Route Mobile Limited
Q1 FY24 Earnings Concall
28th July 2023

Management

1. Mr. Rajdipkumar Gupta -- Managing Director and Group CEO
2. Mr. Gautam Badalia, Group Chief Strategy Officer & Chief Investor Relations Officer
3. Mr. Suresh Jankar, Chief Financial officer

Route Mobile Limited
Q1 & FY24 Earnings Conference Call
July 28, 2023

Moderator: Good evening, ladies and gentlemen. I'm Yashashree, the moderator for this conference. Welcome to the conference call of Route Mobile Limited, arranged by Concept Investor Relations to discuss its Q1 and FY24 Results.

We have with us today Mr. Rajdipkumar Gupta -- Managing Director and Group CEO, Mr. Gautam Badalia, Group Chief Strategy Officer & Chief Investor Relations Officer and Mr. Suresh Jankar, Chief Financial officer.

At this moment, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question, please press * and 1 on your telephone keypad.

Before we begin, I would like to remind you that some of the statements made in today's earning call may be forward-looking in nature and may involve certain risks and uncertainties. Kindly refer to slide number 2 of the presentation for the detailed disclaimer. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajdipkumar Gupta, Managing Director and group CEO from Route Mobile. Thank you and over to you sir.

Rajdipkumar Gupta: Thank you, Moderator. Good evening, everyone. Wishing all of you good health and prosperity.

Despite Q1 being a seasonally weak quarter, we had an excellent start of financial year FY24 with an exceptional 33% YoY growth in Q1 FY24. We are well on track to achieve our revenue growth guidance for year '24.

The following are some of the key highlights of the quarter gone by: We have signed a direct contract with one of the world's largest e-commerce and cloud computing companies for offering CPaaS services across 10 countries, including India. We are in advanced discussion for a few large firewall contracts and shall update during this quarter once such contracts are executed.

We continue to gain significant market share in India and our NLD volumes have picked up significantly during the quarter gone by. The proposed NLD price increase from 1st August should result well for us.

We have yet again been ranked as Tier 1 Vendor in ROCCO'S A2P Market Impact Report '23 for MNO and Enterprise Categories.

In terms of recent development, the promoters and member of promoters group of Route Mobile Limited have entered into a share purchase agreement dated July 17, 2023, with Proximus Opal and Proximus SA. Pursuant to which, Proximus will acquire the entire promoter and promoter group shareholding in the company representing 57.56% of the expanded voting share capital.

The consummate of SPA would result in Proximus Opal acquiring control over the company and shall attract an obligation on Proximus Opal to make an open offer as required under SEBI regulation. The acquisition of this majority stake in Route Mobile and the mandatory offer will be followed by a reinvestment of €299.6 million by some of the founding shareholders of Route Mobile for up to 14.5% of the share of Proximus Opal. This reinvestment implicitly values Telesign at €1.4 billion. Proximus is a major mobile network operator based out of Belgium and owns 100% of Telesign (a leading CPaaS company based in USA) and BICS (based in Belgium) ..

I know you may have several questions on the Proximus news. So, let me deep dive right away with the strategic rationale. When Proximus expressed their interest in acquiring a majority 58.75 stake in the Route Mobile, a mandatory requirement for their investment, I affirm our confidence in Route Mobile's immense growth potential, especially in high opportunity emerging market. While I was reluctant for giving the majority control, we negotiated an optimal deal structure wherein €299.6 million of the promoter cash consideration will be reinvested into the parent Proximus Opal entity, enabling the Route Mobile founding family to hold 14.5% share in Proximus Opal with Proximus holding the remaining 85.5%. This aligns interest and allows us to participate in the value creation upside through minority stake while maintaining operational control of Route Mobile to pursue our global growth vision. I'm pleased we could agree on the constructive structures that balances both parties' objectivity.

I'm thrilled to detail how the Proximus partnerships strategically positions Route Mobile for immense growth across multiple high potential market. Firstly, it provides instant access to top enterprise in the US market through Telesign bluechip customer base which has been challenging for us to penetrate alone in that market. Telesign strong relationship with these customers are the perfect synergy to unlock this opportunity. These clients generate significant ILDO traffic in India and this ILDO business currently amount around Rs.3,000 crores. With the recent price increase in India for India termination, together we can attract substantial new messaging traffic by cross selling our omni channel and identity verification capabilities through their customer base, particularly in IDLO market side.

Secondly, Route provides unparalleled direct connection with over 280 operators across high growth regions such as Asia, Middle East, Africa and Latin America, gives Telesign a new opportunities to expand their services into the market. Our emerging market footprint amplifies their reach and serves the same to top customer in other markets. Additionally, by collaborating closely on new products like Route products like Trusense, digital fraud platform and Telesign's identity solution, we benefit immensely from shared innovation to build market leading capabilities faster. This product addresses the significant issues of digital fraud in emerging markets.

Route Mobile has developed strong in-house capability across omnichannel messaging with conversational API for emerging channels like RCS, WhatsApp business and Viber. Our partnership provides Telesign's immense access to onboard their US enterprise customer onto Route Mobile rich communication stack. This presents a sizable US revenue opportunity for Route Mobile by leveraging Telesign customer relationship.

Additionally, our recent acquisition of SendClean e-mail delivery capability complements Telesign's proof portfolio nicely. It allows them to expand their product scope to e-mail services for their US customer on top of existing text messaging and identity verification offering. The large US e-mail solution market presents another avenue for revenue growth through this partnership.

In summary, this partnership strategically align with Route Mobile's vision to become a leading international CPaaS player. By combining complementary strength, we can scale faster, enter high potential new market together and build better product through collaboration. I'm optimistic that this transformational union will unlock immense shareholder value as we embark on the next stage of our hyper growth journey. Thank you once again for your faith in Route Mobile.

Finally, based on our good performance in Q1 FY24, the board of directors has recommended an interim dividend of INR 3 per share.

With this, I will now turn it over to Gautam to take us through the financial. Thank you for your time.

Gautam Badalia: Thank you, Rajdip. Good evening, everyone. We have already uploaded our quarterly earnings presentation on our website as well as on the stock exchanges website. Hope you had a chance to go through the presentation.

I'll quickly summarize our financial and operating performance during the quarter gone by and the recent development thereafter before opening the floor for Q&A. The key take away from our financial performance in Q1 FY24 has been the strong revenue growth momentum, revenue growth of 33% and EBITDA grew by 43.8% on a YoY basis, coupled with expansion of margins. EBITDA margin expanded by 100 basis points on a YoY basis. As highlighted earlier. Q1 is traditionally not our strongest quarter and yet we have delivered industry-leading growth.

In volume terms, we processed over 29.5 billion transactions in Q1, which is again the highest quarterly billable volumes processed by us till date. Exemplary financial performance in Q1 FY24, a large global deal win across 10 geographies and a few large firewall deals in the pipeline saves a very strong foundation for the superlative FY24.

With the recent announcement regarding Proximus, I want to highlight few key aspects besides what Rajdip just spoke about. This transaction is intended to create value for both Route Mobile and Telesign and for all stakeholders be it existing and future shareholders of Route Mobile as well as for Proximus shareholders. Synergies will be derived from both revenue based on expanding geographical footprint and complementary product capabilities and cost… by cost, I'm alluding to direct cost and the operating cost as well.

The transaction will allow Route Mobile to have access to markets outside of its current main geographical footprint and to benefit from the digital identity expertise of Telesign. Rajdip will run the overarching CPaaS business on a large scale with the scale benefits coming along with it.

As we speak, we are already working out the synergy blueprint with the transition team made of representatives of Telesign, Route Mobile and Proximus Group along with an esteemed global consulting firm.

With respect to geographical alignment between Route Mobile and Telesign, the transaction has just been announced and we are already working through in terms of the GTM. However, we expect both companies to operate in the global marketplace and further capitalize on the growing CPaaS and digital identity markets. However, we expect there to be meaningful synergies on both revenue and cost. We do not have an exact view of what revenues will flow through which platforms, but plan to take advantage of the complementary geographies, capabilities and unique platforms of both companies, which will allow us to deliver accelerated top line growth across both businesses.

With respect to the cost synergies, it was announced that approximately 75% of synergies will come from reducing cost. This will be achieved by optimizing the joint cost base of both companies, including taking advantage of scale cost benefits as well as geographical labor consolidation. These synergies are an estimate based on our preliminary assessment performed during the due diligence phase conducted by both the parties and we will further elaborate the exact nature in due course.

With respect to the commercial licensing agreements for digital identity and CPaaS products, we expect to take advantage of the unique platforms that Route Mobile and Telesign have to deliver on a global growth strategy. But at this point in time, we have not reached that point of our level of planning, but again, we'll elaborate in due course. In the event that commercial agreements or licensing agreements would be put in place, this will be done at arm's length and we will aim at optimizing the cross selling of DI, which is Digital Identity and CPaaS solutions in their respective geographies where each company has a leading footprint.

With this backdrop, let me walk you through our financial performance. In terms of Q1 FY24 performance, revenue from operations grew by 33% on a YoY basis. There was a sequential growth of 4%, largely accountable due to sharp devaluation of Naira as a currency in Nigeria and decline in traffic of few CPaaS players which were acquired during the last quarter.

In terms of certain KPIs, billable transactions increased from 24.8 billion in Q1 FY23 and 27.4 billion in Q4 FY23 to 29.5 billion in Q1 FY24. This increase in billable transactions was largely on account of our increased penetration in the domestic market in India. Our domestic volumes in India witnessed a double-digit growth on a sequential basis. Average realization per billable transaction reduced to 33 paisa compared to 37 paisa last quarter, again, owing to increase in domestic enterprise business, which is apparently at a much lower realization. We had a net revenue retention of 122%. We added over 100 new customers in Q1 FY24 across all products. Gross profit margin expanded marginally from 21.3% in Q4 FY23 to 21.4% in Q1 FY24. EBITDA for the quarter increased by 44% YoY to INR 1,237 million. EBITDA margin improved from 11.8% in Q1 FY23 to 12.8% in Q1 FY24. Effective tax rate for the quarter was 16.82%. Adjusted profit before tax grew by 23% on a YoY basis and PAT margins stood at 11.1%.

So, with this we open the floor for Q&A.

Moderator: We will now begin the question-and-answer session. We'll take our first question from the line of Vikas Jain from Financial Quotient. Please go ahead.

Vikas Jain: I have two questions. One in relation to our upcoming merger with Telesign. So, what kind of margin profile would Route Mobile shareholders will have post-merger with Telesign? Currently, we are in kind of 12-13%. How does that impact our operating profit margins once the financials get merged along with?

Rajdipkumar Gupta: So, I think in terms of a presentation that was already uploaded post the signing of the deal. The aspiration is to have an EBITDA margin profile of between 13% to 15%.

Vikas Jain: How about the revenue sharing that we have with Telesign, does Telesign overpower the Route Mobile financials or we are neck-to-neck with them?

Rajdipkumar Gupta: So, as I said, I think some of these fine prints are I think being worked upon through our transition team and once we have more clarity in terms of the entire work stream, I think we'll be able to kind of give you a more clearer perspective on this. But, as I said, I think both businesses will tend to benefit because of the complementarity in terms of geography and the product capability.

Vikas Jain: I just have one feedback. You know, as a shareholder of Route Mobile, I would and I think other shareholders would expect the same, for Route mobile to be a little more proactive in terms of communication. I think we as shareholders got an update and more insights from Proximus to you before my management team could have responded. And in today's media and social platform era, I don't think that reaching out to shareholders is that difficult. It just brings in more confidence and transparency in the management and shareholder relationship.

Moderator: We have a next question from the line of Sanjay Pranesh from Banyan Tree Advisors Private Limited. Please go ahead.

Sanjay Pranesh: I wanted to understand by when would we see the synergy start flowing in into Route Mobile from the transaction itself?

Gautam Badalia: As I said, I think we already have a transition team working on this closely. Some of these things we'll be able to kind of give you a clearer picture once we have a little more in-depth review of the work stream. But just to share from a conservative standpoint, I mean from the time of closing, I think we would be in an action mode where a lot of these synergies will start to flow immediately from closing and that would be six to nine months.

Sanjay Pranesh: In your transaction with Proximus Opal, are there any conditions on which you may have to sell your stake back to Proximus or Proximus may have a right to buy your stake once the second stage of the transaction is done, are there any put options or call options that are there?

Gautam Badalia: Sanjay, the way I think the way the deal structure as Rajdip said, he wants to be associated with this business and drive the CPaaS leg of the business. So, he is committed to this business for five years. So, there is a contractual lock in of the shares for up to four years. And at only at the end of fifth year, either the shares are kind of swapped back into Route Mobile or swapped into Proximus or they are kind of cast out at the fair market value then. So, the fair market value would be completed at the end of the fifth year and basis that it could be either of the three options, or a mix and match of the three.

Rajdipkumar Gupta: Sanjay, just to add another point out here, like I'm also going to head the combined CPaaS business of both the companies. My experience of last 20 years in this domain and I think for next five years what I'm going to build as the two companies one large force together and the potential of the emerging market which I see in CPaaS is going to grow multiple in next five years for sure. And that is the reason I think I want to highlight out clear about why I wanted to have this deal, because the potential what Telesign can bring or Proximus group can bring to Route Mobile is immense, and end of the day I believe that it will create more value for Route Mobile shareholders.

Moderator: We have our next question from the line of Nikhil Choudhary from Nuvama. Please go ahead.

Nikhil Choudhary: This is the question for Rajdip. So, Rajdip, while I understand the logic of Telesign or Proximus in acquiring Route Mobile, we are fast growing company in a developing economy which itself is growing very fast, also, one of the most profitable companies in CPaaS in the US. I want to understand what was your thinking in selling the stake in Route Mobile, even though you will be investing half of the proceeds in the combined holding company, but ultimately the diluted holding in Route Mobile will be a fraction of what you had in terms of your current ownership, so just wanted to understand what was your thinking behind it?

Rajdipkumar Gupta: Any CPaaS company in this current scenario want to grow bigger and over the next five years, they should have the US market as their one of the large markets. In last so many years, I have tried to establish a base in US, almost six years, we had multiple people, we had all operated in those markets last six years. We failed miserably in like every single attempt we tried to. Because that is a market where once you are already having enterprise customers, somebody coming from out is very tough to crack those kind of customer, right. And for my future growth of Route Mobile, I need to have some partner who has that base of enterprise customer in that market. That was the one trigger point which was very critical for me if I really want to be a large global cheapest player and US is not being a part of my Portfolio, I'm not going to grow as the market is going to grow, especially the US based companies in CPaaS, I really need to be neck-to-neck with those companies and to bring Route Mobile on a global map. That was the main trigger point for me to have the thing.

Nikhil Choudhary: Second thing about the valuation of Telesign which you mentioned is the €1.4 billion. So, sir, if you do a simple math in terms of valuation based on price to sales, it is valued more than three times of last year sales, which is even higher than three-year higher than Route mobile, right? They try to list about 1.5 years back through NSCC, right. At that time they were valued 1.3 billion, that was at the height of where the valuation of most of the CPaaS companies were much higher. So, what was the logic of giving much higher valuation to Telesign compared to this?

Rajdipkumar Gupta: Yes, Nikhil. I think honestly there are two ways to see it right. First of all, I always knew they're going to demand high valuation based on their sticky customer base, especially large OTT players and Telesign is completely enterprise-focused company. They don't work like other CPaaS player in the market where they do trading between each other. I think Telesign is the only CPaaS company in entire world who just work with enterprise and they don't buy from aggregator like a trader. First point I think they definitely would have asked for a higher valuation which I agreed to for a betterment of Route Mobile because of the future growth. See, that is one answer I can give which I thought about. I may not have any rational of giving that valuation maybe. Maybe, my only option is to like I need to have this partnership and they demanded higher valuation and we agreed to that.

Nikhil Choudhary: Gautam, just the deal which you signed with Amazon or the largest e-commerce or database provider company, just want to understand what would be the dynamic change in dynamics impact on our financial and is the overall volume will start to flow right away or will it take a quarter or so?

Rajdipkumar Gupta: You can expect this revenue in this quarter. That's what I can say. So, we are at the stage of integration as of now and we hope to start getting volume and revenue from month of August.

Moderator: We have our next question from the line of Swapnil Potdhuke from JM Financial. Please go ahead.

Swapnil Potdhuke: Just pushing you on the previous participant's question, the compulsion that you had to get into this deal, the way I look at it is like the potential in India is significantly high growth opportunity, you are growing at a significantly higher rate, gaining market share, your operating performance has been robust in the past, stock valuations are also decent. What I'm trying to say, what was the compelling reason end of the day?

Rajdipkumar Gupta: I'm here for next, I need to build a story of vision for Route Mobile for next 5 to 10 years. Let's talk about market like India or let's talk about market Africa. We are very well established in this market. If I really want to give a guidance to my shareholders for next five years that I will grow by 25% or 20% year-on-year basis and I can be a billion dollar revenue as a standalone, that is one reason you cannot achieve in this market because the margin mix is also very critical for us because US-based CPaaS has a higher margin as compared to emerging country markets. So, these I think I can answer you with this only because this is the only trigger point I had in my mind. I need to make Route Mobile ready for the future by increasing the guidance which I have given to my shareholders and to make sure I create higher EBITDA margin along with the GP margin and there is a lot of cross sell upsell opportunity within both the organization and which will create value for both the shareholders of Route Mobile.

Swapnil Potdhuke: In the press release of Telesign, there was a quote from you saying that Route will become a billion dollar revenue company in an accelerated mode versus your previous guidance following this deal. Can you elaborate more on that like what would be the levers for that acceleration?

Rajdipkumar Gupta: So, some of the deals I just share with you, right, talking about India market growth around domestic -

Swapnil Potdhuke: Can you please quantify in some form?

Rajdipkumar Gupta: I mean, how will I quantify it? I can only share with some of the contracts I can win. I'm talking about large firewall deals in some markets, which is more than $100 million kind of a deal. But I cannot quantify in this call, probably as and when it comes in, I definitely be the first person to announce in public domain.

Gautam Badalia: So, I can just add here. So, I think the way to look at Telesign is, the quality of revenue that they do, right, it comes from all large US or large enterprises where we believe, I mean, most of those enterprises are hyper scalers. And if they were to kind of scale that businesses into emerging markets, Route Mobile should become the de facto or the preferred partner. So, we believe I think from that perspective, if a lot of those customers were to use Telesign where Route Mobile is not directly kind of partnered with such enterprises, Route Mobile will be the support arm for Telesign for all that traffic that will terminate into emerging markets. That is what will accelerate the growth for Route Mobile and hence that statement of achieving that billion dollar revenue, I mean, sooner than what we had guided earlier.

Swapnil Potdhuke: Is there a possibility that there will be some shift in some of your business to the competition because of the hangover of the deal that is there could be a period of uncertainty in between.

Gautam Badalia: Most of our agreements are service level agreements. As long as the customers are not impacted because of the service quality, I don't think there would be because of deal overhang or switch from one service provider to another.

Rajdipkumar Gupta: In fact, we have seen a higher volume from our customer post this deal.

Swapnil Potdhuke: You did allude to the fact that because of some M&As in this space you had in this particular quarter or opportunity loss. Will it be the same for your competition going ahead once this deal is concluded?

Rajdipkumar Gupta: Indeed, yes. It should be 100%.

Moderator: We have our next question from the line of Mohit Motwani from Nuvama. Please go ahead.

Mohit Motwani: Two questions from my end. One is, can you talk about the growth that you're seeing in your top client base, has there been any slowness because the top client revenue growth seems to be tapering down. As you can see the contribution has come down, so is it because India volumes have increased or there is some reduced spending by the top clients, can you give some color on that?

Gautam Badalia: The way to look at this business, I mean, so I think there is some seasonality to the business as well, right? So, on QoQ basis, if you were to compare it, I think Q4 versus Q1 may not necessarily reflect the kind of throughput from clients, right, I mean, that is not apples-to-apples comparison so to say. And if you look at it on a YoY basis, I think we have demonstrated a 33% growth and that I think should be the right way. And here again, I mean we're talking apples-to-apples because all the acquisitions were accounted for in Q1 FY23 as well. So, on that front, I think we're pretty comfortable with the way each of our clients are ramping up. There was some impact because as I said, some of the acquisitions have played out in this space.

Some CPaaS clients were impacted, but other than that I don't think there is any cause for concern for any of our large clients, I mean, in terms of the volume that's being serviced by us.

Mohit Motwani: Exactly. Actually, I was pointing out that only. So, have you seen any wallet share loss in our top client accounts, that's what I just wanted to understand?

Rajdipkumar Gupta: Nothing, I mean, that warrants kind of any attention. As I said, we are comfortable with the way each of our clients are shaping up and earlier some of these clients or rather one of our large clients we were servicing indirectly, but now we have contracts across 10 countries. So, we believe the throughput and the margins should improve for that particular client.

Mohit Motwani: Can you let us know what was the contribution of messaging and MR Messaging for the quarter?

Rajdipkumar Gupta: So, in INR terms, it was about Rs.57 odd crores for the quarter and MR Messaging was about Rs. 146 odd crores for the quarter. So, one of the CPaaS clients that got impacted was a client of MR Messaging.

Moderator: We have our next question from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: My question is on how the whole scheme will work post the merger with Telesign also? If you can throw some light in terms of how the revenue is structured for Telesign in terms of around 500 million revenue that they have, how much is CPaaS and how much is products? And how the revenue flow will happen from Telesign to Route because these two will be like separate companies, right, like they will operate as a separate company, but in terms of the terminations, what like Telesign is giving to other players, those terminations will shift from other players to Route Mobile. So, is it how it's going to work and how fast this can happen, or it will happen immediately or post the merger is complete?

Gautam Badalia: So, Amit, at this point in time, I think some of these things are being worked upon. I think as I said, I mean there is already a transition team already working on this along with various team, the large global consulting firm. So, some of these things, I think once we have a little more color, once things are kind of formalized, we will definitely come back and give you a comprehensive perspective of how things will pan out. But having said that, from whatever I think we've kind of discussed in-principle between all the parties, everything will happen at arm's length, and to that extent, I think both companies should benefit by buying this construct while they are separate legal entities.

Amit Chandra: So, what I'm trying to understand is that as you mentioned that the CPaaS business of both Telesign and Route will be looked by a single CEO. So, how is that function, so is he going to be

CEO for both the companies or is the CPaaS business will be carved out from Telesign and merged to Route Mobile or something of that?

Rajdipkumar Gupta: This is premature for us to comment at this point in time. But we kind of have made a note of this and we'll definitely come back to you once we have a concrete answer on this.

Gautam Badalia: So, Amit, just to add out here, I think the combined revenue of CPaaS business between Telesign and Route Mobile is about $950 million, and I think about $50 million comes from the DI business, which is Digital Identity if I'm not wrong.

Amit Chandra: Also, the whole premise last two years for Route Mobile, obviously the organic growth has been there, but also we have been aggressive on acquisitions, and we have been seeing a lot of consolidation happening in the CPaaS space. So, how do we see the acquisition strategy panning out post the whole changed structure -- so is going to be more organic growth from here on or is it is -?

Rajdipkumar Gupta: See, there is no change in DNA, right, and I'm going to be the CEO of Route Mobile. So, my vision and road map is the same. As I said, we will look for the company for tuck-in investment, and as we speak, we might have some companies to acquire in some products space, but there's nothing change from our vision and the DNA space.

Amit Chandra: Last clarification is that last year we have been aggressive on the India strategy and we have been focusing a lot on the ILD and NLD business in India, also, we have done some acquisitions to expand our global reach, but now it seems that we are focusing more on the international part of the business rather than India. So, is that the correct -?

Rajdipkumar Gupta: Not at all, Amit. Our India focus is definitely going to be more aggressive and more focused. As I said, last quarter our volume and revenue increased in India market and there are some announcements which we are going to make very soon. You probably will come to know our focus in India market and emerging markets are going to be the same, and we believe that emerging markets and especially India market has a huge potential and we are definitely going to define a strategy to make sure our international growth along with India's growth goes hand-on-hand.

Amit Chandra: Also, in terms of the India market, the NLD business, so we have seen price hikes have been there in ILD, and also there has been a lot of talks about the anti-phishing platform. So, how do you view that? So, we have also launched a platform for anti-phishing. So, what is the progress on that part, competitors -?

Rajdipkumar Gupta: Only thing I can share with you right now, we are on track, we are in talks with operator. As soon as there is some kind of material information we agree from operator, we will definitely share in public domain. But yes, we are working with some operators and I think very soon we might announce something on that.

Moderator: We have our next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: A couple of questions. First about FY24 outlook. I think if you can give what now we are expecting for full year considering we are now having benefits from -?

Rajdipkumar Gupta: Your voice is not very clear.

Dipesh Mehta: I just want to get update about FY24 outlook considering 2-3 things; first, about the NLD rate hike which is imminent, second thing is potential synergy benefits from the relationship or partnership with Proximus Group now. If you can provide how we expect FY24 to play out? Second question is about the contract which we suggested with the leading ecommerce company about 10 countries kind of presence. So, where we are today and how this is incremental, if you can give some sense, because I think that is yet not clear? Third thing is about the new product. If I look like the last 2-3 years change listing, new product was one of the key things which we always used to highlight and we expected it to be let's say 10 percentage of revenue and significant faster growth. But if one look at last few quarters, it is growing slower than company, even this quarter their growth is 20% versus company which is 30 percentage plus. If you can provide some sense what is hindering the growth? And last is OCF, if you can provide operating cash generated during the quarter?

Rajdipkumar Gupta: I think the deal closer is about 8 to 9 months long, right? And what I can tell you, whatever guidance we have given at the beginning of the year, I think we want to stick with the same thing. I think the 20% growth guidance, what we have given already, we want to stick with the same thing. With the certain deals which we are going to sign… I think in past also I have revised my guidance two times last year and probably this year also we might revise our guidance based on the certain deal wins which is materialized. But as of now, we want to stick with 20% growth guidance what we have already given to the market, but I can assure my shareholder, this is definitely going to be revised based on certain deals which we have signed and some of the deals which we are signing very soon. On the contracts with 10 countries presence, I've already shared but we are at the last stage of integration and we are hoping to start receiving volume on these countries from the month of August.

Dipesh Mehta: No, the question is, right now we are in how many countries, whether we are in one country, six countries, we do not know.

Rajdipkumar Gupta: Right now, we are in only for India through a third partner. And with these nine countries, it's a totally new addition to our portfolio.

Dipesh Mehta: Can you give some sense about what will be the potential revenue maybe in 2-3 year time period?

Rajdipkumar Gupta: Probably in next quarter I can give you that. Let the integration to be done and let the volume to flow through our platform because it takes one or two months' time of testing like so it is not that I will start getting the entire traffic on day one, probably the end of this quarter or next earning call I might give you some brief on that.

Gautam Badalia: On new products, I think we are making some progress. I mean if you look at the entire IP messaging construct, right, which is generative AI, a lot of things are now getting revolutionized and some of those workstream are being worked upon, and I believe once those things are formalized, made more enterprise ready, we will be able to kind of garner good, good traction, we've already deployed our Rubot, which is a conversational bot platform with some element of generative AI with whatever client, and now we're doing that with a lot of other clients. So, we believe I think the traction will pick up there. I agree with your point, I think the portfolio growth rate has kind of been muted then. But we are fairly confident I think and this year as I said, I think in the previous call as well, I think will be the inflection point where I think some of these new products will achieve scale and that will necessarily take us towards that 10% revenue contribution. I think this year will be a very important year from the new product standpoint. And there are incentive schemes rolled out to the employees to harp and focus on this new product workstream. So, I think the impetus on the management continues to be very high on new products and I think this year definitely we'll have some degree of traction I think we should be able to demonstrate towards the end of the year.

Rajdipkumar Gupta: Just to add, we have onboarded some of large customers whose integration on this new channel are finished now and probably we can start seeing traffic from those customers very soon. So, maybe where we can see some kind of jump in our revenue in this new channel of communication probably in this quarter.

Moderator: We have our next question from the line of Kshitij Saraf from Tusk Investments. Please go ahead.

Kshitij Saraf: I wanted to know after the merger with Telesign, how are Route Mobile and Telesign combined thinking about new product offering? So, we have CPaaS and we have digital identity, and there have been mentions of moving up the value chain in terms of focusing more on the services side of things. So, could you share some light on how you plan to share these responsibilities where the R&D engine would be across the two companies, and are you thinking about any other service lines apart from digital identity and CPaaS so to say?

Rajdipkumar Gupta: I think probably we will try to focus most of the R&D from India probably from Bangalore and Mumbai. And there are certainly definitely some of the products which we are working right now on customer experience platform which we are launching on 9th of August in Mumbai.

So, I think as a Route Mobile we are working towards to give a better insight to our customer using our platform and I think the customer experience platform which we're building, which directly going to help Telesign also to give more insight about the different channels they use. Probably on 9th August, we can share more detail about this product, but on 9th of August, we are launching this product in Mumbai. And what was your second question?

Kshitij Saraf: Yes, I think broadly this was it in terms of new products, basically whatever you could share?

Rajdipkumar Gupta: So, on R&D side I just mentioned, I think probably R&D will be completely focused from Bangalore and Mumbai.

Moderator: We have our next question from the line of Rajeev Malhotra from HPCL Parts Co. Please go ahead.

Rajeev Malhotra: I'm a new investor, but there is one question, the question is everybody on the call is terming the transaction as a merger. What we understand is, it is buy out, right. The question which arises is the Route Mobile going to stay in a listed company in India?

Rajdipkumar Gupta: Yes.

Rajeev Malhotra: Now, what's going to happen is based on the acquisition of the shares of the promoters and the open offer, a technical situation will arise where the acquirer will most probably cross 75%. So, are they wanting to delist or sell back or -?

Gautam Badalia: So, at this point in time, I think the DPS is already out. The intent is not to delist. So, if in an eventual scenario where the open offer is completely subscribed, the shareholding will, as you rightly said, will surpass the minimum public shareholding threshold, and I think then the regulation warrants that we have to reduce it back to the minimum public shareholding threshold within a year's timeframe. So, that is what I think will be complied with if we happen to get a complete subscription in the open offer.

Rajeev Malhotra: That's the first thought. The thought is that within a year you will stay listed, so that's the other side.

Rajdipkumar Gupta: That's correct.

Rajeev Malhotra: And secondly, my observation about why is everybody calling this a merger?

Gautam Badalia: You're right. I mean the optics of this will look like a merger, but it's not an essentially a merger, it's a buyout and then an investment into the holding company of Telesign and Route Mobile by some of the founding members of Route Mobile.

Moderator: We have our next question from the line of Anil Nahata, an individual investor. Please go ahead.

Anil Nahata: Hello, Rajdip. A very bold move, if I may say so. Most of our shareholders are probably not able to grasp why Route did in the 1st place. Your explanation of being present in the US market makes a lot of sense to me. Definitely, that is the largest market by far. China market is not accessible to most. So, if you leave out the China market, US is the biggest market and probably accounts for as much as many, many markets put together. So, that makes a lot of sense to me. However, my question is, how does Route at the group level definitely you will have a play in the US market, but Route as an entity, how does this US presence now help Route, be able to give some platform by giving your platform. But otherwise, how does it help you?

Rajdipkumar Gupta: Good question and let me just answer this question. As I mentioned in my commentary also let's talk about India as a market, especially ILDO, most of the ILDO traffic is originating from companies based out of US and a company like Telesign has a direct access of all those customer base of US. So, that routing directly coming to our platform from Telesign to Route Mobile will directly benefit the Route Mobile. Apart from that, if you see, most of the tech giants based out of US, their main market is emerging countries, whether it's Africa, India or Asia or the Middle East, including LATAM, right. So, we are a champion of emerging market where we already established a direct partnership with operators and this connectivity can be directly used by Telesign and whatever… right now it just says they were using third aggregator, maybe some base in India, some based out of India or in US, that whole traffic can be routed through Route one platform because we are very much aligned with having the connectivity all across the globe now. So, indirectly that routing will directly move to Route Mobile and the Route Mobile will directly get benefit of that. So, that is what I can answer.

Anil Nahata: So, that makes a lot of sense, Rajdip. In fact, because it increases the profile of Route without having to go out -

Moderator: Sorry, sir, voice is breaking.

Anil Nahata: I'm sorry. What is the typical culmination that is available in the marketplace?

Rajdipkumar Gupta: I'll just give you a simple example of India, like India stands for ILDO traffic. And there are various market in emerging countries like Bangladesh, where termination cost is about 16 cents, countries like Indonesia 23 cents, countries like Sri Lanka now 23 cents. So, it's a very high margin market.

Anil Nahata: My question is this margin higher than 15% on this -?

Rajdipkumar Gupta: Indeed, yes, there are higher margin customer base in the US and the combined, as Gautam has already mentioned, I can give a guidance of EBITDA margin around 13% to 15% in coming years down the line and that is the kind of thing we believe. As far as the US customer is concerned, I think the gross profit on the US customer base is around 25% to 35% range as compared to the emerging markets where it is between 18% and 22% market.

Anil Nahata: My next question is we have been reading commentaries across all players market reports that Indian market is going to go at a CAGR of 30%, 35% something. But somehow over the past couple of years, I see somehow that at the industry level that growth is not met. What is your view that how will India achieve this 30% kind of a CAGR?

Rajdipkumar Gupta: So, India is definitely a very large market and I just give you classic example of UPI usage, right. Even as of today people pay Rs.5 also using the UPI wallet, whether it's Google Pay or Amazon Pay or you name it. That transaction is growing multiple every single quarter, right? So, I think the potential of India in coming days, the moment this kind of channel is available for Tier 3, Tier 4 cities, you will see more traction and more volume generation on these kind of applications. And based on that, because of internet quality is getting better in India, thanks to operator like Jio, we can have more access of digital platform in remote Tier 3, Tier 4 cities which led to more transaction over digital platform and I believe in next two to three-year down the line, India is a very large market in CPaaS channel to be used.

Gautam Badalia: Just to add, with this consolidation that's playing out I think in the industry right now, a lot of traffic will move from the unsegmented or segmented players to now evolve players and that's where all the large players will benefit.

Moderator: We have our next question from the line of Mohana Kumar, an investor. Please go ahead.

Mohana Kumar: So, the first question was with one of the public interviews that the Proximus CEO had done, he mentioned that there is a possibility that he might delist Route after the -

Rajdipkumar Gupta: No, no, I think you just need to go through that interview once again. It is very clear that he has no intent of delisting.

Mohana Kumar: The second question was with respect to again the tender price. Tender price about 1600-ish and you're expecting the deal to close nine months down the line? Are there any odds of that number getting revised given that it's still very far away from that and there's a good chance that the share price may not be anywhere close to that number when the deal closes?

Rajdipkumar Gupta: No, so the MTO price is Rs.1,626 and that's again governed by the SEBI regulations. So, at this point in time that stays put, and the six-to-nine-month timeframe is largely because of some of these regulatory approvals that are warranted for this transaction. And once those regulatory approvals are in place it can be sooner than six to nine months as well. Once they are in place, I think the MTO should go through and we should be able to achieve our closure of the transaction.

Mohana Kumar: The non-deal related question that I have is this time the revenues were less softened, you've addressed to a large extent during the opening remarks itself. I'm just trying to get a sense of, are we expecting a lot of this to throw back in the next quarter or is it something that's going to take a little longer to kind of come through with the new deals that you have acquired?

Gautam Badalia: From our perspective, we're not changing our guidance one bit. I think, as Rajdip said, we are reasonably confident of 20% and maybe at a point in time we may come and revise the guidance upwards. So, I think there is nothing I mean which is making us nervous right now, and so I think we're fairly confident of meeting our revenue guidance and maybe at a point in time, subject to some of these deals that Rajdip talked about if they were to fructify, we'll definitely come and upward the guidance.

Mohana Kumar: Is the guidance the 20% if you just maintain the Q4 revenue given that Q1 and Q2 numbers are pretty soft, without any effort you kind of get that 20% right, so I'm just trying to figure out is there any quarterly cadence that we can expect because 20% seems like really low, if you just maintain the Q4 numbers given Q1 last year was soft, you hit that without any quarterly growth?

Rajdipkumar Gupta: But I think you have to also see our last year guidance like we started 40% and we end up with 70%. So, you need to just believe in us and I think we are very much committed, and as I said, happy to come again and revise our guidance upwards.

Mohana Kumar: And as you mentioned earlier, you would be giving probably more clarity regarding how the structure of the new company and how things are likely to flow once the deal has been out, right?

Rajdipkumar Gupta: Right.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Gautam Badalia for closing comments. Over to you.

Gautam Badalia: Thank you, everyone for joining the call. Please feel free to reach out to us for any further information/clarification. We'll be more than happy to answer your questions. Thank you.

Rajdipkumar Gupta: Thank you.

Moderator: On behalf of Route Mobile Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.