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To,
The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai 400 001
Scrip Code: 543228

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 051
NSE Symbol: ROUTE

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q3 FY21

We are enclosing herewith copy of the transcript of the Company's Q3 FY21 earnings conference call dated January 28, 2021. The transcript is also available on the Company's website i.e. www.routemobile.com under the Investors section.

You are requested to take the abovementioned information on your record.

Thanking you,
Yours faithfully,
For Route Mobile Limited





Rathindra Das
Head Legal, Company Secretary & Compliance Officer

Encl: as above



“Route Mobile Limited Q3 FY ’21 Earnings
Conference Call hosted by ICICI Securities Limited”

January 28, 2021



MANAGEMENT: **MR. RAJDIPKUMAR GUPTA – MANAGING DIRECTOR
AND GROUP CEO, ROUTE MOBILE LIMITED**
**MR. GAUTAM BADALIA – CHIEF STRATEGY OFFICER,
ROUTE MOBILE LIMITED**
**MR. SURESH JANKAR – CHIEF FINANCIAL OFFICER,
ROUTE MOBILE LIMITED**

MODERATOR: **MR. HARDIK SANGANI – ICICI SECURITIES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Route Mobile Limited Q3 FY '21 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hardik Sangani from ICICI Securities Limited. Thank you and over to you, Mr. Sangani.

Hardik Sangani: Thank you, Nirav. Good Evening everyone. I would like to Welcome everyone to Route Mobile Q3 FY '21 Earnings Conference Call.

I would like to thank the Management of Route Mobile Limited to give us the opportunity for hosting their Q3 Earnings Call. We have with us the leadership team from Route Mobile that includes Mr. Rajdipkumar Gupta – Managing Director and Group CEO; Mr. Gautam Badalia – Chief Strategy Officer; and Mr. Suresh Jankar – Chief Financial Officer.

I will now request Mr. Rajdip to provide brief remarks on the company's performance and future outlook before the Management team walks us through the financial details of Q3 FY '21 results. Over to you, Rajdip Sir.

Rajdipkumar Gupta: Thank you. Good Evening everyone. First of all a very Happy New Year to all of you. Just wanted to start my brief over the last three months, since our last call, as things start to get back to the normal or at least new definition of normal, we had many positive developments and I am excited to share some of these with you. We had another great quarter on the back of strong momentum and the industry tailwinds.

Our technical capabilities have helped us grow our existing business to win new clients as we continue to simplify the entire mobile communication ecosystem for our new customer and existing customer as well. As I have mentioned before, our team has been 100% operational since day 1 of the lockdown and none of our clients have left us and there is no any impact or degradation of services during this time. Quite the contrary in the fact, it has been business as usual throughout and while we hope and pray never to see this time like this again, we stand prepared for any such kind of existing in future. Some of the things which we have been from the last quarter, we have been hiring talent across the Board and our most recent addition of Milind Pathak as a Chief Business Officer will help and accelerate our new product initiative. CPaaS adoption amongst enterprise is accelerating and as we continue to integrate all available channels into one into our platform, we will be positioned to capitalize on this. Our BoD has additional firepower in terms of Mr. Arun Gupta as an Independent Director on our Board who brings a lot of industry experience behind him.

We completed the cloud migration of our India infrastructure in this last quarter and have ability to scale at the moment with a notice of just one day. As of today, we have been operating from office with 40% strength and as the travel modes open up, we will slowly and safely move our

workforce back to the normal. DLT introduction in India has resulted in many changes for the domestic market and aside from some of the anticipated teething issue with enterprise line, we are fully operational with a new guideline and requirement. The pandemic has accelerated the adoption of newer channel of communication by enterprise and we have been witnessing the massive demand surge over IP messaging voice and unified communication. On a sad note, we lost one of our senior leader, Rory Kyte, CEO, 365squared. Rory's death is sudden and a huge shock to all of us and our thought and prayers are always with his family. He will be missed both personally and professionally, however, based on Rory's recommendation and prudent planning, we added Andy Folwell to our team and few days after Rory's onboarding and Andy has taken over all responsibilities seamlessly, as Rory always said, "the show must go on."

There is a lot more to share and with this in mind I will turn the call over to Gautam to run you through the financials and the road ahead. Thank you. Over to you, Gautam.

Gautam Badalia:

Thank you, Rajdip. Good Evening everyone and wishing all of you a very happy 2021. As highlighted by Rajdip, Route Mobile continues to drive the strong industry tailwinds and our financial performance in Q3 FY '21 is a testimony to that. To start with, I would want to highlight that in nine months FY '21, we have already surpassed our FY '20 operating revenue, EBITDA and adjusted PAT by 20%, 32%, and 34%, respectively. In terms of our Q3 FY '21 performance, our revenue from operations grew 46% on a YOY basis from 2662 million in Q3 FY '20 to 3516 million in Q3 FY '21. EBITDA grew by 28% for the same period and adjusted PAT grew by 30% during the same period. In nine months FY '21, our revenue from operations grew by 52% on a YOY basis from 6925 million to 10,511 million. For the same period, EBITDA grew by 71% and adjusted PAT grew by 72%, so all this translated into very high operating leverage. We have already uploaded a presentation on the stock exchanges and our website and this high operating leverage is kind of evident on the Slide 23 of our quarterly update presentation. We continue to demonstrate very strong recurring revenue growth with 142% net revenue retention and zero churn in our top 50 customers in nine months FY '21, which accounts for almost 88% of our total revenue. As Rajdip highlighted, we have hired 77 new RMLites during the nine-month period including Milind Pathak the new Chief Business Officer to drive the new business initiative.

In terms of our inorganic strategy, we are, at this point in time, very closely working on few acquisition targets and in a month's time or so, we should be able to kind of consummate a few transactions on that count. Before I kind of hand over the call to Q&A, I would want to highlight the strategy that we kind of pursued for Q3 FY '21, so our strategy for Q3 FY '21 was to drive higher revenue growth and generate higher free cash flow. We have been fairly successful in achieving it. The slight drop in gross margins is owing to two facts. First of all I think Rajdip highlighted the introduction of DLT. While DLT was an additional cost that is being levied to enterprises when they are communicating with their customers, but we sense that as an opportunity to win large and big clients in India, so we were able to crack deals with operators where we had some benefits in terms of the DLT pricing. We deliberately decided not to pass on the benefit of the DLT price increase that we received from operators to all the customers.

The rationale for that was to drive the revenue growth strategy in India. This helped us win a lot of large new clients in India where we can crosssell and upsell. As we all are aware in CPaaS, the enterprise stickiness is very high, so DLT provided us with an opportunity where we believe we have done a fairly good job in onboarding a lot of new clients. Some aspects of our international business was impacted, courtesy to the UK lockdown, so some of our international clients were impacted in Q3, but as things start to come back to normalcy, we believe I think a lot of these things will fall back in place.

With these updates, I will open the floor for any Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Hardik Sangani from ICICI Securities Limited. Please go ahead.

Hardik Sangani: Sir, just had couple of questions, so in terms of the gross margin percentage decline as Gautam alluded to earlier, so just wanted to know if it is more of a permanent hit which we will take and not pass on the cost to our customers, and going forward what will the key margin drivers in terms of gross margins and in terms of we have also made a presentation in one of the slide, there we have launched new products in our revenue around it, if we can throw further light around it, what could be the scalability within these products that we are considering and what part of revenue can we expect going forward in near term as a percentage of total revenues and the competitive intensity around it? In terms of our pipeline, how has our pipeline or in terms of new customer acquisition moved from last quarter?

Gautam Badalia: Hardik, the way we have envisaged the DLT price increase and that is something that we have not passed it on to customers was essentially to break into some of those large customers, so this was a kind of a disruption that had happened in the space and we sense that as an opportunity to get into some of those big accounts and we have been fairly successful in onboarding some of these large big accounts in India, so the benefits of that I think in due course will definitely accrue to us and it will also give us an opportunity to upsell and crosssell; I mean the near offerings including some of the product line expansion acquisitions that we are working on, it will help us directly kind of have a ready customer base whom we can take those products to.

Rajdipkumar Gupta: I think this DLT implementation happens over within just a few days' notice and all of sudden, there was a price increase in India as well; so most of the enterprises they were just having a pinpoint, one side they got a price increase from operator, at the same time they got another 2.5 paisa additional charge of DLT. I think most of the enterprises they were planning to have their new budget for marketing and customer engagement, but somehow they felt that the price increase of over 20% to 30% is really going to kill them and that is why we took a collective call instead of making them to bleed like that way; so we took that call as we wanted to support the customer during this tough time and they really appreciated and to share with you, I think most of this customer now are willing to pay from this quarter onwards for the DLT charges, so that was a temporary call and I think now from this quarter onwards, we are going to charge them for the DLT charges as well.

Gautam Badalia: Hardik on the new products, I think we are witnessing massive adoption by enterprises, post pandemic this has something that enterprises are adopting in a big way. They are automating a lot of their business processes, so to that extent, we are witnessing a similar ramp up in terms of the off take by enterprises. As is evident on that slide, quarter-on-quarter we are witnessing massive off take and we believe this will continue for the foreseeable future.

Hardik Sangani: One question in terms of pipeline, how it has moved and do we see on annual any major customer signing and what areas will the acquisitions be there in this quarter which you are planning?

Rajdipkumar Gupta: I will give you the small brief about what is the Route Mobile vision and the focus going to be in this quarter and the coming quarter as well, so we are very clear about adding more product portfolio in our offerings rather than just adding up messaging portfolio, so we are looking out to, if you talk about Route Mobile as of today, we are focusing more on a customer engagement and what we need to add as a product in our portfolio is customer experience, so we are definitely looking out getting into CX PaaS which is more on the customer experience side, so we will definitely look out for an acquisition in the customer experience space, so that we can actually give an end-to-end of complete the entire customer journey. For us, it is very important when we onboard a customer, so we as a company should allow to sell each and every services which we have as a part of that offering that is exactly what is required, so I think most of the SMS messaging company probably they are engaging till the end of customer engagement, but the experience is also very key area so that is exactly what we are looking out, I think the next phase of evolvement of Route Mobile would be in the CX PaaS which is customer experience as a service.

Gautam Badalia: Hardik, we have onboarded some of the large clients even internationally, some of those clients have been doing testing for various geographies and last month in December we billed one of those large clients, I mean that was the first month of billing and we believe gradually things will ramp up with that large client that I am talking about.

Moderator: Thank you. The next question is from the line of Pranav Mehta from ValueQuest Investment Advisors. Please go ahead.

Pranav Mehta: Sir, congratulations for good numbers, just coming back to this question on gross margin, while what happened in India is now understood, but I think one part of our strategy was also to improve the mix in favor of developed geographies which will enable us to get better pricing, so has that happened during this quarter or how is the mix between developed and emerging geographies change for you in the last few months, that is the first question? The second question is on these acquisitions, so I think since IPO time and even in the last quarter you were saying that we are very close to finalizing few deals, but I mean there has not been any announcement as yet, so just wanted to understand like whether there has been any change in the acquisition pipeline, have we like kind of called off few deals or like basically is there any change in this pipeline of acquisitions that we are working on?

- Gautam Badalia:** Thanks Pranav for your queries, first of all I think from the developed market perspective, we have already done few hirings. It will take some time, so some of those are seniors and will be looking at kind of bolstering each of that team in the US at this point in time with additional resources, so gradually I think that slight shift from emerging to developed economy that will happen gradually and some of these acquisitions that you just talked about essentially will help us widen our portfolio which we can offer it to clients in US and as Rajdip highlighted most enterprises today are looking at an omnichannel or unified stack and some of these acquisitions will help us plug that in to our portfolio which we can kind of offer it to 'goto' enterprises and offer them a unified solution. In terms of acquisitions, there are active and advanced discussions with few targets. Hopefully, we should hear good news sooner than later.
- Moderator:** Thank you. The next question is from the line of Manik Taneja from JM Financial Services Limited. Please go ahead.
- Manik Taneja:** Thank you for the opportunity and congratulations for a strong quarter. I had a couple of questions, in the prior call you had mentioned about sustaining a 20%-25% growth over the medium term, given the way pandemic has accelerated the adoption of digital or cloud communication do we think the kind of growth rate that we achieved this year could sustain over the next few years?
- Rajdipkumar Gupta:** Manik, we have been able to onboard a lot of large clients and this DLT while it has impacted slightly on the gross margins, but it has given us an opportunity to break into some of this large clients in India including some large e-commerce clients in India, so a growth rate of 20%-25% I think we should be able to achieve it for the next few quarters easily, I mean next financial year so to say, quarter-on-quarter I mean, we have been demonstrating a 10% growth and we believe we will be able to sustain similar growth trajectories.
- Manik Taneja:** Okay, just one clarification on the DLT side, I guess the DLT charge initially was there partially for Q2 and this quarter is when you would have seen a full impact, is that understanding correct?
- Rajdipkumar Gupta:** Yes.
- Manik Taneja:** You have spoken about some of this charge now getting passed on to customers from Q4 onwards so should we expect margins to improve back to 1H FY '21 levels from Q4 itself and then how should we be thinking about your margin progression as a stream of the new products as well as some of these capabilities that you essentially built through 19:59.5 _____ so how should we be thinking about that?
- Rajdipkumar Gupta:** Manik if we just go to the slide where we have shown a revenue break-up based on the new product. Manik we have been witnessing massive adoption of this new products like IT messaging, WhatsApp business, Viber; so not only in India adjoining markets of India we have seen massive offtake of Viber business messaging. We are at a beta phase with Apple right now, once that is done, we will also have a market in US where we can kind of tap Apple business

chat. Then what we are witnessing, there are few other products which will kind of unfold in this quarter essentially the identity solution wherein you do not require an OTP to authenticate, so it will kind of make your consumer experience more seamless, so this should unfold this quarter and the other would be the Google business messaging, so all these new products will bring a drive margins northwards.

Manik Taneja: Okay, and should we expect the margins to get back to 1H FY '21 levels by Q4 itself as the customer starts paying you for the DLT charge increase?

Rajdipkumar Gupta: That is correct.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Thank you for the time, just on DLT again so why is that we do not have our own DLT platform, is it something that they are working on or we will not have this?

Rajdipkumar Gupta: DLT platform, see there are multiple companies that the operator has deployed this platform as such and the operators are charging 2.5 paisa for DLT charges right now, common for all the aggregator who are terminating messages on any operator right now, that is the additional charge.

Dheeresh Pathak: But I am saying we could be that DLT operator right, who is doing the block chain technology there all the SMS are getting scrubbed?

Rajdipkumar Gupta: We are working on that area, so I think there are certain things I think in India right now all the operators already have deployed DLT platform.

Dheeresh Pathak: This 2.5 Rajdip, this is mandated or this is a negotiated charge?

Rajdipkumar Gupta: Mandated by operator itself.

Dheeresh Pathak: This is not regulated by TRAI or anybody right, this is a commercial arrangement between telcos?

Rajdipkumar Gupta: Telcos only.

Dheeresh Pathak: So of this 65, do telcos keep, does the DLT operator keep the entire 2.5 or is it shared by telcos or something like that?

Rajdipkumar Gupta: Most of that, I think more than if I am not wrong, it is more than 70% odd is kept by operator only.

- Dheeresh Pathak:** Let us say if the DLT operator is taking 2.5 for scrubbing of the message for spam, 2.5 is being charged let us say by two block then how much will two block keep and how much will let us say go to the telco?
- Rajdipkumar Gupta:** I am not wrong, there is no only two block just to clarify, there is IBM and Tech Mahindra also.
- Dheeresh Pathak:** Yes, I just gave an example, so let us say those three platforms?
- Rajdipkumar Gupta:** Actually there are four platforms, there is a small company called as Blockcube based out of Delhi, they have deployed their DLT platform at Qtel, so there is a fourth player also and Tech Mahindra; there is IBM and there is a company called Tanla. Maximum amount of DLT charges is kept by the operator and then they share some kind of managed services kind of revenue share with the DLT operator.
- Dheeresh Pathak:** When you say large part is kept by telcos, some is shared with the DLT operator of the 2.5, I think your phase for the India transactions this entire 2.5 which they charge you absorbed it, is that correct?
- Rajdipkumar Gupta:** Some of the large customers we did that like yes, but not for all of them, some of the customer as Gautam mentioned there are certain opportunity we got to onboard some customer, so I think we are not completely but say around 50%, some customer around 60% like that way.
- Dheeresh Pathak:** So of the 9 billion transactions we had this quarter, first of all if you can share the India transactions and of those India transactions, what percentage is where you absorbed the DLT charge?
- Rajdipkumar Gupta:** Gautam you can share with Dheeresh later on.
- Gautam Badalia:** We can share it, so about 74% of the total transactions, total volume was India. We can share Dheeresh how much of that pertain to the DLT that we absorbed.
- Moderator:** Thank you. The next question is from the line of Ravi Menon from Motilal Oswal Financial Services Limited. Please go ahead.
- Ravi Menon:** Thank you for this opportunity, I have couple of questions, one is when you have WhatsApp or Viber, how was the charges different, so just operator does not really charge you anything for that, it is just between you and Viber or WhatsApp whether revenue sharing happens?
- Rajdipkumar Gupta:** That is correct Ravi, so whenever we are doing our bot solution for any enterprise, we charge a bot creation fee, there is a bot question fee and then per transaction fee that we charge and a part of the transaction based fee that we get from enterprises, we share a large part of that with WhatsApp or Viber of the world.

- Ravi Menon:** So could we say that if more of messaging shifts to these media, should we expect that our margins will be better than SMS?
- Rajdipkumar Gupta:** That is correct, it will be significantly better than SMS.
- Ravi Menon:** Thanks, and second question is with Finch acquiring ACL, have you seen an increase in competitive dynamics over this year?
- Rajdipkumar Gupta:** Not exactly, so ACL was always there in the Indian market, so we continue to face similar competition at this point in time, there is nothing which has increased significantly so to say.
- Ravi Menon:** Your plans to go international which geography could you be looking at, should lot of them may be intended for that or would it be more technology driven?
- Rajdipkumar Gupta:** So currently the focus is on technology, so we are looking at expanding the product line.
- Ravi Menon:** So each market already has a certain set of operators, this is the market that have existed for quite a long time, so how would it be possible to enter these geographies, what would be the differentiators that can enable you to get more market access?
- Rajdipkumar Gupta:** We are already very strong in some of the emerging markets where we are only offering few products out of our kitty, with some of these acquisitions that will be able to consummate in a month's time or so, we will be able to offer the similar offering not only to enterprises, but also operators, most operators are also looking at a unified CPaaS solution, so it will open opportunities on both counts, enterprises as well as operators.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.
- Manish Poddar:** Sir, I had few questions, first one is let us say X this DLT charges, so how would our gross margin actually perform?
- Gautam Badalia:** X of DLT the gross margins will steady around the Q2 gross margin levels.
- Manish Poddar:** Okay, just wanted to understand let us say from a longer term per se, should generally one look at gross margin on a QOQ basis or on a YOY basis?
- Gautam Badalia:** So QOQ basis will be the right approach because the prices are dynamic and once the price change then it becomes operational, from that period of time.
- Manish Poddar:** Okay, and can you help me with two data points, one is how much would be your cash flow from operation and how much is the cash on books?

- Gautam Badalia:** The cash flow from operations for nine months is about 202 crores, we had CAPEX of about 10 to 12 crores, so about 190 crores of free cash. Cash on books at this point in time will be about 440 crores. Manish, there is one small disclaimer these are all unaudited; balance sheet is not published so these are unaudited numbers.
- Manish Poddar:** That is fine, so just wanted to understand the last one is that when you mentioned about the transaction, so are there multiple transaction or is there one transaction because you mentioned transactions?
- Gautam Badalia:** Yes, there are couple of them.
- Manish Poddar:** So it is couple of them in evaluation stage and we will go ahead with one or we will go ahead with both of them?
- Gautam Badalia:** Maybe one or two.
- Moderator:** Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss Financial Services Limited. Please go ahead.
- Pranav Kshatriya:** Thanks for the opportunity, I have only one question, my other questions are answered, so good to see very strong traction in the new product revenue, can you please give us some colour on which are the top two or three products where you are seeing traction and which are the product where you think you know offer most potential for your existing customers?
- Rajdipkumar Gupta:** Anything on IP messaging if you talk about India right now, I think the best option is WhatsApp for business, so we are seeing lots of traction over WhatsApp for business right now. If you go to other market where Viber is much stronger than WhatsApp, in those markets I think our Viber offering is also doing good and there are certain market we are working on Telegram as well; apart from that I think Google RCS is something which we are bullish about and I hope all the operators within this quarter will be; they will enable their network with RCS capabilities and post that I think we will be the first people, probably, launch the first kind of customer in India on RCS; so we do see lots of potential in RCS in India and other part of the world as well.
- Pranav Kshatriya:** Okay, I mean just to get a sense on new business, is it fair to say at this point of time let us say good chunk of revenue will be coming from the Telegram, I mean let us say more like a 50% or so coming from let us say Telegram or WhatsApp or it will be more diversified?
- Rajdipkumar Gupta:** Right now I think it is Viber and WhatsApp as of today and Telegram is the third one.
- Pranav Kshatriya:** In terms of this inorganic acquisition, you talked about couple of them and both the acquisition, we are talking about basically product or a capability led acquisition which will help you expand the product portfolio to address the current customer base, I mean this is how it would describe basically the acquisition?

- Rajdipkumar Gupta:** That is correct.
- Moderator:** Thank you. The next question is from the line of Rohit Chordia from White Oak Capital Management Consultants LLP. Please go ahead.
- Rohit Chordia:** Just a very quick question, could you help me the bridge between the 176-177 crores of cash profits that I see for nine months and the 202 crores cash flow from operations that you just mentioned?
- Gautam Badalia:** Sorry, I think nine months EBITDA is around 130, if you can repeat your query once again?
- Rohit Chordia:** On Page 24 of your presentation, if I just compute a cash profit of about 116 crores, 97 crores of profit and I am just adding that in the DND of 19 and you just mentioned the cash flow from operations for nine months was 204 crores, so if you could just give me the bridge between these two numbers, was there a major working capital raise you saw that?
- Gautam Badalia:** Sure, first disclaimer this is not audited, but I will just give you the bridge, operating profit, so PBT is 11,907, so 119 crores. Operating profit before working capital changes 130 odd crores, adjustment for working capital that is about 213 crores, tax paid about 12 crores so that totals to about 202 crores.
- Rohit Chordia:** Sorry, adjusted for working capital, how much is it?
- Gautam Badalia:** 83 crores.
- Rohit Chordia:** So 83 crores of working capital release?
- Gautam Badalia:** That is correct.
- Rohit Chordia:** Could help us understand which line that is coming from, is it reduction?
- Gautam Badalia:** There is a one-day drop in receivable days vis-a-vis Q2 for nine months period, so receivable days is about 56 days and table days is about 90 plus days.
- Rohit Chordia:** I am trying to understand the release versus March 31st how would these two numbers move, I mean if you could give me the absolute numbers, how much as receivable from now and how much are payable, I am assuming you do not have any inventory?
- Gautam Badalia:** No, there is no inventory, there is an increase in receivables by about 17 crores.
- Rohit Chordia:** And payables have gone up then by close to 100 crores?
- Gautam Badalia:** Payables would have gone up by about 90 odd crores.

- Rohit Chordia:** What experiences are you getting better terms from telcos or what experience?
- Gautam Badalia:** This is because of higher throughput in the firewall networks, so wherever we have the firewalls, we have been able to generate higher throughput, so we have been able to get the money from enterprises and OTTs and pay to the operator subsequently.
- Rohit Chordia:** Credit terms with competitors have not changed?
- Gautam Badalia:** Credit terms in case of operators where we have the firewall, it is kind of linked to when we realize the money from enterprises, we pay to the operators.
- Rohit Chordia:** But your receivables are up, I mean in the firewall solution I am assuming that you are collecting the money early in which case the interest would have been shown up in receivables and not on the payables side, your payable terms has been the same, whatever your credit terms were nine months back, have they improved in your favour?
- Gautam Badalia:** There are two business models, one is where we have firewall and where we do not have firewall. Where we do not have firewall, the receivable days tend to be about 55-60 days; where we have the firewall, there the receivable days tend to be after we collect the money from the enterprises, so typically I mean when you are catering to any large OTT enterprise, the typical payment cycle from OTT enterprise will be around 30 to 45 days, so once we collect the money from that, we pay to the operators in their credit cycle of 45 to 55 to 60 days.
- Moderator:** Thank you. The next question is from the line of Swapnil from JM Financial Services Limited. Please go ahead.
- Swapnil:** Thank you Sir for this opportunity, just couple of questions, one under our gross margins is there any seasonality in the business because I can see that your 4Q '20 gross margins were around 17% to 18% whereas typically we see margins remain around 19% to 20%, so is there any seasonality factor in the margins there?
- Gautam Badalia:** So Q3 always happens to be the best quarter for us in terms of both margin as well as revenue. This time Q3 in terms of promotional spend by enterprises in India and Middle East was not as good as what it was in the last on a YOY basis, Q3 FY '20, so as things come back to normalcy again we believe Q3 will be the best of all the quarters.
- Swapnil:** What about 4Q margins, is it like last year if I do the Maths, it comes to 17.7% gross margin whereas in the previous quarters you had between 19% to 20% and then in this year also your margins in the previous quarters were 19.5% odd, so still there is a 1% to 1.5% difference?
- Gautam Badalia:** I think we have already explained it, a large part of that was because of some price absorption that we have taken and gradually it will again clinch back to the 19% to 20% gross margin.

- Swapnil:** Okay, and second question is with respect to your SaaS business 365squared, so may I know how many operators are onboarded as of this quarter end and what is happening in that business or was it affected by COVID and how much and there was an acquisition also TeleDNA business in it, so like what will be the trajectory in that business, if you can put some colour on that?
- Gautam Badalia:** There are about eight operators which are already live, there are three deployments happening at this point in time including BSNL in India, and this business was not impacted by COVID so to say, there were some realignment in terms of the billing model of the firewall business where I mean Route Mobile became the gateway and they were using the services of 365squared, so to that extent besides this, the business continues to be highly profitable.
- Rajdipkumar Gupta:** Just to add out here because of some of the new OTT channels like Signal, we have seen a growth in those kinds of revenue and traffic as well, so I will give a simple example of a Bangladesh; there is a particular new app called as VIP SMS which has just from last one month we see a growth on that and we are monetizing that particular traffic for Grameenphone; so I think 365squared, more number of international transactions over the local network, more number of OTP generates. I think we have better things to deliver and I think as a 365squared and Route Mobile combination, we do see lots of value and with the current deployment which we are having right now, will definitely add lots of value to RML revenue and profitability.
- Moderator:** Thank you. The next question is from the line of Arpit Shah from Stallion Asset Private Limited. Please go ahead.
- Arpit Shah:** Hi, I just wanted to understand that is the total transaction of 74% in India, what value of your revenue would be coming from India, actually this message is originating from India?
- Rajdipkumar Gupta:** Hi, so 74% volume contributed to 45% of total India revenue.
- Arpit Shah:** Okay, so 45% of total India revenue, and if I
- Rajdipkumar Gupta:** Because this 45% was up from 40% in Q2 FY '21.
- Arpit Shah:** If I heard it correctly, there is some Apple tie-up which you are planning for your RCS product, if you can throw some light on that?
- Rajdipkumar Gupta:** Okay, this is for Apple business chat, so we are at a beta phase with Apple right now on the Apple business chat, so like WhatsApp we will be able to offer Apple business solutions to enterprises.
- Arpit Shah:** So that will be from North America or it will be across Asia or something like that?
- Gautam Badalia:** No, it is across the globe.

- Arpit Shah:** I just want to understand what is the difference between firewall and non-firewall customers that you just mentioned?
- Rajdipkumar Gupta:** Yes, firewalls are essentially software solutions that we sell to operators, so in cases where we have the solution deployed with an operator, the operator pays us for that software solution, whereas for networks where we do not have the firewall, typically I mean we pay to the telcos as our suppliers.
- Arpit Shah:** Okay, so what is the total revenue that will be coming from operators and what will be the share coming from enterprises for you all?
- Rajdipkumar Gupta:** So about 93% revenue will be coming from enterprises, balance will be from operators.
- Arpit Shah:** Okay, and what kind of scale up you all have seen for newer products from here, I think we see that the gross was 100% let us say from Q1 to Q3, what kind of guidance would you like to give for the newer products from here, currently this contributes around 3% of total Quarterly earnings?
- Gautam Badalia:** In terms of new products for the coming financial year or sorry, I missed your query.
- Arpit Shah:** Your new products are currently contributing around 11 crores to total revenues, where do you see going forward in your total revenue share?
- Gautam Badalia:** Yes, 11 crores is for the quarter, so we envisage it should be anywhere between 5% to 10% of revenue in the next six months or so.
- Arpit Shah:** How significantly the margin profile are different for both, the A2P and the newer products?
- Gautam Badalia:** A2P margin profiling will be in and around the 19% to 20%, new products the margin profiling is at this point in time northwards of 50%.
- Arpit Shah:** Okay, and are you not looking to scaling up like 30% or 40% of revenues, the newer products in next two to three years?
- Rajdipkumar Gupta:** It is possible, but it is a function of adoption by the enterprises, which we are witnessing at this point in time.
- Arpit Shah:** And your strategy for North America would be on the newer products or would be on the older legacy platform?
- Rajdipkumar Gupta:** It will be on a unified play, so some of the acquisitions that we are working on is to create the unified play.

- Moderator:** Thank you. The next question is from the line of Varun Sharma, an Individual Investor. Please go ahead.
- Varun Sharma:** Hi, so I have two fairly simple questions, one is which are the top geographies maybe top five geographies that are contributing to the revenue, and two, is there any plan to enter any new geographies maybe in next couple of quarters?
- Rajdipkumar Gupta:** That is a good question, let me just answer this question, so we are definitely looking out Philippines and Indonesia as a market and Latin America; these two markets and we have already a plan to hire people over there and I think next two quarters probably, we will try to focus more on the Indonesia, Philippines and Latin America along with Africa as well.
- Varun Sharma:** Thanks for that, coming back to my first question, could you please let me know which are the top five geographies that are contributing to the revenue?
- Gautam Badalia:** Varun, it is already uploaded on Slide 20.
- Moderator:** Thank you. The next question is from the line of Hardik Sangani from ICICI Securities Limited. Please go ahead.
- Hardik Sangani:** Hi again, just one question, Sir in terms of our product expansion strategy, so we have also alluded to like doing an acquisition but in terms of organically do you see any need of significant R&D spend in coming financial year?
- Rajdipkumar Gupta:** So Hardik just to let you know that all this product development which we have right now is all organic only, so we already have hired more than 25 to 30 people especially in R&D team and we are already doing lots of development on RCS, Google business messages, and mobile identity in-house.
- Moderator:** Thank you. The next question is from the line of Siddharth Malhotra, an Individual Investor. Please go ahead.
- Siddharth Malhotra:** Hi, Good Evening Gentlemen, my question is how has the New Year started from a business perspective as compared to the last quarter?
- Rajdipkumar Gupta:** So as I said like most of the Indian customer, I think we are just passing on this DLT charges to them and agree to pay. Apart from that, I think we onboarded one of the large e-commerce company and we have billed them in the month of January for the month of December usage and we believe this customer is another \$ 15 million kind of a customer for us and I think we onboarded almost 67 new customer in last quarter in terms of new product and we also onboarded multiple customer on a messaging side as well; so Yes I think January is definitely much better.

- Siddharth Malhotra:** Okay, thank you for that, I will just try to finish off with a question with regard to your growth guidance, does that remain between 20% and 25% for FY '22?
- Rajdipkumar Gupta:** Yes.
- Moderator:** Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.
- Dheeresh Pathak:** Gautam, can you give the firewall revenues for the nine months?
- Gautam Badalia:** Yes, total firewall revenue for nine months is 51 crores.
- Dheeresh Pathak:** For the new product sale, which is 11 crores for the quarter, can you like give a sense of large part of this is from WhatsApp or RCS like where is the main revenue pool in this level?
- Gautam Badalia:** It is coming from IP messaging.
- Rajdipkumar Gupta:** We will share that data, Dheeresh.
- Dheeresh Pathak:** I do not know maybe you have time or not and that this is the right call, but this mobile ID as a service, if you can just explain like is it lies anywhere in your client, like are you getting any revenues from right now and what is the revenue model?
- Rajdipkumar Gupta:** It is on a beta stage right now and I will send you the presentation or you can download the presentation from website also.
- Dheeresh Pathak:** But what could be the revenue model, Rajdip, would it be very different from what we currently have like for example in India we get that 10 paisa and that we get 20% of that so how will it in terms of?
- Rajdipkumar Gupta:** Definitely more than the OTP charges because and plus it has a different experience itself, so user does not need to wait for the OTP and you are by default getting authenticated through the mobile operator data, so it is more about the used cases maybe some customer need, so it is not just replacing the OTP, but it is a case-on-case basis, so it is definitely going to be per authentication basis charges.
- Dheeresh Pathak:** Okay, right now the OTPs is authenticating, and we are getting client is paying maybe now will be **(Inaudible) 51:56.5** paisa, in this case client would pay materially higher and would you get, you still get as 20% markup, or it is still too early to figure to talk about that?
- Rajdipkumar Gupta:** 25% markup kind of thing.
- Dheeresh Pathak:** Per identity charge?

- Rajdipkumar Gupta:** It is not decided yet, so we are just trying to onboard customer for this services, I would like to understand, we are on a very early stage of POC, so probably I think within this quarter, we will try to just onboard some customer and see their feedback and maybe the next quarter onwards, actually we can start putting the revenue model on this.
- Dheeresh Pathak:** In any other market, developed market maybe has it really picked up and become a large part of the authentication process or is still early there also?
- Rajdipkumar Gupta:** Mobile identity is definitely picking up all across the globe and there are various market where people are just actually looking into this, but it is all about the adoption, I can still say that it is a very early stage as of now and this will take few quarters or months to actually get adopted by the enterprises and we are very bullish about this because this would definitely solve lots of problem of the SIM, swapping, and SIM frauds, so I think the biggest use case of this is going to mitigate the risk of SIM swapping.
- Dheeresh Pathak:** Any market you would like to call out where the adoption is much like in more advanced stage which we can study to understand what this is all about?
- Rajdipkumar Gupta:** Market has already started adopting this and I think in India we do see lots of payment company has this challenge of SIM swapping and there are lots of money has been lost by various users, so I think by providing this kind of solution where the risk of SIM swapping can be mitigated by our solution, it will help most of the payment companies.
- Moderator:** Thank you very much. The next question is from the line of Suraj Nawandhwa from Prithvi Finmart Private Limited. Please go ahead.
- Suraj Nawandhwa:** Sir, Good Evening, you said that the new age business revenues would be 5% to 10% of the revenue in next six months from current 2% to 3%, so what would drive this growth, we are talking like three times and we are doing around like 10-11 crores, it will be 30 to 40 crores a quarter, so what will drive this 3 to 4X jump?
- Rajdipkumar Gupta:** I think you need to also add the inorganic growth along with that, the companies which you are planning to acquire is definitely a new product line only, right.
- Suraj Nawandhwa:** Okay.
- Gautam Badalia:** Just to add on a quarter-on-quarter basis, we are witnessing almost a 48% to 50% growth rate.
- Suraj Nawandhwa:** Okay Sir, and Sir you said about like 50% margin, so you meant about the gross margins in this?
- Rajdipkumar Gupta:** Yes gross.
- Suraj Nawandhwa:** Can you throw some light on CX PaaS, what it is and I do not know anything about it, so if you can just give us some brief about it, what it is?

- Rajdipkumar Gupta:** CX PaaS is nothing but a unified offering that we can offer to an enterprise wherein a customer can come, he can authenticate himself, do a transaction, post transaction, grievance handling, to any sort of a customer survey everything is tackled through one platform.
- Suraj Nawandhwa:** Sir, this mobile identify service that we are talking about, so if this is let us say gets accepted in next six or eight months or a year's time, then will it replace all sorts of OTP that we send maybe for banking transaction or maybe it for OTP or is it only for the financial transactions?
- Gautam Badalia:** If you see all this different layer of communication has a different used cases, right, so nothing is going to be replaced by us; so there are different used cases required by payment companies as of today where they have the SIM swapping issue, so most of the time mobile identity can resolve that SIM swapping issue, so companies like payment companies who are, you might be knowing that there are various cases related to the SIM swapping, so I think this solution will definitely mitigate the risk of SIM swapping.
- Suraj Nawandhwa:** Like the one service will get replaced by another service, so I think the revenues might increase marginally a bit but our margins will increase a lot, is that understanding correct?
- Gautam Badalia:** Yes, you are right.
- Moderator:** Thank you very much. Ladies and Gentlemen, that will be the last question for today. I will now hand the conference over to the Management for closing comments.
- Rajdipkumar Gupta:** I would like to say thank you to all of you and thanks for your time guys and we as a platform company, I think, we should also treat it as a platform play and we are committed to our investors and our partners to deliver the best results and I think the kind of growth ratio path we are working on right now, I think Route Mobile from messaging to CPaaS to CX PaaS is what our future plan is and definitely we are going to focus more on a customer experience and customer engagement in coming months down the line, and we are definitely looking out to engage more customers where we can upsell and crosssell other services and I think that is one of the key focus for us and I just like to say thanks, thanks for your time guys, thank you very much.
- Moderator:** Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.