



Route Mobile Limited
Q2 FY24 Earnings Concall
27th October 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
Q2 FY '24 Earnings Conference Call
October 27, 2023

Moderator: Good evening, ladies and gentlemen. I'm Yousef, the moderator for this conference. Welcome to the conference call of Route Mobile Limited, arranged by Concept Investor Relations to discuss its Q2 FY '24 results.

We have with us today, Mr. Rajdipkumar Gupta - Managing Director and Group CEO; Mr. Gautam Badalia, Group Chief Strategy Officer and 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, you may 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 earnings 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. Rajdip Gupta, Managing Director and Group CEO, Route Mobile Limited. Thank you, and over to you, sir.

Rajdipkumar Gupta: Thank you, Yousef. Good evening everyone. I hope this finds all of you in good spirit as we near the festive season.

I have some exciting news to share tonight. Even though the month of July and August typically see downturn for us, given the holidays and a usual dip in global volume, Route Mobile has not just preserved the volume but also sold and registering our highest ever revenue, in fact, even amidst of the global challenges, our year-on-year growth in both revenue and PAT in H1 FY '24 has exceeded over 25%.

This past quarter has been pivotal for us marked by securing several significant deals that promises to propel our growth trajectory. Here are some of the standout agreement we have clinched.

First off, collaboration with VI India this quarter. It's a major International A2P termination and firewall management services deal and one we are particularly proud of. Our history with Idea and now our re-engagement with the merged entity Vodafone Idea underscores our platform robustness. This association alone has the potential to bring around US\$100 million in revenue. We are gearing up and in the process of deploying a firewall which will go live very soon.

In Southeast Asia, we clinched another major International A2P termination and firewall management service deal, and it's already live and running.

Finally, there is a global e-commerce giant we partner with. In Q1 FY '24, they are onboarded and live with us now. In fact, now we are expecting to gain more traffic from international destinations including India.

These big wins make me confident in saying we are on track for our annual revenue growth of 20% to 25%, and frankly, we might just hit that top mark. Additionally, since Q1 FY '24, we all hit several milestones. Some of them are, we got a nod as a major provider in Gartner CPaaS Magic Quadrant for 23 and were featured in four Gartner Hyper Cycle report this year.

We have forged a significant partnership in Bangladesh with Robi Axiata Limited focusing on RCS business messaging. We successfully launched Route Amplify, our flagship event. It was a melting pot of industry leaders where we shared and gained insight into key areas like customer engagement and digital identity.

Our new product revenue has shot up by staggering 64%. Our collaboration like the one enabling WhatsApp-based ticketing system for Delhi Metro only goes on to prove our innovative product development.

Now, for our deal with Proximus Group, everything is on track. They are eyeing to wrap up by quarter Q4 of '24. We have even set up an Integration Governance Committee pulling in senior leaders from Proximus, Route Mobile, and Telesign, all working together to ensure smooth sailing. And every step we have taken so far is just reinforces our confidence in the partnership.

I am personally thrilled about what lies ahead, especially leading the CPaaS division post deal.

Last but not the least, based on our sterling performance this quarter, the Board has approved an interim dividend of Rs. 3 per share. Big thank you to all involved.

Now, I will hand over to Gautam who will share more about our financial highlights. Over to you, Gautam.

Gautam Badalia:

Thank you, Rajdip. Good evening, everyone. Season's greetings to all of you. We have already uploaded our quarterly earnings presentation on our website as well as the stock exchange websites. Hope you had a chance to go through the presentation.

I will quickly summarize our financial and operating performance before opening the floor for Q&A. The quarter gone by has yet again been an outstanding quarter considering the seasonality of the business.

The key highlight for the quarter gone by has been the large deals that we have won as highlighted by Rajdip earlier. The throughput from some of these large deals should start to reflect from Q4 onwards. Hence, we believe that we will be closer to the upper end of our revenue guidance band of 20%, 25%.

More importantly, FY '25 looks very promising on the back of full-year effect of these large deals, plus the benefits of synergies that should start to flow to Route Mobile from the Proximus deal.

In terms of the update on the Proximus transaction, as Rajdip highlighted, the regulatory filings are well on track, and it seems that the transaction including the mandatory tender offer should close during Q4 FY '24.

In terms of the synergy that was called out at the time of signing, we have been able to further validate the same based upon the interim work done so far. Based on the exhaustive work done over the past six weeks by the integration governance team, we reconfirm that the overall Euro 90 million or US\$ 100 million EBITDA synergy stands completely justified. Out of these, some of the synergy buckets where Route Mobile will stand to benefit are as follows.

In terms of bucket one, which is the revenue and cross selling synergies, Route Mobile will leverage the digital identity platform of Telesign in emerging markets. Digital identity as a product is a very unique SaaS offering which is used to curb digital frauds and entail gross margins which are northwards of 80%. Route Mobile will also be making inroads into untapped large global accounts through Telesign to service their requirements in emerging markets.

In terms of the synergy bucket 2, which is OpEx savings and synergy, create a state-of-the-art product innovation lab in India to focus on new product initiatives, automation and AI/ML capabilities; drive economies of scale by consolidating the cloud infra, software licenses and vendors across the group, and work towards a low-cost operating model through the shared service center construct and leverage the capabilities of our BPO arm which is Call2Connect.

In terms of synergy bucket three, direct cost synergies, drive better efficiencies owing to higher economies of scale and deepen as well as expand our exclusive MNO connect. These initiatives will definitely accelerate our journey towards a billion-dollar revenue with 15% EBITDA margin target by 2027.

Just to further restate, this deal will pave the way for Route Mobile to be a global CPaaS player in true sense, with an unparalleled reach and a very comprehensive product stack of its

own products coupled with licensed products from the group. By virtue of this deal, we should be able to demonstrate, “cost leadership at scale with industry leading growth rates”. As I said, this is only an interim update and will be fine-tuned further. As and when these are further crystallized into the final operating model, we shall update you on the same.

Highlighting some of the key business metrics for the quarter and the half yearly numbers gone by, in volume terms, we processed over 31 billion transactions in Q2 FY '24, which is again the highest quarterly volume, billable volumes processed by us till date. Billable transactions increased from 26.9 billion in Q2 FY '23 and 29.5 billion in Q1 FY '24 to 31.3 billion in Q2 FY '24. Average realization per billable transaction marginally decreased from 32.8 paisa in Q1 FY '24 to 32.4 paisa in Q2 FY '24 owing to increase in domestic volumes in India.

In terms of geography, India continues to be our largest market by termination accounting for 47% of our revenue by termination. You may refer to slide 20 of the presentation. Domestic volumes in India witnessed a double digit growth despite the NLD price increase.

We continue to witness very strong momentum on our next generation products. New product revenues grew by 64% on a Y-o-Y basis and 53% on a Q-o-Q basis in Q2 FY '24.

In terms of operating overheads, in Q2 FY '24, employee benefit expenses decreased primarily due to roll back of performance-based stock options and cancellation of ESOPs owing to resignation by few employees. The increase in other expenses was primarily due to foreign currency translation loss of INR 91 million, an increase in travel and business promotion expenses, both totaling to an increase of INR 30 million. The business promotion expenses was largely related to our flagship Route Amplify event, which was held in Mumbai.

In terms of EBITDA, EBITDA grew by 16% Y-o-Y from 1,094 million in Q2 FY '23 to 1,268 million in Q2 FY '24. There was a sequential growth of 2.5%. From a balance sheet standpoint, average receivable days stood at 73 days, and average payable days stood at 64 days. Normalized cash flow conversion in H1 FY '24 was very strong at 77%. You may refer to slide 16 for the same.

With this, we open the floor for Q&A.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question, you may press * and 1 on your telephone keypad. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies & Gentlemen, we will wait for a moment while the question queue assembles. First question is from the line of Ronak Chheda from Awriga Capital. Please go ahead.

Ronak Chheda:

Congratulations on the result first of all. I have two questions. First question is on the e-commerce giant's business, right. We have done a multi-geographic deal. So, can you just

explain on this further and how much of this business would broadly split into India and the other emerging geographies? How should one think of the deal itself? That's the first question.

Rajdipkumar Gupta: Let me just answer this question. So, Ronak, I think India is going to be at least about 50% of the revenue and remaining 50% will come from international. We have signed a contract with this E-com giant for 10 countries and including UK and some of the Asian countries as well. And I think the connectivity and the binding is already done, and the testing is also done, and we already started getting traffic for India. So, we believe by next quarter, maybe by this quarter, we can see more traffic, but in terms of split, I think 50% revenue will be India and remaining 50% will be for international.

Ronak Chheda: That was helpful. My second question is on, you actually touched upon in the opening remarks on the synergies which could flow from the merger process and some business coming from Telesign. I mean, how soon can we start looking at that in the results itself? Will we wait for the deal to be completed and then this will flow, or we should start seeing it from this quarter itself?

Gautam Badalia: So, see, I think we are kind of at this point in time working on wireframes, but even before the deal, Telesign was a partner with Route Mobile, and we used to help them for some part of their termination into emerging markets. That continues as is. In fact, the throughput on that has increased to some extent, but I think lion share of synergies will start to flow post-closing.

Ronak Chheda: And just last bookkeeping question on your working capital. I see the receivable days have gone up. Should we read too much into it or this is just a quarterly phenomenon?

Gautam Badalia: Yes. I mean, you shouldn't read too much into it. In fact, a few days post the closure of the quarter, we received one of the payments from a large OTT player. So, we also have to account for July, August, and even September to an extent. These are typical holiday seasons I think in most of these places. So, I think that you shouldn't read too much into it. I think from a free cash or our operating cash generation standpoint, I think probably we have done fairly well.

Moderator: Thank you. Next question is from the line of Nikhil Choudhary from Nuvama. Please go ahead.

Nikhil Choudhary: First question is regarding Vodafone Idea deal. I hope you understand that given the contradictory filing by, you know, both the companies when they are also contracting you, we just want to understand how basically you accounted for USD 100 million in revenue potential? And any rough timeline in terms of when you will be able to materialize it? That's my first question. I have a follow-up.

Rajdipkumar Gupta: So, Nikhil, I think, as I said already that the deployment of our firewall is already in process and based on the timeline which we have given to Vodafone Idea, we are looking out to go live by

December. So, that's the current timeline we have. And what was your other question? How we quantify \$100 million?

Nikhil Choudhary: Yes. And timeline of that recognition.

Rajdipkumar Gupta: So, very simple math, right? If you see the number of subscriber what Vodafone Idea has about 200 million and you multiply by particular SMS, you know, and then you say 5 cents per SMS cost. I think that is a kind of math we have done at our end while giving this number to the market, and we believe that the number may be more than \$100 million, but we are little bit conservative giving that \$100 million number.

Gautam Badalia: Just to add, this entire revenue because of our exclusivity will flow through Route Mobile. So, this revenue, I mean, whosoever gets the pie of it will have to necessarily terminate through Route Mobile. So, we get 100% pie of this revenue to Route Mobile.

Nikhil Choudhary: So, is it fair to assume that, Gautam, that this 100 million will start flowing from quarter four of '24 and next 12 month we can see it flowing through our P&L?

Rajdipkumar Gupta: We can consider quarter 4, yes. You are right.

Nikhil Choudhary: Second question is in terms of ILD revenue. This quarter while NLD has done quite well, which you have highlighted, ILD we have seen a decline. I think it's maybe due to volume decline. Can you please help us understand what led to that?

Rajdipkumar Gupta: So, I think, as I say, seasonality, right? We always need to understand the H1 is 45% of our revenue and H2 is almost 55%. Now Diwali and all the other festive season is going to be start in the month of this quarter especially. So, we will see the growth, and I think there is nothing, the dip is basically based on the seasonality and nothing to worry about. And we have seen the growth in this particular, in fact, October month, and we see the growth going to come in November and December as well on ILD business.

Nikhil Choudhary: So, just last question from my side. You know that you have highlighted in your cash flow statement about 297 crores basically deposited for firewall deal. Based on the filing by your competitor, 57 crores are the revenue basically just from the firewall deal, and you have highlighted earlier, we generally deposit, you know, three to six month of payment to telecom operator. So, just want to understand how big is maybe the other contract or what kind of ROI we are looking, if my calculation is right maybe?

Gautam Badalia: So, we have given these INR 297crs to two operators and for one operator, a partial payment was made last quarter. The final payment will be done once we are close to going live.

Nikhil Choudhary: Gautam, what I want to understand is the quantum of Vodafone firewall deal based on disclosure by the competitor who lost the contract was about 57 crores for annual, right? So,

just want to understand and given it was one of the biggest firewall deals, what basically led to deposit of 300 crores which is, you know, much larger for us?

Rajdipkumar Gupta: No, let me just correct you. I got your question. So, there is two streams of revenue. Okay. First is the firewall revenue which is the firewall deployed by 365squared at Route Mobile company, and there is a revenue share between 365squared and Vodafone. Okay. That is a separate deal. Then when all the traffic which flows through Route Mobile platform to Vodafone Idea, that's additional revenue we generate.

So, I think if you are talking about one firewall revenue which is separate, I think that number comes to the number which you are talking about, then there is additional revenue potential and margin which Route Mobile generates traffic directly with working OTT players. So, you have to consider in that way.

And that is the potential we have seen in this overall deal, and we believe that the platform is going to play a very critical role to mitigate or to at least mitigate the risk of the grey routes which was still there on their network, and we identified certain grey routes which has been used, and with our firewall we believe that we will mitigate those risk of grey route, and we will definitely deliver the commitment which we already made to Vodafone Idea.

Gautam Badalia: Also, Nikhil, the deal, I mean, from when it works with the erstwhile partner and it's moved to us, I think the price has also moved quite a bit. So, the deal value per se I think would have more than doubled, right. So, it was not an apple to apples comparison from that perspective. So, I think we also have to kind of take that into our account.

Moderator: Thank you. Next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, just on the realization piece, so I think we were expecting some increase in the realization, but because of the mix it has come down a bit, but net of the mix impact is there. What has been the realization increase for this quarter like to like?

Gautam Badalia: Yes, if we adjust for the sharp increase in our domestic India volumes, the average realization would have marginally gone up.

Sarvesh Gupta: And we understand the seasonality, but I think the Y-o-Y growth has sort of come down a bit in this quarter. So, any particular color that you can provide there?

Gautam Badalia: No, so the base has also kind of increased quite a bit and Y-o-Y, I mean, we demonstrated, you are talking about it from a H1 standpoint or quarterly standpoint?

Sarvesh Gupta: No, Q2 Y-o-Y versus Q1 Y-o-Y I was alluding to.

Gautam Badalia: Sequential?

Sarvesh Gupta: Stronger, no, no, sir. Not Q2 over Q1. I was saying Q2 versus last year Q2, and Q1 versus last year Q1. So, this Q2 versus last year Q2, growth rate has sort of come down a bit compared to what we saw in Q1.

Gautam Badalia: No, sir, last year I think there were a few acquisitions also that got baked in and now everything has been kind of consolidated with a larger base. I think you are talking about for this year growing from a 20% to 25% on a Y-o-Y basis, and within that I think basis some of these deal wins we are talking about hitting the top end of that band.

Sarvesh Gupta: And finally, sir, you mentioned about some resignation wise some employees etc. So, this is like, you know, some course resignations or these are, you know, some of the efforts towards the rationalization....

Gautam Badalia: No, no, it's not towards rationalization. So, what had happened is and this I think we have called it out multiple times in previous calls also, a lot of the cost I think that was there in terms of the employee benefit expense was attributable to the ESOP cost wherein a lot of that cost was front loaded rather. And in the past, I think when we had issued this or granted this ESOP under the ESOP 2021 scheme, a lot of these ESOPs were rolled out to employees and there were performance criteria.

So, wherever, I mean, employees have not been able to perform, those ESOPs have kind of been relinquished. On top of that, there are some cases where employees have resigned and hence, some of those ESOPs have been kind of rolled back. So, it's completely and purely on performance and owing to resignation of few employees.

Sarvesh Gupta: Understood Sir. Is there a way to quantify the deal with the large e-commerce companies, you know, sort of a number are we looking at?

Rajdipkumar Gupta: So, Sarvesh, we are at very early stage of our live traffic. Probably, we can quantify this in more detail by next quarter, by this quarter end and once we have the next quarter earning call.

Moderator: Thank you. Next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Couple of questions. First of all, just want to understand, I think you partly alluded about the guidance kind of thing. Now even for lower end, I think you indicated about last time at least 20 percentage and in the earlier prepaid remark, you said 20 to 25 percentage and high chances of hitting upper end, so which is roughly let's say 25%, which require very significant acceleration in H2. Even to reach 20 percentages, you require 15, 16 percentage growth over H1. And other way to put is 9%, 10% CAGR to hit lower end. So, can you help us understand? I

understand about seasonality in December quarter, but it is materially higher even including Vodafone deal.

Rajdipkumar Gupta: So, Dipesh, I think you need to also consider the e-commerce client which has gone live now and that effect is going to be in this quarter and next quarter plus the Vodafone deal. We are also working on certain more firewall deal which we will announce very soon. So, keeping all this in mind, I think we are very much sure that we will achieve our guidance which we have given to the market.

Dipesh Mehta: So, more like 25% you are confident.

Rajdipkumar Gupta: Yes.

Gautam Badalia: Yes, it will be closer to 25% than 20%.

Dipesh Mehta: So, second question is about the security deposit. I think we mentioned to MNO for the roughly around 300 crores kind of number. Whether any payment is related to Vodafone also covered here?

Gautam Badalia: Yes, part of it.

Dipesh Mehta: And in H2, you expect any material number or these number will taper off materially in H2?

Gautam Badalia: No, H2 also I think there will be some bit of that will come through plus one other deal that I think Rajdip talked about, if that happens.

Dipesh Mehta: In that case, your reported OCF might be still very muted, right way to understand it?

Gautam Badalia: No, that's correct, but I think we have always been kind of very, very particular that some of these are a CAPEX kind of investments where we are investing this for two years with two years payback where the ROCE tends to be northwards of 25%. So, I think once we are done with this additional, this new deal as well, I think our plates will be completely full, and for the next two years I think you will be able to see meaningful improvement in OCF, not only normalized OCF, but even the reported OCF.

Dipesh Mehta: FY25 will be much better here from reported OCF also.

Gautam Badalia: That's correct.

Dipesh Mehta: And last question from my side is about new product. I think very strong growth. So, just want to understand what explains this and how we expect that trend to continue?

Rajdipkumar Gupta: So, Dipesh, I think we are investing heavily, and I think our focus is always on new product along with the messaging and the kind of pipeline we have as of now and we believe that growth is going to be significant in coming quarters.

Dipesh Mehta: Is it single product driving it in terms of WhatsApp or?

Rajdipkumar Gupta: No, it's a mix of product which we have as a omni channel stack which we have. So, it's a mix of all products.

Moderator: Thank you. Next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: So, my first question is on the volume growth. So, obviously we have seen both NLD and ILD price hikes, and we have seen some volume drops because of the increase in price. So, how do we see the volumes from here on in terms of like the NLD volumes can also come down because there has been a price hike, and if I am not wrong the volumes are down in this quarter, so you treat it as an aberration or is it going through something that they are finding some other alternatives?

Rajdipkumar Gupta: So, Amit, Rajdip here. Our volume on NLD has grown. It has not gone down.

Gautam Badalia: We had double digit growth.

Amit Chandra: No, but overall at industry level I am just talking about.

Rajdipkumar Gupta: I cannot comment on industry level based on the customer base we have, based on the customer we onboarded in last few quarters. We see a significant growth in those customers and due to which our volume has increased in spite of the price increase at NLD level.

Amit Chandra: And in terms of the firewall deals that we are taking up, obviously, these deals are based on upfront commitments in terms of volumes to the operator. So, what confidence level we have or what kind of growth we are assuming in terms of the existing volume that we are having in terms of committing these higher numbers because you are saying that.... Yes. So, it's around 300 crores for our 800 crores kind of annual revenue, and if I am not wrong this number was much lower in the earlier version.

Rajdipkumar Gupta: No, no. Amit, I got your question. The earlier version was the price was half the current price. Okay. It was about 2 cents or 3 cents. Now price is 5 cents. So, you need to consider that. Apart from how confident we are, our firewall is deployed in 16 countries. We are doing this job in multiple countries, and we have the insight, and we have so much confidence about our product that deploying this product with VI will definitely generate more revenue for VI and for Route Mobile. And based on the insight we have got from our platform for various other country, I think that is the confidence which gives us to make sure that we can achieve our

numbers. So, it is all about our product. We have always believed that is one of the best in the market as of now.

Gautam Badalia: And just adding to what Rajdip said, it is because of the robustness of the product, we had been servicing Idea for some time, I think for the longest period of time on the firewall. We were the first ones to kind of get this product kind of initiated and approved by an operator in India, right? So, it was only after the merger that this switched to another partner, but within a year's time they realized the robustness of our platform and switched it back to us. So, it's not just merely on the commitment. I think commitment was not the factor to kind of get this swung in our favor. It was the robustness of our platform, the capabilities that we have and the reach that we have with the global audience that helped us garner this kind of revenues for an operator.

Rajdipkumar Gupta: So, another thing, Amit, just to give more clarity out here, we work almost with all the OTT players globally now, including you name it everyone. And India as a market, we always, I think we have our firewall deployed with the BSNL. Based on the data points which we have received from BSNL firewall, we are 100% confident that what kind of volume Vodafone Idea should have on their network, and based on that calculation what we have got from BSNL, we give this kind of commitment. And we are very much sure that we will achieve that. So, as an India market understanding, we have very clear understanding with our current firewall with BSNL right now.

Amit Chandra: And so these commitments are like for every year. So, every year we will have to put in this kind of money or?

Rajdipkumar Gupta: Not exactly. It's just one security deposit we have to pay and based on a month-on-month basis, we have committed to the volume, which we are sure that we will achieve that.

Gautam Badalia: And Amit, just to kind of revalidate that 297 crores is not purely for Vodafone. It's for two, two mobile network operators just to kind of lay the math number correct on that.

Amit Chandra: Yes, I am aware of that.

Moderator: Thank you. Next question is from the line of Swapnil Potdukhe from JM Financial Limited. Please go ahead.

Swapnil Potdukhe: So, I have a couple of questions. The first one is on your deal with Telesign. And last quarter I remember you mentioned that there were some monthly revenues that you were supposed to get from Telesign, and over a period of time that revenue was supposed to increase. So, I just want to understand like what's the update on that? Where were we at the end of last quarter and the current quarter? And how long will it take for the entire potential revenues from Telesign to flow in through Route Mobile? That's question number one.

Gautam Badalia: So, Swapnil, I think even prior to the deal, I think Telesign and Route Mobile were partners. We were working together, but as I said, since the deal, we have been working closely on various integration frameworks. So, the throughput has increased. Definitely it has increased, and we have been adding more value into Telesign because of our strong entrenchment into the emerging markets. So, that continues as it, and it's still working as partners.

But the day we are able to close this deal, we believe we will be able to get significantly more traffic from Telesign to Route Mobile. I think that is because today, I mean, because of certain competition sensitivity and certain legal guardrails, we are not able to kind of completely be as transparent as what we can be subsequent to the deal and once the deal closes, definitely, I think we believe there will be a significant increase in the throughput.

Swapnil Potdukhe: Any numbers you can share?

Gautam Badalia: I mean, it's too early for us to say. As I said, I mean, we have done some interim work on this. Let us come to the final leg of that work, the wireframe. At that point in time, we will definitely come and give you more crystallized framework of how things will pan out.

Swapnil Potdukhe: The other way to look at this is like I was looking at your tier one CPaaS revenue share. Now that has been declining, you know, quite a bit. So, I just wanted to understand, is this the impact of value first acquisition by one of the competition or?

Gautam Badalia: Partly yes. Partly yes.

Swapnil Potdukhe: And as and when Telesign revenues ramp up, we will see some increase in the revenue share from this particular metrics?

Gautam Badalia: Possibly yes, yes.

Swapnil Potdukhe: And just on the balance sheet side, so I see that your borrowings seem to have increased. I mean, if I were to add up your long-term and short-term borrowings, that add up to around 150 crores. Now we do have a decent amount of cash as well. My question is as to what is the reason that we are seeing this increase in our borrowings number on a Q-on-Q basis?

Gautam Badalia: No, some part of that, Swapnil, is also some bit of it is treasury management where we kind of since we have to pay that in dollars, we don't convert necessarily the INR amounts. We keep that as deposits and kind of create a kind of treasury structure. So, some of these borrowings that we have is again backed by fixed deposits as a security. I mean, partly, that's a security that's given. So, it's also some bit of it is treasury management.

Swapnil Potdukhe: And just the last bit on working capital, I know someone asked in the beginning also this question, but an increase of DSOs from roughly around 60 odd days to 73 is decently high number, and so if you can give some explanation around that?

Gautam Badalia: Yes, so there was one particular large OTT payment, which we received just after the quarter has closed. So, that that led to that bit of a blip.

Swapnil Potdukhe: So, from a normalized basis, what should be the number that we should be expecting?

Gautam Badalia: It should be around that 64, 65 days.

Moderator: Thank you. Next question is from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.

Kaustav Bubna: So, I basically had two questions. The first one is, could you just give me a sense on Route Mobile's presence in the fraud prevention space? How big is this fraud prevention space to Route Mobile right now? And how do you see Route Mobile's presence growing in the space and the offerings in the space that Route Mobile has? That's the first question.

And the second question is, you know, I don't quite understand this deal. I am sure you have got this question before because Proximus was trying to list Telesign before which is public knowledge and that failed, and now they have done this deal through Route where the promoters are infusing money into Telesign. So, I am just trying to understand could you give us some, I don't know if you will be able to answer this, but could you give us some sort of indication as to a few years down the line, do you see Telesign, Route operating under one entity?

Rajdipkumar Gupta: I think it's too early to comment. So, honestly, Gautam, you want to add something to this?

Gautam Badalia: Yes, I think the immediate focus right now is to kind of get the deal consummated. Once the deal is consummated, some of these strategic thought processes, I think, will be dispensed. At this point in time, as Rajdip said, none of these things are kind of there on the radar.

Kaustav Bubna: No, but why was the deal structured this way then?

Gautam Badalia: Because cross-border mergers are not possible in India and hence the deal had to be structured in this way, but if you look at some...

Rajdipkumar Gupta: Gautam, I think I have already explained so many time about the whole deal rational as a, I think you can refer to multiple interviews of mine and in media also. I think I have explained very clearly why I choose Route Mobile and why I wanted to, sorry, Telesign and why I want to reinvest it back to Telesign. So, probably, if you want to know more about it, you can just give a separate call to us, and I am happy to answer all your questions.

Kaustav Bubna: That's fine. Could you answer the second part, which is about the fraud prevention segment and Route Mobile's presence?

Rajdipkumar Gupta: So, see, the partnership with Telesign, the Telesign is one of the leaders in digital fraud and digital identity product. They got the most evolved stack as compared to anybody in this current CPaaS ecosystem. We believe that partnering, bringing their entire stack to all the emerging countries where we have our presence. Right now our stack is not evolved as what Telesign's is, and we are definitely going to work with Telesign to use their stack in all the emerging countries where we operate from. And potential wise, I think digital identity has a huge potential. In the next two to three year down the line, you will see that impact on our revenues as well.

Kaustav Bubna: Currently, you would say, it's meaningless, the Route Mobile's exposure to the segment. Is that the right assessment? And it will grow as....

Rajdipkumar Gupta: See, just to understand, there are multiple APIs needs to be opened by operators. For SIM swap APIs operator, we are dependent on operator. In India, only Vodafone and Jio has opened their API for SIM swap. Airtel is still thinking about it. The market itself is not ready in India, but in other market if you go to Europe or US, it is already available, and that's why Telesign has a decent amount of revenue coming from DI business. Now we have made inroads to Jio and Vodafone Idea and got their API access where we are going to use Telesign's stack to sell this product in Indian market or nearing country market, like emerging markets.

Kaustav Bubna: And I will get back to you guys on this because I read everything about the deal, but I still had questions as to, you know, because....

Rajdipkumar Gupta: Happy to answer all your questions and because it is directly to me, you can call me also to understand more then why I have invested. I am happy to answer any further questions.

Moderator: Thank you. Next question is from the line of Sarang Sanil from RW Investment Advisors. Please go ahead. We will move to our next question from the line of Harsh Chaurasia from Vallum Capital. Please go ahead.

Harsh Chaurasia: So, just there was one doubt, like, recently, there was an event from WhatsApp India where there was a lot of aggression on the business messaging part. So, I just want to know how Route Mobile WhatsApp Business messaging offerings are unique from the business messaging of part of WhatsApp India? And how are they being still relevant in this market, like, when we are seeing offerings from the WhatsApp India part?

Rajdipkumar Gupta: So, I think if you attended that event, we were also part of that event, and we also have been invited by WhatsApp to be part of that event. And just to share about our relevance in this market, that recent deployment with Delhi Metro, they were the first company to have this ticketing system built for Delhi Metro which has a conversational chat along with the conversational commerce integrated within the same app and including our own bot, which is a Roubot.

So, I think we as a company have built our stack which is now capable enough of handling payment along with the conversation chat as well, along with the bot. So, we are very much bullish, and we have seen the growth in our revenue in last quarter, and we have seen the same growth in this quarter also coming from WhatsApp Business messaging as well.

Moderator: Thank you. Next question is from the line of Parth Patel, a retail investor. Please go ahead.

Parth Patel: I just wanted to follow up on the question which was just asked around WhatsApp. As you see even Amazon today sends WhatsApp instead of SMS. So, just wanted to understand how, what kind of impact will it have on your margins as well as, you know, if and when globally the OTTs also shift to WhatsApp Business messaging instead of SMS? And what kind of efforts are we putting in to grow this side of business as well?

Rajdipkumar Gupta: So, Parth, our new product growth is 64% last quarter, right? And as far as Route Mobile is concerned, we are a platform company. Any customer coming to Route Mobile platform, they have an option to select the channel they want to communicate with, whether it's WhatsApp, RCS, email, voice or SMS, right. So, at the end of the day, we as a platform company going to provide them all the bouquet of services, let the customers select. We spend enough money to build the stack in-house. And now as a one single company which has every single channel of communication available in one platform, probably we are the only one in India who has the entire stack within one platform.

Parth Patel: And the last one, second question which is fairly simple. So, in terms of the EBITDA margin for the firewall deals, you know, with VI or even with other smaller MNOs, so what kind of EBITDA margin can we expect on the VI side which is a larger deal and also on with the smaller MNOs?

Rajdipkumar Gupta: Let the deal start, right. It's too early to comment, and all our firewall deals are always over 20% to 25% range. Some of them are even 30% to 40% also.

Moderator: Thank you. Next question is from the line of Suresh Kumar, an individual investor. Please go ahead.

Suresh Kumar: Quick question on the overall guidance, medium-term guidance. I have seen various interviews of Rajdip, and you spoke about a billion dollar revenues in two to three years. And in some interviews, you are talking about a combined revenue of \$2 billion between Telesign and us. So, just want to get an update from you on what is the guidance that we can expect over the medium-term two to three years?

Rajdipkumar Gupta: So, very much whatever guidance I have given during all my interviews, I stick with that guidance. We as an individual company level, we are definitely looking out to hit about a billion revenue in two to three year down the line. So, there is no change in terms of those guidance.

Suresh Kumar: That's great news. And one last again on the industry specific question. I mean, we are doing great, great momentum across various deals. What are the biggest risks for you as a company as well as an industry? Is there any risk that you foresee? How are we being prepared for it?

Rajdipkumar Gupta: I don't see the risk honestly because as a platform company, we have to innovate every single quarter and the month and as far as our product stack if you see, we are ready with almost all the changes required, market required in coming years down the line. And if the particular channel is getting shift from say SMS to WhatsApp or WhatsApp to RCS, probably, we have all the channels. So, the risk is only if you stop innovating, then there is a risk. We as a company, we keep on innovation, and I think we will keep on doing this on other channels also. For me, I think right now I don't see any immediate risk on overall business.

Moderator: Thank you. Next question is from the line of Ronak Chheda, Awriga Capital. Please go ahead.

Ronak Chheda: Rajdip, just one strategic question for you. When we listen to the commentary of your global CPaaS competition, right, most of these players have been calling out slowdown in the messaging side of the business or the communication, marketing side of the business. Post merger when you control the entire CPaaS business of the group and the targets which we have, just wanted to get your thoughts on how are we thinking to, you know, direct the business because developed market seems to be maturing? Just your thoughts just on a strategy point of view for the next five years.

Rajdipkumar Gupta: Ronak, it's a very good question, but if you see the most of the developed market tech giants based out of US, their market is going to be the emerging market, whether it's Facebook or Google, right. The potential growth for all these large tech giants are in emerging markets, and we as a company are already a champion of this market. We want to make sure that we empower Telesign to go and win more accounts or more destinations with their relationship with those tech giants in that market, and we as a company will support them for delivery and termination in this market. So, that is a synergy we see, and that is where we believe that both the company has their own strength in different market. So, one is champion of developed market, and another one is champion of emerging market. Combined, both the company can create a great value as one group.

Ronak Chheda: So, you don't see that as a challenge because we are where the entire business is going to be focused for the next three to five years from global CPaaS business point of view. That is what you are saying.

Rajdipkumar Gupta: Yes.

Moderator: Thank you. Next question is from the line of Sangram Kanadia, an individual investor. Please go ahead.

Sangram Kanadia: My first question is how will Proximus deal affect the upcoming revenues of earnings in positive or negative way? And the second question is will the shares be delisted after the Proximus deal? And will the key managerial personnel be changed after the signing of the deal?

Rajdipkumar Gupta: There is no plan of delisting the Route Mobile. And as I said, my responsibility for the overall group is going to more and I am going to lead the entire CPaaS business of both the companies.

Moderator: Thank you. Next question is from the line of Nikhil Choudhary from Nuvama. Please go ahead.

Nikhil Choudhary: Just one question on gross margin. The gross margin has declined on Q-o-Q basis and, you know, what basically make it more questionable is that happened despite of such a big increase in new product revenue which increased by 53% Q-o-Q. And we generally have much higher gross margin. So, if you can tell us what happened there?

So, our gross margin decreased by 20 basis point on Q-o-Q basis and that happened despite of new product revenue increasing by 53% Q-o-Q which has much higher gross margins.

Rajdipkumar Gupta: That's just a very small amount as compared to the 1,000 crores revenue, right?

Gautam Badalia: Yes. It is a function of various country mix, product mix. And I think the delta is so minuscule that I think the new products, their contribution is so small that it doesn't move the needle by much.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question for the day. I now hand the conference over to Mr. Rajdip Gupta for the closing comments.

Rajdipkumar Gupta: Thank you everyone and have a nice evening. Thanks a lot. Take care.

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