



Route Mobile Ltd
Q3 & 9MFY23 Earnings Conference Call
January 23rd, 2023

Management:

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

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Moderator: Good evening Ladies and Gentlemen. I'm, Tanvi, moderator for this conference. Welcome to the Conference call of Route Mobile Limited arranged by Concept Investor Relations to discuss its Q3 & 9MFY23 results. We have with us today Mr. Rajdipkumar Gupta, Managing Director & 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 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 no. 2 of the presentation for the detailed disclaimer. Please note this conference is being recorded. I now hand the conference over to Mr. RajdipKumar Gupta from Route Mobile Limited. Thank you and over to you Sir.

RajdipKumar Gupta: Thanks, Tanvi. Good evening everyone and wish you all a very happy New Year. I want to thank the entire RML team for delivering a staggering performance quarter after quarter. We have yet again exceeded our expectation in in the quarter gone by. It gives me great pride to highlight that we have surpassed our pre IPO FY2020 audited revenue of INR 9,563 million and adjusted PAT of INR 843 million in just this quarter of Q3 FY2023. By clocking our best quarterly revenue of INR 9,857 million and adjusted pad of INR 1,010 million, This is despite the recent COVID issues, the Russia - Ukraine war supply side issues and current headwinds in various market. Our focus approach, deep domain expertise, and most importantly, our modular approach of creating multiple levers of growth across multiple geographies have been the bedrock of our success. We continue to progress significant growth and quality deals wins all across the globe including India. Some of the key highlights since Q2 FY23, are as follows.

We won a couple of exclusive end to end deal with mobile network operators. RML is now exclusive partner for international A2P messaging for leading MNO in Sri Lanka as well as for Uganda Telecom Corporation in Uganda. While there is a lots of discussion about mobile network operators stepping into our domain, this deal will justify why Route mobile is an indispensable partner to the MNO. Further, there are various other unique opportunities with MNO that we are working on and I'm confident that there will be more such partnerships that we will announce in days to come. In terms of our geographical expansion, the Route mobile standing is present in GCC region with entry to the Kingdom of Saudi Arabia with CITIC license.



When we formed a step down subsidiary in Mexico as a part of our LATAM expansion strategy and step down subsidiary in UK to focus on mobile identity and other products.

Route mobile has awarded the best governed company enlisting segment emerging category at 22nd ICSI National Award for excellence in corporate governance. Enterprise are increasing their adoption of new products and we continue to witness strong momentum. The worldwide growth of digital transactions carries a substantial increase in digital fraud, which presents a critical challenge for all these stakeholders. To address this issue, we are launching a mobile identity management products that will help enterprise to gain actionable insights and curb digital fraud and provide a simple at more practical solutions such as password less authentication. Our solution is already live in Colombia and Peru and is being used by Marquee Enterprise, including bank.

For our e-mail business we have upgraded our e-mail infrastructure which was delayed but due to the hardware supply challenges this new setup will enable us. To build large enterprises for e-mail businesses that includes bank, we are indeed very optimistic about our e-mail. Our senior management team has been doing a fantastic job during Route mobiles, superlative performance across multiple geographies. Accelerate our next phase of growth and profitability to maintain our razor sharp focus. There will be some realignment at the senior management level, including hiring a few seasoned industry professionals to drive dedicated SBU. We shall make relevant disclosures concerning these at the appropriate time. Last but not the least, the board has decided to meet on January 26 to discuss the proposed interim dividend considering the superlative performance of the company in Q3 FY23 with this Gautam will walk you through our financial highlights in more details. Thank you. Over to you Gautam

Gautam Badalia:

Thank you, thank you Rajdip. Good evening everyone wishing all a very happy New Year 2023. We've already uploaded our quarterly earnings presentation on our website. As well as on the Stock Exchange websites. Hope you had a chance to go through the presentation. I'll quickly summarize our financial and operating performance during Q3 FY23 and nine months FY23, before opening the floor for Q&A. At the backdrop of our best quarterly performance till date, we have indeed demonstrated that we are one of the largest CPaaS companies and one of the most diversified players in the emerging markets, if not the largest.

Further, the undercurrents in the business continues to be very robust despite the recessionary headwinds. We will definitely surpass our FY23 revenue guidance of 60% by a margin. The key takeaways from our financial performance in Q3 FY23 is the superlative growth we demonstrated YOY Revenue growth of 75% and QOQ revenue growth of 17% with focus on improving profitability. We have done fairly well on both counts as highlighted in slide 18 of the presentation. In fact, as Rajdip highlighted, we have surpassed our pre IPO FY20 revenue and adjusted PAT in a single quarter that is Q3 FY23. In volume terms we processed 27.7 billion transactions, which is the highest quarterly billable volumes processed by us till date.

In terms of geography, India continues to be our largest market by termination accounting for over 45% of our revenue by termination. You may refer to slide 6 and we are on track to surpass our guidance of U.S. dollar \$175 million revenue from India in FY23. We continue to witness very strong momentum on the next generation products across multiple geographies. We have demonstrated YOY growth, I mean for the new products of 53% and QOQ growth of 19%. You may refer to slide. 19 of the presentation. With respect to certain one off cost bad debt amounting to INR 58.4 million were written off in Q3 FY23. It relates to Mr. Messaging's pre acquisition period. The same amounts will be adjusted while computing the EBITDA for Mr. Messaging for the purposes of calculating the deferred payouts for the shareholders of Mr. Messaging. There was also a reversal of ESOP of expense to the tune of INR 82.5 million owing to resignation of some employees.

With this backdrop, let me walk you through the financial performance. In terms of Q3, FY23 performance revenue from operations grew by 75% from INR 5,628 million in Q3 FY22 to INR 9,857 million in Q3 FY23. There was a sequential growth of 16%, rounded up to 17%. Route mobiles, organic revenue growth excluding revenue from entities acquired during FY22 was 34% on a YOY basis and 17.2% on a sequential basis. Billable transactions increased from 16.3 billion in Q3 FY22 and 26.9 billion in Q2 FY23, to 27.7 billion in Q3 FY23. Average realization per billable transactions increased from 31 paisa in Q2 FY23 to 36 paisa in Q3 FY23. Gross profit margin expanded from 21.1% in Q3 FY22 and 22.3% in Q2 FY23 to 22.4% in Q3 FY23. Adjusted EBITDA grew by 66% yoy. EBITDA grew by 17% sequentially from 1,094 million in Q2 FY23 to 1,283 million in Q3 FY23. EBITDA margin was 13% in Q3 FY23 as compared to 12.9% in Q2 FY23. The effective tax rate for the quarter was 17%. Adjusted Profit after tax grew 63% on a YOY basis and 10% on a sequential basis. Adjusted tax margin was at 10.2%.

For nine months FY23 revenue from operations grew by 86% from INR 13,760 million in nine months FY22 to INR 25,606 million in nine months FY23. In terms of certain KPIs for nine months, Route mobiles organic revenue growth excluding revenue from entities acquired during FY22 was 36% on a YOY basis.

Billable transactions increased from 34 billion to 79 billion from nine months FY22 to nine months FY 23. Average realization per billable transaction was 32 paisa for nine month FY23. We had a net revenue retention of 125%. You may refer to slide 16 of the earnings presentation. We added over 700 new customers in the nine months FY 23 across all products. Gross profit margin expanded from 20.9% in nine months FY22 to 22.4% in nine months FY23. EBITDA grew by 72% from INR 1,879 million in nine months FY22 to INR 3,237 million in nine months FY23. In terms of operating leverage, EBITDA as a percentage of gross profits stood at 57%.

EBITDA margin was at 12.6% in nine months for 9MFY23. Effective tax rate was 12.3% for 9MFY23. Adjusted profit per tax grew by 93% from INR 1,450 million in 9MFY22 to INR 2,803 million in 9MFY23. There was an improvement in adjusted profit margin to 10.9% in 9M23. We

on boarded 66 new employees during Q3 FY23 and 61 employees left during the year. Net cash as on December 31st 2022 was INR 7482 million. Operating cash flows for three months FY23 (erred as nine months FY23 during the call) was marginally negative owing to some strategic business initiatives towards large firewall contract and discharge of a prior GST liability under reverse charge mechanism. We believe the EBITDA to OCF conversion will start to trend 50% and above from Q1FY24 onwards. With this we open the floors for Q&A. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhishek Bhandari from Nomura. Please go ahead.

Abhishek Bhandari:

So I just wanted to get your views on the growth outlook for the industry in medium term as well as the competitive intensity as some of your peers have been reporting fairly weakish revenue growth. Though the volume growth is still on the 15% to 20% range, so maybe around the pricing are you seeing a stabilization and also what do you think could be a medium term growth outlook? And also to that what do you think is the competitive part, especially from some of your peers in the CPaaS itself like video as well as the telecom companies who are trying to enter into this space.

RajdipKumar Gupta:

I think first of all I just want to verify again our entire growth is not just coming from 1 market. Our growth is coming from various different market and I think on a competitive side. I think there are four or five large CPaaS there all across the globe and we are one of the top Tier 1 aggregators as per the Rooco report. I think our growth is coming from Latin America, Europe, Asia and other markets and Middle East as well. So, for me I think competition is definitely there in global market also, but we are fairly balanced in Africa, Latam and Asia and Middle East and I think almost all the top aggregator of the world they use our connectivity in this market and that is the reason we can see there is a huge growth at quarter on quarter from last seven quarters which we have reported. Gautam if you want to add this to this?

Gautam Badalia:

Yeah, sure, so from a growth perspective I think I mean the good thing is the organic revenue growth, we've surpassed the portfolio growth rate, that speaks volumes about our execution and from the robustness of the business at this point in time from I mean the month, till date, the revenue run rate that you're clocking. I mean we have not been kind of witnessing any slowdown whatsoever, and even for next year we have good amount of visibility in terms of deals that we have won the new volumes that will start to kind of kick. And as Rajdip highlighted, we have multiple engines of growth, multiple levers of growth across multiple geographies. We're very bullish about LATAM and we believe the LATAM growth trajectory will be very strong in days to come and very investing in the right markets over there. From a GCC standpoint we've kind of now deeply entrenched into a lot of adjoining markets besides UAE, and we believe a lot of growth will start to come from some of those markets like Saudi, Kuwait. India, we definitely as we've always been highlighting that we have been late in terms of our India domestic entry strategy. But now we are kind of making our presence felt and definitely taking a lot of market share from competition.

RajdipKumar Gupta: Just to add Abhishek. I think firewall product at the kind of deployment we are doing right now with various operators. There's one slide also showing that I think that particular division is doing really good and we are in talks with multiple operators as we speak, and very soon we will announce some more exclusive partnership.

Abhishek Bhandari: Got it, Sir, thank you and Sir, you mentioned at the start some kind of leadership changes with new growth plan. If you could elaborate a bit more. I don't want specific names or something, but what is the use of structure you're thinking about? Or is there any different go to market. You will be thinking about from a new growth paradigm. Because it looks like the growth is now more focused on outside India, so maybe you could elaborate on that.

RajdipKumar Gupta: So Route mobile is always I just mentioned right India is just one of market for us. We operate from 22 markets and every market where we have been operating and we see a very solid growth over there in terms of the leadership change, I think we're hiring some top management, especially to take care of our mobile identity division. We are launching a product in Barcelona probably, which will be a very unique solutions to mitigate the risk of digital fraud, and that is exactly what I think most of the Fintech company, most of the banks are facing right now. So probably you can say by launching their first fintech solution in the month of February. And to lead that, we are definitely hiring somebody from industry who has multiple years of experience to lead this product.

Moderator: Thank you, the next question is from the line of Manik Taneja from Axis Capital. Please go ahead. We have lost the connection for Mr. Manik Taneja. We'll move to the next question from the line of Mohit Motwani from Nuvama. Please go ahead.

Mohit Motwani: I wanted to ask a couple of questions, so first question was around the volumes which was flattish, quarter and quarter. So there would have been some impact on some of the geographies. So do you want to call out any geographies where there were some more impact in the other geographies in terms of volumes?

RajdipKumar Gupta: I think you need to also understand. Let me just give you a small example. One single international SMS terminating in Bangladesh being charged 12 cent and same in Pakistan 14 cents. Where when you talk about India ILDO messages is 4 cent. So I think it's a combination of geography mix like each month we have a higher traffic and what price, so one should not look at my numbers without this volume. Based on the realization per transaction, as we speak. I think we are working very closely with another Sri Lankan operator where each SMS is going to be around 10 cent.

Mohit Motwani: Sure, that's helpful. And can you add to what just Ashish said, right?

Gautam Badalia: So I mean, just to kind of give you a sense on volume side, so I mean, we'll also need to account for I mean Diwali while Diwali was in early October, but a lot of the promotional spend,

including some of the sale by large e-commerce companies happened in Q2, which traditionally happens in Q3, so to that extent I mean if you were to normalize it. I mean there was volume growth that was there and there was also a large ILD price increase that had happened in Q2 and some of that volume also had kind of shrunk because of I mean whatever was non-critical had shrunk going to that but I think the large impact was because of Diwali being in early October and hence a lot of volumes were there in Q2 which needs to be normalized.

Mohit Motwani: That's helpful, can you provide us the revenue for Masivian and Mr. Messaging for the quarter?

RajdipKumar Gupta: So for Masivian the revenue was about 601 million in INR terms and for Mr. Messaging it was 2,031 million in INR terms.

Mohit Motwani: Sure, thank you, and for messaging, considering I understand that Massivian one of the strongest quarters with Q4 of the calendar year. So how was the year on year performance that?

Gautam Badalia: So on a year on year basis, I think we are looking at over a 20% growth.

Mohit Motwani: OK, and just the last one from my side. Can you give us some color on the contribution of WhatsApp in the new your new product revenue? Not maybe a specific number, but some color on the contribution from WhatsApp.

Gautam Badalia: We do report our new products revenue and it is a mix of I mean not only WhatsApp, Viber various other new products. So I mean we don't call out in each of these products separately.

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

Dipesh Mehta: Thanks for the opportunity couple of questions. First about the some of the industries which we report. If one do calculation. BFSI seems to be showing some muteness on quarter on quarter revenue perspective, so if you can provide some sense about industry specific commentary about how you see demand trend. And obviously, growth is materially moderated in BFSI compared to your YOY trend in H1 compared to Q3, what we see. So if you can give some sense. Second question is about the exclusive arrangement or deal which we announced for SMS firewall solution with Sri Lanka telco. Whether the gross margin would be very different than our enterprise business, where we get roughly around 20% gross margin considering it is firewall deal. Or it could be largely operating like enterprise business. If you can give some sense on it. And last question is about cash generation. I think partly earlier Gautam alluded at about weak cash generation. I am not clear about the negative or muted cash generation which he said is for Q3 or for nine months. If you can clarify and how you expect it to play out for next few quarters, thanks.

- RajdipKumar Gupta:** So I'll address the second question about the firewall. I think most of the firewall solutions are like SaaS solution and then we became a gateway for those operators. It's about 30% to 35% margin. It is definitely a much higher than the traditional margin.
- Gautam Badalia:** So Dipesh your query around the cash flows in my commentary it was for Q3 FY23 (erred as 9MFY 23 during the call) and this year essentially Q3 and Q4 will have some degree of impact because of the strategic business initiative for a couple of firewall deals. But from FY24 onwards it will result in high free cash conversion. So just wanted to kind of update you about it coming to your query, your first query was around the BFSI right.
- Dipesh Mehta:** Right the volume, so BFSI revenue growth seems to be muted if I do the way you give nine months cumulative number.
- RajdipKumar Gupta:** So I think Gautam we need to just make it clear we didn't see any kind of growth in the BFSI, like volume Gautam, if you can just answer.
- Gautam Badalia:** So I think in terms of financial services you are right. If you're comparing this with. So Dipesh if you can just help me understand are you comparing it on quarter on quarter basis or on YoY basis?
- Dipesh Mehta:** So I'm comparing both way QoQ. It is muted so flat and YOY also if I look your H1 growth and now Q3 YOY growth H1, your growth used to be 75 percentage plus. Almost 80% is close kind of number. Now it is less than half of it, so I just want to get some sense.
- Gautam Badalia:** Yeah, so as I said, I think some degree of this growth was also attributable to Diwali being early in the previous month. And we serve a lot of critical traffic from our perspective, so we are not seeing significant drop. I think in terms of the transactional messages from BFSI stand point.
- RajdipKumar Gupta:** So I think we need to also understand when we onboard a new customer all of a sudden that volume will be added for that particular quarter, but after that that volume will be become a stable for the next quarter or next month. So there were certain banks we have added in last few quarters. Those volume has been added to last year, maybe last quarter so, but the same volume is going to be continue with this quarter also, but there won't be that kind of a jump which has been in the previous quarter.
- Dipesh Mehta:** So broadly, you're not seeing any demand pattern change across industries because your retail. If I look at it, retail is showing significant weakness even on telecom and allied services. The way we report is showing some different trend compared to let's say earlier trend. So but broadly you are indicating we are not seeing any pocket of weakness, particularly on industry side. Ecom also showing if you one look at QOQ. It is double digit down even YOY it is down now. So I just want to get that sense key across industries anything which you want to highlight.

- RajdipKumar Gupta:** I don't see any, We always believe that we see lots of digital adoption happening all across the globe in all the market where we operate and we operate maximum in emerging markets where we see the littler adoption ratio is increasing day by day and we believe that this transaction is going to increase multifold in coming days. And we are very bullish about our growth in the coming days. Yes, based on certain the firewall deal, we may send just 10 million traffic and we make \$1 million revenue. So instead of sending 100 million and making \$1 million revenue, so it all depends on market mix. Also we need to consider that way.
- Gautam Badalia:** So Dipesh we also process a lot of ILD traffic. I mean when it comes to financial services as well and because of the price increase as I said the non-critical components of the communication, I mean that definitely had impact because the price increase was significant. So it's not only related to domestic NLD traffic. It's a mix of NLD and ILD. And on ILD front definitely there was some volume dip which had happened and that's largely because of the price increase.
- Dipesh Mehta:** Last question in other industries, any industries which is doing exceptionally well for us. If you can call it out.
- Gautam Badalia:** So we have that already laid out in the presentation, so digital native continues to be strong and we are kind of deepening our wallet share with most of these digital native companies.
- Dipesh Mehta:** Gautam, I'm referring to the industries which you highlighted the six industries outside of those industries is doing very well, so if you can try prefer to highlight anything which is doing well. Outer side of 6 industries you put in presentation.
- Gautam Badalia:** No, no. So as I said, digital native industry, I mean that that continues to be as robust. I mean, even at other size and scale that we're talking about.
- RajdipKumar Gupta:** So Dipesh just let me give you a perspective out here, like to ask you a question as I said if I'm serving Google for India, I'm not serving Google just for one country. I have a potential for serving Google for more than 100 country. If I onboard one single OTT player as a customer, it is very simple for us to just provide a connectivity for the global market. OK, so OTT player and digital native customers when they onboarded on our platform we are serving from multiple countries and that is the growth we see from last few quarters.
- Moderator:** Thank you, the next question is from the line of Manik Taneja from Axis Capital. Please go ahead.
- Manik Taneja:** I had a few questions. First of all, with regards to the CFO to EBITDA conversion that Gautam alluded to at the start of his opening remarks. What you've seen is that our cash flow conversion has suffered materially over the course of last three years and so essentially, how should we be thinking about cash flow going forward? Is there a structural reset in terms of the cash flow profile? That's question no 1. The second question was with regards to the

competitive intensity. In the last six months we've seen Telecom service provider becoming much more aggressive, especially when it came to some of the one of the large contracts. So what are you seeing on the ground now? And the third question was with regards to any potential price increase, either on the NLD or the ILD side. Over the last couple of years we've seen ILD pricing go up. In the past you were added to even seeing a similar phenomena happen on the left side. If you could help us understand what are you seeing on the ground, thank you.

Gautam Badalia:

So Manik just to kind of give you a perspective in terms of the cash conversion. So over the last three years, we've seen structural changes in the industry. So in the midst of COVID, all the traditional regional companies, the business, was massively impacted and it was only the digital savvy businesses which continued to thrive. And for all these large digital technology companies our receivable cycle happens to be well within 30 days. I mean so 30 days is the credit period. When the economy started to open up and all the regional traditional companies started to kind of come back to normalcy. That's when the working capital cycle started to prolong a little bit because most of these regional companies are payment cycles are a little longer than most of the other digital native companies or large technology giant companies. So that actually led to some amount of free cash getting stuck in terms of increased receivables as we are kind of inching now towards a more stable environment where the change in the working capital will get normalized as we move forward, it will lead to higher cash conversion going forward, but the only caveat in this is this quarter and the next quarter we have two large strategic business initiative deals from a firewall standpoint which may warrant some working capital getting stuck. But from the FY24 onwards, the cash conversion will be far higher and should that will trend towards northwards of 50% from a conversion standpoint.

RajdipKumar Gupta:

Sure, so from your question of competitive like the landscape. As I said for me we compete in the global market and I think opportunity for me is very high when we talk about emerging market or developed market. I think we are operating and we are serving customers. The markets, so there are very few people. Few companies who are in this space where you can say top five CPaaS player probably there and I think we are a champion of emerging country and as I said most of this CPaaS players they use Route Mobile as the connectivity partner and we see also, growth coming from them to Route mobile so I don't see there is any change in on because it's more about the partnership model. We work with them rather than competing with them. Yeah, but there are certain market certain domestic players where we go. We do compete with them in certain markets. According to me, I think we are fairly well placed and we don't see much of competition in global market or the market where we operate.

Manik Taneja:

So my question was more around the domestic market because over there we had seen one of the large operator get aggressive with one of the PSU.

RajdipKumar Gupta:

No, in my first address I've already clearly mentioned that we work very closely with operators, and one operator coming and trying to disrupt the market is not going to work at all. It's a very large market and I think India's digital adoption and transactions are increasing day by day.

There is a huge market and there's a. Market for everyone. We will treat them as a competition and the competition. If there are 10 competition in Indian market, we will take them as a 11th one, but the question is again, you should have a DNA of CPaaS player to serve the customer. Onboarding a banking customer takes almost 6 to 8 months and that is something the DNA which we have built in or some of the CPaaS player has built over 7-8 years or 10 years kind of thing for them somebody like to have a multiple backup connectivity is also required. There are so many things required in your platform to serve a large banking customer, and I think probably they can win one or two banks or customer. But going and serving 'n' number of customers on that scale is impossible for them honestly, but again, if there is a competition, we are happy to compete with them. And I don't think they are going to sustain with those pricing even they go and close multiple deals.

Moderator: Thank you, the next question is from the line of Moez Chandani from Centrum Broking, please go ahead.

Moez Chandani: My first question was on the revenue per transaction that's gone up significantly this quarter, so is there anything specific driving that? Or is it just because of a geographical mix change that's happened this quarter?

Gautam Badalia: Yeah, it's high, so it is largely due to the geographical mix, so rest of the world we've seen significant increase and ILD price was also increased for the Indian markets.

Moez Chandani: OK, sure understood and also secondly, on your ESOP program. So I understood that there was some reversal of charges this time around, but with your new employees coming in, do you expect higher than expected costs in your ESOP program going forward? Or do you think that the current levels would sustain?

Gautam Badalia: So in terms of the ESOP cost, yeah, so I think I already kind of given that there were some rollbacks and whenever a new employees will join, ESOP's will definitely be an employee engagement program, from our perspective. It is there to attract good employees so it will be there but the scale and proportion of that may not be as high as what it was last year.

Moez Chandani: And lastly, on your cash flow, operating cash flow. So I understand that from FY 24 you will be at 50% plus operating cash flow, but could you give some indication of what your OCF to EBITDA number will be for FY23? What sort of OCF to EBITDA percentage are we looking at? You know at the end of this year?

Gautam Badalia: The endeavor will definitely be to kind of inch closer to 50%.

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

- Amit Chandra:** So my question is on the partnerships that we have announced. So in terms of the two partnerships and the network firewall partnership that we have announced, So what is the timelines in terms of revenue that we can expect and what is the revenue potential from these partnership and deals, and also in terms of the acquisitions that we have done. If you can provide some more color in terms of the performance of these individual entities. So how they have been performing?
- RajdipKumar Gupta:** So revenue from this partnership will take about 10 weeks to deploy the entire firewall for this Srilankan operator, and we're looking forward to have this revenue to be part of our overall performance from April onwards.
- Amit Chandra:** OK, and the earlier announcements that we made regarding the Uganda Telecom and the firewall deal there.
- RajdipKumar Gupta:** So Uganda is already live and we already serving them now. So I think that is live.
- Amit Chandra:** OK, and on the acquisition search, so if you can provide some color on how the individual acquisitions are doing.
- Gautam Badalia:** So I think good thing is both Masivian and Mr. Messaging are doing really well. When we onboarded Mr. messaging it was at a run rate of €5.5 million a month. I mean that has already trended up to almost €7.2-€7.3 million. In fact in December they've even outperformed that. But December being kind of a seasonal month. So we fairly confident that I think that's already the business is already tending at €7.2-€7.4 million a month. And in terms of Masivian, I think we've done few investments last year in terms of expanding the teams and even from a product line expansion standpoint we were looking at creating a new product out of that team in partnership with the Indian technology folks. So at this point in time, I think we see Masivian continues to kind of drive almost a 20% growth rate and won a large \$5 million deal which is a multi-geography deal and that was courtesy Our presence across multiple geographies so that is on their revenue scale on a significant contributor, and we're reasonably confident. Masvian this year also I mean in FY 24. Also, we'll be able to kind of clock growth rates northwards of 20%.
- Amit Chandra:** OK, and in terms of the acquisition strategy, since we have been aggressive on the acquisition side. So how do we see in terms of deployment of the cash that we're having? So are we planning somewhere acquisitions in some strategic areas or we are planning to grow the business alternately from Europe.
- RajdipKumar Gupta:** Like as I said that we are launching few product very soon and I think this is in house built and probably in terms of acquisition we're not looking out to acquire any large companies or invest heavily on that side. Right now we are focusing more on how to integrate and create upsell and cross sell opportunity within all the companies we acquired and that is our focus for next few

quarters and I think we want to make sure all the integration and possible opportunity to be created well and which we have seen a very good traction between all this company where we started using each other's product fairly well. As I said, the mobile identity product which we are launching is a brainchild of Masivian and we both team from Bangalore, the Route Lab and the team from Colombia are working together to build this product which is a very unique product and probably a product for the fintech market, to be launched in India very soon.

Amit Chandra:

Ok so I have one last question so we have seen that there has been multiple price hikes on the ILD side. OK, So what is the thought process behind this massive price hikes by telcos? And is it indication of the fall in volumes, so they are increasing the prices to offset the fall in volumes that we are seeing.

RajdipKumar Gupta:

So Amit, I think if you see global market I think that's a trend going on all across the globe. Now any international OTT brands committing all across the globe are paying higher price. And that is a very common trend. And India is still a very low price as if you say four cents as compared to 12 cents or 13 cents in Bangladesh or Pakistan. But I think yes, it's a completely, prerogative of operator to decide, for us it's just a pass through. And operators really need to think logically before they increased pricing, because if they really want to increase price, they may lose some traffic. But I don't think operators are going to increase price in India for next at least for few years, one year for sure because they have seen certain degrowth in traffic, which somehow there are little bit careful. This is my understanding. I might be wrong also. But on the domestic side, there are some discussion people are talking about to increase pricing. I have no idea. We have not got any update from operator as we speak and probably I don't think because enterprises are definitely spending a lot of money on this kind of communication and probably increasing price at this point of time won't work for operators, so I don't think there's any price going to happen in next one year for sure. But I might be wrong also. Even if it happened. For me it is just a pass through.

Moderator:

Thank you. The next question is from the line of Ashish Chopra from Goldman Sachs Asset Management. Please go ahead.

Ashish Chopra:

My first question was actually on the cost side. If you could just explain the cost below the purchase of SMSs. I think the employee costs this quarter went up from INR 39 crores to INR 47 crores. While there hasn't been any material change in the total number of employees, and even the other operating expenses, which even after excluding that provision of six crores, I think that's gone up from INR 38-39 crores to the similar number of INR 46-47 crores as well, if you could just clarify that jump in these two expenses.

Gautam Badalia:

Sure, so essentially the employee benefit costs, so I think in this financial release the ESOP expenses was clubbed with the employee benefit expense and hence that cost is seemingly higher. Earlier it was a separate line item. Hope that clarifies or you have something specific on that.

- Ashish Chopra:** I was actually talking about the employee expenses excluding the ESOP charges, which could have been INR 39 crores last quarter and is INR 47 crores this quarter.
- Gautam Badalia:** So if you adjust the ESOP cost. I think the ESOP cost has not been adjusted. So if you adjust the ESOP cost for both the periods, the cost has actually reduced.
- Ashish Chopra:** OK, could you just share the employee expenses excluding the ESOP charges?
- Gautam Badalia:** We can share it with you and your second query was on other expenses, so other expenses if you adjust for the bad debts with respect to Mr. Messaging, there was increase in the data center cost because of the increase of our global scale of operations plus there were some employees where there was a commission structure, so there was increase in commission with respect to the performance of some of the employees.
- Ashish Chopra:** OK, so would the second element be the non-recurring one among the two and the data center costs continue going forward would that be the right way of looking there.
- Gautam Badalia:** Data Center cost will continue going forward and the other one will kind of be a function of performance.
- Ashish Chopra:** OK, and the other question I had was. So I think in terms of seasonality. How should we think about transitioning from Q3 to Q4 we've seen last time around when there was a sharp drop and that was on the back of maybe most of your businesses? Especially the overseas ones having a fairly strong finish to the calendar year, but is there a certain kind of defensible level of volumes below which you don't expect it to decline in the fourth quarter? Particularly also considering the fact that the seasonality in the domestic side at least has been a little bit more muted this time around, since some part of it already came in Q2.
- Gautam Badalia:** Ashish if I can understand your query directly, are you kind of looking at what is the Q4 expected sort of a run rate.
- Ashish Chopra:** Yeah, just in terms of if I were to compare the Q4 for this year versus the last year, I wanted to understand should the seasonality be lesser of a factor considering that we've already not seen as stronger seasonality in December quarter this time around in terms of volumes growth as you mentioned that some part of it had come in Q2 itself.
- Gautam Badalia:** That's correct, but having said that, so Q4 will be slightly muted than Q3. And that has actually been the trend historically as well. If you look at the Q4. Had one month of I think Mr. Messaging's revenue if you adjust for that it was slightly muted to Q3 so it will continue to be a little muted and there was a specific operator deal that we had for that quarter for the last quarter, which was about 5-7 million Dollars and that contract is due for bidding this month,

this quarter, rather so adjusted for that it will be slightly muted, but I mean from a full year perspective the guidance will be northwards of 70%.

Ashish Chopra: OK understood, that's helpful and in terms of just the attrition number. So I think you mentioned around 61 employees leaving and 65 joining the organization this quarter. So which I guess on your base is almost like 8.5%-9% for the quarter, or on an annualized basis, more like 35%-36%. Is that normal? I mean is that par for the course with respect to the business or much higher that something that is much higher than your comfort levels? Where should we think the comfort levels on attrition to be for your company?

Gautam Badalia: So it is a mix of two things. It is definitely mid-sized IT companies. I mean they're also witnessing same kind of attrition trajectory. But in our case there was a certain other aspects. So Masivian, we were kind of looking at building a lot of this product side so they have taken it to a level at the end at a point in time. We realize that we have to bring that and globalize it from a global launch of that product. So that's where we had some amount of attrition at Masivian and then we were able to kind of add it to Bangalore, the Center of Excellence. So the intent was to kind of create a team and create a kind of working technology relationship between Masivian and the India team so that we could kind of look at launching the product at a global scale. So a lot of Masivian's product stack is likely in Spanish and the intent is when we're looking at launching it across various markets, the intent is to kind of globalize it and have it more in terms of English. So that's where we've kind of done a little bit of chop and change between the two entities, so that's also a large part of this increase, and then we were higher with high things here.

Ashish Chopra: Understood thanks and one last bookkeeping one for me. Could you share the operating cash flow number for the third quarter?

Gautam Badalia: For the nine months it's about six crore positive.

Ashish Chopra: OK and you mentioned that this may soften up in the fourth quarter with given the firewall products.

Gautam Badalia: That's correct.

Moderator: Thank you, the next question is from the Line of Mohan Kumar individual investor. Please go ahead.

Mohan Kumar: Most of my questions have been answered, but if I may ask something a little out-of-the-box. So when you're speaking to other funds around you, what is the biggest pushback you're getting with respect to what investors want to see or what the funds want to see with respect to company performance. Because if I look at last year quarters, the companies consistently performed really well when it comes to whether it's the top line or bottom line. But the stocks

not done that great, so I'm just trying to understand if there is something that you're hearing from investors that probably is facing a few flags here or there.

RajdipKumar Gupta:

I think it's a two way to answer. I think Gautam let me answer it and then probably you can answer. So honestly, we really have great support from our investors and I think we are getting the support in terms of their inputs on different products which we want. We always discuss with them also but I think how the market is behaving is something Gautam can answer your question. But definitely we want to focus more on developing new products and we have the capability and the team now and our focus is definitely going to be build something in house. And for a global market, which is exactly what we're building right now, and most of the investors they always try to see the new things to build, which we are doing. And definitely they want to grow. They want to see the growth from where we are going to which market we're going to focus on, and how we're going to define the strategy for those market and what is our growth plan for those markets. And these are the few things which we keep on talking with them, and we're getting great support from all our investors as of now.

Gautam Badalia:

Thanks for asking this query. Honestly speaking, we've been really, really happy with the way we've been performing not only in last three quarters, but since IPO and even before IPO, I mean we were doing really exceptionally well and we continue to take that path honestly. It's more than micro it's got more to do with macro. There are challenges in terms of what's happening globally in terms of the tech space there are some funds where there are write downs because of their tech exposure and other things. So that's leading to some amount of realignment in terms of their portfolio. So some of these things have definitely been impacted them in terms of little bit of supply and other things, but hopefully with things kind of moving from a macro standpoint towards normalcy, we should definitely start to get rewarded in terms of the way we have been performing our aspiration is to kind of reach a billion dollar revenue, and we're working in that path at this point in time. And from our run rate perspective also we should be very close to half a billion dollar run rate by next year and we're also kind of now contemplating few other strategic moves which will help us accelerate our journey to a billion dollar revenue and with fingers crossed hopefully the street should start rewarding in our performance.

Moderator:

Thank you. We'll move to the next question, which is from the line of Swapnil Potdukhe from JM Financial Limited. Please go ahead.

Swapnil Potdukhe:

So my question is regarding the new product sales. So if I see your numbers for the last three quarters, the growth rates have come down significantly. If I were to compare that with the last year. Now the question is like despite this low base of revenue, why aren't we been able to increase that growth run rate. I mean we are at 19% previous quarter we were 8%. Is there a possibility we can see some improvement going ahead here.

- RajdipKumar Gupta:** Definitely yes Swapnil we do have an internal target for our sales people to focus more on the product in global market. We are onboarding customer on WhatsApp not only in India. in Indonesia, in Middle East and in Africa also. So in coming quarters we will see the impact of growth in all these new products. Including the some of the products we are building.
- Swapnil Potdukhe:** Can we expect that to go beyond this 15%-20% that we're going right now?
- RajdipKumar Gupta:** Definitely yes.
- Gautam Badalia:** In fact, just to add to Rajdip's point, the modus operandi for us going forward is to create strategic business units and the UK entity that we've formed. The intent will be for various other such new products to create dedicated teams to drive the core business and we believe I think in days to come, the growth rates will only accelerate at the beginning of last year we had guided almost doubling our revenue from \$10 million of revenue. We are on track to achieve it. And now with this e-mail I'm in the platform upgrade. The e-mail trajectory also should start to kind of show good traction.
- Swapnil Potdukhe:** OK and second question is with the gross margins. Now, given the new deal wins and expansion in some of the geographies increase in ILD messaging how should we start looking at your gross margins in the near term?
- RajdipKumar Gupta:** So see I keep on telling you all my previous call also that we are definitely looking out to add new product revenue to our portfolio and in coming days we have the aspiration to increase our GP from 25% to 30% and we are working towards that in coming quarters. We will definitely try to achieve those numbers. We are in very early stage and if I say the Omni channel adoption or this new channel of communication adoption ratio is very slow. And the way it is growing, and I think we are onboarding multiple customer every single quarter on different product and we do see a lot of traction happening on it and we do have internal targets for ourselves that to how to increase our GP in coming quarters on the line and we are working towards that and we will definitely see increase in GP in coming quarters.
- Swapnil Potdukhe:** Will it be possible to quantify in some sense?
- RajdipKumar Gupta:** You need to also understand we are working in different geographies. We work in Africa geography, which are definitely very low, in terms GP, but if you go to Latin America that is more than 35% GP. We work in certain market GP is almost say 14%- 15%. So we are not just based on one country and one set of customers where you can actually give a guidance for a GP. What we're trying to say out here is like we're definitely working on the product mix. So which will increase our GP in the coming quarters on the line?
- Swapnil Potdukhe:** OK, sure, and just one last follow-up question. How should we think about the organic growth trends? If I were to exclude your firewall deals there have been some of these sectors or

competitors who have started calling out our recessionary pressures. So in that sense, would we be able to continue to grow at around 30% that we have been growing right now or we should start looking at some differing of it.

RajdipKumar Gupta: So if you go through last five years, we always grew by 30% and we will try to grow at that rate. And again, the question is the product mix or other things and I think organically if you see there is a growth also which Gautam has already mentioned and we are still doing some of the integration with some of the large Indian banks, which is happening as we speak. Probably that traffic may come this quarter or next quarter. Probably we see growth on those as well.

Moderator: Thank you. That was the last question for today. I now had the conference over to Mr. RajdipKumar Gupta for closing comments.

RajdipKumar Gupta: Just want to say thank you everyone. Thanks for your time and have a very good evening take care, thank you.

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