

Ref No: RML/2024-25/497

Date: July 26, 2024

To,

BSE Limited
Scrip Code: 543228

National Stock Exchange of India Limited
Symbol: ROUTE

Dear Sir/Madam,

Sub: Transcript of the earnings conference call for the quarter ended June 30, 2024

We are enclosing herewith copy of the transcript of the Company's Q1 FY25 earnings conference call dated Monday, July 22, 2024.

The transcript is also available on the Company's website under the Investors section at:

<https://routemobile.com/compliance/2025/Route-Mobile-Ltd-Q1-FY25-Earnings-Call-Transcript.pdf>

Further, please note that no unpublished price sensitive information was shared/discussed by the Company during the said earnings call.

You are requested to take the above information on record.

Thanking You
Yours truly,
For **Route Mobile Limited**

Rathindra Das
Group Head-Legal, Company Secretary & Compliance Officer
M. No. F12663

Encl: as above



Route Mobile Limited
Q1FY25 Earnings Conference Call
July 22, 2024

Management

1. **Mr. Rajdipkumar Gupta – Managing Director and Group CEO;**
2. **Mr. Gautam Badalia – Group Chief Strategy Officer and Chief Investor Relations Officer**
3. **Mr. Suresh Jankar – Chief Financial Officer**



Route Mobile Limited
Q1FY25 Earnings Conference Call
July 22, 2024

Moderator: Good evening, ladies and gentlemen, I am Sagar, moderator for this conference. Welcome to the conference call of Route Mobile Limited, arranged by Concept Investor Relations to discuss its Q1FY25 Results.

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

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

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

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

Rajdipkumar Gupta: Thanks, Sagar. Good evening, everyone. Wishing all of you a good health and prosperity. It gives me immense pleasure to highlight that Route Mobile has demonstrated an industry-leading revenue growth of 14% year-on-year basis, and 8.5% on a sequential basis, despite global headwinds and geopolitical situation.

During the quarter gone by, Proximus Opal completed the acquisition of 83.1% stake in Route Mobile. This acquisition will help Route Mobile in entering mature markets like USA and Europe, expand its product portfolio, and unlock synergies with TeleSign. We are thankful to all our minority shareholders for approving the related party transactions. Some of these related party transactions may take time to ramp up. However, the green shoot of this synergy from the group was further validated recently when Proximus and Microsoft announced a five-year strategic partnership on digital communication services, including CPaaS. As a group, we are working on similar such large strategic deals, and we will update you as and when it materializes.

The following are some of the key highlights of our quarter gone by. We welcome the new Board members to the Route Mobile Board, and it will be a privilege to learn and imbibe the best practices at Route Mobile from their vast experience.

We continue to gain significant market share in India and have demonstrated staggering 25% year-on-year growth and 12% sequential growth. Route Mobile's largest firewall deal with Vodafone Idea went live in April '24. There were a few teething issues during the month of April, which was resolved during that month. Our new product revenue continues to witness very strong momentum, registering 94% year-on-year growth and 16% sequential growth. We are India's largest WhatsApp ticketing enabler for metros as a premier partner of Meta. We have demonstrated similar use cases over RCS, too.

In terms of FY '25 guidance, we expect our revenue growth to be in the 18% to 22% band with approximately 13% EBITDA margin. The free cash generation for the business should improve meaningfully during the year and we expect the cash conversion from EBITDA to be within the 50% to 75% band. Further, in terms of our capital allocation strategy, we have done fairly well in terms of our geographical expansion strategy through organic as well as inorganic initiatives.

At this point of time, our immediate priorities, in terms of our inorganic strategy, is to augment our existing product portfolio with few cutting-edge futuristic technologies. Some of these proposed acquisitions may not warrant significant capital to be deployed, hence shall continue to maintain a similar dividend payout ratio of up to 20% of our consolidated PAT for FY'25. Last but not the least, it gives me immense pleasure to highlight that Route Mobile Limited is yet again recognized as a niche player in the Gartner's Magic Quadrant for CPaaS '24.

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

Gautam Badalia:

Thank you, Rajdip. Good evening, everyone. We have already uploaded our quarterly earnings presentation on our website as well as on the Stock Exchange websites. Hope you had a chance to go through the presentation. I will quickly summarize our financial and operating performance during the quarter gone by, before opening the floor for Q&A.

The key takeaway from our financial performance in Q1 FY '25 has been the strong revenue growth and the direct margin growth momentum. Revenue growth of 14% and direct margin growth of 17.6% on a Y-o-Y basis, coupled with registering double-digit growth in EBITDA, both on a Y-o-Y as well as on a sequential basis. As highlighted previously, Q1 is seasonally not our strongest quarter, and yet we have delivered an industry-leading revenue growth.

In volume terms, we processed over 37 billion billable transactions in Q1, which is again the highest quarterly billable volumes processed by us till date. Such exemplary financial performance in Q1 FY '25, a large global deal win by Proximus Group, which is a validation of the group synergy; and the VI Vodafone Idea firewall deal going live gave the strong foundation for a robust FY '25. The normalized cash flow conversion from EBITDA stood at 110%, you may refer to Slide 17 of the earnings presentation.

In terms of the operating overheads, there were significant increases in workforce cost, that is the employee benefit expenses increased by around 27% on a sequential basis. It includes the annual increments and certain one-off incentives paid to employees for retention, and to reward them for the exhaustive integration work done by the team to reap the synergies from the group. We also stopped capitalizing the digital identity project, TruSense, at Masivian. The employee cost amounting to Rs. 14.5 million with respect to such capitalization was expensed out during the quarter.

In terms of the other operating overheads, there were non-operating non-cash FOREX translation loss of Rs. 119 million and one-time cost of Rs. 8.6 million incurred for seeking expert opinions on transfer pricing for the related-party transactions with the Proximus Group and for the mandatory tender offer.

With this backdrop, let me walk you through our financial performance.

In terms of Q1 FY '25 performance, revenue from operations grew by 14% Y-o-Y and 8.5% sequentially to Rs. 11,034 million in Q1 FY '25. Billable transactions stood at over 37 billion in Q1 FY '25 as compared to 27 billion in Q1 FY '24 and 34 billion in Q4 FY '24. Average realization per billable transaction declined to Rs. 0.30 compared to Rs. 0.33 in Q1 FY '24 due to increase in domestic volumes in India. Sequentially, it remained stable at Rs. 0.30. We had a net revenue retention of 105%, you may refer to Slide 13 of the presentation.

In terms of direct margin, after adjusting for non-cash impact of Rs. 38.8 million related to refundable security deposit provided to an MNO, which has been amortized and booked under purchase account under IndAS 109, gross profit margin expanded to 22.1% as compared to 21.4% in Q1 '24 and 21.8% in Q4 '24.

EBITDA for Q1 increased by 11.5% Y-o-Y and 14.5% Q-o-Q to Rs. 1,379 million. EBITDA margin expanded from 11.8% in Q4 FY '24 to 12.5% in Q1 FY '25. On a Y-o-Y basis, it declined by about 30 basis points, primarily due to reasons mentioned above.

Adjusted for FOREX impact of Rs. 119 million, profit after tax improved by 1.5% Y-o-Y to Rs. 931 million in Q1 FY '25. PAT margin declined from 9.5% in Q1 FY '24 and 9.2% in Q4 FY '24 to 8.4% in Q1 FY '25, primarily due to increase in the effective tax rate to 21%. This increase was

mainly due to increase in profitability in UK, which is today taxed at 25%, and the implementation of tax in UAE.

During the quarter, we on boarded about 61 new employees and about 60 employees left during the same period.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: Sir, my question is on the promoter holding side, like post acquisition it is showing 83%. So, how we have done that and what is the planning to reduce it? because as per norm, this is not --

Gautam Badalia: Yes. Hi, Jyoti. So, pursuant to the open offer, the promoter's shareholding actually increased to 83+% and we have a stipulated timeframe of one year to bring it back to the minimum public shareholding of 75%.

Jyoti Singh: So, sir, I mean, I do not know whether I can ask, like, who will be participating in this? Or anyone will going to buy from the promoter side?

Gautam Badalia: Yes. So, there are various means to kind of get this done either through block deal up to 2% during the year or through an offer for sale. So, we are already kind of working on those avenues to streamline and be compliant with the minimum public shareholding.

Rajdipkumar Gupta: I think Gautam the question was like, is promoter going to buy? I think that was the question.

Gautam Badalia: Okay. No, so promoter will be selling, and it will largely be open to the investors, it could be Institutional, Retail or HNI.

Jyoti Singh: Okay. And sir, but first place, why we go beyond the 70%?

Gautam Badalia: So, in the open offer, I mean, Proximus signed an agreement to acquire about 58% shareholding from the founding family of Route Mobile, founding erstwhile promoters of Route Mobile. And while they continue to be promoters, but they do not have any shareholding right now in Route Mobile per se, and in the open offer, which was up to 26%, they got a significant chunk in the open offer, which tantamounted to their -- to Proximus shareholding going beyond 75%, close to 83% plus.

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



- Nikhil Choudhary:** My first question is regarding, any color management can provide on revenue synergy.
- Rajdipkumar Gupta:** Hey Nikhil, hi. As I said in my speech also, there is a large deal win by Proximus Group, it's a five-year deal we signed with Microsoft. And CPaaS is definitely one of the key area for growth. And there are some multiple deals we are working on with Proximus, with the large IT companies and other enterprises, which we will announce very soon. At the same time, we are working very closely with TeleSign because TeleSign do work with multiple aggregators in market. And I think probably we would like to work with them very closely to get all the traffic through Route Mobile channel. And I think that's a strategy we are working on. Whenever we are competitive as a company, as Route Mobile, we are working on those kinds of synergy right now, which we will see the impact in coming quarters.
- Nikhil Choudhary:** Sure, Rajdip. So, should we assume that in your guidance, you are backing in those revenue synergies?
- Rajdipkumar Gupta:** I think, yes. Gautam, correct me if I am wrong.
- Gautam Badalia:** Yes. So, Nikhil, I think as we speak, I think we got the minority's approval I think around the 17th of June. And then to some extent I think some of those post-minority approval synergies are kind of there in the numbers. And we have also been historically working with TeleSign. And there is a certain amount of revenue throughput that already comes, and it has come during the quarter gone by as well. But we definitely believe that the momentum of support will increase in the months to come. And so, today, the guidance that we have kind of rolled out, baked in the existing run rate with TeleSign. And as and when, as Rajdip said, I mean, some of these incremental throughputs that will come, that is today not baked into the numbers, and that could be an upside.
- Nikhil Choudhary:** Got it, Gautam. Second thing in terms of new product revenue ramp up we have seen, there's about Rs. 100 million on quarterly basis, right? But the kind of revenue we have guided for Vodafone Idea is much more higher, right? We, last quarter said that it could be Rs. 500 crores in FY '25. So, just wanted to understand why it's such a small number for this quarter?
- Gautam Badalia:** Sorry, Nikhil, can you just repeat your query? I did not get the connection between Vodafone and the new products.
- Nikhil Choudhary:** I think we recognized firewall deal within this, right? Or we are just recognizing firewall within --
- Gautam Badalia:** No, no, no. New products are without the firewall. Firewall is reported separately.

Nikhil Choudhary:

So, one thing I want to understand in terms of guidance, sorry for pushing this, is Rs. 500 crores if we account for Vodafone Idea, and plus revenue synergy, material revenue synergy from TeleSign, the core business growth looked quite conservative, Gautam. So, any color of what is leading to that, are we still seeing pressure on organic ILD volumes?

Gautam Badalia:

No. So, I think the way we are looking at it, maybe I mean it's kind of leading to some amount of double-counting. So, essentially, with Vodafone only we get the rev share, right? I mean, we generate the revenue for enterprises globally, right, which will terminate on Vodafone Idea. And whatever we kind of generate revenues for Vodafone Idea, we get our revenue pie out of it, which is the firewall piece of the revenue.

Now, coming to whatever is being terminated onto the Vodafone's network, that includes Vi CPaaS from TeleSign to Vodafone as well. So, to that extent, I mean, I believe there may be some amount of double-counting there. And hence, the numbers, I mean, at the gross level may look a little higher, but when you net it off, it may be a little lesser than, I mean, the numbers that we are accounting for. So, in the Rs. 500 crores of incremental revenue for Vodafone that we are talking about, it would bake in some amount of revenues that would come from TeleSign onto the Vodafone network.

Moderator:

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

Amit Chandra:

Sir just the continuation on the last question in terms of guidance. So, if you can tell us what was the incremental or the contribution of the VI deal, or we now should consider whatever incremental is there in this quarter is from VI? And as April was not in like full swing, so maybe Rs. 100 crores is the quarterly run rate, so maybe whatever you are guiding for the full year, half of that is assumed to be coming from Vodafone? So, in the base business assuming that the ILD volumes have been recovering, and we are now seeing volumes recovery in the domestic business. So, 10% growth in the base business, is it too conservative or we can see some upsides there also?

Rajdipkumar Gupta:

See, let me just start with this question, maybe Gautam you can add to it. So, Amit, we have definitely seen a growth in certain traffic coming from ILD side, but we have also seen a huge growth on domestic volume in India on our platform. At the same time, I think the new product growth, we have seen the 94% growth which we already shared with you guys. I think overall growth wise, we are working very strongly on our firewall, because there are multiple issues we have noticed in last quarter that there are many grey routes where like delivering messages to the Vodafone network, we try to mitigate those risks.

And I think now we believe that from this quarter onwards all these leakages which was there, and there are still a few leakages which we try to highlight Vodafone Idea to overcome,

and Vodafone Idea is completely supporting us. And I think with our current firewall and its capabilities, we believe that the volume may increase. But there are certain brands who have cut down their volumes for sure, and which is like they just do not want to spend that kind of money. But in terms of Route Mobile volume, we have seen a stable volume, plus there is a little growth as well on our ILD volumes. Gautam?

Gautam Badalia: Yes. And just to highlight, Amit, I think this was not the seasonally best quarter for us, so I think gradually I think the traffic will ramp up further.

Amit Chandra: Okay. And also in terms of the revenue from OTT, we have won some deals there, so obviously that is showing up in the new growth areas. But can this piece grow much faster, because the ramp up that we are seeing on --

Rajdipkumar Gupta: Yes, Amit. Amit, you are right. Definitely yes, because quarter two and three, because of the festivity I think we will definitely going to see some growth on those side as well.

Amit Chandra: So, any quantification you can give there?

Rajdipkumar Gupta: Probably no Amit, we will not quantify. But what I can just share with you right now, yes, we have seen a growth already because there were some large campaign happen in this month, and we have seen some growth. And we believe in this quarter because of certain more such events going to happen, and we will see growth. So, I may not quantify at this point of time, but I can only share that the things are looking good at this point of time for ILD business.

Amit Chandra: Okay. Now the only thing is that, that confidence is not being reflected in terms of the guidance or we are being more conservative, or as we move into the year we can see how it progresses, but obviously the traction is --

Rajdipkumar Gupta: Amit, I think see, at least when the entire CPaaS market is growing at lower single-digit, like, we as a company giving 18% to 22% still is one of the best guidance we are giving based on certain clear ideas we have about pipeline. So, I think if we over perform, definitely in past we have done, but we are not trying to be conservative out here, but based on the current market scenario and if you see the entire CPaaS growth globally, we are still giving the best guidance to the market.

Amit Chandra: Okay. And sir, now with the new management fully coming in, and being the first quarter, any changes in the way we used to work or any changes in terms of the sales approach or in terms of how we are seeing the market? And anything if you want to highlight in terms of the changes happening there?



Rajdikumar Gupta:

Yes, definitely, definitely there are lot of positive things to highlight. Because of Proximus as a group, we got a direct access to large enterprises like Microsoft, and there are many enterprise access we already received and we are working on certain large contracts because of them. So, I think on overall side, if you see the deal value, the entire partnership with Proximus is going to help us to win more large accounts, which we are going to announce very soon. And the entire management at Proximus is very supportive. My role has now extended not to only just to Route Mobile, but as a bigger group. And I am here to bring more synergies to Route Mobile. And my idea is to how we can optimize lots of other costs for TeleSign and other groups to make Route Mobile a bigger story together.

Moderator:

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

Dipesh Mehta:

A couple of questions. First is about, I think you indicated about CPaaS market is growing in low-single-digit. Seems to be very muted growth compared to where the market used to grow earlier. So, if you can give just some sense about what factor is affecting growth. This year, obviously, because of specific large deal, as well as related party pass-through revenue related thing, we are benefiting. But from structural medium-term perspective, if you can give some sense what is affecting growth and how you expect it to change? And I have some follow-up, but maybe you can answer it first.

Rajdikumar Gupta:

Yes, let me just answer this question, Dipesh. So, as a group strategy, we know the potential of domestic market, the kind of success we have seen in India, the kind of success we have seen in Middle East market, at the same time in LATAM. We want to replicate this success again to various markets where we are not operating. There are market like Indonesia, Cambodia, Philippines, Malaysia, and other markets in Africa along with Mexico. These are the markets where we are going to focus completely on our domestic side of the business which is a very sticky business and we believe that market is going to grow multi-fold.

And we as a group we already have a mandate to do that, and we are working on those strategies. So, just if you see the overall growth on the international traffic terminating, internationally has seen some kind of a de-growth. But if you see the domestic use cases has increased multi-fold, and that is the exciting thing for all the CPaaS players to look at right now, where we have seen the growth in domestic market, any market you operate from right, because of digital adoption and various other points.

You can go to the next question, may be Gautam can answer.

Dipesh Mehta:

Sure, Rajdip. Just continuing on this question; Now, in a way you are indicating same market unlikely to grow that fast that is how one would interpret. Because your focus was on expanding into other markets to maintain momentum, rather than you finding similar growth is possible which we earlier used to see in the same kind of market.



Rajdipkumar Gupta:

It is not like that way, as I said India itself, if you see is a very large market and the digital adoption in India is increasing multi-fold. So, the market in India is still going to grow multi-fold and we will definitely get a benefit out of that. And if we talk about the Africa market or the LATAM market, are also going to adopt more digital channels. And all the CPaaS companies or companies like Route Mobile who are already based out of those markets will definitely get advantage of that. So, I think it is not about just international story, that international OTT players terminating messages to different domestic markets, but it is all about the domestic enterprises also getting stronger and better use cases they are using right now. So, I see it's a combined story together, Dipesh.

Dipesh Mehta:

Okay. Second question is about, I think, what kind of changes let's say we made in sales process, compared to when Route used to be standalone kind of entity? And similarly on accounting side, I think some of the things which I think Gautam earlier alluded about, some of the expenses earlier capitalized, now expensed out, so if you can give just sense first on business side from sales and delivery what kind of changes we have made?

Rajdipkumar Gupta:

So, probably we will not be able to share publicly about our sales and strategy that how, we are definitely working on multiple lever points and I think we believe that our sales and strategies are very good right now. And now with the combined team of TeleSign and Route Mobile working together to gain more access to enterprises domestically and international, that's the only thing I can share at this point of time. But on your second question, Gautam, you can answer it.

Gautam Badalia:

Yes. So, Dipesh, I think on the capitalization bit, I think, TruSense if you look at it, since TeleSign has a more evolved product on digital identity, and as per the related party resolutions that were kind of approved by the minority shareholders. We have already shared that we would be licensing, I mean, their digital entity stack to our customers. So, in a way, I mean, we are looking at sunseting the TruSense development and incremental development, while the product is already kind of being monetized with enterprises. And hence we stopped the capitalization of that product and started expensing out the employee-related costs and also amortizing the cost related to TruSense.

Dipesh Mehta:

No, question was Gautam more about any other thing, because this TruSense you have called out, so we are aware, but any other accounting change happened because of, let's say, post-merger kind of?

Gautam Badalia:

No, there isn't any accounting change per se, but I think the systems and processes have become more robust, there is more accountability, which is actually good. So, we are able to track, I mean, we have been doing that in the past, but I think now with additional reporting and stuff, I think things have become more robust, which augurs well for us.

Dipesh Mehta: Okay. So, post-transaction only changes are on TruSense and then our robust process, no other changes in accounting perspective?

Gautam Badalia: That's correct.

Dipesh Mehta: Understood. And I think, Rajdip, you earlier alluded about some RPT synergies will take some time to materialize, so if you can help us understand. Because if I look at postal ballot approval, number was fairly large, for next three years number was mentioned, if I put that into context of the guidance what we gave, guidance is not that strong, if I adjust for Vodafone and then residual kind of thing. So, if you can just help us understand what is likely to realize immediately and how one should understand this synergy benefit playing out?

Rajdipkumar Gupta: So, I think, Dipesh, as I said, like 18% to 20% guidance is still one of the best industry-leading guidance. And how the synergy will pan out, probably I may not be able to share. Gautam, do you want to share anything on that?

Gautam Badalia: Sorry, Dipesh, can you please repeat what is your exact query?

Dipesh Mehta: Sir, exact query was about, I think Rajdip in earlier comment made about some of the RPT benefit is likely to realize in Q1, Q2, Q3 kind of thing and some of it will take some time to materialize. So, I just want to understand what is immediate, what will take time?

Gautam Badalia: Yes. So, I think cost of sales will be immediate, I mean for whichever routes I mean we are more efficient or they are more efficient, that will be immediate. What will take a little bit of time is in terms of cross-selling the new products, where they will be cross-selling our omni channel stack and we will be cross-selling their digital identity stack. So, that will take a little bit of time, because there are some regulatory challenges in terms of data privacy regulations and stuff which needs to be kind of adhered to, locally. The data localization bit has to be done locally for some of the newer geographies. So, some of these things, I think will take a little bit of time, but the cost of sales and to an extent the entire share service which has contemplated out of India, that should start to flow in from this quarter, I mean, the planning would already be, I think this quarter, I think from next quarter you will see some of those cross-charging revenues also come through.

Dipesh Mehta: So, from Q3 or Q2, I missed because your voice was breaking.

Gautam Badalia: From Q3. Cost of sales, as we said, it's already kind of happening, I mean, immediately after we started to get the minority's approval. In terms of the cross-charging on the share services, that will happen from Q3 onwards.

- Dipesh Mehta:** Understand. Two questions last from my side. First is about this Rs. 38.8 million which you called out, refundable security deposit related accounting amortization. Can you help us understand the nature of it? Because it seems to be, we have earlier also signed some firewall deal, but this is something new, first time we are hearing.
- Gautam Badalia:** This is not a firewall deal. This is essentially, I mean, in advance to a supplier where the supplier has kind of doled out a decent price discount. And our usage with that supplier is almost 3x of that amount. So, per se, I mean, it is part of a regular course of business. And I mean, by November -December, this should be off our books as well, I mean, in terms of the usage.
- Dipesh Mehta:** Okay. And then last question from my side is about tax-rate, this quarter obviously we have seen some uptick, but --
- Gautam Badalia:** Sorry, Dipesh. Sorry, just wanted to kind of re-clarify, I think your query was on that Rs. 38.8 million impact on the P&L which is non-cash.?
- Dipesh Mehta:** That's right.
- Gautam Badalia:** Okay, okay. This is for the security deposit that we have given for our firewall deal, and that security deposit essentially is being treated under IndAS 109 accounting standards, and hence there is a non-cash charge to the purchase account. And the interest earned on that security deposit is carried to the other income.
- Dipesh Mehta:** So, the question was, this kind of deal we have signed earlier also, I presume this is for large telco, IL deal, which we start, that pertains to it.
- Gautam Badalia:** Yes, that's correct.
- Dipesh Mehta:** But we have signed in the prior quarter also some of those large deals in different markets, that time we have not seen such accounting adjustment. This is any different than rest?
- Gautam Badalia:** Yes. So, some of those deals I think are a little different, because those deals allowed for settlement of the invoices from the advances, whereas here it is kind of a security deposit.
- Dipesh Mehta:** Okay. And I think then you give something telco-related discount. I am not clear let's say --
- Gautam Badalia:** Okay. That is a different deal altogether which is, I mean, related to one of the short-term loans that we have taken, which we have called out in the cash flow, which is an advance to the telco, which will get consumed by November - December of this financial year, of this calendar year, rather.

- Dipesh Mehta:** Okay, fair enough. Fair enough. Thank you, Gautam. I think I have a last question on tax rate, if you can give some sense about what one should model, because you gave reason for UK business profitability and UAE increase, but not for current year, so obviously we get sense about 20% kind of number, but medium term what one number is reasonable?
- Gautam Badalia:** Yes, it should be in the vicinity of 18% to 20%, I think that should be the vicinity of the tax rate.
- Moderator:** Thank you. The next question is from the line of Swapnil from JM Financial. Please go ahead.
- Swapnil Potdukhe:** My first question is with respect to the advance to the supplier that you called out. Just wanted to get a sense as to why this sudden change in policy? Because I do not think we have been doing such kind of deals in the past. Any particular reason we felt that such kind of deals are necessary?
- Gautam Badalia:** No, so it essentially is, I mean, the supplier was willing to offer a discount. I mean, our throughput is a different case of value, so per se, I mean, we would have used this quantum, irrespective of the commitment amount. So, it made all the sense for us to kind of give this advance to the supplier and avail the discount.
- Swapnil Potdukhe:** Now assuming you are getting a decent discount because of this deal, will it be fair to say that your gross margins, once the deal is over, will it dip a bit, because then the discount will not be available to you?
- Gautam Badalia:** I mean, we will see it at that point in time, Swapnil. But at this point in time, we are enjoying the benefit of, I mean, the discount.
- Rajdipkumar Gupta:** Swapnil, we can always negotiate with the same deal, right? But again, as I said, there are lots of increments on our new product line also. So, it is not about just one deal we are talking about, we have multiple deals right now. And I think most of the deals, we will definitely try to negotiate with the operator to extend this deal in future. But right now, based on our new product line growth, I think we believe that whatever gross margin guidance we have, I think we will always maintain that.
- Swapnil Potdukhe:** The second question is with respect to your employee expenses. Now, you called out a certain increase in this particular quarter. Just wanted a sense like how should we look at your employee expenses going ahead? Will it continue to be in the same run rate of this quarter, or there will be, since it was kind of a one-off, there will be a dip?
- Gautam Badalia:** Yes. So, Swapnil, at this point in time, I think there were a few one-offs, so I think it will be worthwhile to kind of assume about a Rs. 20-21 crores kind of a quarterly run rate.



- Swapnil Potdukhe:** And the next question is with respect to your intangible assets under development --
- Gautam Badalia:** Sorry Swapnil, Rs. 20 crores, Rs. 21 crores of monthly cost, not quarterly.
- Swapnil Potdukhe:** Got it. With respect to your intangible assets under development, you have called out Rs. 28.7 million in this particular quarter, while in the beginning you mentioned that you are not capitalizing Masivian related expenses anymore. Can you just give a sense on what is the nature of this particular line item then?
- Gautam Badalia:** Yes. So, there were two projects that were being kind of developed by Masivian, along with Route Mobile. One of the products, which is TruSense, as we have called out, I mean, we would kind of look at the more evolved stack of TeleSign for cross-selling. So, I mean, that we have stopped capitalizing and we are already monetizing it with a lot of banks and enterprises there. But the other project, I think, which was being capitalized, continues to be capitalized.
- Swapnil Potdukhe:** Any time period as to how long this will continue? And what would be the overall capitalization setting today?
- Gautam Badalia:** So, I think in terms of the value, I think it should be on an average close to a USD 1 million a year, and I think we are towards the fag end of the development of that project, and it should I think be done, I think, in a year, year and a half time.
- Swapnil Potdukhe:** So, last bit on your top-line, by any chance you can call out what is the value accrual that you expect from because of the Microsoft deal, and starting when can we expect that to come to your P&L? And a related question, like we have been in the past mentioning about the Amazon deal across 10 years, we have not heard of late any particular mention of that particular revenue, if you can just elaborate on that as well?
- Gautam Badalia:** So, Swapnil, we cannot call out, I mean, some of these are very, very confidential. But as I said, the Microsoft deal, I think, is a large 5-year deal and there is a lot of incentive for Microsoft to start using the Proximus CPaaS stack for termination. So, I mean, we will tend to benefit, I mean, from that Microsoft A2B messaging termination. And on Amazon, I think, we have seen good traction, I think, in terms of India, in terms of some other geographies.
- Rajdipkumar Gupta:** I think I just mentioned, we already started getting some traffic for UK termination from Amazon. And we are already testing for more destinations. I think we have already signed total 10 destinations. And there is already a test process going on which we believe will take another few weeks to start a new destination. But right now, we are serving them for India and UK.

Swapnil Potdukhe: Just a follow-up to that, Rajdip. Since we have been talking about so many different types of deals, and the expectation is that a decent proportion of that revenue should start accruing in FY '25. 18% to 22% guidance despite so many initiatives, looks a tad conservative.

Rajdipkumar Gupta: Swapnil, as I said I think in the past also, if you see our history, probably the last year is the only year where we guided something, and we failed to achieve that, honestly. But in the past also we have over achieved our numbers. Based on the current market scenario, the current spend by some, I think the spend cut by some of the large OTT players, I think based on the overall scenario, I think 18% to 22% is still a very good guidance, I believe. And definitely we have a tendency to overachieve our numbers, we will definitely work towards it.

And you are right, we do have a very strong pipeline, a very strong deal, which is going to come very soon. But some of these deals may take some long time also. Onboarding a customers like, say, large enterprise customers takes three to four months, or sometimes six months also. So, how much time it takes to actually start coming as a revenue to our portfolio, we cannot comment at this point of time. But based on the current scenario, like current pipeline and current customer which we have already onboarded that is the kind of guidance we are giving to the market.

Moderator: Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital Advisors, LLP. Please go ahead.

Gokul Maheshwari: Yes. So, in the recent commentary, even in the press you had this aspiration of wanting to achieve a \$1 billion of revenue in two or three years' timeframe. So, keeping the guidance for FY '25 aside, given the current market condition, is that something which is still in your overall scheme of things? Or is that still an aspiration, or is there a concrete plan to really achieve that particular guidance? Because if you were to achieve or what you have envisaged for FY '25, to achieve a \$1 billion it's going to be a very steep climb in '26 or '27. So, any comments on that would be helpful.

Rajdipkumar Gupta: So, Gokul, if you see the kind of deals which we are working on right now and the kind of support we are getting from the Proximus Group, and as I said, large deal wins like this, like Microsoft will definitely get us to that \$1 billion revenue. And we are still having our aspiration to achieve that \$1 billion, and we are very much sure that we will achieve that number. Because we can clearly see the synergy between both the companies, and how we are going to move forward and we have already laid down a plan to reach \$1 billion in next two to three years down the line, and we are working towards that. And there is no change as such in terms of my aspiration or the company's aspiration to generate \$1 billion revenue as Route Mobile. We are very much in tact with our vision and our guidance also.

- Moderator:** Thank you. The next question is from the line of Keval Shah from Banyan Tree Advisors. Please go ahead.
- Keval Shah:** I just wanted to know more about the ILD volumes. So, in the current quarter did we see any growth or the volumes remain impacted as compared to say H2 of FY '24?
- Gautam Badalia:** So, in terms of ILD, I think we have definitely seen growth in terms of volumes on a Y-o-Y basis.
- Keval Shah:** And the second question is, so are these players moving the traffic to other channels or they have basically cut down the budget? Because I am seeing that Amazon India started using WhatsApp for the delivery updates.
- Rajdikumar Gupta:** So, Keval, if you see, I think there are multiple channels available, and people are exploring the different channels. But again, SMS is one channel which is far better in conversion ratio. All these large OTT players definitely believe in that conversion ratio on SMS is far better than all other channels, based on various reasons. And I think we always believe that definitely there is maybe a little drop in overall volume for ILD in long term. But as a company, with a firewall at BSNL and with Vodafone, we are very well placed in the current scenario in India-based market, where we believe if we do the right job with our firewall and which we are doing right now, we will definitely see some growth in our overall traffic in ILD.
- Moderator:** Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.
- Pradeep Rawat:** So, my question is regarding the change in parentage of the company. So, would it be probable that domestic banks would be hesitant to give business to Route Mobile now as the parentage is foreign now?
- Rajdikumar Gupta:** Why so? Because all our servers, there's no change with Route Mobile, everything is within country. We are serving completely guided by Indian law. I do not see there's any change we have done post this merger or acquisition. I do not think that's a question, right, because there's no change as such, everything remains as it is what we were operating before.
- Pradeep Rawat:** Yes. And the next question was regarding our realization. So, over the years, our realization has been falling. So, what could be the reason behind that?
- Gautam Badalia:** Yes, so this is a function of think the change in geography mix. So, like if the volumes in India are increasing, whereas the realization is so much, the average realization becomes the southward impact on the realization.

- Pradeep Rawat:** Yes, okay. And my next question is regarding our promoter. So, why did our promoter sold a controlling stake in Route Mobile, which is present in a growing market for a stake in a company that is present in slow growing markets like U.S., without any controlling stake? So, I just wanted to understand the thinking behind that.
- Rajdikumar Gupta:** I think I have explained this multiple times, Pradeep, in various forums. And as I said, the combined deal which we have won, which is Microsoft and some of the deals which we are working on is only possible because the large partnerships like these. And I think there was a multiple reason to do this. I may not say all the reasons, but as I said, what was best for the company, I have taken that call. That's the only thing I can say right now.
- Moderator:** Thank you. The next question is from the line of Ronak Chheda from Awriga Capital. Please go ahead.
- Ronak Chheda:** Yes, Gautam, just wanted to understand on direct margins per se, can you quantify the current guidance in terms of growth rate for direct margins?
- Gautam Badalia:** On the growth rate for direct margins? So, I think the growth rate on direct margins will be little tad better than the revenue margin growth, simply because of the direct margin expansion. Plus, yes, it will grow in line with the revenue growth.
- Ronak Chheda:** So, for this quarter, you have grown faster. Should we assume a similar this, or it would be in line with revenue?
- Gautam Badalia:** Yes, I think we should be able to maintain this. And because of the new products, as Rajdik said, we will be able to also expand it. The only thing that, Ronak, I will just call out here is, it also is a function of the related party transactions. Some of these related party transactions may be a little dilutive, I mean, from a direct margin and EBITDA standpoint. But it would be, I mean, accretive or at par with the EBIT margin.
- Ronak Chheda:** Got it. My second question is, almost 45% -47% of our business comes from territories outside of India, right? So, we understand what is happening in Indian markets and the customers choosing to either shift or cut down on their expenses. But can you talk about the volume growth in markets which are ex-of-India, let's say for the current quarter, on a sequential and a Y-o-Y basis? And in terms of your guidance, what is the outlook for markets ex-of-India, can you talk about these markets? And what are the trends which we are seeing there? The existing markets, not the newer ones.
- Gautam Badalia:** Yes. So, I think we have witnessed some growth, I think, in terms of the rest of the world volumes as well. But you are absolutely right, I think in geographies where the ILD prices had gone up very significantly, I mean, some of them were kind of quoting at \$0.15, \$0.20, there

is a natural pushback from the enterprises to use the ILD's OTT messaging route. And that's where they're looking at either grey routes or alternate channels. So, I mean, there is some degree of headwinds, I mean, in some of those markets. But for markets where I think the pricing is more palatable, I mean, to a lot of these large enterprises, I think we continue to witness the volume increase.

Ronak Chheda: Got it. And last question is on RCS, what we understand is the pricing for RCS fits between SMS and WhatsApp. And we have read about Rajdip's comments in the press about how excited this technology is. So, just wanted to understand, let's say when you are envisaging the kind of growth rate over the next two, three years, and if these platforms like RCS and WhatsApp were to scale up, your profit growth would kind of not mirror the revenue growth, right, because the realization per unit will come down significantly. So, just wanted to pick your thoughts on how you are seeing profit growth in terms of over the next two to three years.

Rajdikumar Gupta: I think Gautam, I think you can add to it. Ronak, but I think RCS prices and WhatsApp prices are better, higher than SMS for sure. And definitely there's a higher margin than SMS in both the channels.

Ronak Chheda: So, Rajdip, when you are looking at let's say 25% kind of growth rate over the next two to three years for the current business, and your direct profit grows in line, direct margin grows in line or faster, should we assume a similar trend for other profits also when the channel shifts, or below line items as well?

Rajdikumar Gupta: Gautam, you can just add to this.

Gautam Badalia: So, Ronak, I think you are absolutely right. I think on the new products we are already witnessing, I mean, staggering growth rates, I mean, so quarter on quarter 16%, Y-o-Year 94%. So, I think we will be able to kind of have a similar kind of a play on RCS as well. And the good thing is, I mean, even TeleSign, I mean, for all its customers, there are now requirements, I mean, that they have for RCS, for WhatsApp. And we are seeing some good conversations, good pipelines, I think, being built on those products as well. So, I think it looks much brighter, I think, on the new products work stream. And give us maybe a couple of quarters, we should be able to announce some big deals on both these accounts, or both these platforms.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from PK Shares and Finance. Please go ahead.

Pankaj Kumar: My question is regarding the gross profit margin, EBITDA margin and PAT margin. We have a competitor which is listed on Indian securities markets and it has a very good profit margin

compared to Route Mobile. I would like to know why is there such a gap between the two companies' profit margins?

Rajdikumar Gupta: I do not think I should comment on that, maybe Gautam you can answer the other question.

Gautam Badalia: So, Pankaj, I think we have consistently been kind of trending around this kind of margins. And I think we can only talk about our numbers. And in terms of even our guidance, I think we believe we should be, I mean, in that vicinity with a little bit of an upward tab in terms of margin expansion, and that's where I think we are.

Pankaj Kumar: No, I would like to understand from you, like the other player has the same business as yours and why is it able to earn better margins than yours? I mean, why cannot we achieve the same margins?

Gautam Badalia: Pankaj, it will be very difficult for us to kind of comment on what others are doing. I mean, we can comment for our performance. And I think if you look at us, I mean, for the last 8, 10, 12 quarters as well, I mean, we would have been kind of trending in this kind of margin. I mean, there is definitely room for these margins to improve, as I said, and I think we are working towards it.

Moderator: Thank you. The next follow-up question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: Sir my question, sir, what is our average ILD price versus what our international competitors' charge?

Gautam Badalia: Jyoti, the price that operators give us is about \$0.05. And due to confidentiality, I mean, this is competition sensitive, we will not be able to comment on what price we offer it.

Rajdikumar Gupta: We cannot share that, Jyoti, sorry.

Jyoti Singh: Sir, are we at discount or at a premium to global players?

Rajdikumar Gupta: Jyoti, as I said, we cannot share any such information over this call.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to Mr. Rajdikumar Gupta for closing comments.

Rajdikumar Gupta: Thank you, everyone. Thank you for joining this call, and looking forward next time to answer all your questions. Thank you once again. Thank you and have a nice evening.



Moderator:

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