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Ref No: RML/2020-21/85

Date: May 24, 2021

To,

BSE Limited	**National Stock Exchange of India Limited**
Scrip Code: 543228	**NSE Symbol: ROUTE**

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q4 FY21

We are enclosing herewith copy of the transcript of the Company's Q4 FY21 earnings conference call dated May 18, 2021. The transcript is also available on the Company's website i.e. www.routemobile.com under the Investors section.

You are requested to take the above information on record.

Thanking you,
Yours faithfully,
For Route Mobile Limited

RATHINDRA DAS
Digitally signed by RATHINDRA DAS
Date: 2021.05.24 16:28:05 +05'30'

Rathindra Das
Head Legal, Company Secretary & Compliance Officer

Encl: as above

"Route Mobile Limited Q4 FY-21 Earnings Conference Call"

May 18, 2021

MANAGEMENT:	**MR. RAJDIP GUPTA – MANAGING DIRECTOR AND GROUP CEO, ROUTE MOBILE LIMITED**
	MR. GAUTAM BADALIA – CHIEF STRATEGY OFFICER, ROUTE MOBILE LIMITED
	MR. SURESH JANKAR – CHIEF FINANCIAL OFFICER, ROUTE MOBILE LIMITED
	MR. JOHN OWEN – CEO, EUROPE AND AMERICA, ROUTE MOBILE LIMITED
	MR. MILIND PATHAK – CHIEF BUSINESS OFFICER, ROUTE MOBILE LIMITED
MODERATOR:	**MR. HARDIK SANGANI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Route Mobile Limited Q4 FY21 earnings conference call hosted by ICICI Securities Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hardik Sangani from ICICI Securities. Thank you and over to you sir.

Hardik Sangani: Thank you, Neerav. Good evening everyone. I would like to welcome everyone to Route Mobile Q4 FY21 earnings conference call. I would like to thank the management of Route Mobile to give us the opportunity for hosting their Q4 earnings call. We have with us the leadership team from Route Mobile, Mr. Rajdip Gupta – Managing Director and Group CEO, Mr. Gautam Badalia – Chief Strategy Officer, Mr. Suresh Jankar, Chief Financial Officer, Mr. John Owen – CEO, Europe and America, and Mr. Milind Pathak – Chief Business Officer.

Before we begin, I would like to remind you that some of the statements made in today's earnin gs call may be forward looking in nature and may involve certain risks and uncertainties. Kindl y refer to slide no. 2 of the presentation for the detailed disclaimer. I will now request to Mr. Ra jdip to provide brief remarks on the company's performance and future outlook before the management team walks us through the financial details of Q4 FY21 results. Over to you Rajdip Sir.

Rajdip Gupta: Thanks, Hardik. Good evening everyone. I hope all of you and your families are safe during these unprecedented times. I believe we all have been hit hard in some way or another by this last wave, but we all continue to power through as things get better, especially with the vaccination drive.

From a company standpoint, while we always hope for the best, we always prepare for the worst. That preparedness has ensured that our business has been resilient to the current prices. We had very limited impact on our business continuity perspective. Our teams continue to function normally around the clock and the business as usual for our customers and partners. As a leading global CPaaS company, our business model and practices backed by the increased digital adoption by enterprises have fueled our superlative growth in financial year 21. We continue to witness very strong momentum moving in FY22. To help fuel our growth into the Western hemisphere, we have added Mr. John Owen to the RML team as a CEO for Europe and America. John track record speaks for itself and he is going to be instrumental as we expand globally. Under his leadership, we will increase our team strength in Europe and America, to ensure we have a presence and skill set to serve the big enterprise client within various other regions. We continue to invest in our infrastructure to ensure its robust, efficient, and scalable at a moment of notice.

We are continuously enhancing our security measures to ensure that we protect our customer data at all times. With these and other future initiative planned, the future is looking brighter than ever for RML and for all our stakeholders. As a public listed company, we firmly believe that we are responsible to all stakeholders, including employees, customers, and the environment. Thus, we are committed to integrate various environmental, social and governance ESG consideration into our business decision-making processes across all services and product offering to positively impact the environment, our customers, employees, and the community at large. At RML, ESG initiatives and principles will be aligned to our CSR initiatives, which would complement with our strategic goals in terms of services we seek to offer our stakeholder. The ESG policy framework will serve as a guiding document to all our CSR initiatives and other operational activities undertaken by us and will integrate it to the operations of our subsidiaries and associates across the globe.

With respect to the inorganic growth, we acquired TeleDNA operator stack in FY21 to bolster our operator offering with 365squared. Further, we have recently signed definitive agreement to acquire Phonon. This acquisition will help transition our journey from CPaaS to CX Paas providing one-stop shop solution to our customer for any and all communication channels in the core component of our success and we further enhance our offering with Phonon suite.

In terms of our financial performance for FY21, we have overachieved whatever we had promised during our IPO. We have demonstrated an industry leading revenue growth of 47% in FY21, coupled with significant expansion of margin, especially the margin expansion in Q4 2021 is noteworthy. The business has also demonstrated very strong free cash flow generation in FY21. Despite the uncertain times and the brutal second wave, we continue to be very optimistic about our business prospect. We will endeavor to achieve over (+) 20% revenue growth rate in FY22.

With this I request Gautam and team to highlight our financial performance for Q4 FY21 and FY21, over to you Gautam.

Gautam Badalia: Thank you Rajdip. Good evening everyone. Hope you and your family are safe and fine during this uncertain and unprecedented times.

Just as an update, we have already uploaded our earnings presentation on our website as well as on the stock exchange website. Hope you had a chance to go through the presentation. I'll quickly summarize our financial performance for the year gone by and in Q4 FY21 before we opened the floor for Q&A.

Just as a backdrop, we have been facing this unprecedented crisis for over a year now and as an organization, I must say we have been very agile, resilient, and adaptive in our approach. Our strong financial performance in FY21 is a testimony to that. Coupled with the strong industry tailwinds wherein we witnessed enterprises rapidly adopting digital technologies. We believe such a rapid migration to digital technologies is here to stay. As a leading global CPaaS company, there is a big runway for growth. With that I'll kind of touch upon the key take away from the quarter gone by.

In terms of the key takeaways from our financial performance:

In Q4 FY21, it has been the rapid expansion of our gross margin from 18% in Q3 FY21 to 22% in Q4 FY21. In Q3 FY21 we had taken some hit on account of the increase in costs owing to DLT. In this quarter we have been able to pass through the increase in cost, owing DLT to our customers, which has been a big contributor for such gross margin expansion. However, a word of caution, since this DLT implementation is a structural change and as we speak, there are still some teething issues from an enterprise standpoint, the overall industry volumes may get impacted in the short term, but from a long-term perspective, it really augurs well for the industry.

From our international revenue perspective:

The volumes in certain markets like Latam and select markets in Middle East and Africa were impacted in Q4 FY21 owing to the brutal second wave. So, that kind of led to some volumes coming off in some of these markets. And from an overall billing perspective in the quarter this quarter had two less days than the previous quarter. Since our business model is on a transaction basis, so those two days attributed to some fall in the revenue in the quarter vis-à-vis in the previous quarter. We continue to witness very strong momentum on the next generation products. We believe our pursuit of focusing on the next generation products through our dedicated team. We have Milind from the team who heads the next generation of the products initiative from our side. This dedicated team drives the organic growth and that coupled with our inorganic strategy will drive our margin expansion further. The recent acquisition of Phonon subject to meeting certain closing conditions is a step in that direction.

With this backdrop let me walk you through our financial performance:

In terms of Q4 performance, revenue from operations grew by 36.4% from 2658 million in Q4 FY20 to 3624 million in Q4 FY21. However, there was a sequential de-growth of 5.8% due to the reasons mentioned above essentially some markets like Latam and Middle East and Africa getting impacted marginally. Just wanted to highlight one important aspect, historically from our trends, Q3 always happens to be the best quarter and Q4 usually is the second-best quarter. So, from a sequential de-growth perspective, while some of those other markets could have attributed better to the growth, but we are reasonably satisfied with the kind of growth that we have garnered in Q4 FY21.

In terms of some key stats:

Billable transactions decreased marginally from 8.81 billion in Q3 FY21 to 8.76 billion in Q4 FY21 and average realization per billable transaction decreased from Rs. 0.437 paisa in Q3 FY21 to Rs. 0.414 paisa in Q4 FY21. This largely is on account of change in country mix. Gross profit margins expanded from 17.7% in Q4 FY20 and 18% in Q3 FY21 to 22%. So, there was a sharp increase in the gross profit margin for reasons articulated above. EBITDA grew by a whopping

105% from 251 million in Q4 FY21 to 515 million in Q4 FY21. EBITDA margin expansion from 9.5% in Q4 FY20 to almost 14.2% in Q4 FY21. Similarly adjusted profits for tax grew by 127% from 174 million Q4 FY20 to 394 million in Q4 FY21 as compared to 416 million in Q3 FY21. Adjusted PAT margin again expanded from 6.5% in Q4 FY20, and 10.6% in Q3 FY21 to 10.9% in Q4 FY21.

Moving on to the financial year FY21 performance:

Revenue from operations, as Rajdip highlighted, we demonstrated an industry leading growth of 47% from 9563 million in FY20 to 14062 million in FY21. In terms of certain KPIs, billable transactions increased from 30.32 billion in FY20 to 32.31 billion in FY21. Average realizations per billable transaction increased from Rs. 0.315 paisa to Rs. 0.435 paisa during the same period. We had a net revenue retention of (+) 140% in FY21. There was zero churn in our top 50 customers, which accounted for 86% of our revenue in FY21. We added about 410 new customers during this financial year. Gross profit margin on a full year basis steadied around 20% for both the financial years. EBITDA grew by 76% from 1 billion in FY20 to 1.75 billion in a FY21. In terms of operating leverage EBITDA as a percentage of gross profit expanded from 52% in a FY20 to 63.4% in FY21. This was reflected in the expansion of EBITDA margin as well from 10.5% in FY20 to 12.5% in FY21. In terms of ETR, the effective tax rate for FY21 was 17.8% versus 16.1% in FY20. Adjusted profit for tax grew by 84% from 799 million in FY20 to 1469 million in FY21, thereby leading to expansion of PAT margins from 8.3% to 10.3% in the same period. The net cash as on 31st, March 2021, was 4642 million. We demonstrated very strong free cash flow generation, something that we have transitioned over the last two years. Cash flow from operations to EBITDA was 131% in FY21 as against 94% in a FY20. We onboarded 91 new RMLites. So, 91 new hires, despite the pandemic, including few senior management hires. Attrition rate has steadied and has fallen from 19% in FY20 to 11% in FY21. And I think the board has proposed a dividend of Rs. 2 per equity share of par value of Rs. 10 each, so 20% dividend rate.

So that's a quick update on, the financial performance of Q4 FY21 and FY21, full year. With this, you open the floor for Q&A.

Moderator: Thank you very much. The first question is from the line of Hardik.

Hardik: I have a couple of questions. Firstly, in terms of, John getting inducted into the management, so just wanted to know how are we placing and what are our plans for this year in terms of customer acquisition in Europe and America? And if there are any investments which we will be requiring. Secondly, in terms of the weakness which was there in Q4 and particularly in terms of Latam and some African nations, do we expect that to continue going ahead as well in near term? And thirdly, the net retention rate is quite healthy at 140% actually. Do we see that coming off in next year and what can be the normal life level which can be expected? And last question in terms of the client to growth which has been shown in PPT like 7% CAGR growth over last three years.

Just wanted to check, why the client has a below average growth? Will it have any impact going forward?

Rajdip Gupta: Let me start with and I think then John and Gautam can also pitch in. So, in terms of volume de-growth if we see, we as a company in the last quarter started focusing more on our gross margin and I think the gross margin increase is a key for RML in coming quarters also. We will try to focus more on increasing our gross margin with some kind of focusing more on a product line of voice, WhatsApp, RCS, or this kind offering. I think if you talk about our investment plan in Europe and US, I think we are definitely looking out to increase our strength in terms of our people. Since John is joined in UK, now we would build definitely very dedicated sales team in the UK, Europe as well as in US. That's what I can say. Apart from that I think we also let some of the customers go because there was low margins in last quarter, because their volumes was little bit high, but their margin was very low. I think we preferred not to serve those kind of customers in this quarter which led to our gross margin de-growth. As a company, I think, we would like to give guidance to all our stakeholders that we will focus more on our gross margin increase in coming days rather than just a volume increase. Gautam, you can add.

Gautam Badalia: Thanks, Rajdip. Hardik, I think you had a query on net retention rate of 140%. Historically for the last 2-3 years, we have kind of been witnessing a net retention rate of over 120%. From that perspective, since we are servicing a lot of this quality customers through a world-class platform, unless there are some structural changes that happen in the industry, we don't see this net retention rate coming off in a big way. There is a high degree of stickiness with the clients that we work with. In terms of the specific reference to a client where you refer to that growth rate being 7%, essentially if you look at that particular client, that client is one of the largest social media companies and we have been kind of servicing them for over four years now and that client continues to grow and it has reached a stage of maturity at this point in time. But having said that, as Rajdip highlighted, John will help us penetrate into newer markets in US, Latam and Europe. So, that is where we envisage the next leg of growth coming in for that particular client. So, Hardik does that answer all your queries now?

Rajdip Gupta: John you want to add something out here?

John Owen: Welcome to everybody. I have been here 24 hours now and got a warm welcome. So, thank you. What I will say to the numbers and it’s obviously very early for me but the reason I joined Route Mobile is because the fundamentals are incredibly good, great market, it’s going to grow and great team and we are creating value and I think that's what CPaaS is going to do, particularly when you are driven by things like the internet of things and 5G, we create value new business models. I think what we have got to do when we have started on that transition is move our revenue profile which Rajdip just talked about into those more enterprise customers on a global basis particularly into those more mature markets where we can attract a better revenue profile. There's been a conscious decision by the team to move away from the commoditized stuff, which is good for revenue, but not good for margin. What I will say in my 24 hours is our ability to compete and win is really strong. It's now about allocating the capital of our business into the markets we want to grow in, the products we want to go in and if you look at some of the slides, the impact we have had for new product revenue within the last 3-4 quarters is really strong and that momentum will continue. But it comes then to building an executable plan and making some conscious decisions about which markets, which products and where we want to put our money. But we do have the ability to both organically grow and accelerate that within an inorganic place. For me, massive upside, it's about moving the company and transforming it as we operate. But we look at the fundamental year-on-year really strong and next year there's no reason why that wouldn't be any different as the guidance suggests so. I am pleased to be here, but it's a bit early to give you some material direction.

Rajdip Gupta: Thanks John. Milind if you can on new product side.

Milind Pathak: Thanks, Rajdip. I think from a new product perspective in the last three months, we have progressed well. We have structured in a very careful manner. We have done a detailed analysis of product market fit, right from what messaging channel is prominent in which continent and which country, we are very-very clear about it. The product teams are as we speak and as the days and the weeks goes on, are ensuring that we are able to deliver a product market fit for a client in that relevant geography with the channel of his choice. So, if in some market Viber is more popular or Facebook Messenger is more popular or RCS is more popular or MMS is more popular, we are equipped to handle that delivery and the terminations of a channel for our client. Not only that we have also strengthened our email offering. We have also strengthened multiple offering within marketing automation and as the quarter rolls in, as we roll into the new year, we are continuously pushing our sales guys with more and more products into their arsenal. So, I think overall our product roadmaps is quite well defined and quite healthy for our salespeople across the geographies to kind of go sell or upsell or cross-sell to either our existing clients or find and hunt new clients, both the perspectives.

Moderator: The next question is from the line of Varun Goenka from Nippon India.

Varun Goenka: Thank you for the opportunity and congratulations to Mobile team on a very good FY21 despite all the chaos going around. Welcome John to come to aboard. I think the least we expect is that you just continue what you did at Mastek and let's hope this is just a new beginning. So, I had two broad questions Mr. Gupta, Gautam Ji is I think our presentation has added a few additional details. Thank you so much for that and that is our aging analysis of the working capital. But what I wanted to understand was in terms of our sectoral mix of revenues, either from a technology, BFSI or different sectors that we look at, where does the composition stand today? And if we could have some insight and opinion from you as to what is the volume growth in each of the sectors, what are the drivers of gross margins there for the next 3-5 years that would be exciting to understand from a long-term perspective.

Rajdip Gupta: Thanks Varun. We will definitely try to take care of this maybe in our next presentation, but Gautam if you can just add on this.

Gautam Badalia: Sure. I have done some basic analysis I think I'll tell largely revenue comes from the top 15 clients which accounts for close to 45%-50% of the revenue. Largely the revenues would be split between internet and social media companies, BFSI would form a big chunk of this concentration. We have OEMs and handset manufacturers. We have retail industries and fortunately this time we also have one travel and aviation company. So, it is quite a widespread, but we will make a note of your point and we will try and ensure that we give some flavor of industry verticals and the volumes across these industry verticals in our subsequent presentations.

Varun Goenka: Just to further dig into this key, which industries had the maximum impact of this DLT regulations and how are they shaping up or towards normalization. Of course, my third point of key, where are the areas of gross margin improvement? What are the key drivers of gross margin improvement?

Rajdip Gupta: Let me just answer that question. First of all, I think when you talk about the DLT implementation and the impact, so I think DLT has impacted almost every segment in India, like when the initial implementation was done and it was a chaos, in fact you know the OTP was not delivered for a day or two and all of a sudden, the TRAI has to roll back the whole guidelines. But I think the impact initially to share, it has impacted almost all the verticals, but the major one is like your banking sector during that time. And it took almost 15 to 20 days to make sure everything goes normal. We do see now things are getting better, if not 100% but at least 90% to 95% the proper implementation of DLT and most of the enterprises they adopted the DLT guidelines. And in terms of our gross margin if you see, DLT is definitely playing a big role, apart from that some of the OTT players, like where we have increased the cost for the OTT players and we believe that instead of going for the lower margin with OTT players, it's better to focus more on the quality of services and give them a better service and better delivery. And in spite of that, we increased the cost for some of the OTT players and we are seeing more traffic because of the quality of services, which we are offering to them. And the OTT player price increase plus the DLT has played a very big role in terms of our margin growth.

Varun Goenka: And if there is any comment on the firewall company, 365squared, or our DLT, possibly our getting into the DLT platforms side, that will also help.

Rajdip Gupta: There is also a revenue margin increase because of our firewall algorithm has been modified and from the last six months our team is working very closely with various operators where we have deployed our firewall. Just to give one of the African operators, our revenues has increased almost 16% in last quarter by just putting a new algorithm of filtering. Just to share with you all our BSNL firewall is almost live with West zone and North zone we are going live within a week's time. I think that is also good sign, where it will add more revenue potential to RML in coming quarters.

Moderator: The next question is from the line of Pranav from Edelweiss.

Pranav: My first question is, you had a fabulous growth 47% in FY21. Lot of the growth came in from the improvement realization rather than volume. How should we see FY22 panning out because we are now sitting on a slightly higher base in terms of the realization. What do you think will be the levers for growth? Can we continue to grow at 25%-30% rate or because of the high base it will slow down? My second question is good to see strong spurt in gross margin, but should we take 22% as a sustainable gross margin or it will revert back to like 20% odd what we have seen for the last year as a sustainable gross margin.

Rajdip Gupta: If you see normally when we talk about new team, new product offering, like new acquisition these are all the new product offerings where the margins are much higher than the normal traditional A2P SMSs, so we do believe that the kind of investment we have made in PaaS and we are doing right now, is to make sure that we increase our gross margin. I think our focus is definitely going to achieve over (+) 25% gross margin in coming quarters. And I think 22% looks like it is very much achievable, and we will focus to grow that in the coming days. I think in coming quarters, we will focus more on RCS, we will focus more on WhatsApp solution, we will focus more on email solution, plus we are having lots of productive, lots of sales team now, only been hired to sell new product and with some of the inorganic acquisition where the gross margin is in the range of 40% to 45%...

Moderator: Participants, please stay connected, line for the management got disconnected.

Gautam Badalia: Pranav hi, this is Gautam here. So, from a gross margin expansion perspective, the product mix changing will definitely lead to the gross margin expansion just we witnessed good and adoption of the next generation products and this year we should easily more than double the new product contribution to the overall revenue. Definitely that will lead to a gross margin expansion, but on a steady state basis at 21%-22% gross margin, we believe is sustainable because we are now at this point in time not chasing low margin clients. The focus is to move up the value chain, either add value or derive value through the firewalls that we deploy and get value from customers, because of some deployments like that. Moving to your query I think you had the other query on the volume versus realization. Last two years, what we have also witnessed, especially in most markets where we are very strong is that the price realizations by the operators that has increased significantly. A reason for that in India has been like the DLT, the firewall deployments in various other countries where we are strong there are the firewalls that got deployed and hence the operators increased the pricing. A lot of this price increases were a kind of disproportionately high over the last few years, now it has stabilized, so volume should stabilize, and it should grow on its own organically by 10%-15% in most geographies that we are functional right now. Does that answer the query?

Moderator: The next question is from the line of Dipesh Mehta.

Dipesh Mehta: I think for the last question we missed most of the comments you made.

Gautam Badalia: Dipesh, last question as in the volume and realization thing?

Moderator: Sir, one moment. His line is not connected, just a moment.

Dipesh Mehta: A couple of questions first of all the active client, we added 410 clients, but what would be the active clients whom we have billed in FY21 if you can share that number. Second question is about the new product, how much we have covered let's say out of that universe for new product related offerings and how you expect that safe to play out in terms of how we plan to expand our coverage for new product-related team over the next couple of years. Broadly we are looking from cross selling and up-selling if you can provide some perspective. Second question is about the impact of, I think earlier alluded about some rationalization in tail account. If you can quantify what kind of impact, we have seen you because of tail account risk management. Third question which I have is about the Phonon acquisition which we did. If you can share some perspective on it, what kind of profitability it operates, how many clients are likely to be added, what kind of cross selling opportunities you foresee with that capability acquisition?

Gautam Badalia: I think your first question was number of active clients. As we highlighted the focus has been to serve quality clients, who gave us a high margins and there is definitely a lot of room to land and expand. We have not been focusing largely from a sales perspective on tail clients. Last year in FY21, our active billable clients were 2300 plus active billable clients. In terms of the numbers for the year prior to that, it was about 2,800 plus. We have consciously started to focus only on clients where we see a lot of potential to grow, otherwise we have a sales of platform and there are clients who come, login, take the necessary product services and consume the services. So, that was the first question. Second is, in terms of the cross-sell and upsell.

Dipesh Mehta: Out of 2300 for new product how much coverage you already happened and cross-sell and upsell.

Gautam Badalia: New products, we have been adding clients to our portfolio every quarter. There is a slide which we have already highlighted in the presentation. Quarter-on-quarter there are instances of clients being added. There are a lot of clients where we are doing POCs, we are trying to demonstrate a unified offering. So, that universal keep expanding on its own. Be it existing clients or newer clients that we kind of get into in terms of newer markets or existing markets, new clients. So, that universe at this point in time to be very-very honest, even enterprises are trying to experiment with most of the new generation products or next generation of products. They are trying to kind of nibble at one aspect of the product and see how the efficacy is of the other aspects of the product. So, at this point in time, it is difficult to put a finger and say that this product in terms of next generation is something which will be the next big winner and will replace SMS, voice, or email in a big way. So, from that perspective, we are seeing rapid adoption of next generation of products from an enterprise standpoint and the runway for that even is bigger than what the runway for our core business is. That is how we are looking at that opportunity at this point in time. Milind, do you want to add something to this?

Rajdip Gupta: Gautam, just to add I think we added 74 customers on a new product line last quarter.

Gautam Badalia: We are just clarifying that 74 customers is across all products.

Rajdip Gupta: All products, right.

Milind Pathak: So, I'll try and touch both the answers, both on the Phonon and the first one. And because you asked a slightly longer horizon question of 2 to 3 years, the way we are looking at is that our product stack is, I would say by and large complete. There would always be one small product to be added, one small channel to be added by and large. But I think if you look at from our offering is completely consolidated to our client. We are seeing large part of our effort from the sales team whether it's in India, whether it's in Southeast Asia, whether it's in Middle East or whether it's in America's region. Our sales teams, our leaders are going and talking about doing multichannel multi product approach on the same client. And we are seeing conversions on the conversations that are happening around that. So, somebody was buying SMS from me is also now buying email, is also buying WhatsApp, is also saying I want to have a unified marketing automation tool and so on and so forth. And this trend we are seeing increasing month-on-month, quarter-on-quarter. So, that is one clear cut approach that we are seeing upsell cross-sell to our existing clients that becomes a large part of our growth and a go-to-market. The second element that we are doing big time on a new product is a very-very strong solution centering approach. One of our friends asked a question about industries to focus and what areas that we are offering. We have consolidated our offering in three core areas to a client's requirement either in helping them to drive more sales or acquisition or leads or whatever it is based on the category or help them to engage with their clients or their consumers in a better manner, more on the customer engagement side. And third, with our addition of Phonon also start helping us to help our clients on the customer care or customer service portfolio. So, our story now is slowly moving from pure omni-channel communication platform to a customer experience platform, thereby helping our clients in one of these three or all the three of the solutions that the client typically desires from its own consumer experience perspective. And that is a focus for the next three to five years as we speak, as we crystal ball gaze into the future. Coming specifically on the question on Phonon. Phonon is fundamentally, if I can call it, a communications automation platform. It has got a fantastic UI visual flow builder for somebody who wants to onboard a voice for its own use case, be it a contact center, be it for simple outbound calling, need a simple IVR, whatever maybe the case. So, it fits beautifully in our vision to emerge a very strong customer experience platform for our clients. And that's a massive addition there. We have covered the stack completely from contact center automation, up to voice to voice-bots, to click to calls to intelligent IVRs and so on and so forth. And that fact is by and large complete, we now are synergizing between the Phonon teams to ensure that is upsell cross-sell with their customer base and our customer base. If you look at some of the segments that Phonon works today, somebody had asked the question on the sector, they are the de-facto leader in Indian aviation and hospitality industry. 7 out of the 10 travelers in India, they are informed by the schedule change or any communication on the airline with the Phonon platform. That's a huge market share. And 4 of the top 5 airlines are their clients. And we want to continue to deepen that relationship further by offering more products and more channels to this customer base, and same as their strength on the BFSI, be it Citi, be it **American Express**, be it ICICI, be it HDFC

Bank, be it YES Bank, be it HDFC Life and so on and so forth. They have a huge plethora of banking customers which becomes a natural fit to us, as well as an opportunity for them to upsell some of our products and for us to up-sell some of their products as a proven financial segment BFSI player to some of our existing banking partners. So, we believe it's a very strong synergistic relationship that will help us drive deep customer experience platform as a service for our clients. I hope that answers both the question that you had on that side.

Dipesh Mehta: Yes. I think a couple of things remain to be answered. First is about the number of clients which we acquired and then their margin profile kind of, which I am not very sure about because it should be high margin, but if you can provide some prescriptive.

Milind Pathak: Is this question related to Phonon?

Dipesh Mehta: Yes, Phonon.

Gautam Badalia: Dipesh, in terms of margins the company does gross margins northwards of 45%-50% sometimes it even inches to 60%. Traditionally, this company is a Baroda based company. And we believe the product has a lot of potential to take it to pan India, across the globe. So, when we acquired, I think they were doing about close to a little less than $2 million in terms of revenue with a (+20) EBITDA margin. So, we would intend to kind of get in the benefits of Route Mobile synergy across various geographies and help the platform expand into a lot more enterprises globally. As Milind highlighted, a lot of travel and aviation companies in India, they serve a lot of banks in India including one of the largest private sector banks in the country where their processes are deeply embedded across all facets of communication on the voice stack from that private lender perspective. So, it's a proven platform widely tested by most enterprises in India. And through the synergies of Route Mobile, we believe we can take this platform to the world.

Moderator: The next question is from the line of Vimal Gohil from Union Asset Management.

Vimal Gohil: Firstly, a clarification on two things, one is, when you say that you expect 20% revenue growth in FY22, this will be excluding Phonon, or this will include the inorganic initiatives that may come.

Gautam Badalia: That will be a very small contribution, but we are only talking about organic here.

Vimal Gohil: So, 20% is purely organic.

Gautam Badalia: That's correct.

Vimal Gohil: I know this contribution is very small, but could you help me with your revenues from that call center initiative that we have?

Gautam Badalia: The call center business it was impacted because of the pandemic. So last year FY21, we did about 24.9 crores in terms of revenue.

Vimal Gohil: I just missed out on this pricing and gross margin. In terms of gross margins this 22%, will it be sustainable going forward or how should we think about it? I just wanted to get a perspective on this, how does deploying a firewall with a telco improve our gross margins for any client? Just wanted to get an update on that.

Gautam Badalia: In terms of gross margins, vis-à-vis Q3 FY21 this quarter has been a revelation and the reason for that was in Q3 FY21 there was a structural change in the industry especially in India where blockchain as a platform or DLT as a platform was implemented. So, we used that as an opportunity to kind of get our platforms integrated with a lot of new clients. In the subsequent quarters in Q3 FY21 we had taken some amount of DLT hit onto our P&L and that was the one reason why the gross margins had contracted in Q3 FY21. In Q4 FY21 we were able to pass through a lot of this increase in the DNP charges to the clients, thereby restoring back the gross margins and even expanding it further to 22% on a sustainable basis with the current mix in terms of products, we believe 21%-22% gross margin is steady state. However, with the new products increasing its presence within the portfolio, we will witness some gross margin expansion gradually over the next few quarters.

Milind Pathak: I think just to add on this firewall offering as well, firewall is a complete SAT solution which we offer to operator. And that is something where we do a revenue share based on the volume generated through a firewall. I think that is a complete different model we have for operator which is completely SAS model.

Vimal Gohil: Would it be fair to say that the entire gross margin improvement that we have seen in this particular quarter will be because of your recovery from the DTL related losses that we saw in the previous quarter?

Milind Pathak: You can say that, but apart from that also, as we say in coming quarters, we are going to focus more on new product offering and new product portfolio. And those product portfolio as Gautam just mentioned, like all the Phonon products has almost 45% to 60% margin ratio. And if we talk about WhatsApp, Viber, or a voice solution or email solution where the margin is higher in terms of 30% to 40% range. So, as in coming quarters the revenue from this new product offering will increase, we will definitely see this increase in the gross margin as well.

Rajdip Gupta: On a sustainable basis, you are right, we will definitely be between 21%-22% plus only.

Moderator: The next question is from the line of Manik Taneja from JM Financial.

Manik Taneja: Just wanted to pick your brains regarding the competitive intensity in the space now. Given some of the telcos have launched their own operations, we have seen some of the global players make acquisitions of India oriented assets. So that's question number one. The second thing is that, for right understanding around our marketing efforts or expansion efforts in developed markets, should the understanding be that now we are well prepared from a technology product stack standpoint? And it would be more about expanding market coverage to get into customers.

Rajdip Gupta: I will answer your first question and probably Gautam can answer the second one. In terms of all these international players coming to India, but as you know almost all these international players, they use our connectivity not only for India but various other parts like, Africa, India, and Asia with Route Mobile. So, there is one set of revenues within our portfolio which is aggregator revenue. Apart from that, if we talk about the competition in India, I think all these companies who will acquired by these international players, we always used to compete with them in past also. So, we don't see any challenges as such, it's the same competition for us. In fact, if we talk about our market share in India is about between, I think about 10%. We have a lot to gain than lose in this market as we speak.

Gautam Badalia: In terms of the marketing effort, you are absolutely right. At this point in time, the immediate focus of the company is to have as many products in our repertoire. Through organic or inorganic route, we are trying to pursue that, and we believe at this point in time we have a very comprehensive stack which can be offered to enterprises not only in India but across the globe. Hence, we have started to invest into having more feet on the street in various markets. So, we are doing micro analysis across various geographies and where we need to kind of focus our time and energy. Just to give you some stats, last two years we have focused significantly in some of the adjoining markets in India, like Bangladesh, Sri Lanka, Nepal. And some of the outputs that we are getting from those markets in terms of the results, that's really a praiseworthy and we are looking at further investing into some markets and following similar principles in some of the Western markets. And with John now at the helm of things, I am sure we will be able to add on to the acceleration that we have been doing historically.

Moderator: The next question is from the line of Madhu Babu from Canara HSBC.

Madhu Babu: Just on the geographic mix, can you break up the mix for this quarter? And how is the pricing in each of the key markets for us?

Gautam Badalia: I think we already have a slide on that in the presentation. Because of confidentiality we don't share it in the public forum. But I think we have given you a flavor of that in slide number 12 where you get a flavor of almost 86% of the revenue, 83% of the total revenue in FY21, you get a split of various regions right from APAC, Middle East Africa, and Latam. These are the three strong footholds of Route Mobile at this point in time.

Madhu Babu: On the second wave, how has that impacted the volumes over the last two months? And John congrats on the new role. How would be the gestation to land new clients in some of these developed markets like UK and all that?

Gautam Badalia: I'll try and address the second question and then maybe, Rajdip or John you can take up the third one. In terms of, some of the large clients, be it some cab aggregators clients or internet and social media companies, some of these companies they were terminating quite a bit of traffic to some of these LATAM markets. And because of the second wave of pandemic a lot of those industries were impacted and hence the volumes were affected. Can you repeat your second question?

Madhu Babu: Second was on the gestation to land in a new client in developed market.

Rajdip Gupta: It all depends on the kind of customer, the kind of product offering they are looking at right now. Like if you talk about the digital adoption, I think there are various aspect of a digital adoption. So, we are as a company now focus as a complete product offering to any customer who is looking out as a digital adoption as a part of their customer engagement. So, it all depends, one month to six months also, but it all depends how tech savvy the company is. But because of this COVID situation most of the enterprises have been forced to adopt this kind of digital acceleration in a faster way. I will just give you a simple example, we used to work with few customers in past, they used to take about six months just to do a POC, but now because of the COVID the same customer is doing the POC in three weeks. In fact, there's an urgency we see from the enterprise side to adopt the digital platform rather than we actually going and trying to sell or do lots of follow-up. So that's a big change we have seen in the market in last few quarters.

Gautam Badalia: Okay. I'll just try and address. Rajdip, I think the question was around John and how long will his strategy to…

John Owen: I love being on the sales pipeline calls straight away. So, thank you. I think in fairness there's no excuses. It depends as long as the customer wants to buy. What I mean by that is it could be two weeks; it could be two months. It certainly not a six to nine months sales cycle. It's more transactional. I think where we are at the moment, it's about building increasing our coverage model. So, direct selling is labor intensive and it's expensive. What we need to do, and we have traditionally been a direct sales model, we now need to compliment that to increase our coverage by selling through channels and selling with development partners, so we get a better coverage, and our solutions get embedded into other people's channel strategy. So, the key isn't about when the first sale is, the key is about building momentum in the revenue line, and that revenue line reflects the geographic markets we want to serve, the product mix we want to sell strategically because that's going to give us the better margin contribution and the more investment we put into those channels, the more we would be able to leverage the cost base which drives gross margin. So, I think they are all interlinked, and I am not being evasive, but it isn't just about selling. It's about changing our channel mix from a very direct mobile centric solution which is our heritage, and we are really good at it and we can compete into more value-added enterprise SAS type provider which is where our long-term revenue security and margin security will be. So hopefully that answers it. We could sell something in the next week. We could sell something in the next two months. I would be disappointed if we are still having this conversation in three months. Does that help answer? So basically, I am optimistic.

Moderator: The next question is from the line of Manish Poddar from Nippon India.

Manish Poddar: I am trying to understand why is there no growth in this quarter? If you look at the other income in the last quarter was roughly about 8.5 odd crores, this quarter the other income is negative about 60 odd lakhs. So, just want to understand what is happening there?

Gautam Badalia: It has largely to do with that translation losses. Foreign currency translation loss and all. Some of the currencies in the European Union and UK, so GBP Euro there was a wild swing in those currencies which resulted in…so on an overall full year basis if you look at it, other income is about 50-odd crores.

Manish Poddar: Would you be able to quantify the amount of the exchange loss during this quarter?

Gautam Badalia: Manish if you have any other queries you can ask. I will give you this one.

Manish Poddar: And the last one from my side is, when you mention that gross margins improve from hereon given let's say the new product mix led by you or not really focusing on the tail clients much, so you allude to the full-year gross margins or to the Quarter 4 gross margins?

Gautam Badalia: Better to focus on full-year basis only but I think if we achieve quarter-on-quarter then only we can give the guidance for full year side.

Manish Poddar: Because the number there itself is 100 bps kind of a different, so because you mentioned the margin band about 21-22, but this quarter itself you are in the higher end of that band. So, should one look at really this margin inching up directionally from hereon from 22-23 somewhere in that park or should we look at the full year numbers?

Gautam Badalia: The share of new product increasing definitely there is room for this margins to improve, but on a steady state basis at this point in time with the current product mix, 21%-22% looks achievable. We should be able to easily achieve the 21%-22% gross margin.

Manish Poddar: Just wanted to understand the definition when you say new products, what all does that include?

Gautam Badalia: New products will include anything outside of SMS at this point in time because SMS was the significant part of our revenue. Now everything from, IP messaging to voice to email is a part of the new products. So, net loss on foreign currency transactions and translation was 4.5 crores in Q4 FY21.

Manish Poddar: That seems to be still low because even if you average out the cash expenses cash on book is about 400-450 odd crores. And the yield which you are getting here is really low then.

Gautam Badalia: What we are getting, we have done the math it's around 3%-4% only.

Manish Poddar: Okay, its due to the averaging.

Gautam Badalia: That's right.

Moderator: The next question is from the line of Pranav Mehta from Value Question Investments.

Pranav Mehta: On our inorganic strategy, so obviously we have announced one acquisition of Phonon, if I am not wrong, I thought there were one or two more deals in the pipeline. So, if you can just give an update on that and by when can we expect further action on this one? Secondly, growth that we have achieved in this year, the topline growth of almost 47%, if you can just quantify how much was organic growth because we had done an acquisition of TeleDNA during the year. So, that would just be helpful in understanding the organic growth trajectory.

Gautam Badalia: The TeleDNA contribution would be in single digit. So, to that extent the entire growth is organic. TeleDNA was more an acquisition to bolster our operator stack, more than to look into the revenue aspect of it. But having said that, it was about 7-8 crores of revenue that we garnered from TeleDNA's contracts, which essentially were contracts that they were servicing to 365squared. So, it was kind of a backward integration for us. Sorry Pranav, what was the first question, I just missed that.

Pranav Mehta: On the acquisitions.

Gautam Badalia: These are difficult times, from all standpoints, even from doing virtual deals we are actively working on a few acquisitions at this point in time, but to give a specific timeline will be difficult, but the endeavor would be close some of the acquisitions sooner than later.

Moderator: The next question is from the line of Varun Goenka from Nippon Life India Asset Management.

Varun Goenka: I think there was a comment made that we would continue to grow at 20%. So, I just want to delve there deeper. I know it's a conservative stance, but the industry itself is growing at 25%-30% in India or globally. So, I think our endeavor should be at least 1.5 times or something of that industry growth. So, my question is what is the key challenges that we think top five challenges to scaling up growth organically or onboarding large customers or mining existing customers. What do you think is our top four or five challenges that we face on a day-to-day basis?

Rajdip Gupta: We don't see as a challenge. When we talk about the platform, we are ready, and my tech team can handle any kind of customer. And we are already serving some of the largest companies in the world.. But again, at this point in time, in terms of platform capabilities, we as a company are far better and very well matured at this point of time. We can serve any customer you name it right now. Gautam, do you want to add on something about the guidance?

Gautam Badalia: Sure. Varun, we met during the IPO, at that point in time also we were guiding about 20%-25% but we have achieved 47%. So, the only limited submission in this is, we are in unprecedented times right now. We want to be conservative in our approach and outperform in terms of the final results. At this point in time, we can tell you, 20% is not the internal guidance that we are working with. It's a much higher number that we are working with.

Varun Goenka: Absolutely. That's all I wanted to hear. I understand that you are being conservative but…

Rajdip Gupta: Varun, just wanted to tell you one thing, based on our current pipeline the kind of customers we are working on, I think we will definitely overachieve our numbers. But right now, the situation, the current scenario is also causing a little bit of question. Based on that what guidance we are giving which is very easily achievable for us.

Varun Goenka: Absolutely. My second question is related to that key, what are the kind of technical challenges that you might be facing for customers to switch from an existing vendor to you? For example, WhatsApp for business has this mobile number portability issue that customers cannot switch…

Rajdip Gupta: That is going to change very soon from WhatsApp, and we are just waiting for that announcement to be done. Once that is done probably, we will have more opportunities to gain.

Varun Goenka: Just a final point, in terms of a technical capability, so every company that you may be benchmarked to or are competing with, let's say, Twilio or Infobip or anybody, is trying to get into a full stack solution having voice, email, etc. How do we measure our technical platform capability? Whom do we really look up to audit us internally so that we can measure, so what are the key quality KPIs? It could be latency; it could be downtime. I know very little. But where are we there in terms of capability?

Rajdip Gupta: I got your question. I think almost all the names which you have just shared with us, they use my platform somewhere somehow. So, I think in terms of platform capabilities, my platform is as good as what they are at. In terms of benchmarking if we talk about Tier-1 and messaging aggregators in the world, so Tier-1 if you see ROCCO's report, we are always there in top 5. So, what we are trying to say that we don't want to compare ourselves with anyone in the market, make sure that I am getting compared with X or Y. Whatever we are, we are capable enough to make sure we give the same kind of services to any enterprise customer what they are getting from others, maybe at a Tier-1 aggregator. In terms of our platform capabilities and these players also use my connectivity in various parts of the world, and sometimes we use them as well. When you talk about the complete stack, I think Route Mobile has also spent lots of time, energy and money from the last two years to make sure we have all the stack within our platform as one single API solution offering to our enterprise customer. And I think we have achieved that, and we are serving customers on WhatsApp, Viber, Facebook Messenger, email, voice, or SMS.

Varun Goenka: Perfect. I have been attending all your products webinars by Alec and it looks amazing. YouTube has all the things. Just a final point, any particular R&D investment, we have a 70-member tech team. So, what is the kind of R&D spend or something that we will sustain, or do we need to continue this brilliant work that we are doing?

Rajdip Gupta: I think from a CPaaS to a CX PaaS to SAS is something which we need to look for Route Mobile in the coming years. And definitely we are going to put more investment in R&D, which is going to be key for RML growth. And we are already investing. I don't know if Gautam has the number in terms of last hiring, we have done in last quarter. Gautam, if you can just add to this?

Gautam Badalia: Last year we have had hired about 91 odd employees out of which a significant part is with technical background.

Rajdip Gupta: And we are still hiring, in fact.

Gautam Badalia: Varun if I can just add to Rajdip said. So, from our core platform, core platform is already evolved. And as Rajdip said, it is already at par if not better than most global platforms that you come across. And that is kind of getting aptly demonstrated in the high recurring revenue and the net revenue retention that has articulated in the presentation. If you look at any other large, CPaaS companies again, they have all done a lot of acquisitions and now they are integrating all the platforms to create a unified play. We are also building a newer product in-house; we are doing a few acquisitions to augment our product mix. So, a lot of this R&D will origin around the integrations of some of these platforms that we will be doing to create a unified play to drive better analytics, better ROI from an enterprise standpoint. So, from that perspective, the R&D spend will start inching up from this financial year on onwards where we have already done one acquisition, we are looking at doing a few more to augment the product capabilities and then integrate into a unified platform. So, at this point in time about a 2% off our revenue, we have already internally earmarked towards R&D spend besides the acquisition costs that we will be incurring.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint that will be the last question for today. I will now hand the conference over to Mr. Hardik Sangani for closing comments.

Hardik Sangani: Thank you everyone for joining the call and we appreciate Route Mobile for giving us the opportunity for hosting their Q4 earnings call. Now I hand over the call to the management for their closing comments.

Rajdip Gupta: Just wanted to say thanks to everyone and we as a company are going to focus more on our new product line and new offering, and we are looking forward to make sure we increase our gross margin. And for Route Mobile I think that this financial year is going to focus more on a gross margin growth. Thank you everyone.

Moderator: Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.