AIL/SE/RCT/Q1/2020-21 August 28, 2020

To

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Scrip Code: 542752	National Stock Exchange of India Ltd Exchange Plaza, 5th Floor, Plot No. C-l, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Symbol: AFFLE

Dear Sir/ Madam,

Sub: Transcript of the Earnings Conference Call for the first quarter ended June 30, 2020 conducted on Monday, August 10, 2020

Please find enclosed the detailed transcript of the Earnings Conference Call conducted on Monday, August 10, 2020 to discuss the results and developments for the first quarter ended June 30, 2020.

This earnings call transcript is solely for information purpose and does not constitute an offer to sell, or recommendation or solicitation of an offer to subscribe for or purchase of any securities of the Company. All readers of this transcript must refer to our Q1 FY2021 Earnings presentation for a detailed disclaimer on the same.

The same shall also be available on the Company's website.

Submitted for your information and records.

Thanking you,

Yours Faithfully,
For Affle (India) Limited

Parmita Choudhury
Company Secretary & Compliance Officer

Affle (India) Limited

Q1 FY2021 Earnings Conference Call

August 10, 2020 at 10:00AM IST

Management: 1) Mr. Anuj Khanna Sohum – Chairman, Managing Director & Chief Executive Officer of Affle (India) Limited

2) Mr. Kapil Bhutani – Chief Financial & Operations Officer of Affle (India) Limited

Analyst: Mr. Hardik Sangani – ICICI Securities

This transcript has been edited to improve the readability

Moderator: Ladies and gentlemen, good day and welcome to the Affle (India) Limited's first quarter FY2021 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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 Mr. Sangani!

Hardik Sangani: Thank you Steve. Good morning everyone. On behalf of ICICI Securities, we welcome you all to the Q1 FY2021 Conference Call of Affle (India) Limited. I take this opportunity to welcome the management of Affle (India) Limited, represented by Mr. Anuj Khanna Sohum who is Chairman, Managing Director and Chief Executive Officer of the Company; and Mr. Kapil Bhutani who is Chief Financial and Operations Officer of the Company.

Before we begin with the discussion, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to slide 16 of the Company's earnings presentation for a detailed disclaimer.

I will now hand over the call to Mr. Anuj Khanna Sohum for his opening remarks. Thank you and over to you Anuj!

Anuj Khanna Sohum: Thank you Hardik. A very good morning everyone and thank you for joining the call today. I trust all of you are keeping safe and that your family's and colleagues are all in good health.

We celebrated our 1st IPO anniversary on August 8, 2020 with a full day at our board meeting and announcing our Q1 results the same day. In the backdrop of tough macro-economic factors and the COVID-19 pandemic, I'm relieved that the toughest quarter is behind us now. The resilient nature of our business, entrepreneurial culture and the execution focused on Affle2.0 strategy has made us come out stronger from this crisis. I am confident and committed to achieve sustainable growth as we build Affle2.0 over this decade.

In Q1, Affle delivered 20.4% y-o-y growth in revenue from operations. Personally, I am not satisfied as I aimed to open the innings of the FY2021 with a century (100 crore revenue) and we missed that due to Covid-19. However we bounced back in June and our CPCU business organically clocked over Rs. 1 crores per day. We achieved overall quarterly run rate of Rs. 108 crores as of June-end and that exceeded my expectations and my team's expectations.

Taking a deeper view, April and May were very different and difficult months but we saw strong demand from both India and International markets across the key industry verticals. With the fundamental shift happening in consumers lifestyles towards mobile screens and connected devices, I remain optimistic of the emerging growth trends. I strongly believe that we will achieve well beyond the century mark in terms of revenues from here onwards.

In terms of profitability, the overall trend was positive. We delivered a PAT growth of 42.3% y-o-y, with majority of it coming organically. I am also pleased to announce that our inorganic strategy has delivered results. We cross-leveraged business opportunities with bottomline efficiencies resulting in around 5-6% of our PAT from both Appnext and Mediasmart. With the faster turnaround in the acquired businesses, we aim to achieve around 8%-10% PAT on both Appnext and Mediasmart this year.

We have strengthened the **2Vs - Verticalization and Vernacular** as the main pillars of our Affle2.0 strategy. Our verticalization focus on Covid Resilient Categories E, F, G & H resulted in over 90% of our Q1 revenues from the 10 key industry verticals vs. 76% contribution from these 10 verticals in Q4. Our vernacular strategy enabled us to identify multiple areas of ecosystem level innovations and we closed the strategic investment in OS Labs to own equity in the largest indigenous languages focused Mobile App Store in India.

Our long-term focus remains on strengthening our foundation and building sustainable market leadership in India and other emerging markets globally. We also augmented our Affle2.0 Culture with the launch of AFL - Affle Fun League where all Afflers come together to **Commit, Collaborate, Compete and Celebrate** beyond the regular work, conference calls and webinars.

Affle2.0 is guiding our culture, our strategy and our growth journey for the decade ahead. We are a differentiated business with a unique culture, growing profitably and increasing our positive cash flows performance consistently.

With that, I would like to handover this discussion to our CFO, Kapil Bhutani to discuss the financial performance. Thank you and over to you, Kapil.

Kapil Bhutani: Thank you Anuj. Wishing everyone a good day.

In Q1 FY2021, the Company reported Revenue from Operations of Rs. 898 million, a y-o-y growth of 20.4%. This growth has been broad based across India and International markets and across industry verticals.

Our EBITDA for this quarter stood at Rs. 225 million, an increase of 20.3% y-o-y. EBITDA margin was at 25% in line to the Q1 margin last year. In terms of Opex, Inventory and Data cost was at 57.5% of revenue from operations, in line with the previous annual trend.

Employee benefit expenses have increased primarily due to the acquired businesses. Further, in FY21, we are confident of achieving continued growth and as such pro-rata variable payouts to the employees have been provisioned in this quarter, which is expected to be paid out during the rest of the year as per their actual performance. This has also led to increase in employee expenses on a q-o-q basis.

We have reduction in certain other Expenses, including rentals, during the quarter leading to absorption of incremental expenses from the acquired business without any increase on a q-o-q basis.

Our PAT for this quarter was Rs. 188 million, an increase of 42.3% y-o-y. PAT margin stood at 20.4% as compared to 17.6% in Q1 last year and 18.3% in Q4.

Our focus has always been on working capital management. Even in times of Covid, our collection efforts have been resilient.

In Q1, the Company acquired 66.67% equity ownership in Appnext Singapore and its full control, with a clear path to acquire 100% ownership upon attainment of mutually agreed growth targets. With this acquisition, Affle International now has a new subsidiary based out of Singapore.

We also identified Indus OS as a potential investment opportunity during the quarter and executed a definitive agreement on July 2, 2020 to acquire 8.0% strategic stake in Indus OS, India's largest independent indigenous apps store. The completion of the agreement was done last week.

As of August 7, 2020, Affle International has availed a term loan of USD 10mn for a period of 4 years and has drawn USD 6mn out of the availed amount. The loan is secured by SBLC (Standby Letter of Credit) procured by Affle India and

30% by partial shareholding of Affle International in Appnext Singapore. The cost of the funds is LIBOR plus 3.25.

With this I end my presentation. Let us please open the floor for the questions.

Moderator: Thank you very much. The first question is from the line of Hardik Sangani from ICICI Securities. Please go ahead.

Hardik Sangani: Thank you for the opportunity. I have a thematic question. In this quarter we saw increased traction within our mobile advertising offerings where there would have been new clients or clients would not have much of a digital wallet kitty. How are we seeing traction within those clients? How has been their experience? Do we see this spend a more of a permanent nature or is it transitory?

Anuj Khanna Sohum: A long-term mega trend is that new advertisers as well the existing advertisers are increasing their spends towards mobile marketing. This is in line with how the consumers are spending time on their mobile devices. What has happened in the lockdown phase of April & May is that the consumer adoption has reached its peak in terms of how much time people are spending on these devices. I do not see that changing. It is a trend that was always expected to happen in terms of - how many more people will go on smartphone devices. How much time they will spend. What kind of services will they start adopting and how much will they start making payment using online apps and services on their mobile devices. These all trends are long-term trends. Whatever we were expecting to happen say in next 3-5 years is likely to now happen in next 2-3 years. The timeline for this adoption has come down. Speed at which the consumers are adopting and consequently the businesses are reacting to that and shifting their budget to mobile marketing is tremendous. I do not see this trend reversing from the business side backed by the consumer trend. Therefore we should continue to expect that the percentage of the mobile marketing as an overall pie of any advertiser to increase and it should not see a reversal.

Hardik Sangani: That is it from my side. Thank you

Moderator: Thank you. The next question is from the line of Venkatesh B from Tokyo Marine Asset Management. Please go ahead.

Venkatesh B: I have a couple of questions. When I look at your absolute numbers, your standalone numbers or your India numbers have grown really fast. Whereas your international revenues have not grown that much. But when I look at your margins, the India margins have contracted whereas your international margins have gone up. It does not really make sense. Can you help us throw some color on this? That is the first question and secondly what was the cashflow from operations in the current quarter?

Anuj Khanna Sohum: I will take that question first and Kapil then you can add on it. When you look at the overall quality of business whether in India or in international, the range of growth on y-o-y basis for this quarter is that international has grown about 18%. India has grown about 22% or basically the average growth being 20.4%. That is largely a balanced growth overall. When you look at it from a let us say margin perspective - at the data and inventory cost level, we are trending fairly across these markets. Now if we go deep further into the operating expenses - what has happened in India vs. international. When you see that on certain line items whether it is the employee cost which Kapil covered in his presentation earlier. That last year in Q4 some of the targets were obviously under attained and in this Q1 as well as this whole financial year our view is very optimistic that we will achieve our goals. For this year consequently employees should earn all their variables and that is fully loaded cost with provisions for variable on an annualized and quarterly basis in Q1. In Q1 you see that difference and you also see that the other expenses have gone up. I let Kapil come in to here and explain the transfer pricing related matters.

Kapil Bhutani: Adding to what Anuj has said, if you see India standalone, there is a spike in the other expenses which is largely related to intercompany transfer pricing benchmarking. This benchmarking is updated every year as we are adding more subsidiaries, more international manpower and more contribution is happening. There is an update in transfer pricing and based on it, the markup between the intercompany has undergone a change. Some transactions have also been added. Based on that the intercompany expenses have gone the other expenses affecting the margins. I would say 80% of the spike of the other expenses is attributed to transfer pricing arrangements between the intergroup companies, which is eliminated in the consolidated accounts.

Venkatesh B: Okay. Just on the revenue part it was mentioned that both of them have more or less grown at the same pace India and outside India. But if I look at your consolidated segmental numbers, India revenues have grown to almost Rs.42 Crores from Rs.30 Crores which is like a 30% growth whereas outside India is at Rs.49 Crores versus Rs.45 Crores which is like a sub-10% growth. Is there a transfer pricing impact even in the revenues part?

Kapil Bhutani: In Q1, there were certain contracts which were serving India in last year Q1. Similarly, there were certain contracts outside India which was serving Indian customers. They have been reassigned to the Indian entity this year. If you see our Q2 FY2020 earnings presentation which was the first presentation after our public listing, we had 50:50 kind of revenue from India and international on a region-wise basis. Whereas the financials showed a difference, as we have India/International split as per billing-entity in financials. These contracts have been reassigned to the Indian entity which were delivered in India in line with the transfer pricing. That is why, we were seeing a higher spike of growth in India which is normalized by signing those contracts from the Indian entity.

Venkatesh B: Just that other question which I asked about cashflows from operations. I am trying to figure out how have been the collections? Have you had issues in terms of collections, or collections have been okay and cashflow operation is positive?

Kapil Bhutani: Cashflow from operations is positive. We have acquired new businesses and the working capital has slightly increased on that part on the international business side. Also there are very few customers who have posed as an issue on making their payments. However, we feel that the provisions made in the books is adequate to cover any exigencies.

Venkatesh B: Okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Dhereesh Pathak from Goldman Sachs. Please go ahead.

Dhereesh Pathak: Thank you for taking the question and congratulations on good numbers. Just trying to understand the organic growth. On the revenue side, if you can carve out the Mediasmart, Appnext and RevX contribution which was probably not there in the base. Can you give us those numbers?

Kapil Bhutani: Mediasmart and Appnext together have contributed about Rs. 17 Crores in this Q1 topline.

Dhereesh Pathak: And RevX also if I understand correctly was not there in the base?

Kapil Bhutani: RevX partially was there in last year Q1 since we were in discussions already when we acquired RevX. So partial businesses had started getting tested and the remaining impact would about Rs.1.5 Crores.

Dhereesh Pathak: Then there is a slight degrowth on an organic basis mid-single degrowth?

Kapil Bhutani: I will say it is almost the same. If you see our COVID call, we were expecting a larger degrowth whereas the company has not allowed it to happen. We have performed much better than what we actually expected in our COVID call.

Dhereesh Pathak: Yes. I think versus the COVID call you would have done better. But I am just saying if I take out 17 and 1.5 revenues, it will come out to be around 71.3 versus 74.6 in the base quarter. There is about 4% degrowth. Obviously, it was a tough quarter of lockdown but just from a math point of view?

Kapil Bhutani: Yes.

Anuj Khanna Sohum: That will be an important analysis here which is what I was trying to elude to earlier in my conversation. When you look at the quarter April-May-June, the most important numbers to rely on would be to look at where we ended the quarter. What is the run rate? How are we ending June because while it is the quarter and it is the way math has to be done. But this quarter had two distinct periods April and May and then June. In the month of June, the organic run-rate of the CPCU business itself was Rs. 1 Crores a day kind of target. We achieved that on a aggregated basis for the CPCU business in June organically. When we look at it from the broader perspective, the business is already at run rate of north of Rs. 108 Crores (for 90 day period). When you are looking at how is the quality of business or the growth, I would say the month of June has exceeded most of my expectations. While of course April, May and June put together - Q1 results came out respectable but important is where we have ended the quarter and what is the run rate with which June is taking us forward. So, if were to segment and slice and dice it and say June versus June (y-o-y), you would see a very fantastic uptrend. It would exceed at least all our internal expectations as well. The lens of looking at it that way is very important. For the inorganic contribution, it is important to see what we take out form here and what we expect going forward. I commented earlier that both Mediasmart as well as Appnext which were when acquired were just barely breaking even or still loss making. They have actually contributed 5% to 6% of the total PAT in this quarter which also exceeded our expectations. I mean in terms of the full year, I am now even more confident that we will end well with both Mediasmart and Appnext contributing on an independent standalone basis about 8% to 10% of their business. They would be delivering that kind of PAT and that is giving us a lot of confidence that all our businesses today are fully turned around. The outlook is positive and the trend lies in the run rate at which we are today and also quite positive as of what June has been delivered for us.

Dhereesh Pathak: That was helpful Anuj. This 108 Crores, you are saying this is on a full company revenue, this is just CPCU business?

Anuj Khanna Sohum: Just the CPCU business.

Dhereesh Pathak: Okay. This CPCU for the quarter where presentation mentioned 17 million conversions. Now that could also include a small contribution from Appnext, right?

Anuj Khanna Sohum: That is correct.

Dhereesh Pathak: How much is Appnext, roughly 2 million in that range?

Anuj Khanna Sohum: No, it is about 7 Crores odd which is coming from Appnext. About a million dollars per month.

Dhereesh Pathak: Yes, I am talking in terms of number of CPCU users/conversions. Those would be on that 70 million for the quarter reported in the presentation. So about 2 million would come from Appnext?

Anuj Khanna Sohum: Yes that is about right.

Dhereesh Pathak: So this number adjusted for Appnext is down like 10%. Obviously, I get the context that it was a very bad lockdown and in that context it is very commendable. But this adjusted for Appnext, are you seeing that 25% growth that we used to talk about the CPCU users can grow in that range? And now in July on that organic run rate basis is that also back that level?

Anuj Khanna Sohum: It is more than that. We did organic CPCU business at about 1 Crore a day in the month of June itself. That is the actual realized attainment level which is over 30 Crores in the month of June itself. We historically never had that level of run rate in the organic CPCU. If you just look at June to June (y-o-y), you will see that organic CPCU has Not come down rather it has grown faster.

Dhereesh Pathak: Just one more question. In terms of the operating cash flow, what was the absolute number and what was the intangible capitalization for the quarter?

Kapil Bhutani: The intangibles were in line with the last year itself. It was about 1.2 million kind of a figure the capitalization. And the cash flows have been positive and they are better than the Q1 last year. We have a cyclic impact on the cash flows or generally also our cash flows are heavily skewed towards Q3, Q4. The cash flow for the current quarter is about say over 3 Crores positive working capital because of the heavy sales in June versus April & May. So a lot of collections have happened in July, not reflected in Q1 numbers. You can say the cashflows continue to be positively skewed.

Dhereesh Pathak: Yes but what is that number Kapil like the absolute number in terms of Crores?

Kapil Bhutani: Absolute number is about Rs. 3.5 crore after tax.

Dhereesh Pathak: 3.5 is cash flow from the operation for the quarter and 1.2 million USD is the intangible capitalization?

Kapil Bhutani: Yes.

Dhereesh Pathak: Okay. Thank you. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Mayank Babla from Dalal & Broacha. Please go ahead.

Mayank Babla: Good morning everybody and congratulation on a good set of number. I have a few questions. One of them is the employee expenses this time around as you said was due to the acquisition of Appnext because there was an increase. What is your final employee count as at June and how much have we added in the organic business and how much have we got from the acquisition?

Kapil Bhutani: The employee count is over 375. It is over 375 employees in the company at the moment. I am also counting in the contract staff. We treat every employee with full regard irrespective of the nature of engagement with them.

Mayank Babla: Including Appnext did we add more employees?

Anuj Khanna Sohum: Yes, we added a few more employees. In fact on the management side we made a couple of announcements over this period and I am not exactly clear on the base whether they were within the quarter or just post the quarter. But we hired somebody fairly senior to lead the SaaS and Omnichannel platforms. His name is Sujoy and he is the Chief of Marketing and Omnichannel Platform. We also brought on board, Martje, who is Chief Revenue or Chief RevX Officer to drive the RevX business globally and he has also joined us in the leadership role in the company. A few other members in the data science team in Bengaluru and the product management team as well in the data and platforms teams. So we have definitely strengthened data side of our organization over this quarter.

All of these are announced in the press releases that the company made at various times when these people have joined.

Mayank Babla: Thank you for that and the second question was regarding the non-CPCU business. This time the non-CPCU contributed around 20.7% of the consumer platform versus the last quarter around 8.6%. Could you just throw some light on that?

Anuj Khanna Sohum: The CPCU business bounced back significantly in the month of June. Consequently what we were doing a lot more in April and May was that the consumer conversion were not happening as such and people were under lockdown. Consumers could not get deliveries to their homes and in April & May we were selling a lot more platform as well as the non-CPCU business plus the Mediasmart part of the business is completely or mostly around 90% is non-CPCU. It is going in the SaaS and PaaS related business units. Having said that if you were to just look at the month of June then you would see that the trend lines are back where the CPCU business would be over 90% of the total consumer platform business. This quarter has to be looked at that June is giving us a run rate and is providing better guidance on how the balance would be. whereas in April and May we were fine tuning our strategy and focus a lot more on the COVID resilient categories. While we were recalibrating our focus on those categories which delivered outcomes in the month of June resulting in 90% revenues coming from those categories. In that period of time we were also trying to push more customers and saying that instead of giving us the conversion related business, let us shift some budget more towards branding or SaaS and PaaS because one was not sure how much conversions the consumers would actually be doing given that they were in a lock down situation. We could not necessarily have things delivered to their home and so on. So, there is a balance shift that happened in the quarter.

Mayank Babla: Thank you so much. I will get back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Rishit from Namura. Please go ahead.

Rishit: Thank you for taking my question. Anuj just wanted a clarification you mentioned about Rs.32-33 Crores odd would have been in June and that is excluding Appnext. When you add just Appnext, it will be Rs. 6 Crore additional. So just June itself has contributed roughly about Rs. 40 Crores. That is the run rate basis, correct?

Anuj Khanna Sohum: Yes, on the CPCU business the run rate to be precise would be around Rs.37 Crores to Rs.38 Crores together with the Appnext. On CPCU business and Non-CPCU business combined, the June number is about Rs. 40 Crores.

Rishit: From June onwards, how is the traction overall? From this number where we are talking about Rs.35 Crores-Rs.38 Crores right. As a traction going into the net because obviously the lockdown has taken off in last part of this everything. Plus we have those 90% revenue from the top-10 categories and all of them are taking shape well. How do you see the traction going into this quarter because Rs. 40 Crores itself if extrapolated for a full quarter goes to Rs.120 Crores in the net. You will be definitely well above the century but just wanted to understand how much upside can we see from that perspective and how will be organic business shape out?

Anuj Khanna Sohum: The trend that we are checking closely and how we have done that in July. And that we are already through some part of August at time of this call where at least a third of it is done. We were checking if it was a pent up demand for the CPCU business where April and May was held back and then everybody was trying to get their budgets for the quarter covered up in June. OR is it now a baseline trend that will carry through in terms of where things are. I believe that it is what you are trying to also assess and what we have seen in July and August is that the momentum is carrying through. We don't provide any short-term guidance but the last quarter has to be sliced and diced into April, May and June. Once you start talking about June, most of us can improve the math that it is about Rs. 40 Crores per month kind of a run rate going forward. I would say that that it is a defensible momentum that we have seen even in July and August. So, I am keeping fingers crossed but all directional trendlines are fairly strong at the moment.

Rishit: Right, and if I was to understand that shift from CPCU to non-CPCU. Are we seeing some of the platform related, SaaS and PaaS related fair sort of staying off or is there a definite momentum there? OR do you think that will sort of give us way back to CPCU business going in the next quarter or there would be some sustenance there?

Anuj Khanna Sohum: SaaS and PaaS is a long-term strategic emphasis and the sales cycles a bit longer there. But this year it would still be at a nascent stage sub-10% surely. It would not become meaningful yet. Let us say part of the day and over 90% should continue to be let us say CPCU business in the consumer platform business. That is how our assessment is and having said that whether it is CPCU business it is obviously valuable and strategically important growth strength for us there. But also on the SaaS and PaaS side of the business, I am personally very excited about the possibilities for the long-term. We are actively organizing ourselves internally to ensure that it becomes a real segment and a big contributor going forward into the Affle 2.0 journey ahead.

Rishit: Just one last question, wanted to understand on the capitalization. Kapil mentioned about a million for this quarter. What was that related to? Is it related to all the product revamp and work that is happening in the business and how should we think about capitalization going ahead. Even we have acquired Appnext. How should we think about going through the year.

Kapil Bhutani: This is going to be the trend for the year and not much spike from here.

Rishit: We are close to million Dollar revenue for the quarter you are indicating?

Kapil Bhutani: Yes, Million dollar in a quarter.

Anuj Khanna Sohum: We as an organization have a very strong balance and have always been fully loaded in terms of the talent, the manpower resources and so on. With what you heard from me earlier also was that we have only strengthened the top management related functions because the business is growing. PaaS is growing globally and we see lot of these platforms contributing meaningfully now. That is a very positive sign to note how the company is operating and how are we thinking. Even in the COVID situation we are provisioning all the variables and bonuses for this financial year on pro-rata basis in Q1. The employees are feeling bullish that we will attain targets and we will make our variable and bonus in this year. So, there is a lot of optimism and they are obviously seeing that we are strengthening the team. The organization, the team and our structure is complete. You do not see too much of variance in terms of the cost right. This trend line was early predictable and there should not be any dramatic changes there whether with respect to development of products or any other let us say significant investments from the management here.

Rishit: Perfect. Thank you I will get back into the queue.

Moderator: Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

Madhu Babu: Sir, what is the net cash on balance sheet after Appnext acquisition and how are we looking at future acquisitions?

Kapil Bhutani: The net cash position on the balance sheet is yet to be ready because as even in my summary at the start of the call, we have also procured USD10 million loan from the bank which is availed as of Friday. We have availed about USD 6 million of that which is in line to a partial funding for the Appnext and the cash which we have in balance sheet and as of today would be little different because of that borrowing we have done for a four year term. I will just give you the cash position. It is about USD 11 million as on June 30.

Madhu Babu: Okay, that is the cash and there is a debt as well. So net cash would be minimum?

Kapil Bhutani: Debt is not there. Debt is only from the holding company as on June 30. USD 11 million was the cash balance whereas the debt from the holding company was to the tune of about USD 6 million.

Madhu Babu: In terms of international geographies which are the countries we are investing and seeing a higher traction?

Anuj Khanna Sohum: We are seeing very good traction in South East Asia market and also in some of the European markets thanks to Mediasmart. We had earlier mentioned that one of the reasons to invest in Mediasmart was because we were looking at the team that is culturally aligned towards giving a launchpad for us into LATAM markets (emerging markets) and making our position stronger in Europe. Overall in terms of our strategy, our emphasis is clearly of being a sustainable market leader in India and also expanding into other emerging geographies. South East Asia, Middle East Africa, LATAM and now with the Mediasmart team we are also looking at greater inroads into Europe as a developed geography. These are the geographies where we are focused. In North America, we are taking carefully calibrated steps in terms expanding our presence remotely at this point in time and maybe hire a couple of people this year as we go along. We have also on boarded one person to work with us in the Korea market because we have seen quite interesting customers and possibilities coming from there for a partnership to expand to that market. These are all very recent developments but we are looking at ourselves as a global company. That is why the management team has strengthened to bring certain people on board whether in terms of marketing and Omnichannel platforms or on the RevX platform. We can really use our platforms which are global in nature to win business in other geographies as well. We have also seen that some of the competitors across the world because of the COVID situation who were not as resilient or were not as bottomline efficient were of course a little bit pressed. There is a lot of talent available for us to hire and there are a lot of customers that we can win from competitions in newer market. We are opportunistically tracking that and making sure that we are resourceful about it and we do not miss out low hanging fruits and opportunities anywhere in the world.

Madhu Babu: Sir, with that intent would the balance sheet be enough, or would they look for any further infusion through equity in terms to rapidly expand into some of these newer geographies?

Anuj Khanna Sohum: We have always been a cash flow positive company and I expect our operations will only add more cash into our bank account. Unless we are doing any further equity investments into other companies, we may not need more cash. Also our CFO has set the precedence that the bankers and the relationship with the bankers is strong and they are coming in and willing to provide any lines of debt. On the contrary, This year we should be creating healthy cash flows like we did last year. Last year our profit was Rs. 65 Crores but our cash from operations was 111% of that. This year, I am hoping that the profits would be stronger. If you take the current quarter which was about Rs.19 Crores profit after tax and you multiply it by four and assume that we will at least continue to maintain that. Then we should be close to about Rs.80 Crores this year and if we then do efficient collections, we should be generating more cash than Rs.80 Crores this year itself. I am not worried about cash flow because of the quality of business that we run and the way we are focused on collections and cash flow. Because that is one report that I track every week if not every single day. The management team understands that is not just about revenues and margins, but it is about cash flows. We track it to that extent of granularity.

Madhu Babu: That is it from my side.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Congratulation on very strong execution. My question is of course you have eluded about this in various other queries. I just want to understand very broad key changes good and bad that you might have seen versus the pre-pandemic in terms of may be demand acceleration or cut. If you could slice it in terms of verticals or markets. Similarly, from a pricing scenario how things have changed and how things have changed for you on the inventory cost side? Any competitive reactions which is very different and strange, which could change economics for us?

Anuj Khanna Sohum: That is a fairly broad question. What I would say is that in terms of demand mix, you are clearly seeing that from those top-10 key verticals that contributed 76% of the revenue in the last quarter (Q4) where we did about Rs. 80 Crores of revenue, to now 90% of almost Rs.90 Crores revenue in this Q1. That is a significant shift within a very quick period and that is not only because of the customers but also because we had clearly identified such trend. We saw lock downs happening in February/March in international markets while India was completely lockdown the last week of March onwards. We were agile and recalibrating ourselves. What do we do with our salesforce 80+ people who are only full-time selling to customers and where do we channelize their energies? We said we want to focus on these top verticals and these are the verticals that are COVID resilient. Let us shift our execution focus completely and disproportionately on that and therefore our ability to win against competition or to win more budgets from these customers who already on board. We were sharper in our execution and therefore we delivered 90% contribution of revenue from these verticals on the demand side. In terms of pricing one strong mandate that I have is we will never try to sell on price but rather we will sell on value. We sell on value and on that value I would say I am ready to add more value to you Mr. Customer but I am not ready to drop my price. The average CPCU that we have maintained through this quarter is fairly resilient performance from our team. When you are going through April and May and numbers are looking low, the sales team and the management if it is weak one could say okay let us drop the price and let us drop the margin. We did not let that happen. The defensibility was there that we are adding fundamental value and if conversions are not happening then let us go on the non-CPCU model. Even on Non-CPCU will give value and better our engagements with the customers. We have multiple products; we have multiple capabilities and we are not letting go on the quality of value that we deliver to the customers or therefore our ability to command ascertain pricing. In terms of competition, I did mention that I have seen it impacted. The first time our competition was impacted when they cut cost, cut the jobs or their talent is starting to apply for jobs at Affle. That started to happen in markets where we do not even exist. We started getting employees who are senior level employees from competition, writing into us and trying to say hey! Can we catch up. We have seen that happen across US, Korea, Europe, India, South East Asia and we obviously are very selective of who we can take onboard. Why and what things remain to gains we will have if we bring these kind of management team members. Because they do not just bring their competence they also bring their context and therefore incremental business. In terms of competition I see that Affle is from the lens of potential employees clearly becoming the desirable company to be working for in the marketing ad tech space. In fact somebody in our company was commenting qualitatively that how at one time any techie would want to work for one of the top four IT services companies in India. While now it is becoming clear that anybody who is in marketing tech say that I wants to be at Affle. That is something that we are extremely proud of. No question has been asked so far in this call on the culture aspect which I gave fair amount of commentary on. That we are also looking at how the employees will bond better together, perform better together, compete and celebrate together and not just collaborate. The collaboration in COVID-19 situation working online from home is already happening but how do we build that additional edge of competing, winning, celebrating together. We have launched the Affle Fun League which is a strong Affle 2.0 culture about connecting all Afflers. Our internal culture is becoming strong enough a pull factor and even external competition related talent is getting attracted to work with us. Very soon hopefully you start seeing a lot of customers also behaving in a similar manner. It should become a default that somebody is spending on mobile marketing they should be asked the question how come Affle is not part of your plan? Our goal is sustainable market leadership means that you are a) having the right market perception across all stakeholders and creating a pull factor anybody who thinks of mobile marketing at least in India and other emerging markets. Hopefully globally in a few years' time should see why is Affle not part of their strength. Similarly, if anybody is thinking of taking a job in this field they should be wanting to say that okay I want to somehow get to work for this company. Marketing leadership is the ability to defend your pricing and margins and I believe we are playing a responsible part there. That is why you see consistency. One could have taken knee jerk reaction in March end or April and May and say that let us do deeper cost cutting but we did not allow that nervousness to result into any nervous actions. Instead we held our ground hoping let us see what happens in June. We were extremely fortunate that we ended June with the kind of run rates that have validated our stance and have built loyalty as well as either commitments from our team.

Rahul Jain: Anuj, just a follow up question on the same thought.

Moderator: I am sorry we have participants waiting in the queue for their turn. Thank you. The next question is from the line of Manish Poddar from Nippon India. Please go ahead.

Manish Poddar: Just wanted to get a thoughts on two things. First is on the inventory cost line, what size and scale as a percentage would you have significant bargaining power of that?

Anuj Khanna Sohum: When we talk about market leadership, we may have bargaining power along the way. But the question is whether we exercise it to either sort of squeeze the supply side or do we try and extract more value from the supply sides? At the moment our guidance remains that for this year and onwards, the trend line should be largely intact. As we go and invest further because you got to see as it comes in the P&L as 100% expensed out. But we must never ignore the lens that the data and the inventory cost leads to valuable insight that the Affle platform would have which becomes invaluable data asset or data insight asset for the company for powering the growth for the future. While the accounting standards have no ways of recognizing this asset into the balance sheet, this is actually a huge asset for the company and when you see this line item, please assess it with that lens that yes it is fully expensed out where it is also creating disproportionate value and the foundation for long-term growth. Do not just see it with lens of only P&L and margin expansion but it is strategic investment that we make on a recurrent basis to ensure that our data insights are deep. Specifically if you look at India, we are talking about the vernacular strategy making deeper inroads in India's Tier-II and Tier-III markets. It is important to know of rural areas getting the next 300 million smartphone users who will necessarily come on board on smart screens in the next two years to three years. We are ahead of the game and enabling our advertisers to go deep. This requires continuous investment and deeper relationships whether it is with the OEMs, programmatic exchanges or the long tail of apps or strategic assets like the Indus OS or any other such possibilities that we will continue to invest into.

Manish Poddar: Would we say that on a like-to-like basis our procurement cost would be lower? And that will be investing, or passing it to the consumers or building our business more across the verticals? But on a like to like basis there are scale and efficiencies which are there in the procurement cost?

Anuj Khanna Sohum: Well absolutely. There will be opportunities for that whether it is defending your margin or whether it is extracting more values for the same cost. Similarly the customers defending the price and looking at greater value perception. So the emphasis is not only on the cost and price but on the value that you are extracting in each scenario. That will define market leadership as a responsible player which is respected by all stakeholders in the ecosystem. The suppliers should want to work with us, the employee should want to work with us and the customers should want to work with us.

Manish Poddar: Right Sir. What is the tax rate expectation for the full year and why was the tax rate lower in Q1?

Kapil Bhutani: The tax rate is lower because of the transfer pricing adjustments, which happened in India and the other moment between the cost and the geographies we are operating in. It is most likely the impact of the transfer pricing affect between all the group entities.

Manish Poddar: What is the expectation for the full year?

Kapil Bhutani: The expectation is we should be having almost a similar tax percentage for the full year.

Manish Poddar: When you say similar it is this low singled, high singled digit number or the 20% odd run rate which you were going at earlier?

Kapil Bhutani: It should be in early double-digits.

Manish Poddar: Thank you so much and all the best.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we will be taking one question per participant. The next question is from the line of Venkat from 3sigma Financial. Please go ahead.

Venkat: Thanks for the opportunity. All my questions are answered but I wanted to congratulate Affle on completion of one year of public listing and helping create wealth for all investors, which was a very important message that I wanted to pass on. Thank you.

Moderator: Thank you, we will take the next question from the line of Harit Shah from KR Choksey. Please go ahead.

Harit Shah: Thank you, my question has been answered. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question. I now hand the conference over to Mr. Anuj Khanna Sohum for closing comments.

Anuj Khanna Sohum: Thank you everybody for the support through the first year of our IPO. I am very thankful to all the shareholders who have supported us through the anchor round and held their support throughout the year. I look forward to achieving greater credibility and every challenge. Especially COVID-19 when it presented itself made everyone nervous. Consistent strategy with our teams and open communication was focus areas for us. I was hoping to continue to strengthen the credibility that we have established and the trust among the stakeholders. I hope having done that with customers, employees and this would also happen with the investors. We are here for the long-term and building the company to last. We have already been there for over 15 years and the Affle 2.0 strategy is at least a decade 2020-2029. I am looking forward to more conversations, discussions as we go along. Thank you very much for joining the call and for your continued support.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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