	Promoter / Professional	Experience with Affle (Yrs.)
Mr. Anuj Khanna Sohum	Managing Director & CEO	Promoter	19+
Mr. Anuj Kumar	Chief Revenue & Operating Officer	Promoter	18+
Mr. Charles Yong Jien Foong	Chief Architect & Tech Officer	Professional	6+
Mr. Kapil Mohan Bhutani	Chief Financial & Operations Officer	Professional	10+
Mr. Vipul Kedia	Chief Data & Platforms Officer	Professional	18+

Source: Company, Keynote Capitals Ltd.

Compensation and Skin in the Game

Particulars	FY20	FY21	FY22	FY23	FY24
% Promoter Holding	68.38%	62.60%	59.89%	59.89%	56.92%
Management Salary (Rs Mn)	29.72	30.4	36.41	26.39	48.55
As a % of PAT	5%	2%	2%	1%	2%

Source: Company, Keynote Capitals Ltd.

Top shareholders >1%

Stakeholders	FY20	FY21	FY22	FY23	FY24
Aberdeen Standard Asia Focus PLC	1.52	1.70	1.39	1.01	-
Aditya Birla Sun Life	1.68	1.24	-	-	-
Franklin India	-	-	-	-	1.05
Gamnat Pte. Ltd.	-	-	-	-	4.92
ICICI Prudential	-	-	-	4.32	7.08
Malabar India Fund Limited	6.34	4.76	3.63	3.09	2.72
Nippon Life India	-	1.90	1.88	3.61	4.45

Source: Company, Keynote Capitals Ltd.

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Peer Analysis

The Company's closest competitors include The Trade Desk and InMobi. The Trade Desk, a prominent programmatic adtech firm based in the USA, generates revenue by charging a percentage of the gross spend on its platform. In contrast, InMobi, an adtech company headquartered in Bengaluru, operates on models such as Cost-Per-Click (CPC), Cost-Per-Install (CPI), and Cost-Per-Action (CPA).

Metrics	Affle India*	Trade Desk#	InMobi#
Products	Consumer platform, mFaaS, mDMP	DSP, DMP, Koa (charges % of gross spend on its platform)	InMobi Exchange, InMobi Pulse, Glance (Clicks, app install, or specific action)
Revenue (INR Mn, as of latest FY)	18,428	160,671	5,896
Sales Growth CAGR % (Last 5 years)	49%	37%	13%
EBITDA Margin %	20%	17%	20%
PAT Margin %	16%	9%	19%
ROCE (X)	12%	8%	-
Debt/Equity	0	0.1	-
Sales Per Employee (Rs. Mn)	28.6	51.6	2.36
TTM P/E	67.8x	221.6x	-

*Numbers for Affle taken as per FY24, for Trade Desk & InMobi FY23 numbers are taken

Numbers taken as per CY23 i.e. January - December

Source: Company, Keynote Capitals Ltd., Bloomberg, Private Circle

Opportunities

Differentiated Business Model

The Company's model stands out in the digital advertising landscape by directly addressing the common challenges faced by traditional models. These conventional methods, while effective in reaching large audiences at lower costs, often struggle to convert viewers into actual customers, leading to a less favorable ROI for advertisers.

Unlike CPC, CPV, or CPM models that charge advertisers based on clicks, views, or impressions, the Company model charges only when a conversion occurs—such as a purchase or registration. This approach aligns the Company's revenue with the advertiser's success, ensuring that advertisers pay only for tangible results.

To enhance its business model's effectiveness, the Company uses advanced data analytics and AI/ML technologies to target users likely to convert at the optimal time and place. By leveraging extensive data, it creates detailed user profiles and secures exclusive ad spaces, crucial for high conversion rates. This allows the Company to charge a premium compared to traditional advertising models, differentiating it from competitors and providing robust ROI for advertisers across high-growth verticals like eCommerce, FinTech, and HealthTech.

The Company was an early leader in mobile advertising that aligns advertising costs directly with performance outcomes, thereby offering advertisers a more efficient and result-oriented approach to digital marketing. This differentiation has positioned Affle as a leader in both emerging and developed markets.

Strategic Acquisitions: Expanding Affle's Value Chain and Market Reach

The Company has made a multiple strategic acquisitions to expand its presence across the value chain. It follows a Buy vs. Build approach while acquiring the businesses. This involves a careful assessment of whether to develop a capability internally or accelerate growth by acquiring companies with the desired technology and market presence.

Before acquiring any company, it follows a basic checklist. A) It ensure that it has have worked with the potential acquisition target for 2-3 years, allowing it to understand the company well. B) The acquired company must fit into Affle's culture, ensuring smooth integration. C) It will acquire this companies before they breakeven so that it get a reasonable valuation and then through synergies of data, algorithms, and technology it will turn them around.

The companies it acquired offered products or services that were immediately valuable for its Consumer Platform. Through acquisitions it has gained capabilities like online-to-offline conversion, geotagging, customer targeting and retargeting, mobile app recommendations, and user behavior prediction. These acquisitions enhance its current capabilities and add new features to its platform, helping improve conversions.

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It enhances their platforms after acquisition and integrates them into its Consumer Platform, providing a comprehensive advertising solution. These acquisitions adds value not only to Affle but also to the acquired companies. As these companies can scale in ways they couldn't achieve independently, benefiting from the Company strong infrastructure and market reach.

Affle continues to look for opportunities to acquire companies that can benefit their Consumer Platform and has shown it can successfully integrate new acquisitions to increase its value.

Levers to increase CPCU rate

As of FY24, the average CPCU rate was Rs. 56 per conversion, which could be further enhanced by these two factors: 1) The introduction of Premium CPCU and 2) Growth in developed markets.

Premium Users – The Company has been investing in developing new product use cases and forming partnerships to access premium ad spaces on connected devices like Apple's SKAdNetwork (SKAN), the iOS App Store, and global OEM collaborations, as well as Connected TV (CTV), which typically command higher ad prices. It also includes Affle's AI-powered multilingual keyword recommendation tool for Apple Search Ads on the iOS App Store. Additionally, the Company has access to premium Android devices costing over Rs. 60,000. Users of these high-end devices are more likely to spend on premium products and services, making these inventories valuable. By targeting such high-value users, it enhances advertisers' lifetime value, allowing it to offer profitable ad campaigns in both emerging and developed markets.

Developed Markets – The Company is focused on expanding its footprint into developed markets where it is positioning itself as an adtech company delivering premium users and high-value conversions, potentially boosting CPCU rates. In the U.S., its largest developed market presence, it offers a fully integrated platform with multiple touchpoints for advertisers including CTV, which further enhances its conversion efficacy.

High cash conversion

The Company has grown at a 49% CAGR over the past five years, outpacing the Indian digital advertising industry's 30% CAGR. This demonstrates its significantly faster growth rate. This growth hasn't been just on paper; the Company has consistently turned its profits into operating cash flow efficiently. This shows that that it has grown while maintaining profitability and strong cash flow. This high cash conversion will help the Company to acquire businesses without relying on outside funds and grow through internal accruals.

Particular (Rs. Mn)	FY20	FY21	FY22	FY23	FY24
Pre-tax-CFO	840	1,135	2,338	3,006	2,967
EBITDA	879	1,300	2,131	2,888	3,600
Cash Conversion Ratio	96%	87%	110%	104%	82%

Source: Company, Keynote Capitals Ltd.

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Threats

Regulation

Although the Company collects non-critical data and is prepared for privacy regulations by complying with global standards, major privacy regulations and sudden changes can negatively affect its business. These regulations often limit access to consumer data, which can reduce the effectiveness of the Company's advertising algorithms and potentially increase inventory and data costs. Operational challenges may arise if algorithm accuracy is compromised due to insufficient data, making its business model vulnerable to regulatory changes. Additionally, competitors who adapt more quickly to these changes could gain a market advantage, putting the Company at a competitive disadvantage.

Unsatisfactory outcome of acquisitions

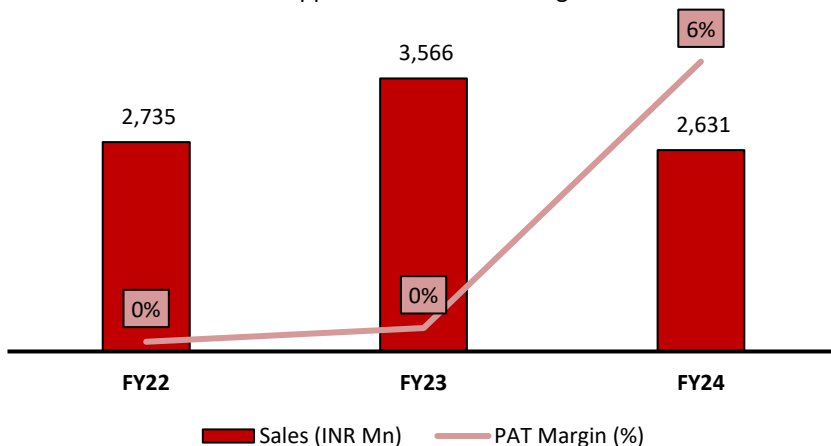
The Company has done a good work in acquiring companies with complementary and supplementary capabilities and integrating them in its platform to create a one cash generating machine. However, there has been instances in the past where the Company has struggled with the acquisition.

Bobble AI – The Company has faced legal disputes with Bobble AI's management. Eventually, it decided to sell part of its stake to Krafton India but couldn't complete the transaction due to non-payment, so it retained its ownership. Currently, the Company uses Bobble AI's services, for which it paid around Rs. 26 Mn. The investment is classified as held for sale under IND AS 105 at a value of Rs. 1,350.3 Mn for a 24.07% stake on a fully diluted basis.

Jampp – The Company acquired Jampp in 2021 to expand into Latin American and North American markets, especially in gaming. However, Jampp struggled to achieve these goals on its own, leading the Company to take significant actions to address these issues. The integration process involved merging entities like YouAppi and Jampp, aligning operations and sales processes, and ensuring a clean supply through ConvergeAI supply cloud.

Although Jampp has been successfully integrated into the Consumer Platform, it did experience underperformance during its initial struggles. Hence, if the acquired companies don't perform well or aren't integrated properly, it could be detrimental for the Company.

Jampp Inc. Sales & PAT Margin



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Macro environment turns negative

When a country's economy worsens, advertising budgets are often among the first to be cut or slowed down, as the Company experienced with its fintech sector in the USA in 2024. Although it has a strong presence in India and emerging markets in Southeast Asia, Africa, and the Middle East, economic downturns in these regions could negatively impact its business.

High goodwill

The Company has acquired several businesses over the years, leading to goodwill making up 35% of its total assets as of FY24. Large goodwill carries the inherent risk of write off, especially during economic downturns. Although the Company hasn't written off any significant amount of goodwill, there's still a chance it could happen in the future.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	14,340	18,428	23,633	30,141	38,518
Growth %		29%	28%	28%	28%
Inventory & Data Cost	8,860	11,275	14,535	18,386	23,111
Employee Expenses	1,872	2,352	3,025	3,768	4,622
Other Expenses	719	1,201	1,654	2,110	2,696
EBITDA	2,888	3,600	4,419	5,877	8,089
Growth %		25%	23%	33%	38%
Margin%	20%	20%	19%	20%	21%
Depreciation	494	715	900	1,029	1,194
EBIT	2,393	2,885	3,520	4,849	6,895
Growth %		21%	22%	38%	42%
Margin%	17%	16%	15%	16%	18%
Interest Paid	114	189	198	198	198
Other Income & exceptional	543	572	850	1,050	1,150
PBT	2,823	3,268	4,171	5,700	7,847
Tax	361	295	834	1,425	1,962
PAT	2,462	2,973	3,337	4,275	5,885
Others (Minorities, Associates)	9	0	0	0	0
Net Profit	2,471	2,973	3,337	4,275	5,885
Growth %		20%	12%	28%	38%
Shares (Mn)	133.3	140.2	140.0	140.0	140.0
EPS	18.37	21.22	23.84	30.54	42.04

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	6,457	12,365	15,124	18,258	22,485
Debtors	2,452	3,174	4,018	5,124	6,548
Short Term Loans & Advances	1,269	2,545	2,545	2,545	2,545
Other Current Assets	1,447	1,660	1,660	1,660	1,660
Total Current Assets	11,625	19,743	23,346	27,586	33,237
Net Block & CWIP	7,859	11,444	12,434	13,817	15,705
Long Term Investments	0	373	373	373	373
Other Non-current Assets	777	1,564	1,564	1,564	1,564
Total Assets	20,261	33,124	37,717	43,340	50,879
Creditors	2,522	3,831	5,087	6,435	8,089
Provision	100	195	195	195	195
Short Term Borrowings	510	1,052	1,052	1,052	1,052
Other Current Liabilities	901	1,351	1,351	1,351	1,351
Total Current Liabilities	4,033	6,429	7,685	9,033	10,686
Long Term Debt	521	726	726	726	726
Deferred Tax Liabilities	27	-18	-18	-18	-18
Other Long Term Liabilities	1,009	1,007	1,007	1,007	1,007
Total Non Current Liabilities	1,557	1,715	1,715	1,715	1,715
Paid-up Capital	266	280	280	280	280
Reserves & Surplus	14,384	24,700	28,037	32,312	38,197
Shareholders' Equity	14,651	24,980	28,317	32,593	38,478
Non Controlling Interest	21	0	0	0	0
Total Equity & Liabilities	20,261	33,124	37,717	43,340	50,879

Source: Company, Keynote Capitals Ltd. estimates

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	2,823	3,268	4,171	5,700	7,847
Adjustments	661	420	248	177	242
Change in Working Capital	-471	-721	412	242	230
Total Tax Paid	-403	-345	-834	-1,425	-1,962
Cash flow from operating Activities	2,610	2,623	3,997	4,694	6,357
Net Capital Expenditure	-922	-1,156	-1,891	-2,411	-3,081
Change in investments	-231	-1,488	0	0	0
Other investing activities	-822	-3,129	850	1,050	1,150
Cash flow from investing activities	-1,974	-5,773	-1,041	-1,361	-1,931
Equity raised / (repaid)	-81.08	7,412	0	0	0
Debt raised / (repaid)	-451	590	0	0	0
Dividend (incl. tax)	0	0	0	0	0
Other financing activities	-58	-170	-198	-198	-198
Cash flow from financing activities	-590	7,832	-198	-198	-198
Net Change in cash	45	4,682	2,758	3,134	4,227

Valuation Ratios

	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data					
EPS	18	21	24	31	42
Growth %		16%	12%	28%	38%
Book Value Per Share	110	178	202	233	275
Return Ratios					
Return on Assets (%)	13%	11%	9%	11%	12%
Return on Equity (%)	19%	15%	13%	14%	17%
Return on Capital Employed (%)	18%	15%	12%	14%	16%
Turnover Ratios					
Asset Turnover (x)	0.7	0.7	0.7	0.7	0.8
Sales / Gross Block (x)	1.6	1.5	1.6	1.8	1.9
Working Capital / Sales (%)	44%	57%	61%	57%	53%
Receivable Days	61	56	56	55	55
Payable Days	105	103	112	114	115
Working Capital Days	-44	-47	-56	-59	-59
Liquidity Ratios					
Current Ratio (x)	2.9	3.1	3.0	3.1	3.1
Interest Coverage Ratio (x)	25.7	18.3	22.0	29.7	40.6
Total Debt to Equity	0.1	0.1	0.1	0.1	0.0
Net Debt to Equity	-0.4	-0.4	-0.5	-0.5	-0.5
Valuation					
PE (x)	68.6	59.4	67.9	53.0	38.5
Earnings Yield (%)	1%	2%	1%	2%	3%
Price to Sales (x)	9.2	7.9	9.6	7.5	5.9
Price to Book (x)	9.0	5.8	8.0	7.0	5.9
EV/EBITDA (x)	43.7	37.6	50.4	37.9	27.5
EV/Sales (x)	8.8	7.4	9.4	7.4	5.8

Affle (India) Ltd. | Initiating Coverage Report

Valuations

Particulars	FY27E
Revenue (in Rs. Mn)	38,518
PAT (in Rs. Mn)	5,885
EPS (Rs.)	42.0
P/E (x)	60
Target Price (Rs.)	2,522
CMP (Rs.)	1,580
% Upside/(Downside)	59.6%

Source: Company, Keynote Capitals Ltd. estimates

The Company has carved out a unique position in the global digital advertising industry by using a ROI focused CPCU model. The Company has continuously improved by developing new technologies through its research and development team and acquiring other tech companies. These efforts have not only enhanced its existing capabilities but also introduced new ones, resulting in a comprehensive, high-performance consumer platform.

Over the years, the Company has developed strong partnerships with OEMs, which provide valuable data that enhances the effectiveness of its AI and machine learning models. This improvement boosts its capabilities and benefits its clients. Additionally, the Company has strengthened its relationships with direct customers, allowing it to offer more personalized services and build stronger connections with them.

The Company has consistently outpaced the Indian digital advertising industry, which itself has been expanding rapidly at a 31% CAGR over the past five years. During the same period, it has grown at a CAGR of 49%. Going forward we expect the Company to grow its conversion by 25% and 3% growth in its CPCU rate, resulting an overall revenue growth of 28% CAGR over FY25-27.

Over the years, the Company has carved out a network effect that significantly amplifies its growth and market presence. Therefore, we initiate coverage on Affle with a BUY rating and a target price of Rs. 2,522 (60x FY27E EPS), resulting in ~60% upside from current levels.

Affle (India) Ltd. | Initiating Coverage Report

Our Recent Reports

CCL Products (India) Ltd | Initiating Coverage Report

CCL Products (India) Limited 9th September 2024

World's Largest Private Label Instant Coffee Manufacturer

BUY
CMP Ft. 700
TARGET Ft. 1,221 (+76%)

Company Data

Company Name	CCLPL
Market Cap	16,440
Revenue (Rs. Cr)	104
Net Profit (Rs. Cr)	86.61
EPS (Rs.)	7.2
Dividend Yield (%)	13.63

Shareholding Pattern (%)

Shareholder	Holdings (%)
Public	86.1
Insiders	13.9

Key Highlights:

- Over the last few years, CCL has established a major identity expansion within the instant coffee market in India, with a market share of 30%.
- Over the last few years, CCL has established a major identity expansion within the instant coffee market in India, with a market share of 30%.

View & Valuation

Valuation Metric	Current	Target
Price/Earnings	10.5	16.7
Price/Book	1.8	2.5

DFPCL | Initiating Coverage Report

Deepak Fertilisers and Petrochemicals Ltd. 28th August 2024

Deepak Fertilisers and Petrochemicals Corporation Limited (DFPCL) is leading the expansion of its product portfolio, driven by its strategic focus on specialty fertilizers.

BUY
CMP Ft. 1,079
TARGET Ft. 1,312 (+22%)

Company Data

Company Name	DFPCL
Market Cap	1,100
Revenue (Rs. Cr)	1,100
Net Profit (Rs. Cr)	1,100
EPS (Rs.)	1,100
Dividend Yield (%)	1,100

Shareholding Pattern (%)

Shareholder	Holdings (%)
Public	86.1
Insiders	13.9

Key Highlights:

- The Company is expanding its product portfolio to include specialty fertilizers, which are in high demand in the Indian market.
- The Company is expanding its product portfolio to include specialty fertilizers, which are in high demand in the Indian market.

View & Valuation

Valuation Metric	Current	Target
Price/Earnings	10.5	16.7
Price/Book	1.8	2.5

Indigo Paints Ltd | Initiating Coverage Report

Indigo Paints Limited 4th July 2024

A challenger in the Indian paint industry

BUY
CMP Ft. 1,381
TARGET Ft. 1,598 (+15.8%)

Company Data

Company Name	INDIGO
Market Cap	6,000
Revenue (Rs. Cr)	1,000
Net Profit (Rs. Cr)	1,000
EPS (Rs.)	1,000
Dividend Yield (%)	1,000

Shareholding Pattern (%)

Shareholder	Holdings (%)
Public	86.1
Insiders	13.9

Key Highlights:

- The Company is expanding its product portfolio to include specialty paints, which are in high demand in the Indian market.
- The Company is expanding its product portfolio to include specialty paints, which are in high demand in the Indian market.

View & Valuation

Valuation Metric	Current	Target
Price/Earnings	10.5	16.7
Price/Book	1.8	2.5

CCL Products (India) Ltd.

DFPCL Ltd.

Indigo Paints Ltd.

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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