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Date: August 3, 2022

**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 30,2022**

We are enclosing herewith copy of the transcript of the Company's Q1 FY23 earnings conference call dated Friday, July 29, 2022.

The transcript is also available on the Company's website under the Investors section i.e. <https://routemobile.com/wp-content/uploads/2022/08/Earning-Conference-Call-Transcript-Q1-FY23-July.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Further, please note that no unpublished price sensitive information was shared/discussed by the Company during the said earnings call.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 Faithfully,  
For **Route Mobile Limited**

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**Rathindra Das**  
**Group Head-Legal, Company Secretary & Compliance Officer**



**Route Mobile Limited**  
**Q1FY23 Earnings Conference Call**  
**July 29<sup>th</sup>, 2022**

**Management**

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

**Route Mobile Limited**  
**Q1FY23 Earnings Conference Call**  
**July 29, 2022**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Conference Call off Route Mobile Limited arranged by Concept Investor Relations to discuss its Q1 FY23 Results.

We have with us today Mr. Rajdipkumar Gupta, Managing Director and Group CEO, Mr. Gautam Badalia, Group Chief Strategy Officer & Chief Investor Relations Officer, Mr. Suresh Jankar, Chief Financial Officer. At this moment, all participants are in listen only mode. Later, we will conduct a question-and-answer session at this time if you have a question, please press “\*” and “1” on your telephone keypad. Please note that this conference is being recorded. 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 number #2 for the presentation for the disclaimer. I now hand the call over to Mr. Rajdip Gupta, Managing Director and Group CEO. Thank you and over to you, sir.

**Rajdipkumar Gupta:** Thank you. Good evening everyone, wishing all of you good health and prosperity. Despite global headwinds, and the geopolitical situation we had an excellent start of Financial Year’23 with 93% year-on-year growth and 16% sequential growth. Our structure approach diversified global scale of operation and clinical execution capabilities have been the bedrock for such consistent performance. We are well on track to achieve our 40% revenue growth guidance for FY23. In fact, looking at the current growth momentum, we are striving to achieve over 50% year-on-year growth in FY23.

The following are some of the key highlights of the quarter gone by. We continue to gain significant market share in India and some of the last BFSI clients that we had won in the last financial year are slated to go live towards the tail end of FY23. The deep integration required for such clients take approximately four to six months, which is why there is a lag. However, once completed this relationship become a very sticky proposition. We are in the process of integrating all platforms that we had acquired during the last financial year. And we should see the synergy benefit of these integration paying out for the next few quarter onwards in fact.

As a part of our rapid initiative, we have opened a center of excellence in Bengaluru for our research and development initiative. In terms of conversational commerce, we are witnessing good traction from enterprises in digitizing their customer transaction experience our business messaging platforms such as WhatsApp, Viber and Facebook. We

onboard clients like Coca Cola in UAE where they have digitized the customer transaction experience over WhatsApp business messaging. During the quarter gone by, we have added 76 employees and 66 employee resigned in Q1 FY23. We believe that the attrition level will normalize to historical level in couple of quarters. In Latam, as highlighted during the last quarter earnings call. We are expanding in Chile, Mexico and Ecuador. Further the technology team at Masivian is building an omni channel platform that will be orchestrated the personalized communication through AI&ML and have customer data platform capability embedded into it. This development cost of about INR 59 million is being capitalized in Q1 FY23.

Further in terms of our capital allocation strategy, we have done well with our geographical expansion strategy through organic and inorganic initiatives. Currently, our immediate priority in terms of our inorganic strategy is to augment our existing product portfolio with a few cutting edge futuristic technologies. Some of these proposed acquisition may not warrant significant capital to be deployed. Hence, considering the current capital commitments plus the proposed acquisition we may have surplus cash from the next two years roadmap perspective, which are returning to our shareholder through open market buyback program of up to 1200 million that was launched earlier this month. In addition to buyback, we intend to increase the dividend payout ratio as part of our stated dividend policy and link the dividend payout ratio up to 40% of the free cash generated over FY23 to FY25.

Last but not the least, it gives me immense pleasure to highlight that Route Mobile is again listed as tier one position in both M&O and enterprise edition of P2P messaging vendor benchmarking report by ROCCO. With this, I will now turn it over to Gautam to take us through the financials. Thank you for your time.

**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 exchanges. Hope you had a chance to go through the presentation, I'll quickly summarize our financial and operating performance during Q1 FY23, before opening the floor for Q&A. The key takeaway from our financial performance in Q1 FY23 has been the strong revenue growth momentum, revenue growth up to 93% on Y-o-Y basis on 16% on a sequential basis, coupled with significant expansion of margins, adjusted PAT grew by 131% on a Y-o-Y basis and 38% on a sequential basis. As highlighted earlier, Q1 is traditionally not our strongest quarter and yet we have delivered an industry leading growth. In Volume terms, we have processed over 24.8 billion transactions in Q1 as against 52 billion billable transactions in FY22, which is again the highest quarterly billable volumes processed by us till date. Such exemplary financial performance in Q1

FY23 has laid a very strong foundation for our superlative FY23 full year financial performance.

With this backdrop let me walk you through our financial performance. Revenue from operations grew by 93% from Rs.3,775 million in Q1 FY22 to Rs.7,290 million in Q1 FY23. There was a sequential growth of 16%. In terms of certain KPIs billable transactions increased from 7 billion in Q1 FY22 and 18 billion in Q4 FY22 to 25 billion in Q1 FY23. These realization per billable transaction reduced to 29.4 paisa that are compared to 35 paisa last quarter, going to lower average realization per billable transaction in Masivian, Increase in domestic enterprise business in India, and lower average email realization. We had a net revenue retention of 125% you may refer to slide #17 of the earnings presentation for the same. We added over 200 new customers in Q1 FY23 across all products. Gross profit margin expanded from 20.4% in Q1 FY22 and 21.1% in Q4 FY22 to 22.4% in Q1 FY23. In terms of operating overheads, employee benefit expenses decreased by 2.8% from INR 398 million in Q4 FY22 to INR 387.3 million in Q1 FY23. The decrease was on account of capitalization of salary cost, amounting to INR 59 million. This pertain to the cost incurred by the R&D team at Masivian. Masivian is augmenting the capabilities of their omni channel platform by adding layers like AI/ML and customer data platform capabilities.

In addition to that, we have also completed our annual increments in the quarter gone by and in terms of ESOPs, there was a non-cash charge of INR 72 million owing to grant of 7,36,000 stock options to eligible employees of Route Mobile and its subsidiaries under the RML ESOP 2021 Scheme, 65,000 ESOPs were cancelled during this same period owing to nonperformance / exit of the employees. 76 new employees were on boarded in Q1 FY22-23, while 66 employees resigned during the same period. Adjusted for the same EBITDA grew by 75% on a Y-o-Y basis from 491 million in Q1 FY22 to 860 million in Q1 FY23. Sequentially, EBITDA grew by 23% from 697 million in Q4 FY22 to 860 million in Q1 FY23. EBITDA margin stood at 11.8% in Q1 FY23 as compared to 11.1% in Q4 FY22.

Amortization related to intangibles identified on account of acquisitions stood at INR 148 million, finance cost relating to unwinding cost on account of acquisitions stood at INR 34 million. Effective tax rate for the quarter was 14%, we had a deferred tax credit of INR 57 million. Adjusted profit for tax grew by 131% Y-o-Y from INR 377 million in Q1 FY22 to 872 million in Q1 FY23 as compared to Rs.634 million in Q4 FY22. Adjusted PAT margin was 12% in Q1 FY23 as against 10% in Q1 FY22 and 10.1% in Q4 FY22. With this we open the floor for Q&A.

**Moderator:**

Thank you. We will now begin the question-and-answer session. First question is from the line of Keval Shah from Banyan Tree Advisors. Please go ahead.

- Keval Shah:** So, I have two questions. First, I'm looking the number of billable transaction. So what states the number and second is on RCS, in the last year we started monetizing RCS. So what was the current contribution, and the revenue, and how are the margin profile here?
- Gautam Badalia:** Keval can you repeat your second query?
- Keval Shah:** So, I wanted to know what is the current contribution of RCS to the overall revenue and margin profile there?
- Rajdipkumar Gupta:** I will just start with the second question, Rajdip here. Right now in India, Google has just pulled out the RCS from last two months, so probably there is hardly any revenue last quarter coming from RCS maybe in few lakhs only because it was only live for a month.
- Gautam Badalia:** And in terms of the billable transactions 24.8 billion transactions were billed during the quarter.
- Keval Shah:** So, what was the reason of, it was close to 50% of FY24 what boosted the number, if you see the revenue per transaction it is much lower?
- Gautam Badalia:** No, so the revenue per transaction, on the unit economics spaces because of, I didn't mention it during the commentary that because of the increase in volumes in Masivian and increase in volumes owing to our increased business in India domestic business, that have dropped and since these are low price market volume tends to be very high and hence that led to significant ramp up of volumes.
- Moderator:** Thank you. Next question is from the line of Abhishek Bhandari from Nomura. Please go ahead.
- Abhishek Bhandari:** Rajdip, I just had one very basic industry level question you might have seen one of your big competitors recently spoke about, one of the telecom companies taking over one of their clients by offering a very low pricing. Now, I was just curious to know from you whether you see this as an industry trend or do you think it's one off and what kind of services do you think in your portfolio are at more risk for such kind of things to happen?
- Rajdipkumar Gupta:** Abhishek, to be honest even the operator who has taken that contract maybe just one kind of a strategic call they have taken and post that RFP, I don't see any of other RFP gone that low. So, there might be some strategic call coming either from us or from them, like this one time. And as far as if you see the risks, probably I see there is a different use cases are increasing day-by-day in entire CPaaS communication channels, and we see it volume growth as well as not only in messaging piece, but there is different channel of communication whether it's Viber or WhatsApp, or RCS or email as well. So, I don't see

there is a risk but I feel more use cases are going to be adopted by enterprises in coming years down the line and we may have a different shift from messaging to another channel, but different channels may be used and different use cases will evolve.

**Abhishek Bhandari:** So, just to clarify, do you mean to say SMS part of the business is at risk, if the telecom companies want to go aggressive here?

**Rajdipkumar Gupta:** It is not at risk at all, because the SMS volume is increasing every quarter-on-quarter as an entire market, because there are so many use cases being utilized for SMSs also, even for WhatsApp messaging or Viber, or voice or email, that volume is also increasing every quarter. That's a trend we see.

**Abhishek Bhandari:** Okay, thank you. Rajdip my second question is, when we look at all the public statement by the telecom companies, the largest one is speaking very aggressive, having very aggressive plans on CPaaS business as such, and frankly speaking if you look at it, the size of the industry is not really very large that it can accommodate multiple players, do you think the kind of areas where the telecom companies are going to focus on will be significantly different on the places where we are focusing?

**Rajdipkumar Gupta:** Definitely, see if you see global market, there are only eight or 10 large global players who are driving most of the volume, like including Route Mobile, if you talk with the tier one global CPaaS player, so there might be some operators they have their aspiration to become a CPaaS player, but definitely CPaaS player requires lots of groundwork in terms of support, in terms of turnaround time. So, operators coming to this space, maybe it will not serve the enterprise customer the way we are serving right now as an aggregator or as a CPaaS player. And that's why if you see the trend all across the globe, there are hardly one or two operators who have ever launched this kind of services out of +900 operators, because they always believe that working with the CPaaS player is more sensible for them because we can commit revenue, we can get the revenue, and we can take care of all the other parts of the logistics at our end, we are only focused to provide the connectivity and we bring everything to them. And that is a very simple trend from last 20 years which I have seen none of the operators globally have ever tried to get into this space by themselves.

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

**Dipesh Mehta:** A couple of questions starting with the macro question. Now we are seeing, let's say significant macro uncertainty, plus startup ecosystem is also seeing some implication because of that, do you think this environment will pose some challenges to volume

growth for us. India as well as outside of India, because now we are global and expanding our presence outside India. So some of those geographies facing more challenge than India, so if you can provide some perspective about anticipated volume growth, now versus let's say the beginning of quarter, any changes you are seeing. Second question is about the margin outlook. If you can help us what kind of margin one should expect for FY23, you are getting indicated about revenue outflow. But if you can provide some sense on margin, last question is, if you can share some OCF data so operating cash flow generated during the quarter, thank you.

**Gautam Badalia:**

So, Dipesh in terms of macro uncertainty, definitely when you started, the headwinds were there globally, that therefore all companies across, but within that we've been able to win a lot of market share from competition. And from our perspective, a lot of communication that goes to our platform, our critical communication, so to say, and hence, we don't see that being affected significantly, from a volume that we process perspective, but definitely some amount of promotional or discretionary spend, that would kind of come down. But that we are kind of increasingly also seeing that being offset by clients around the travel hospitality where we see increased traction is coming. So, at the time of COVID some of these industries were affected, but there were industries who were contributing more than their share and we believe some of that, will come back to the other industries like travel, hospitality, retail and stuff. So, there may be some impact, but at this point in time, the momentum and the kind of run rate that they we are clocking even for the current month, we are not witnessing any effect so to say in terms of slowdown or our volumes getting impacted.

In terms of margin outlook, we had articulated in our previous earnings call that for this financial year, we're looking at an expansion of 100 to 150 basis points on our adjusted Q4 EBITDA. On a reported basis we are kind of guiding an EBITDA of about 11.5% to 12% between that range for the full year. Sorry, Dipesh what was your third query I just missed that.

**Dipesh Mehta:**

Operating cash flow generated during the quarter?

**Gautam Badalia:**

So, Dipesh I just want to highlight here, operating cash flow was positive, but it was to some extent impacted because of potential price hike that was kind of planned in India the ILDO pricing had increased. So, there were a few large customers where we had the POs which had to be renewed because of the price hike which was slated to happen from 3rd of July. And, hence some of those large customers they are having some impact on the receivable side. So receivable side, so days sales outstanding have increased marginally which was kind of hidden into the operating cash flow. But having said that, some of those receivables are from the largest of clients and some of these POs have already been



renewed and the payments have also been processed by some of those large entities. So, from an OCF perspective as guided earlier, we are guiding an OCF on a full year basis of about 70%-75% OCF cash conversion.

**Moderator:** Thank you. Next question is from the line of Anil Nahata an Individual Investor. Please go ahead.

**Anil Nahata:** The first question is around the large bank deal that we won and that was reported by HDFC Securities in the report as well as other places, what kind of gross margins are there, is its gross margin negative level or it is an EBITDA negative level?

**Rajdipkumar Gupta:** Okay. Anil let me answer your question. And thanks for asking this question. Because there is already a lot of misleading information is being shared in the market or the media, so I want to make sure I clarify all this first of all, we are the L2 for that particular project and L1 is one large operator and there is another vendor which is L3. So, for that particular bank L1 gets 60% of the traffic, L2 gets 30% of the traffic and L3 gets 10% of the traffic. We took a strategic call to have this account and plus all the PSU banks, there is no DLT charges applies. So, by default exempted from the DLT charges, we as a company have hosted SMSC with two operator where we get revenue share also for every single SMSs we terminate over there. So combined, if you see overall, we always have the upper hand to make sure to take some strategic call, if required in coming year or in past and to have certain customer like this. Just to share with you all, we were serving this customer from last three years. We were already on boarded as an impaneled vendor with this customer for last three years, we were serving only for the promotional traffic, and it took almost eight months for us to integrate with that particular bank. So, this has not happened overnight and we were very clear that what all we are taking because the traffic is only going to be 30% and if there is going to any margin impact we will handle that but if you see now, overall combined margins for India is over 23%.

**Anil Nahata:** So, the Indian markets are at 23% is what you said overall?

**Rajdipkumar Gupta:** Overall combined margin whatever we do now.

**Anil Nahata:** So that is NLD plus ILD?

**Rajdipkumar Gupta:** Combined, intra traffic.

**Anil Nahata:** And that includes the SMSC kind of revenues, also the platform revenue?

**Rajdipkumar Gupta:** Everything is a combined.

**Anil Nahata:** Okay. So, Gautam my request is going forward, if you kindly consider to give a couple of breakups in your quarterly reports, one is on the breakup between the platform and revenues and margins versus the messaging one.

**Rajdipkumar Gupta:** So, Anil we will not like to talk about the platform play, we are a CPaaS player, and we are very proud to known as a CPaaS player. Because we already have a platform, which is operator driven, which we have our firewall deployed with 10 operators, we know overseas platform but we want to be known as a CPaaS player is more important than segregating our revenue platform, because if you see our 365square is a complete platform, which is firewall solution. But, we are following a particular protocol from last so many quarters, we will continue to do this way.

**Anil Nahata:** Fair enough. I appreciate that point of view, the only other question I have on the gross margin is, would it be possible to sort of India termination accounts for nearly 45% of the termination, and the rest of the world is another 50%, would it be possible to share the kind of just like you said right now the Indian gross margin at 23% on this quarterly presentation, if you can break that out, that will be very helpful. That's all from my end.

**Rajdipkumar Gupta:** Definitely take your advice and thank you for sharing that and we will collective take a call on that. Thank you, we will think over it. Thank you.

**Moderator:** Thank you. The next question is from the line of Ashish Chopra from GSAM. Please go ahead.

**Ashish Chopra:** Firstly, my question was Rajdip or Gautam, the gross margin that expanded this quarter by almost 150 basis points. Could you just maybe help us through, what are factors that drove that and especially in the wake of, for the fact that realizations had gone down so was this entirely MRM or was there any other factor also that drove the same?

**Rajdipkumar Gupta:** Ashish good question, it's a combination of MRM, Route Mobile and Masivian. We have taken a collective call last quarter that we will make sure we will increase pricing for ILD customers because most of the ILD customers stick with us because of our quality of services. And there are many customer who end up paying higher price and they are still using our services and putting down the large OTT player, instead of getting 20 million traffic from there every day, we are happy to get 10 million at higher price. And there was another reason, this ILD also impacted in our gross margin. And we are going to take this call in coming quarters also, we will try to focus more on a margin based scenario rather than just a volume based, in spite of that where volume is also increasing because I think now OTT player or the large ILD customers, they are definitely looking out for a quality of services. And our area focus is going to be on that side rather than more on volume for

those. And yes, there is definitely MRM and Masivian get added. Gautam, if you want to add on this?

**Gautam Badalia:** Yes, sure. So Ashish, the reason for margin expansion is as you highlighted, Masivian definitely has led to the expansion of margin. Plus we've seen very strong growth in sorry, Masivian and Messaging both have contributed to the expansion of margin. In addition to that we have now our domestic enterprise business in India has increased quite a bit. And the domestic enterprise business is a very high margin business. So, these were some of the factors that led to significant, the kind of expansion that we've seen on the gross margin.

**Rajdipkumar Gupta:** Ashish just to add there are few banks we have integrated in last quarter and now as we start getting traffic on that it is not the SBI but I'm talking about Bank of India and Bank of Baroda and IDBI Bank. So those are few customers.

**Ashish Chopra:** Understood. So how should we think about maybe the gross margin trajectory going forward as you may be reprise some of your OTT or ILD customers and as the India enterprise business increases, so is there a target margin at the gross level that you believe you will be able to get to once you are maybe through the bulk of this exercise or do you think that this is a very defensible margin going forward as you grow volume?

**Rajdipkumar Gupta:** Ashish we always have aspiration to grow our margin up to 30%, because we believe that margin or WhatsApp or emails are much higher than SMS. So, right now we are focusing about between 21% to 25% is what, in next one year down the line but we always has a vision to achieve for 30% margin in coming few years.

**Ashish Chopra:** Understood. And just in terms of the employee expenses this quarter. So, based on the discussion last quarter you had mentioned that the 38 - 39 crores of employee expenses, there was a residual five crore to come from MRM acquisition and three to four crores from the salary revisions. So we were expecting to go up to 47 - 48. But, even after adjusting for the R&D team of Masivian the adjustment that you took there, it's around 40 to 43 crores this quarter. So, where did the savings come from, was it simply the fact that the 66 exits were higher than you anticipated and this goes back up or is there something wrong?

**Gautam Badalia:** Ashish, the thing is last quarter there were certain one offs that we had incurred in that quarter in terms of staff welfare and stuff that is not there in this quarter and that has actually led to the buildup.

- Ashish Chopra:** Okay. And Gautam, you also last quarter had shared a bridge in terms of the contribution from the acquired entities, could you just help us with the same for this quarter as well?
- Gautam Badalia:** In terms of revenue, I'll give you the numbers. So, Call2Connect did a revenue of INR 8.34 crores, 365square did about €1.5mn, MR Messaging did about INR 1,670 million in terms of revenue. And Masivian did about INR 470 million in terms of revenue.
- Ashish Chopra:** Okay, that's very helpful. And in the new products, you have unlisted quite a lot of them right in terms of email, voice, RCS, WhatsApp, FB Messenger. RCS obviously was marginal this time, but currently in your base of revenue, some new products are there any one or two of these which are dominating the bulk of the share or is it spread across all of these other products except RCS?
- Rajdipkumar Gupta:** No, Ashish, if you see WhatsApp and Viber is also contributing well, because our Viber product in Bangladesh is really doing well over there and WhatsApp is definitely one product, email is also adding lots of revenue. So, it's combined.
- Gautam Badalia:** So Ashish it's spread across all product. But IP messaging, is something where we see very high attraction from enterprises.
- Ashish Chopra:** Understood. And one last question for me. Could you just elaborate a little bit more on the adjustment around Masivian I couldn't fully understand the non-cash intangible assets under development that that you took of 59 million this quarter?
- Gautam Badalia:** Sure. So, Ashish, we are trying to develop a platform and Masivian, largely to start with it will be for the Latam market, which platform will be able to orchestrate a lot of capabilities around AI/ML and CDP. So, Masivian team has already taken the initiative of developing that product for which we've identified a dedicated R&D team. And that amount of 59 million that's been capitalized and essentially the cost that is attributable to the development of that in the quarter gone by. And as per the project report that we have this product or this platform should be up and running. The kind of R&D expense that we're looking at for this should be within the \$2 million.
- Ashish Chopra:** Okay. So, this is a cost which will be incurred in the future quarters as well, considering that this is work in progress, but you will call it out separately over and above the employee costs?
- Gautam Badalia:** That's correct.
- Moderator:** Thank you. Next question is from the line of Manik Taneja from JM Financial. Please go ahead.

**Manik Taneja:** Just wanted to understand from you as to how are you seeing the adoption of WhatsApp and other channels, given the increase in pricing by WhatsApp. And secondly, also wanted to understand from you given some of your large OTT or digitally native customers are trying to convince the government on the changes to ILD pricing. So, if you could help us understand on that front, thank you.

**Rajdipkumar Gupta:** Manik what is your first question?

**Manik Taneja:** My first question was in regards to the increase in pricing for WhatsApp. How has that impacted, and impact in terms of numbers this quarter, and how is that impacting adoption by customers?

**Rajdipkumar Gupta :** So, not exactly Manik. There are lots of POCs being done as we speak and probably we will see more WhatsApp accounts in this particular quarter. In spite of price increase, there are different use cases, it all depends, and the digital adoption is more about what these cases and what kind of user engagement the enterprises are looking at. And based on different use cases, WhatsApp can be a best customer support, scenario where customer support can we move to entirely on WhatsApp for business. So there are many customers who are paying a higher price because they see value in WhatsApp, because there lots of problem is being solved. So it depends on case to case basis we don't see any kind of changes, and we do see adoption ratio is increasing day by day, for WhatsApp.

**Rajdipkumar Gupta:** Some of our large OTT players talking about price decrease or something like that right, about in app?

**Manik Taneja:** Yes, both in app and the fact that in their case, a lot of their volumes are considered as ILD volumes. So they've been trying to petition the government in terms of considering their business as or their volumes as NLD volume.

**Rajdipkumar Gupta:** That's a good question Manik. There are almost 60 to 74 brands right now who's been treated as an ILDO, like for international and this discussion is happening from last two years in fact, and it is up to the TRAI and the operator to take a call on it. Logically, there are lots of requirements government has for them, because they need to host their servers within India and they need to have a user agreement within India entity. So there are lots of legal aspect, which somehow they need to comply with, were they still struggling to do that. So, I don't think there is any challenge because it is not going to happen because they're talking about this from last so many years. As far as in-app is concerned definitely in app is always there in almost all the app like whether it's any shopping app, or like Amazon or Flipkart. In app notification options are always available. But the criteria for user experience, or the customer trust is always SMS, SMS is treated as a more on a trust

factor, because I really want to wait, if I use my credit card, I want to receive SMS, and it is quick and secure. It doesn't require data, it goes over GSM band, there are so many points in fact people having, this app already having in-app option, they still prefer to use SMS because the conversion ratio is much higher over SMS as compared to the in-app. And there are multiple ways of authentication is still available as we speak, whether it's a mobile entity or a flash call, you name it or Google Authenticator. They are all n number of options that are still available in the market from last so many years. But the question is adoption, most of the enterprise believes that SMS is a faster and ubiquitous way to deliver and receive message and it can have a better conversion ratio through SMS.

**Moderator:** Thank you. Next question is from the line of Parab Sidhwani from Sahasrar Capital. Please go ahead.

**Parab Sidhwani:** I have just a few very basic questions. First of all, what is the effective tax rate that we should assume?

**Gautam Badalia:** So, the effective tax rate should be between 15% to 18% depending on and so we are working out on multiple geographies and different geographies have different tax regimes. So it's difficult to kind of pinpoint at a particular tax rate but, you can take it as a higher side at 18%.

**Parab Sidhwani:** Okay and do you mean by net revenue retention exactly?

**Gautam Badalia:** Net revenue retention is the customers, the existing customers in the prior period how they fared in the existing period.

**Parab Sidhwani:** Okay. So if it goes 120, it goes beyond 100% that means they have increased their.

**Gautam Badalia:** That's correct.

**Parab Sidhwani:** Okay. And is there a relation between mobile network operators and the headcount, in the presentation slides there was different geographies that number of MNOs and the employees?

**Gautam Badalia:** So that essentially, we're trying to highlight our global playbook strategy. So we sit in between an operator or the infrastructure provider, and the enterprise. So we tried to just kind of highlight the global diaspora and how we are spread across and the kind of relationship that we share with operators.

**Rajdipkumar Gupta:** Within that particular slide, there is a number of firewall deployment, we did in different parts of the world.

**Parab Sidhwani:** And just this one last question, most of the newer companies are trying to move their communications to WhatsApp. And I just want to understand what is the barrier to entry for communications on WhatsApp for other players in the market and what is our competitive advantage for the same?

**Rajdipkumar Gupta:** See, there are multiple CPaaS player in India and abroad also, we are a partner of Facebook and we are authorized partner of Facebook, Meta actually. So, if you talk about you cannot just go and get a license with Meta that you can build WhatsApp, you need to go and project yourself that you can handle customer, you have a decent amount of customer, you have a decent amount of base, so there are only few number of people in India who got that VSP license, which is like authorized Meta partners. So, that is one thing as far as the new age companies moving to WhatsApp, it all depends how much they want to spend, WhatsApp is Rs.0.55 as compared to Rs.0.10 SMS. So, again as I said, it all depends on use case to use case. If there is a use case which required customer support and WhatsApp for that customer WhatsApp is the best option to go for, if it is OTP authentications then SMS is the best option to go for. If it's an alert, its SMS if you don't want to send alert at Rs.0.55 otherwise you can send it Rs.0.10 or Rs.0.12. So that is the whole idea, it all depends on the enterprise to select how best they want to engage with their customer and how much they want to spend. We as a company are providing channel of communication we have all the channels available within our portfolio, let the customer decide how they want to communicate. So our role is very simple. We provide channels, it is up to the customer to select which channel they want to communicate with. More they use WhatsApp more revenue we will generate to be honest.

**Moderator:** Thank you. Next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

**Chirag Kachhadiya:** I have few question with respect to your business. What are the other growing area for us other than this SMS, WhatsApp and this alert services?

**Rajdipkumar Gupta:** So, there are lots of channels which we already have as a part of our offering email is also one of that and we do see good traction over email business. They are also now working in different areas something like especially into UCaaS, which is more than a voice solution. And we want to focus more on mobile identity because we believe that the authentication in coming years down the line for banking segment requires better way to authenticate and seamless authentication and probably mobile identity can add lots of value during that time. And keeping that in mind we want to add true portfolio enhancement within our product, especially one in voice and one in a mobile identity.

**Chirag Kachhadiya:** Okay. And like Facebook gradually acquiring their ecosystem related to their business line. So they acquired Instagram and WhatsApp and all. So, such a large M&A which change the industry structure entirely of communication, does it make any impact on our business model, because they do backward integration continuously so?

**Rajdipkumar Gupta:** It's good for us, it's a single vendor agreement and if it's a Facebook, Meta, I have a market agreement with Meta, whatever they acquired by default we start serving those customers, it's advantageous for us. You really don't need to go and sign an agreement with WhatsApp or Instagram separately, rather than just one agreement with Meta is enough to serve them.

**Chirag Kachhadiya:** Okay, sir. And sir who are other players in India and globally similar to what service you provide?

**Rajdipkumar Gupta:** We are very clear from day one, I just wanted to make this thing again, I want to clarify why we are different, there is a one blog I've also written today that what is the difference between global CPaaS player and domestic CPaaS player. When we talk about single, let's take a simple example just for knowledge I'm sharing this to everyone out here. If I onboard one OTT player, whether it's a Facebook, Google or anybody, they are not using my connectivity only for India, they use my connectivity for more than 30, 40 countries, which means that I get additional 40 opportunity with the same customer to serve them in various parts of the world and we generate revenue not just from one country but from multiple country. Tomorrow, if anything happened to that customer or there's some regulation change in particular country, it is not going to impact me completely just one country will go away. But apart from that, we have another 35 countries or 36 countries, almost all the global player when you talk about Sinch, Twilio, MessageBird, Route Mobile, Infobib we are well placed in terms of our connectivity, we have a platform which is connected with almost +900 operators globally, any enterprise coming and using our platform they don't need to go and try to a tie up with domestic partners, to have a domestic commission, one connectivity can give them 100% coverage is what the global enterprise are looking at right now, we compete with all these names, which I mentioned as a global partner, a global concept. Every market we go we will definitely get a domestic player if I operate from 20 countries which means that every country we operate from there must be one domestic competitor we are going to have, whether it's UAE, Colombia or in Nigeria or in UK, we will have some domestic player and we do compete with some domestic player based out of India and we have seen that growth in our market share in Indian market from last two years or three years down the line. We believe that what we offer to our customers is not just one connectivity, but global connectivity and that is a unique thing we have as a company, why we are different than other, there are so many questions keeps on coming about platform play and others. I have a platform, I have an



operator driven solution which is SMSC we acquired through TeleDNA we got a firewall, complete SMSC of ideas is being handled by TeleDNA, we have deployed our SMSC with Ericsson with Nokia and they are my customers through TeleDNA. We have deployed our firewall in 10 countries. And one of the Indian operator also is my customer using my firewall. So, capability of a platform play we already have, very have in a very large scale, we understand there is a separate team who are driving my entire operator business we are not merging along with a Route Mobile, there is 365square, their KRA and KPIs are very simple, you go and flow only operator driven requirements, the n number of RFP coming every single quarter where we are participating to support operators who have the requirement either on firewall or on SMSC or on DND, database kind of solutions. So that's what the whole idea, if you talk about email as a stack, probably we have our own email stack through Sendclean acquisition. There are many people they use our platform, whether it's a bank or enterprise customers so that is another platform we have in-house, entire platform for WhatsApp, RCS or even for Viber has been built in-house. We don't want to just say okay, we are there. We are happy what we're doing but there is lots of things we are doing as a company where we believe that in coming year combined synergy of all the products coming together will add lots of value and that's why we are very bullish to give even 40%, 50% kind of guidance to the market because we believe our strength and what exactly we are building for the future.

**Moderator:** Thank you. Next question is from the line of Dev from Invest Yadnya. Please go ahead.

**Dev:** I wanted to ask one question. So, how are we looking at the acquisition part? So, in this year and going forwards also?

**Rajdipkumar Gupta:** Dev it's a good question, definitely as a company, as a CEO of this company, I definitely want to do some kind of tucking acquisition, which will add to my product offering, I will definitely look into something in mobile identity or voice are the two areas which we are working right now. And we have shared this information last quarter also we are in process of doing some due diligence and probably very soon once the due diligence is done probably we will announce something in this space.

**Moderator:** Thank you. Next question is from the line of Mohana Kumar, an Individual Investor. Please go ahead.

**Mohana Kumar:** I have one quick question around the whole ideology behind the share buybacks that has been done and even the thoughts around increasing the dividends per share. So you had raised a lot of capital earlier in the year for the purpose of acquisition. So was the buyback done because the share price had pulled back and saw that as an attractive opportunity to buy some shares at a much lower price than you had raised the equity earlier, or was

there some other thoughts around it and what is the ideology behind even the dividend in returning cash to shareholders via dividends?

**Gautam Badalia:**

So, we articulated that earlier in the call as part of a capital allocation perspective, we raised money through QIP, and thereafter we've done a few acquisitions and we have done fair bit of geographical expansion. Now, we are fairly comfortable in terms of the geographical expansion that we have done and we are now looking at integrating the platforms, creating a unified platform across all the entities that we have acquired. So that is a kind of, as we see that worked out integration is kind of going on, there are a few tuck-in acquisitions that we're looking at. So in terms of the capital commitments that we have for some of the acquisitions that we have done. And that potential acquisitions that we're looking at, we realized that we have some surplus cash, and hence the buyback was kind of conceptualized it was through an open market route. And the total maximum size of the buyback is about 120 odd crores. On top of that the business also generates a lot of free cash. And considering the next one, one and a half, two years we're looking at integrating various platforms, we're looking at doing few tuck-in acquisitions and making that as part of our unified platform play. We don't envisage the use of that excess cash at this point in time, and hence we are looking at this buyback program that we're doing plus the dividend payout, which will be a percentage of the free cash that's been generated over the next couple of years.

**Mohana Kumar:**

Got it, thank you. And just another question, follow up around the Masivian, there's been a lot of discussions around that. But, I know you had clarified this to some extent during the last call too. But just a quick question around the billable amount per transaction is much lower at Masivian, but the margins are higher, could throw some light on that. And also, just as a follow up on that, you have a pretty big sales team based out of the US. Is there an opportunity for cross sell to the Spanish speaking within US also leveraging Masivian base?

**Gautam Badalia:**

Yes, so when we're talking about the Americas, essentially a large part of that sales team is in and around Colombia, Peru in the Spanish regions itself. And that's the reason why we have the kind of expanded into some of the adjoining Spanish markets. So definitely, we'll be leveraging the existing sales arm of Masivian to expand into some of the newer markets. And we have done few a bit of hiring in some of those new markets as well. Coming to your first query around the margins, so if you look at Masivian, Masivian is out and out deep enterprise play wherever they are deeply penetrated with who's who in terms of enterprise, they have close to 55%-60% market share in markets like Colombia, they would be second largest player in Peru. And they have kind of built a very robust tech stack, which they are offering it to enterprises, and enterprises are using Masivian platform across various channels, like from SMS, voice, email, and even the in-app

notification. So, because of that superior tech stack and a very robust team, both in terms of sales, in terms of the account management team, they are able to command really high margins from enterprises. And enterprise is across the world and even in markets like India tends to be higher gross margins, so they are able to command that kind of gross margins, just that there is some amount of seasonality that is there. Where Q1 and Q2 calendar year for them tends to be relatively weaker and Q3, Q4 happens to be their best quarters. And again taking it back to the last quarter and even in this quarter there is some degree of impact in terms of EBITDA because of that seasonality, but heading into Q3, Q4 we believe Masivian will be firing from all cylinders.

**Moderator:** Thank you. We have come to the end of question-and-answer session. I would now like to hand the conference over to Mr. Rajdipkumar Gupta for closing comments.

**Rajdipkumar Gupta:** Thank you, everyone for joining our earning call, if you have any question you can reach out to our investor relationship team. We are happy to answer all your questions. Thanks once again and have a nice evening. Take care.

**Moderator:** Thank you, for attending the conference call. If you have any further queries, please send an email to [investors@routemobile.com](mailto:investors@routemobile.com) or [salman@conceptpr.com](mailto:salman@conceptpr.com). Have a great day, goodbye.