

Ref No: RML/2020-21/114

Date: August 3, 2021

To,

BSE Limited
Scrip Code: 543228

National Stock Exchange of India Limited
NSE Symbol: ROUTE

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q1 FY22

We are enclosing herewith copy of the transcript of the Company's Q1 FY22 earnings conference call dated July 28, 2021. The transcript is also available on the Company's website i.e. www.routemobile.com under the Investors section.

You are requested to take the above information on record.

Thanking you,

Yours faithfully,

For Route Mobile Limited

Rathindra Das
Head Legal, Company Secretary & Compliance Officer

Encl: as above



“Route Mobile Limited Q1 FY-22 Earnings Conference Call”

July 28, 2021



MANAGEMENT: **MR. RAJDIP GUPTA - MANAGING DIRECTOR & GROUP CHIEF EXECUTIVE OFFICER, ROUTE MOBILE LIMITED**
MR. GAUTAM BADALIA - CHIEF STRATEGY OFFICER, ROUTE MOBILE LIMITED
MR. SURESH JANKAR - CHIEF FINANCIAL OFFICER, ROUTE MOBILE LIMITED
MR. JOHN OWEN - CHIEF EXECUTIVE OFFICER, EUROPE & AMERICA, ROUTE MOBILE LIMITED
MR. MILIND PATHAK - CHIEF BUSINESS OFFICER, ROUTE MOBILE LIMITED

MODERATOR: **MR. HARDIK SANGANI - ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY 22 earnings conference call of Route Mobile hosted by ICICI Securities Limited. As a reminder, all participants' lines will be in listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hardik Sangani from ICICI Securities. Thank you and over to you, sir.

Hardik Sangani: I would like to welcome everyone to Route Mobile Q1 FY22 earnings conference call. I would like to thank the management of Route Mobile for giving us the opportunity for hosting their Q1 earnings call. We have with us the leadership team of Route Mobile, Mr. Rajdip Gupta - Managing Director & Group CEO; Mr. Gautam Badalia - Chief Strategy Officer; Mr. Suresh Jankar - Chief Financial Officer; Mr. John Owen - CEO, Europe & America and Mr. Milind Pathak - Chief Business Officer.

Before we begin, I would like to remind you that some of the statements made in today's earnings call may be forward looking in nature and may involve certain risks and uncertainties. Kindly refer to the slide number two of the presentation for detailed disclaimer. I will now hand over the call to Mr. Rajdip sir for further proceedings. Thank you and over to you, Rajdip.

Rajdip Gupta: Thanks, Hardik. Good evening, everyone. I hope everyone is safe and sound. We are happy to be back to discuss our Q1 earnings with all of you and carry on the momentum with which we ended last fiscal year.

While we have been working in the new normal and hybrid mode of operation, most of our staff returned to the office from first of July. We have accelerated several operational tasks since the time we started working from office.

In this last quarter, while our performance has been strong, we had adverse impact of in April due to DLT teething issue faced by enterprises and the slower pace due to the second wave. We also had a reduction in banking traffic due to some frivolous claim of security breach. After through internal investigation and third-party audit by certain empaneled auditor confirmed that there was no data breach or security issue.

The banking traffic has resumed and we are on track. On our key initiative, in the last several weeks has been enhancing and ramping up our security practices. In today's environment where there are routine data breaches some real and some frivolous, it is paramount that we protect our customer data better than ever before.

And we have made and taken some significant enhancement to that end, as you will see in our presentation little bit later. Now during our last call, I spoke about our transition from CPaaS to CXPaaS. And that too and we acquired an email stack from Sarv during the last quarter as a part

of our omni channel strategy. We are very bullish on email services. That is SendClean as a part of our CPaaS stack and are building a separate SBU for it.

We intend to invest approximately \$12 million over next three years to create a world class email platform and scale our email business across the globe in both enterprise and self-served format. Additionally, one particular channel in our stack, RCS is gaining significant ground with enterprise adoption and RML has been widely acknowledged by various stakeholders within this ecosystem.

This will be a key component of our services as the industry progresses. I am also excited to tell you that we are launching our first developer self-served platform under our flagship branding called as Rapid. This initiative has originated around two years back, but we had to put this on a back burner due to the pandemic. In Q2 FY22 we are getting ready to launch and open up the worldwide developer community and access to our API to further strengthen our reach.

Our operator side of the business continues to witness strong momentum as well. On the firewall front, we have gone live with BSNL India, Novotel Bolivia, Liberty Mobile LATAM. We are also received an LOI from Pico Tanzania. On SMSC front, we deployed our SMSC at BSNL and renewed our SMSC contract with Telenor Myanmar, Ericsson Myanmar and Vodafone Idea.

We are also deployed a first of its kind hubbing solution with Du Telecom in UAE. RML will manage the entire platform and services for Du Telecom and enable them to serve their enterprise clients with the same simple and effective platform we operate. Before I hand over this call to Gautam, I would like to highlight one note concerning the acquisition of Phonon Communications we have discussed in the last call.

Due to the non fulfilment of all the conditions precedents by Phonon, we have decided not to pursue this acquisition further. We have been in discussion with the team and push to complete the transaction. However, due to delay and lack of positive action from their part, we have decided to move on. With these, I request Gautam and the team to walk us through the presentation. Over to you, Gautam.

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 along with our email business roadmap strategy 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 performance during the quarter gone by before opening the floor for any Q&A. The key takeaway from our financial performance in Q1 FY22 has been the strong revenue momentum that we have been driving despite Q1 not being the best quarter in terms of seasonality, as highlighted in slide 17 of the earnings presentation. Further, as highlighted by Rajdip, our volumes in India were impacted largely due to two factors.

Industry wide impact on volumes in India during the month of April 2021 owing to the teething DLT issues faced by enterprises. Then there was an alleged data breach on our servers. We conducted an independent third-party security audit. And this is their findings it was concluded that there was no breach on our servers and all our customers' data are secure. However, some of our large banking customers wanted the third-party security audit reports before resuming the traffic. This adversely impacted our high margin banking traffic in India during the month of April.

However, as a matter of reassurance as things stand completely normal now. We have resumed most of the banking traffic that we had lost during the month of April. Despite the adverse impact on our India business, we were able to demonstrate a YoY revenue growth of 22%. We continue to witness very strong momentum on the next generation products, which demonstrated a YoY growth of 130%, you may refer to slide 19 for the same.

As Rajdip highlighted as part of our omnichannel strategy, we acquired the email platform from Sarv during the last quarter and have created a separate strategic business unit branded as SendClean to drive this vertical. We intend to ramp up the current team from 10 employees to over 100 employees in a year's time. The business would be driven from two geographies essentially US and India. In terms of the email infrastructure, it is already deployed at US, Germany and India. The Indian servers are being upgraded at this point in time. And we further intend to deploy new servers in Middle East to cater to the enterprises where we are deeply entrenched at this point in time.

In terms of capital allocation, we will be investing \$12 million in SendClean, the US entity over the next three years to scale up the business. And we aspire to generate revenues of \$30 million in the three years' timeframe. And as all of us are aware email business entails very high gross margins, so this business will drive gross margins northwards of 80%. With this backdrop, I will quickly walk you through our financial performance in Q1 FY22. Revenue from operations grew by 22% from Rs. 3,096 million in Q1 FY21 to Rs. 3,775 million in Q1 FY22.

In the quarter gone by, billable transactions decreased from 6.96 billion in Q1 FY21 and 8.76 billion in Q4 FY21 to 6.86 billion in Q1 FY 22. Due to reasons mentioned above, the billable transaction volumes in India decreased from 4.8 billion in Q1 FY21 and 6.78 billion in Q4 FY21 through 4.75 billion in Q1 FY22.

This actually resulted in India's revenue as a percentage of total revenue decreased from 43% in Q4 FY21 to 33% in Q1 FY22. I would just want to highlight, I think things are back to normal now and July would be I mean, this is the daily revenue run rate that we are cloaking. July would be the best month in the history of Route Mobile in terms of the performance.

Average realization per billable transaction increased significantly from Rs. 0.45 Q1 FY21 and Rs. 0.41 in Q4 FY21 to Rs. 0.55 in Q1 FY22 owing to the fall in the volume processed in India and change in country mix. Gross profit margin expanded from 19.4% in Q1 FY21 to 20.4% in

Q1 FY22. There was a significant increase in the employee cost on a YoY basis, which was to the tune of 50%. And as we have been highlighting, we have been investing into hiring the right skill sets to drive various avenues of our business, essentially the new products.

So, the employee cost had increased from Rs. 130 million in Q1 FY21 to Rs. 196 million in Q1 FY22. EBITDA grew by 23.6% from Rs. 398 million in Q1 FY21 to Rs. 491 million in Q1 FY22. EBITDA margin expanded from 12.8% in Q1 FY21 to 13% in Q1 FY22. Adjusted profit for tax grew by 28.2% from Rs. 295 million in Q1 FY21 to Rs. 377 million in Q1 FY22. Adjusted PAT margin expanded from 9.5% to 10% for the same period. We have been able to maintain attrition rates in the vicinity of 10%. Yes, with these highlights, 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 Hardik Sangani from ICICI Securities. Please go ahead.

Hardik Sangani: Sir, a couple of questions. So, in terms of SendClean, so just wanted to understand, like what would be the key market for the product and how, what would be the go to market strategy or towards that? And secondly, in terms of client addition. So, just wanted to understand.

So, in terms of \$1 million client addition that has been won for FY22, we expect that we will add \$1 million client. So just wanted to check, it is the, so as the year end, are we hopeful that we will be adding, like, to the extent we would have added before in previous year?

And thirdly, so just wanted to understand if the average realizations have improved, then the key reason for gross margin decline is primarily on account of as you mentioned earlier account mix or are there any one off also towards that?

Gautam Badalia: Sure, so I will request Milind to take new product.

Milind Pathak: I will try and answer the question on the SendClean strategy in go to market. So, as Rajdip and Gautam mentioned SendClean has both the approaches of the market. One is the self-serve model, which is you come on the platform, register yourself, put your debit credit card and then go on to pay for whatever service that you buy from SendClean.

The second model is an enterprise model. So, we are activating both the models simultaneously. The target markets to start up will be predominantly in India, which will run through SendClean Private Limited. And the second market we are registering is SendClean Inc, which we have registered a company in US. And that entity will focus on all our self-serve as well as geographies like US or English-speaking Europe, and that kind of areas, right.

So that is the core go to market and the focus on the markets that we are talking about right now. Gautam for the other question.

Gautam Badalia: Sure. So, I think if I have understood your query on the land and expand strategy you were talking about, so this year again, I mean, we will see significant additions definitely to the \$1 million bracket. There are some good clients that we have added and they have tremendous potential in terms of scale up.

So, we will see lot of clients kind of moving into the million-dollar bracket and then graduating the higher billing brackets. I do not know if that addresses your query.

Rajdip Gupta: Just to add, Gautam, Rajdip here, Hardik. I think just wanted to give small brief about the email stack which we have acquired. I think the email stack is already proven in Indian market. And the current setup is doing almost a billion email every month. And we are very hopeful that the same platform, which we have right now can easily compete with companies like SendGrid, Sendinblue or SparkPost.

Because the kind of infra and the kind of technology the Send Clean has built, as the capability of going and competing with those giants based out of US, and we as a company are very bullish and focused that this is the target area for us.

Gautam Badalia: Sure. Moving to your last query around gross margins. So, on the gross margin front, I think the sheer loss of business from high margin enterprise clients in India, during the month of April, actually kind of led to some contraction in gross margins. But if you look at it from an overall split perspective, as I said, India where we do a significant amount of enterprise business that has fallen from 43% in Q4 FY21 to 33% now.

So that is one reason why there was some contraction. But having said that, the rest of the geographies outside of India, we have been able to demonstrate almost a 25% growth. And it was sheerly India which kind of had almost a 21% degrowth on a QoQ basis, which actually led to otherwise, I mean, we would have cloaked significantly higher growth rates even on revenue front.

But largely it was because of the high margin enterprise traffic, which had fallen during the month of March that led to some contraction on the EBITDA margin, but things are back to normal now.

Rajdip Gupta: Just to add, Hardik, I think that this is the best part about Route Mobile. So, we are not dependent on just one single market. We as a company, we are having a footprint all across the globe, even if we see as some kind of downfall one particular market, it will not impact overall the revenue of Route Mobile and that is why we are very unique when we talk about as a CPaaS player in Asia.

And because if there is a certain issues in certain market that will not going to impact my overall revenue. And that is the kind of thing we have proven in last quarter.

- Moderator:** Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.
- Manish Poddar:** Just one question on this email business. So, what sort of cost built up will be there other than this let us say from an Opex point of view?
- Rajdip Gupta:** Good question, Manish. I think the cost for us is I think the technology and the stack is already there. You have to see the entire cost in two parts. One is the human cost. And another one is the marketing cost. You know, we need to have more people in terms of support and technology and other side than marketing is, which we need. Apart from I think the technologists we will find and that is the only cost we see.
- Manish Poddar:** Would it would it be fair, let us say even if I take, you know, salary of the 100 employees of company average and billing done let us say 20% odd marketing spend in three years, this business can be having EBITDA margin of north of 50%?
- Gautam Badalia:** So, Manish, just to take that another query. So, we internally have kind of modeled around a 35% EBITDA margin.
- So, for the investment that we are doing in terms of the \$12 million so with that kind of EBITDA margin, I think we should be able to kind of get a payback in three years' time.
- Manish Poddar:** And sorry, just once one small query. So, this 100 people we are adding this will be what largely feet on ground or tele callers or, you know, just wanted to understand because 100 in terms of our company size is let us say on a 400 it is 100 so it is 25% so just want to understand what sort of capabilities are we adding here?
- Milind Pathak:** So, if you look at this size of the business, Manish, large part of our business is also going to be on self-serve. So, when you look at a self-serve kind of a platform, sometimes the ticket size of the customers could be \$200 or \$500 or \$1,000 or lower ticket size, and there typically the people required are in terms of remote account management, remote provisioning people, remote support people and so on and so forth.
- And when you start providing that service across the globe, in multiple geographies, you need to then manage shifts, and you would also need to manage 24x7 and so on and so forth, right. So, a large part of our hiring would be on technology product enhancement features, engineering side. And the second part would be on advertising marketing. And the third part would be these account management operations, support sales, etc.
- John Owen:** I think, Manish, if I try and help to answer this, this will come from the working capital, so it will align to revenue. This is not some cost and fixed cost.

- Moderator:** Thank you. The next question is from the line of Vimal Gohil from Union Asset Management. Please go ahead.
- Vimal Gohil:** My question is an extension to the previous question. You said, sorry, I missed the number. You said that the amount of investment that you are making in this business is close to \$12 million, right?
- Gautam Badalia:** Over three years. That is right.
- Vimal Gohil:** Over three years, this will be a \$12 million business and with a 35% EBITDA margin?
- Gautam Badalia:** Over three years, the investment will be \$12 million. Three years revenue expectation is \$30 million.
- Vimal Gohil:** Okay, so you will be adding \$30 million to your and this business will be a part of the new business that you report?
- Gautam Badalia:** That is correct.
- Vimal Gohil:** And just wanted to confirm Gautam, you can give me that number. So, you said 21% degrowth in India. This was volume, right?
- Gautam Badalia:** One second. Yeah, that is correct.
- Vimal Gohil:** And so, excluding India, what would be our volume growth on a quarter-on-quarter basis and YoY basis?
- Gautam Badalia:** 25%.
- Vimal Gohil:** This is 25% YoY?
- Gautam Badalia:** On a QoQ basis.
- Vimal Gohil:** So QoQ basis, there would have been a 25% growth?
- Gautam Badalia:** That is correct.
- Vimal Gohil:** Okay, right. And sir, I know the quantum would be very small, but what could be the revenue from the call center business now? So, is it almost nil or is there some revenue coming to that?
- Gautam Badalia:** So, Rs. 7.5 crores for the quarter. Rs. 7.3 crores for the quarter.
- Vimal Gohil:** And you expect this revenue to be in this run rate only, right?

- Gautam Badalia:** Yes, that is the run rate.
- Vimal Gohil:** And certain, you said that, you know, the going forward I mean, how do you expect the pricing because, clearly, your pricing has moved up quite sharply. And over the last few quarters, pricing has been the lever, which has driven growth? And I am not sure if you have received coupon led pricing increases by your clients, but it has been more of mix that has led to that. So how sustainable is this Rs. 0.55 pricing going forward? How would you look at that?
- Gautam Badalia:** It should be in the vicinity of Rs. 0.50 to Rs. 0.55. I think that is what we are guiding for this year.
- Moderator:** Thank you. The next question is from the line of Manik Taneja from JM financial. Please go ahead.
- Manik Taneja:** So, while I understand the impact on India volumes, because of a couple of factors, just wanting to understand what drove the decline on the new product revenue, because that is on a very small base and we are seeing increased acceptance of the new medium? That is question number one. And the second aspect is on the Phonon acquisition, if you could talk in detail about what led to us moving off the acquisition and how should now be thinking about the way forward in terms of building our capabilities across multiple channels?
- Gautam Badalia:** Sure. So, in terms of new products, right, I think this, we are also grappling with the second wave, and there is an amount of sales in terms of enterprise business. YoY basis if you were to look at it, I mean we demonstrated almost 2x jump over last period. I mean we have not lost a single client on the new products. On QoQ basis, that is more to do with the seasonal aspect of the business rather than I mean we losing clients so to say.
- So Manik, I think you had a query on Phonon as well, right. So, Phonon, I mean, when we signed the deal, I mean, there was an expectation of kind of doing the customary condition precedents and closing the deal. Unfortunately, I mean, the other side kept kind of extending the long stop date, without giving any firm commitment.
- So, beyond a point in time, I mean, we kept using that particular, the founders of Phonon. But since we were not getting any definitive, concrete feedback from him, I mean, we discussed it at our board meeting today and decided to kind of take our firm view and to take a concrete action on this, because it was kind of, I mean, we were perpetually chasing that guy to kind of close the customary closing action. But I do not know, I mean, if there was a change of mind at that guy's end. So, that was the long and short. I mean, there was nothing else beyond that.
- Manik Taneja:** Okay, and how should we be thinking about because Phonon was a critical pie in terms of both giving us access to certain marquee customers on the travel and the financial services side, in addition to providing adding to our voice capabilities, and thereby meeting our omnichannel capabilities. So how should we be thinking about that pursuit now?

Milind Pathak:

So, I will answer this in two aspects. One, the customer access element, and the second element is the product stack level. At a product stack level, we continue to work on. And we are continuously onboarding customers on voice, inbound voice, outbound voice clients, quarter-on-quarter. We do have a stack to that effect. Of course, there are some elements in the product roadmap, which brings us about a 60 day or 90-day kind of delay.

But I think that from our customer experience perspective is not changing much we are actively in that development phase there. So, technology stack, I am not much worried, we are confident we will be able to meet the market requirements.

The second element is in terms of customer accesses. Some customer accesses on banking, were always an overlap, may not have had a specific contact center technology as a product revenue stream. But as far as the customer is concerned, they were all customers barring maybe one or two, they all had an overlap and had some of the other product of ours already deployed at the customers. So, for us customer is not really too much of a challenge. That is already well taken care of.

Moderator:

Thank you. The next question is from Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya:

My first question is regarding this SendClean. Most of them are answered but just want to understand what are the key things one should be watching for? Would you be sharing any numbers on the number of enterprises or the revenue separately for this? Because I do think that incrementally it will contribute significantly to the gross profit and EBITDA?

And second question is, you know, very interesting to see almost 300 plus million quarterly RCS messages. Wanted to understand what are the dynamics in the sense the unit economics here how much revenue per message and which are the geographies which are contributing to these numbers?

Milind Pathak:

Thanks for this question. First, let me take the email one. I think as you know we just completed the transaction last quarter and right now we are into the process of putting up parameters KPIs and after that of course. And I think in our regular governance calls on a quarterly basis, we will update across Gautam can update more on that.

On the second question on RCS. Very valid question. We have been able to bring an onboard more than 10 clients who are actively using that as a channel. At this point in time RCS is a channel is not a very charged channel so we are doing it more like no cost to the customer at this point in time. And we are expecting that from next quarter onwards, we should actively start monetizing this.

The pricing at an ecosystem level between the operator the technology provider is being worked out. We have some indicative numbers on it, but I think it is a bit early for us to comment on it. Once the ecosystem decides the broader pricing on it. It is a solid start. The third answer the

third element in this particular part is that the current focus of RCS that we are doing is of course, India. We are also of course; our platform and solution are deployable globally. But the aggression that India is picking up on RCS is really, really unheard of. And as a reason, we are very, very exceptionally proud to present this kind of a huge, massive traffic in a span of a quarter pushing 300 odd million messages is brilliant from an adoption perspective.

Pranav Kshatriya:

So, it is indeed brilliant. But you know, what I am trying to understand is that, you know, let us say currently, if I look at the blended pricing, or let us say you know, international SMS pricing, let us say around Rs. 1 or domestic pricing is around, you know, Rs. 0.12 or so, RCS would be priced significantly and possibly we should have a gross margin which are much higher.

So, to that effect, I think, if we are talking about this becoming chargeable, it could be a significant numbers from you know from let us say two quarters out?

Milind Pathak:

Yes, so I will give an indication. The cycle is not yet finalized as I said in the question. But I can give you an indication. Our initial feel from the ecosystem is that it will be between the pricing. So, an SMS in India, I am just giving an India example. SMS in India, let us assume is at Rs. 0.12 and say a WhatsApp is about Rs. 0.30 to Rs. 0.33.

Our belief is that the ecosystem will price RCS somewhere between these two price ranges. I do not think it will go beyond WhatsApp and I do not think it will be as low as SMS. It will be somewhere in the middle. Now it is for the operator and the ecosystem players to generally define and set a benchmark pricing and then roll it out commercially. You are right that the pricing will be better than the current SMS channel. Your assessment on that is correct.

Pranav Kshatriya:

And if I look at from the gross margin perspective, should we expect you know 20%, 21% kind of a blended gross margin or it should be much higher than that, given it some more value add?

Milind Pathak:

So generally, our expectation across newer products, which we have already said in our previous calls also, that generally the new generation product should have a higher gross margin, upwards of 30%, upwards of 35% to 40%. We believe that as the market matures, and as the customer starts getting used to the benefit of RCS and seeing it on a slightly different methodology, in an SMS inbox, we believe we should be able to stabilize and maintain our 35% to 40% gross margin business for even RCS as a channel.

Rajdip Gupta:

Rajdip here. Just wanted to add out here, you know, if you see the RCS ecosystem was within the operator ecosystem. And operator definitely is losing some kind of revenue because of WhatsApp, you know, and they are definitely going to promote this as the more communication channel before two-way communication channel for enterprises and they will definitely come with a pricing which is definitely going to lower than WhatsApp for sure.

But the biggest advantage we are going to see from RCS, I think the from SMS 1.0, which is impression to conversation, this is exactly what is going to happen with RCS. I think people will

not prefer to use WhatsApp if they get the same facility within their SMS inbox. And that is why I think the potential of RCS in India or other markets are huge.

And the adoption by operators in India is completed and we see almost all the operator apart from BSNL have deployed the platform and we do see acceptance from the customer end also to start using RCS.

John Owen: Rajdip, from an international perspective, it is the same model the carriers want to take that traffic onto their network because they have got revenue leakage at the moment. So, there is a massive drive to RCS by every mobile operator.

Pranav Kshatriya: Sure, very interesting. And thank you for the answers. Just one last question. Early days, but can you comment how much would be market share of your in RCS currently is because 310 million to me looks like a very strong number?

Rajdip Gupta: Just to share with you, I think I do not have an actual number. But based on some data from partners, I think we are the highest sending platform in India as of today.

Pranav Kshatriya: Very interesting. Thank you.

Gautam Badalia: We have also been acknowledged by me mean, some of the stakeholders in the RCS ecosystem, and which is a validation of the kinds of efforts that we have put. And now we are increasingly witnessing demand from large enterprise to say RCS, which I think sooner than later it will see the light of the day in terms of monetization.

Milind Pathak: In fact, to just add one more point. And what is making all of us at group very upbeat is one of the highest traffic days for us has been upwards of 10 million messages delivered in one day, which is huge from an RCS deployment perspective. And what we hear from that it is not only one of the biggest in India, but even from a global benchmark perspective, when I look at certain community forums on which we are partners and active propagators of RCS, when we tell this number, we have seen people drop their jaws there in terms of the volume that have seen on a day are there.

So, I think very, very exciting trends. And we hope to continue this trend on RCS as it goes forward.

Moderator: Thank you. The next question is from the line of Mohan Kumar from JM Financial. Please go ahead.

Mohan Kumar: Thanks for question. So, I want to check regarding the Rapid announcement that you have recently made. So, is that going to be more of an open-source setup that is something similar to what Twilio does in the US? And how much of a growth can we expect coming from this? And would this be like a high margin business?

- Rajdip Gupta:** Yes, I think Milind, let me start and then probably you can add to this.
- Milind Pathak:** Sure.
- Rajdip Gupta:** We as a company are always developer friendly. You know, like, whenever we built our APIs, we always wanted to make sure we will launch our developer API program. And this whole idea we curated; I think two years back. And now we, since I think the things are getting better, and we are in a position where all our APIs can be thrown away for developers to build something great out of our APIs. We are launching some kind of a hackathon for a global developer, where we are also going to open all our APIs, including SMS, email, WhatsApp, RCS, whatever we have.
- If you go to our website called as developer.routemobile.com and I think we have already opened our APIs for people to go and test over a postman. So yes, Milind, if you can just add to this?
- Milind Pathak:** I think, Rajdip is a very apt, the first phase of Rapid is a hackathon, which will start and it is a global initiative. We are also partnering with a third-party player to help us organize and ensure that that hackathon is done. And mind you, we are right now still in COVID across India and the world. So, these are not the days where we will get 100, 500, 1000 people under one roof and then create a whole event.
- We have to do all of it virtually. So, the logistics in our business are quite heavy, because we are deploying a global project, with a lot of awards and prize wins there for developers to actually develop solid used cases on that API. So, it is an initiative and a program. Aspirationally, you are right, Rapid will continue to focus as one independent unit and an independent revenue line for us as it goes forward. So, we have developer as one revenue line, we have enterprise another line, we have operators as another revenue line, and so on and so forth.
- So yes, going forward it will be a strong revenue driver as it goes across.
- Mohan Kumar:** Thank you. And my second question will be so you mentioned that July was probably the best month that you had so far, it was a record month. So, despite having one off effects in the last quarter, you still managed to deliver 20% plus growth and your guidance earlier in the year was 20% to 25%. Can we assume that you would comfortably be able to announce this year's numbers well ahead of 25%?
- Gautam Badalia:** So, Mohan, we will reserve this comment, I think we will kind of wait for the next quarter performance to come in. And at that point in time, need be we will look at giving some comments around the guidance. At this point in time 20%, 25%, I think looks doable.
- Mohan Kumar:** Got it. And just one quick follow up on that. So, can you give us some kind of guidance on what the volumes in July were like, versus probably an average within 4Q of last year?

- Rajdip Gupta:** This is not the actual count, but we do see a growth for sure.
- Just to add to your question. I think probably if you see the last financial year, Q3 for us is always the best quarter as compared to any quarters, right? But we have achieved the same numbers as compared to the last Q3 of last year. So, in terms of growth, and from now on, I think we do see the growth, but whatever the guidance we are giving we will definitely achieve it. And probably based on our Q2 numbers, we will see how we can give better guidance, if possible.
- Mohan Kumar:** Sure, no sounds good. I do not want to put additional pressure on them. So, there are plenty of people already helping down like on this front.
- Moderator:** Thank you. The next question is from Keshav Lahoti from Antique Stock Broking. Please go ahead.
- Keshav Lahoti:** Sir, I want to understand your quarterly run rate have been something like Rs. 10 crores for the new product sales. So how should we see this going forward?
- Gautam Badalia:** So, we continue to invest on the new product side. And we will so I think the historically the kind of growth rate that we have been demonstrating on the new product side on a quarter-on-quarter basis we will continue to do that. So, there are some seasonality aspects, which needs to be factored in. But besides that, I mean the focus on the email business where we have kind of devised a separate strategic business unit, we are kind of channelizing everything through separate entities SendClean US and SendClean India.
- So, there we have already committed a \$12 million investment over the next three years. There are new products, which will get rolled out very soon. Rapid will start I mean, this quarter, I think we will go live with our Rapid program as well.
- So, a lot of these things will definitely augur well for the new products. And this year, as I think we have highlighted, we intend to kind of clock close to \$10 billion in terms of the new product revenue.
- Keshav Lahoti:** As you highlighted this quarter, you know, due to sort of breach of banking the gross margin has dropped a bit. So, is it fair to assume in the next quarter, your gross margin would be similar like what we have achieved in 4Q?
- Gautam Badalia:** Yes, it should be. So, I mean, I will just give you a directional perspective on this. So, if you look at India standalone, I think we have done about 23% gross margin, despite that significant drop in volumes. So now if we were to kind of get that volume back, which we have already got it, by the way right now. So, it will definitely pull the gross margins northwards of the 20.4% that we have reported for the quarter.

- Keshav Lahoti:** Okay, last question from my side. From last three years, your client concentration of top 5 have been somewhere around 45%. So, directionally going forward, how should we see this number?
- Gautam Badalia:** So, I think there is some amount of some degree of diversification that has happened, I mean, the top client, if you look at it right now, from quarterly perspective, I think it has come off a tad lower than what it was in FY20. So, there is something about diversification and there are some big client wins that we have done and some of them have. In fact, one of them has already come into the top 15 enterprise bracket. And we believe I think that client has the potential to be in the bracket of \$10 million to \$15 million. So gradually, we will see some of these new clients leading to some amount of client diversification.
- Moderator:** Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs. Please go ahead.
- Hiren Dasani:** Can you maybe recap why there is a QoQ decline in the new product revenue? Sorry, may be that question was asked earlier.
- Gautam Badalia:** So, Hiren, we have not lost any single client. It is just a seasonal aspect of the business. So, I think we did about Rs. 13 odd crores in Q4 and March apparently, I mean most Indian enterprises I mean, they use all digital channels quite a bit. So that happens to be I mean, after Q3, Q4 happens to be one of our better quarters. So Q1 is just I mean, it is a seasonal aspect, there is nothing more than that.
- Hiren Dasani:** Okay, in last year, because the base was so low, this may not have been very relevant or?
- Gautam Badalia:** So last year, the base was very low. That is correct.
- Hiren Dasani:** Okay. And sorry to harp on this gross margin question. But hierarchy wise is not India a lower gross margin than your international business or my understanding is not correct there?
- Gautam Badalia:** No, so Hiren, even for the revenue that we have garnered in India right now, we have done about 23% gross margin. So, if some of those then and most of these banks, I mean, the integrations are very deep, right. And we provide them with dedicated infrastructure, which ensures higher margins from that standpoint.
- So, I mean, the fact that I mean most of our top banking clients were impacted because of the loss of traffic in April. That led to some degree of contraction in the gross margins.
- Hiren Dasani:** Okay, but your India gross margins are generally higher than the international business or?
- Gautam Badalia:** That is because India, we do a lot of enterprise business. And most of these enterprise businesses are deep tech integrations, dedicated infrastructure planned out, and hence the India gross margin, I mean, happens to be anywhere between 20% to 25%.

- Hiren Dasani:** Okay, and finally, you used to disclose this metric called net retention ratio, or net revenue retention?
- Gautam Badalia:** Yes. So, for this quarter, it was about 117%. But we have not disclosed it because we would have analyzed the Q1 number to kind of derive at the net revenue retention. On an annualized basis, it is about 116%, 117% right now.
- Hiren Dasani:** Okay, but as this enterprise revenue, which was lost because of this India disruption, it goes back, it should go back to that 130%, 140% range?
- Gautam Badalia:** 130%, 140%, that is correct.
- Moderator:** Thank you. The next question is from the line of Vimal Gohil from Union Asset Management. Please go ahead.
- Vimal Gohil:** Yes, a couple of follow up from my end. You said that you expect about \$10 million from the new services. This is over what period sir?
- Gautam Badalia:** This financial year.
- Vimal Gohil:** Okay, so FY22 you expect \$10 million from this?
- Gautam Badalia:** That is correct.
- Vimal Gohil:** Okay. And overall, you I am not sure I got that. But you were saying 25% growth in FY22. What was I mean; just correct me was it the volume growth, was it revenue growth what was it?
- Gautam Badalia:** The revenue growth.
- Vimal Gohil:** Revenue growth of 25% in FY22, okay.
- Gautam Badalia:** That is correct.
- Vimal Gohil:** Got it. And out of this 10 million, new services, how much is coming from SendClean this year?
- Gautam Badalia:** SendClean should be anywhere between 20% to 25%.
- Vimal Gohil:** And if you could just highlight, the \$12 million investment that you have announced here just apart from employees, where are we investing that?
- Gautam Badalia:** Sales and marketing.
- Vimal Gohil:** So, sales and marketing would be employees essentially, right?

Milind Pathak: When we say marketing, more advertising spends. You do self-service kind of a business, there is a large amount of paid advertising that we will have to engaged in. That would entail based on the geographies that we target.

Vimal Gohil: So, if you could just maybe explain what exactly do you mean by, you know, service sort of clients was?

Milind Pathak: I will explain. So, typically what happens in a self-serve environment is that let us say you do a search on say a Google or a Facebook or an Instagram, clients will click on it and land on to your website, look at the pricing plans. And in the pricing plans, he will say I want to buy this particular pricing plan by just using his debit credit card and then pay on the website and complete the transaction there itself.

The platform itself will automatically and through self-usage allow him to integrate his need to send whatever 100,000, 200,000, half a million emails that he wants to send. And all of this process will happen completely automated as a part of software as a service kind of a model. Then, of course, there are large accounts or large enterprises like say, a bank or an e-commerce company or a retail company, etc., who may want to push millions or billions of messages and there they would need more like a B2B enterprise sales and a support team.

That is very separate where they say, okay, I need a quote for a billion messages a month. So, there will be somebody from the sales team who will engage with them, negotiate, integrate, and so on and so forth, right? So, these two are very different processes. What we mean by self-service, the first one, where you attract customers or enterprises of smaller ticket size, but completely self-served through prepayment models.

Vimal Gohil: When you say messages, you are basically referring to emails?

Milind Pathak: Emails yes, when I say messages, it is emails.

Vimal Gohil: And just one thing, I just want to probably get your sense on, when you say that India Business was a high, I mean, you say that it is a high margin business. But when I look at your EBIT disclosure, the historical margins for the past maybe six quarters average, is PBT margin that India has done is roughly 3.6. You are probably having higher margins in UK and in Nigeria, which are close to 9% and maybe 10% to 11%.

So, I just wanted to sort of juxtapose what you said on India's business margins being higher in as compared to the overall company average?

Gautam Badalia: So Vimal, we were referring to essentially the gross margins. Now in India, a lot of our clients are enterprise clients. And as I said, enterprise business entails higher margins than the aggregator business that we are doing. So, from that perspective, I mean a banking client or retail or an e-commerce client.

I mean the margins today, we are doing northwards of 20%, 25%, between 20% to 25% gross margin, and especially after the DLT implementation, where we get a part of fraction of the DLT charges as part of our kitty I mean this margins have expanded from the historical quarters. So, on the gross margin front, I think we are doing about 23%, which I think is also demonstrated in the standalone financials that we have reported.

Vimal Gohil: So basically, India has higher gross margins. Anyway, I will probably clarify this offline. No problem.

Gautam Badalia: Yes.

Moderator: Thank you. The next question is from Mohan Kumar from JM financial. Please go ahead.

Mohan Kumar: Just one quick question I had. So, during our last call, John had mentioned that we have a couple of larger clients in the US and Europe who we are like closer to signing up on and we should get a little more information on that. By the time the next call, so just wanted to know, have we closed those clients or are we still like in the process of kind of wrapping that up?

John Owen: I think as said we have some beachhead clients who we can build out a strategy from as opposed to a closing. So yes, we do have some very large global clients based out of the US and Europe that we are we see some organic growth out of those. But they are essentially the foundations that will actually build that more into those regions. But that is probably more of our growth strategy in Europe and the US from an organic growth strategy. But yes, there are some deals in the pipelines strengthening but there is nothing imminent that you know, I would want to take to the bank tomorrow.

Moderator: Thank you. The next question is from the line of Vikas Jain from Financial Quotient. Please go ahead.

Vikas Jain: The best part of getting late in the queue is that most of your question automatically gets answered. So, thanks to my fellow colleague. Just a quick question. Could you please give some insight towards increasing trend of the employee cost? It is basically an increase because of the headcount or it entails something else?

Gautam Badalia: No, so it includes the headcount, the wage hikes, I think both the things are kind of included in the increase in employee cost. At this point in time I mean, in terms of the senior management team, I think we are fairly well organized now. So, and I mean, the headcount increase essentially will be I mean, from a SendClean perspective or the Rapid program that should be running at this point in time, from that perspective. So largely, I think, yes Rajdip.

Vikas Jain: So, what is the headcount if we have some number in hand currently?

Gautam Badalia: So currently, the total headcount is about 396 employees.

- Moderator:** Thank you. The next question is from the line of Shree Gandhi from Arihant Capital. Please go ahead.
- Shree Gandhi:** So basically, my question was regarding the employee cost. The employee cost sir, do you assume that employee cost to increase further also? How do you assume the employee cost going ahead further?
- Gautam Badalia:** I think the subsequent increase will be marginal so to say. I think as I said, I think the senior management team, I think is well in place now. So, it will only be incremental and as I said, in SendClean I think there would be increase in the employee cost and for Rapid we will be entailing some amount of employee cost increase.
- Shree Gandhi:** So as on FY21 it was around 4.4% of the revenue. So, we assume it to be at the same run rate or it may increase little bit of say around 5%?
- Gautam Badalia:** So, this year I think we are in the investment mode. As I said, I think the email front and the Rapid front. So, it would not come off I mean from the FY21 I mean, employee cost as a percentage of revenue. So, it will remain broadly in that same vicinity.
- Shree Gandhi:** Sir, it will remain in the same vicinity?
- Gautam Badalia:** Yes.
- Moderator:** Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.
- Rajdip Gupta:** Thank you, Hardik. I just like to thank everyone. And we as a company, I think we are going to focus mainly on our new product and new market. And we are very bullish about our new product offering and RCS is definitely one area where we are very, I think we see lots of potential in various other markets along with email. And in coming quarters, I think we will see lots of growth in these two areas. Keeping that in mind, I think I would just like to thank everyone. Thanks for your time and have a very nice evening. Take care.
- Moderator:** Thank you very much. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.