



Route Mobile Limited
Q4 & FY23 Earnings Conference Call
May 19th, 2023

Management:

1. Mr. Rajdip Kumar 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:

Ladies and gentlemen, I'm Vikram moderator for this conference today. Welcome to the Conference call of Route Mobile Limited arranged by Concept Investor Relations to discuss its Q4 & FY23 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 a listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question please press '*' and '1' on your telephone keypad. Before we begin, I would like to remind you that some of the statements made in today's earning call may be forward looking in nature and may involve certain risks and uncertainties.

Kindly refer to Slide #2 of the presentation for the detailed disclaimer. Please note this conference call is being recorded.

I now hand the conference over to Mr. Rajdip Gupta. Thank you and over to you sir.

Rajdip Kumar Gupta:

Thank you. Good evening, everyone, I want to start by wishing all of you good health and prosperity.

As we close out FY23 it is my pleasure to share that Route Mobile has reached a significant milestone achieving an annual run rate of \$0.5 billion in revenue. Our ambition does not stop here, as we aspire to become a billion-dollar revenue company over the next three to four years with a strategic blend of organic and inorganic growth. Our impressive performance in Q4 FY23 has helped us and the year end with a high note. With a quarter revenue being the highest we have ever achieved for eight consecutive quarter we have delivered increased revenue and Adjusted Profit after tax. Despite geopolitical challenges, and other headwinds I'm delighted to share that we have surpassed most of the guidance we set for FY23. Whether it's revenue growth, margin improvement, or payout ratio to our respected shareholder. Our performance in terms of revenue growth has exceeded expectation, with industry leading growth rate of 78% in FY23. Even after accounting for acquisition, our organic revenue has seen a year-on-year growth of 41%.

As we move on, FY24 our strong growth momentum give us the confidence to project at least 20% year-on-year growth hence on. With overall reported EBITDA margin expected to be in the range of 12.5% to 13%. In light of the robust traction, our new product has been gaining, we have established dedicated SBU for each unit, which includes TruSense. TruSense, this strategic division headquartered in UK is dedicated to addressing mobile identity and digital fraud. In era where digital threats, such as sim swap and sim phishing are increasingly disturbing the digital landscape, TruSense steps up to the challenge. Our intent is to offer enterprise and mobile network operator crucial, actionable insight through and sophisticated AI/ML framework this will enable them to proactively mitigate the digital fraud. Further, we are pioneering efforts in password less authentication, another way key focus on this vertical and in the new level of security and convenience. Apart from TruSense, we have established dedicated SBU for email and conversational bot framework. For FY24 we plan to establish a dedicated SBU for voice and a virtual contact center and we have already on boarded senior resources to spearhead this initiative.

Key highlights from the last quarter includes, we secured three new firewall contracts since Q3 FY23, with several other significant deals in pipeline. Additionally, we deployed our first UCaaS solution for Robi Axiata to cater to the need of enterprise customers supporting their customer care, and marketing operations.

I'd like to take a moment to acknowledge the contribution of our esteemed colleague, John Owen, after a successful tenure of two years with Route Mobile, John has decided to move on. During his time with us, he played a pivotal role in the integration of two strategic acquisition Masivian, and Mr Messaging. These entities became integral to our value proposition in the CPaaS marketplace. In terms of recognition, we are proud to share that Route Mobile was awarded "Best Use of Cloud Services by a Telecom Company" and "Best Enterprise Cloud Offering" (IT Sector) at the ET Ascent Business Leader of the Year Awards 2023.. In conclusion, in recognition of our commendable performance of FY22-23 the Board of Director has put forward a recommendation for a final dividend of Rs.2 per share.

I will now turn it over to Gautam to take us through the financial. Thank you for your continued faith in our vision and strategy and here's to an even more successful FY24. Over to you Gautam Badalia. **Gautam Badalia** Thank you Rajdip. Good evening, everyone. Hope you and your family are safe and fine. We have already uploaded our quarterly 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 and operating performance during Q4 FY23. And for the full year FY23 before opening the floor for Q&A.

The key takeaways from our "Financial Performance" in Q4 FY23 has been the staller revenue growth. We recorded Y-o-Y revenue growth of 61% and Q-o-Q revenue growth of 2.3%. Q4 is

historically slightly muted to Q3, going to seasonality and two lesser days in the JFM Quarter. Yet we have surpassed our Q3 FY23 revenue in Q4 FY23. We believe that we have demonstrated industry leading growth coupled with expansion of operating margins during the quarter gone by. With such a superlative performance we believe we are today's one of the largest and the most diversified global CPaaS player focused on emerging markets, if not the largest emerging market focus.

In Volume terms, we registered over 107 billion transactions in FY23 a growth of over 106% on a Y-o-Y basis. In FY23 our revenue from termination in India which is a key focus market for us, including both domestic and international termination into India stood at US \$207 million, which translates to INR 1,638 crore value. Besides India, we believe some of the other key growth focus market for us in FY24 will be GCC countries, LATAM and Indian subcontinent. For the full year FY23 our operating revenue increased by 78%, out of which organic revenue grew by around 41%. During the year, we have returned more than 50% of our reported PAT through dividends and buybacks to our shareholders. One area where we as a management team continue to focus on is improvement in the operating cash flow of the company. In FY23 our normalized CFO to EBITDA conversion was 45% slightly below our 50% baseline guidance, which we have given at the beginning of FY23. You may refer to slide #21 of the earnings presentation, we have demonstrated significant improvement in the normalized operating cash flow generation during H2 FY23.

As, the enterprise business continues to grow it will definitely have some impact in terms of working capital. However, most of these enterprises are large enterprises with very strong rating credentials. And if need be, we can always get these quality revenues or quality receivables, factored without recourse to demonstrate better operating cash flow generation of the business. Further the receivables and the payables cycles have stabled to a large extent and hence we believe that normalized operating cash flow of the company should improve considerably going forward. Now, withstanding the above, we continue to remain committed to deliver normalized CFO to EBITDA conversion in the range of 50% to 75% in FY24. The normalization will largely pertain to the security deposit given by us for any large strategic firewall deal, which according to us should be construed at capital employed. Typically, such strategic deals yield ROCE in the range of 25% to 50% basis some of our past such firewall deal experience.

With this backdrop, let me walk you through our "Financial Performance" in terms of Q4 FY23 performance:

Q4 revenue from operations grew by 61.1% on a Y-o-Y basis, and 2.3% sequentially to Rs. 1887 million. Billable transaction stood at over 27.4 billion in Q4 FY23 as compared to 27.7 billion in Q3 FY23 and 18 billion in Q4 FY22. Average realization per billable transaction improved to Rs.0.37 as compared to Rs.0.36 in Q3 FY23. Gross profit margin stood at 21.3% as compared to

22.4% in Q3 FY23 and 21.1% in Q4 FY22. The slight contraction in gross margin is attributable to the seasonality in the business of Masivian and certain markets for Mr Messaging, for MR Messaging being affected due to geopolitical issues. Adjusted for their Gross margins, Route Mobile gross margins expanded during the quarter gone by. JFM that's January, February, March is seasonally the weakest quarter for Masivian. And as we head into the subsequent quarters, this will improve significantly. EBITDA for Q4 increased by 91% Y-o-Y and 4% Q-o-Q, EBITDA margin improved from 13% in Q3 FY23 to 13.2% in the quarter gone by. Effective tax rate for the quarter was 14%.

Adjusted profit for tax grew by 90% Y-o-Y and 19% sequentially. PAT margins improved from 10.2% in Q3 FY23 to 11.9% in Q4 FY24. For the full year, revenue from operations grew by 78% from Rs.20,020 million to Rs.35,692 million in FY23. In terms of certain KPIs, billable transactions increased 107 billion transactions, as compared to 52 billion in FY22. Average realization per billable transaction was Rs.0.33 as against Rs.0.39 in FY22. We had a net revenue retention of 124%, you may refer to slide #12 for the KPIs. Gross profit margin expanded to 22% vis-à-vis 21% in the previous year. EBITDA non-GAAP grew by 77% to Rs.4,566 million in FY23. EBITDA margin stood at 12.8% in the year gone by. In terms of operating leverage, EBITDA as a percentage of gross profit was at 58% in FY23. Effective tax rate for the full year was around 13%. Adjusted profit for tax grew by 92% on a Y-o-Y basis to Rs. 4,007 million in FY23. PAT margin improved to 11.2%. Net cash was Rs.7,737 million as on March 31st, 2023 average receivable and payable days were around 62 days in the year gone by. With this, we open the floor for Q&A.

Moderator: Thank you very much, sir. Ladies and Gentlemen we will now begin the question-and-answer session. We take our first question from the line of Anil Nahata an Investor. Please go ahead.

Anil Nahata: I wanted to ask the question regarding the area that has opened up in terms of the AI filtering and the other security related platforms that you are developing. So just wanted some color as to what is the kind of market size that you see in India for this kind of products in the coming year or two and also abroad, so that is the first question that I have.

Rajdip Kumar Gupta: Hi, Rajdip here. Anil, still the entire product itself it's very early stage. Honestly, if we talk about market size, what is the current market size India or abroad. It's a very early stage of POC with multiple operators what we are doing, we cannot, we may not able to give you any kind of a market sizing at this point of time, but probably by next quarter, our next call we can give you some kind of numbers for sure.

Anil Nahata: Will be the kind of business model that you will follow, this is something like, you will deploy a telco and bill to telco and you will be going directly to enterprises for a mix of those?

RajdipKumar Gupta: So, if you see our entire security product, Route Mobile already has a company called as 365squared. They have specialized themselves for firewall solution. And with this current

deployment solution, which we built for anti-phishing is something for an operator as well as for enterprise. So, our focus is definitely going to be both the side of the business. So just to answer your question it's operator as well as enterprise.

Anil Nahata:

Okay, Rajdip I will look forward to some more details in the next quarter or the quarter after when we have a better opportunity to explore the market. The other question I have is in terms of a request that, going forward start putting your market share numbers for the Indian market particularly in terms of what is your market share for the domestic as well as the international kind of business that will be a very good parameter to judge how Route is going vis-à-vis the competition. And if you can give some numbers around that it will be great right now.

Management:

So, India itself is a very fragmented market. Tier-1, Tier-2, and then there are lots of small cities and there is also lots of double counting happens within because some reseller using another reseller. So, to be honest with you, it is impossible to give some kind of market share. But yes, we believe ourselves within our total market share for India domestic traffic is about 20% as of now.

Moderator:

Thank you. We take the next question from the line of Nikhil Choudhary from Nuvama. Please go ahead.

Nikhil Choudhary:

First question from me is, I want a bit of understanding on what led to such a strong revenue growth in this quarter despite of seasonality. So just want to understand what were the triggers and with such a strong exit rate coming in FY23 what kind of revenue growth do you expect in FY24?

Rajdip Kumar Gupta:

Let me just start with the question. We have already given guidance of 20% growth for the next year. And in last quarter, as we were already talking about onboarding few large banks, and all those banks are already on boarded not only in India but in Ghana, and Nigeria also, we on boarded two large banks as a customer. Apart from that, there is a lot of traction we have seen in US market and LATAM market as well. So, it's an overall combined growth in all the market where we operate and the bank has contributed a lot in last quarter, especially four banks.

Nikhil Choudhary:

Thanks, Rajdip, just one more. Can you give us some color on the geopolitical impact on Masivian what basically happening there and when you believe that could get resolved. Thank you.

Rajdip Kumar Gupta:

It was not Masivian, Gautam it is?

Gautam Badalia:

MR Messaging.

Rajdip Kumar Gupta:

Yes, Gautam if you can just.



Gautam Badalia:

Yes, so for MR Messaging, they traditionally happened terminating quite a bit of their communication messages into Russia. So that has got impacted quite a bit in the last quarter. And again, so things to go normal we'll have to just wait it out but for the current month, for the month of April we have insights into MR Messaging number, and things are coming back to normalcy. The growth coming from some other markets while Russia is still impacted, but some of the other markets have started to pick up for them.

Moderator:

Thank you. We take the next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta:

Couple of questions, first of all just want to get sense about new product revenue growth. We have said total number but can you say what would be the organic revenue growth for the year in new product. If I do some working about sequential revenue growth, it seems to be muted on quarter-on-quarter or rather it is quarter-on-quarter decline seems to be the case. So, just want to get a sense on from you about new product perspective, because earlier we indicated new product likely to be higher share of revenue. So far it remained in single digit kind of number, low single digit kind of percentage mix. So, if we can give some sense how it is likely to play out for us and if you can break up it further across products, how the growth is playing out. Second question is about price hike. Can you provide some sense about NLD, ILD as well as international market, how the pricing is behaving, if you can give some sense or any changes in pricing playing out for us and last question is about gross margin. Earlier we indicated about over next couple of years our gross margin should expand, and we give aspirational target of a billion-dollar revenue. So, if you can provide some sense once we hit let's say billion-dollar mark, what kind of gross margin one should expect. Thanks.

Rajdip Kumar Gupta:

Dipesh hi, let me start with second question first and then Gautam can add. So Dipesh, honestly as you see the digital adoption and penetration is increasing day by day. But any new product has its own lifecycle and it take really two to three months every four months also for one deployment. And we have seen a very good traction in last financial year where we grew, the overall volume on WhatsApp, RCS, email has grown multi fold. But if you compared the same time or revenue for SMS also grew multi fold as well. So if you talk about if we hit 1 billion, what would be my rough margin, but honestly we have aspiration to hit above +25%, maybe be more than 25% that's what I can tell you right now. But it's three years horizon which may change the product mix a lot, it can be over 30% also. And what was your first question, about NLD price right?

Dipesh Mehta:

Yes, ILD and NLD price.

Rajdip Kumar Gupta:

So, ILD price yes, there is a price increase in India which has happened on the month of 22nd April onwards, but again how much is going to impact the revenue of overall in coming quarters we have no idea because mainly we have seen if there is a price increase in market there is definitely dip in the volume. So, we want to just wait and see how this quarter goes. But as per

the last one month we have seen, we have not lost a single customer because of price hike, but we are able to maintain our revenue run rate.

Dipesh Mehta: And any changes in international market because we operate in multiple markets, India is roughly 40%?

RajdipKumar Gupta: Yes, there is definitely our firewall is going live in Sri Lanka from 21st of May and there is a price increase is going to happen. We are increasing price to almost \$0.15. So that is one thing. Apart from that, various other market where there is a firewall is getting deployed, prices are getting increased. But we have seen most of the OTT players and opting these prices and they are happy to pay and we are still serving them as a customer. So we don't see any impact, but there are few countries where we have exclusive firewall deal. One of them is in Sri Lanka which is going live on 21st of May.

Moderator: Thank you. We take the next question from the line of Mohit Motwani from Nuvama. Please go ahead.

Mohit Motwani: Just had two questions, one on what was Masivian in MR Messaging revenue for the quarter and how much of performance link payout is pending and what were the quantum in FY24 and FY25 that we are expecting. Thank you.

Gautam Badalia: So, the revenue of MR Messaging for the quarter right?

Mohit Motwani: Yes, for the quarter.

Gautam Badalia: I have it in, Rs.147 crores was the revenue of MR Messaging.

Mohit Motwani: And Masivian?

Gautam Badalia: Masivian was Rs.50 crores.

Mohit Motwani: And how much of the payout for the acquisition that you have made there was some performance link payout. So how much of that would be coming and kicking in FY24 and FY25?

Gautam Badalia: So, for this current year, we have a payout of about 6 million to Masivian in this month. And from the earnout it's about \$2.36 million that we have to pay to Masivian at the end of this month. And the subsequent month we have a payout to MR Messaging of around €6 million.

Mohit Motwani: Any color on what we will end it in FY24 for the whole year, any color on that?

Gautam Badalia: So, for the full year the Masivian's balance payout of 6 million will be done in November. There is no other payout that is due in the financial year FY24.



- Moderator:** Thank you. We take the next question from the line of Moez Chandani from Centrum Broking, please go ahead.
- Moez Chandani:** My first question was that, I noticed that you've done some borrowings of about Rs.100 crores this FY, so can I understand what this is for and what how you plan to utilize that debt?
- Gautam Badalia:** These borrowings are more from a treasury management standpoint. So, it's backed by cash collateral so to say, and the borrowing has been done in the UK entity. And against the cash collateral that we have as deposits. So, this would be positive transactions from our perspective.
- Moez Chandani:** Alright, understood and also, I noticed that you have called out a few about six industries, in your revenue contribution from Select industries. So those six come to about 63%, can I understand what constitutes the other 37% and how you see those industry mix moving in FY24, any particular industry that you want to call out?
- Rajdip Kumar Gupta:** So from our perspective, we have a very long tail and when we do this analysis only for the top 150 clients and within that we call out the key sectors so to say and, at this point in time, considering the new products and the strategic business units that we have created for some of these new products like TruSense, we believe that BFSI and Fintech will be a very key industry verticals that we will be focusing on in a big way along with E-commerce.
- Moderator:** Thank you. Take our next question from the line of Yash Tiwari from Verticam. Please go ahead.
- Yash Tiwari:** Congratulations on the good set of numbers. The journey from \$2,000 to \$0.5 billion is really phenomenal. I have two questions. As much as we have got to see Mr. Gupta, follow Mr. Gupta on different interviews. You have emphasized on firewall product. I believe we don't talk much about it so; how much do you expect the potential is, unrealized potential. And secondly, in terms of the South American market, there have been quite a number of acquisitions in your setup SKS subsidiary as well. So, do you see a significant upside from there on the activity happening in South American market?
- Rajdip Kumar Gupta:** Yes, first of all thank you very much. Definitely, yes, your question was very correct. Our firewall solution is another very unique solution which we have built from last so many years, and is deployed in multiple operators globally. And somehow, I don't want to talk about my product but indirectly, it is definitely adding lots of value to our overall growth as a company. And this particular year, we as a team have taken a target to close at least eight operators, that's the only thing I can tell you. But there are already deal which is getting closed in next one or two weeks, we are already in the process of that and maybe we I can just give a guidance of about six to eight operators to be closed this year globally on our firewall side. Indirectly, all these firewall deals are linked with Route Mobile revenue also because if 365square put their firewall and they become the exclusive gateway, which means that every single SMS has to flow

through Route Mobile's platform. In that case, we have an advantage of setting the price for the market, since we work very closely with all the OTT player, I really don't need to go in market to search for customers, because the customers are already there as a part of Route Mobile customer. What we need is just open a gateway for them, moment we have exclusive partnership with this kind of operators. And this year is definitely the year for us which is where I am going to close at least eight operators for sure. And with that's when we talk about my roadmap for a billion-dollar revenue, the firewall deals will definitely contribute a lot in next three years down the line in our journey. That's the thing I can share right now with you. And in terms of our strategy in Latin America, we have recently acquired a license in Chile with that we have access of all the operators as a direct connectivity, now we can start selling that connectivity to OTT players all across the globe along with the domestic customer base out of Chile. We already set up our sales team in Peru and in Mexico now, we believe in next three years down the line contribution coming from Latin America is also going to be substantial in terms of what it is today. I hope I'm able to answer your question.

Moderator: Thank you. We'll take our next question from the line of Vivek N, an Investor. Please go ahead.

Vivek N: What is the comparable companies in the Indian and international landscape against which Route competes. Thank you.

Rajdip Kumar Gupta: It's a good question. Honestly like for us we compete with ourselves every single day. There is a huge market over \$60 billion and everyone has defined this market as a company we don't want to get compared with anyone, we want to focus more on our roadmap which we have defined and if we talk about comparisons, there are definitely companies available in India for a domestic market. But again, as I said Route Mobile is a global company, we build the entire platform to serve the global customer and we all connect with over 1000 operators, which means that there are only few sets of Tier-1 aggregator in the world who have this kind of connectivity, and we are one of them. And every single market if I go there will be some kind of a competition. So, we operate from 22 countries and each country we may have three, four domestics competitors where in the same time we have in India as well and you must be knowing all the names.

Moderator: Thank you. Take our next question from the line of Abhishek Sharda from Hem Securities. Please go ahead.

Abhishek Sharda: Sir my first question is regarding your guidance that you mentioned that FY24 we will be able to achieve at least 20% growth, so is it fair to understand that this 20% is organic growth, or it is a mix of both organic and inorganic growth?

Rajdip Kumar Gupta: That is completely organic growth.

Abhishek Sharda: Okay. And we have plans for acquisitions also, right?

- Rajdip Kumar Gupta:** Let me just answer this question. So, Route Mobile has always believed that like if you want to grow multi country, and you need to set up teams all across the globe, acquisition could be, it is always a good option right, but right now we are in process of integrating all the acquisition which we have done in past. And integration is also very key for Route Mobile to make sure all the companies which we acquired are well integrated and we are fairly successful in those integration as of now. But yes, you are right we are definitely looking out for certain acquisition and maybe we cannot give any kind of a timeline. It may happen in six months also or it may happen in one year also or maybe three months also. But as a company, we always believe that we can grow multi fold if we really want to be global by acquiring certain local companies. And we don't want to shy away with that but right now we don't have anything in our plate to look for, but yes in coming quarters or years we will definitely look into that for sure.
- Abhishek Sharda:** Understood. And sir secondly, I just want to understand about the hiring plans, what are your hiring plans and what is the current attrition rate?
- Rajdip Kumar Gupta:** Our attrition rate is already mentioned in that presentation like as a company we are definitely looking out to build some product company and as a normal company requirement against the attrition we keep on hiring and we are looking to add more people. But how many people probably I cannot answer that right now, but we do have a plan to hire. In fact, we are already hiring people as of now also but how many we need, I cannot quantify as of this moment.
- Moderator:** Thank you. We take the next question from the line of Keval Shah from Banyan Tree Advisors. Please go ahead.
- Keval Shah:** So, I have two, three questions. Could you share what was the organic and inorganic revenue for the Q4 FY23?
- Gautam Badalia:** So organic revenue growth was 53% and the rest was inorganic.
- Keval Shah:** Okay. And you just mentioned there was a hike in ILD prices. So, could you quantify the amount like, percentage wise what was the hike in April?
- Rajdip Kumar Gupta:** I can tell you about India, it is increased by 25%.
- Moderator:** Thank you. We'll take the next question from the line of Vivek Sethia from HDFC Securities. Please go ahead.
- Vivek Sethia:** So, I had a couple of questions before those couple of questions just wanted to continue on the previous question about the NLD, ILD pricing. So, if you could just highlight, what has been the, when was the last hike taken in NLD, ILD. And going forward, how do you expect the rates to move, if you could answer that then maybe I'll move forward to my next two questions?

- Rajdip Kumar Gupta:** Sure, honestly it is all dependent operator. We have nothing to increase or decrease price because for us, it's a pass on. So, pass through price, like the last price increase happened one year back and exactly after one year the operator in India they have increased by 25% because that's the only thing and we are no way we do an influence operator to increase or decrease. But it is completely depended on the operator's side.
- Vivek Sethia:** This last price increase which you are talking about is just NLD or is it for ILD also?
- Rajdip Kumar Gupta:** ILD. Whatever price increase I am talking about right now is only ILD, NLD I have no idea because there was some kind of discussion but nothing happened. So, I'm looking forward for it, because as of today we have no intimation from operator to increase the NLD price as we speak but on ILD it is definitely increased in month of April.
- Vivek Sethia:** Okay. So the 25% increase you spoke about was for ILD okay?
- RajdipKumar Gupta:** Yes, it was for ILD only just sorry, if I am not able to mention correctly, but it is just only for ILD.
- Vivek Sethia:** Okay. So, coming to my next question, just wanted to understand, like any particular reason for the decline in new product sales and going forward, how do you see that pan out and also, if you could provide me with the number for the new customers on boarded, I couldn't find it in the PPT?
- Gautam Badalia:** So, 135 new customers were on boarded in the quarter gone by.
- Vivek Sethia:** Any particular reason for the decline in new product sales during the quarter?
- Gautam Badalia:** No, it's more to do with seasonality, Q3 happens to be our best quarter. And Q4 is a seasonality impact that is there on a Y-o-Y basis, the 24% growth in new products in the quarter gone by.
- Vivek Sethia:** Okay. And you spoke about Masivian and MRM having some issues with regard due to which, we see gross margin under pressure like and how do you see that panning out going forward, is it something long term or like it was just a one off for this quarter?
- Gautam Badalia:** No, it's a seasonality for Masivian itself seasonally weak quarter, even the last year so calendar year for JFM - January, February, March, typically is the weakest quarter for Masivian and as the year kind of progresses into the subsequent quarters, their revenues and margins profiling improves dramatically. And we've seen that trend for the last two years as well from a calendar year standpoint. So, it is not a surprise from a Masivian standpoint, the numbers for MR Messaging, the impact was largely more to do with their traffic's getting impacted into the Russian, for termination into Russia. Other than that, the business continues to be as robust and under April kind of run date things are again back to normal. So that seasonality aspect has to be kind of accounted for every year for Masivian at least.



- Vivek Sethia:** So, for MRM you are saying that the political issue is resolve, now there's no such issue as existing as of now?
- Gautam Badalia:** Russia continues to be very low in terms of revenue contribution, it is the other markets that have picked up well for them.
- Moderator:** Thank you, we take the next question from line of Dipesh Mehta from Emkay Global. Please go ahead.
- Dipesh Mehta:** Just one data point related question. Can you share revenue from firewall business and Call 2 Connect for the year or quarter whichever you can share?
- Rajdip Kumar Gupta:** Dipesh, Gautam can send you offline is it okay?
- Dipesh Mehta:** No issues. Thank you.
- Moderator:** Thank you. We have next question from the line of Aditya Johar, an Investor. Please go ahead.
- Aditya Johar:** I was asking that, being a product-based company and with the IT in the industry, why are the cash flows at 40% or 50% or 70% odd here, could you explain about that and how can we improve going forward, that's my doubt.
- Gautam Badalia:** So, I did talk about it during my commentary about the initiatives, top management will be taking, there is definitely an increased focus to improve the operating cash of the company. There were certain prior period payments that we've done in the year gone by that had in some years, historically we have also delivered over 100% EBITDA to carry conversion. So, there are some strategic investments that we're making in terms of some of these firewall deals which warrants security deposits to be given. Now, from our perspective as I said, we construe that as capital employed with return on such capital employed potential being as high as 25% to 50%. And as a business, the business is also kind of growing at a superlative growth rate and some of the enterprise business in India Middle East has working capital requirements. But again, as I said, most of these clients are and some of these large clients even have sovereign grade rating. So, we can always get this factored and realize better operating cash flows. So, it is just that the business is self-sustaining, and we've been able to kind of meet our working capital requirements through the regular monthly cash flows that we are able to generate and hence there was no reason for us to get into such factoring arrangement. In our case, unlike most of the other IT companies, significant part of our cost of goods sold is paid to the operators whereas in most of IT, IT companies we have to look at it is only the human capital cost that is kind of there. So, that is a degree of difference between IT company versus how a CPaaS company should be looked at. Happy to kind of also maybe circle back offline to kind of give you more color.



Aditya Johar:

Yes, I will connect with you offline, and another question I have sir regarding the product revenue. We have been maintaining a growth rate like Rs.30 odd crores for the quarter and Rs.40 odd crores. Then at which point of time can we see a jump here that is kind of like any product-based company, a huge revenue growth here. I am asking about any two or three years?

Rajdip Kumar Gupta:

Definitely as I said, it all depends upon the adoption ratio and most of the adoption ratios is happening now, most of the enterprise customer are now getting well educated to understand the advantage of using this digital platform. We are talking about new product. So, we see a lot of traction happening right now, we are doing lots of POC with the customers, large banks, large enterprise customer, those POCs are still going on as we speak and probably in coming quarters you will see the growth, but see at the same time we also need to understand adoption of SMS itself is so high right now even in India, even this classic example of your Google Pay, people are paying Rs.5 using Google Pay nowadays, which means that in that transaction SMS is also going to grow multi fold. Even if we do say that a billion-dollar revenue in next three years down the line and out of that probably you will see Rs.7000 crore coming from SMS only. So, we cannot just avoid SMS side of business which is growing simultaneously along with the digital new channels of communication. What we are very confident of like what we have built as a product, as a portfolio as the entire stack which has email, SMS, voice, RCS you name it. Now every single product which we will have a live customer and paid customer and we are very happy to say that every single channel which we have built in-house are generating revenue for us and which also has a great pipeline for their coming quarters to come.

Aditya Johar:

Okay. So, firewall business also comes in inside this product revenue or?

Rajdip Kumar Gupta:

No, that is separate.

Aditya Johar:

Okay. And the last question I have regarding the next year guidance. So, how much we can expect from the organic because I see this year, we have done pretty good in the organic side and the inorganic quarter we have done pretty good, but then next year you are giving guidance of 20%. So, majority the high risk?

Rajdip Kumar Gupta:

The idea is very simple. Even I have given 70% growth last year and we did 78%. It is always good to be conservative and then aggressive and then over achieve so based on the current 3,570 crore you get 20% growth is definitely a good growth guidance to the market, but we have always overachieved our guidance in past so many years and we will try to do the same thing this year also.

Aditya Johar:

It will be from the organic or more from inorganic?

RajdipKumar Gupta:

Organic, completely organic.



Moderator: Thank you. We take the next question from the line of Mohit Motwani from Nuvama. Please go ahead.

Mohit Motwani: Just wanted to get your thoughts on the acquisitions that you spoke about you will be evaluating. So just wanted to understand these will be more buy-out kind of transactions where you will look at some players like Masivian, MR Messaging, or more like bolt-on acquisitions, and any amount that you will earmark for these, any sense you can give on that will be helpful. Thank you.

Gautam Badalia: So, at this point in time, there are certain product capabilities that we have been kind of scouting for some time. So, we can continue to kind of look for quality asset on virtual contact center with a strong voice start. So that is one area, which is kind of a whitespace and which definitely look at opportunities, if that comes up in that space. Besides that, we have aspirations to get into US. But again, it's at a drawing board stage right now. So, nothing has kind of reached a stage where we can kind of come and give you some sense of how things are shaping up from an inorganic acquisition standpoint. At this point in time, on the organic front itself there are a lot of opportunities that are coming up not only from an enterprise CPaaS stand point but also from a lot of those firewall deals that are kind of there and they are big opportunities from a size and scheme standpoint. So, the focus right now is to focus on some of these organic opportunities in a big way. And some of the new strategic business units that we have created for product specific approach essentially TruSense. We are very, very bullish on TruSense and at this point in time, we are building a very strong foundation for that product and the intent is at this point in time to do a lot of POCs with as many enterprises as possible, and take it live in some of these large or densely populated countries like India and some of their adjoining markets. The product is already live, tested in Colombia with a lot of marquee enterprises, including the largest banks in those countries. So, we see a lot of potential for such products, especially into Fintech, BFSI and E-commerce domain. So, a significant chunk of our energy today is now focused on some of these organic initiatives and for the inorganic opportunities we will see if there are quality assets that come by, we will not shy away from evaluating and consummating in that sense.

Moderator: Thank you. We take our next question from the line of Suresh Kumar, an Investor. Please go ahead.

Suresh Kumar: I have two questions, regarding this acquisition side anything is planned in this financial year, particularly in next quarter or so, how many companies are being planned for acquisition and what will be the growth expected from those companies. The second question is regarding your market share in India.

Rajdip Kumar Gupta: Can you just repeat the question please?

- Suresh Kumar:** Sir, in the inorganic growth you will be acquiring companies for this Financial Year '23-24 how much new acquisitions or how much is planned for this financial year and what is the growth expected out of those acquisitions?
- Rajdip Kumar Gupta:** So, let me just answer this question. As I said before also we are not right now looking out for any acquisition, but as I said we will look for it if there is a great company which we want to, which matches with our DNA, right now there is no plan of acquisition as we speak, but we are definitely looking out, it may take two year, it may take one year but I cannot quantify what kind of revenue and what kind of margin right now, you can just take it as a statement, and we are not looking for an acquisition, we are integrating and we are building product in-house and we are on a right track of doing that thing right now.
- Suresh Kumar:** Okay. My second question sir, in the inorganic growth what is the guidance sir, any growth for this financial year?
- Rajdip Kumar Gupta:** So, we are given the overall growth guidance of 20% as a company.
- Suresh Kumar:** Yes, sir that was told for organic growth for this inorganic around 30% is contributed from these acquisition part, any growth they have for this financial year only for growth sir?
- Gautam Badalia:** So, everything will become organic from 1st of April because all the companies that we have acquired was fully integrated for the last year. So, everything is organic and this 20% organic growth rate that we have kind of given guidance includes all the companies including the companies that we had acquired in the past.
- Suresh Kumar:** Okay, sir my last question, regarding in the Indian market you said your market share is around 20%, any plan of increasing that or how you are planning to increase the market share?
- Rajdip Kumar Gupta:** Yes, it's a good question, my market share India is over 20% now, as we speak. Yes, definitely as I said there are few numbers of large banks where we are already doing a POC and we are in talks with them. There are large enterprise customers, e-commerce customer where our team is focused working with them. So, we are looking forward to increase our market share to 25% this financial year, that is something which we as a company have taken a target internally. And we want to make sure that our market share to grow by almost 25% in this year in India.
- Moderator:** Thank you. We take our next question from the line of Vivek Sethia from HDFC Securities. Please go ahead.
- Vivek Sethia:** I just have one question on the borrowings part, if you could please repeat what are the Rs.100 crore borrowings pertaining to as it was zero in FY22. Now I see it's Rs.100 crores both short term and long term. So, if you could through some or share some light on it?



- Gautam Badalia:** No, so as I said we have net cash of Rs.737 odd crores and some of these borrowings are essentially more treasury management, wherein we are getting positive carry. So, these are backed by cash collaterals.
- Vivek Sethia:** And just to confirm, on the ILD side which you said, this was done last year April?
- Gautam Badalia:** No, this April.
- Vivek Sethia:** April 2023, so a month back you are saying?
- Gautam Badalia:** That's right.
- Rajdip Kumar Gupta:** And just to add this last April 2022 was also the same time when they increase the pricing.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Over to you gentlemen.
- Rajdip Kumar Gupta:** Thank you, everyone. Have a great evening, take care, bye.
- Moderator:** Thank you sir. Ladies and gentlemen, on behalf of the Route Mobile Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.