"RateGain Travel Technologies Limited Q1 and FY '24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to RateGain Travel Technologies Limited Q1 FY24 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 an operator by pressing star then zero on your touchtone phone. Please note that this conference has been recorded. I would now like to hand the conference over to Mr. Bhanu Chopra. Thank you and over to you sir.

Bhanu Chopra: Thank you ma'am and a very good afternoon to everyone and thank you very much for joining the earnings call for RateGain Travel Technologies Limited for the first quarter of this new fiscal year 2024. It's great to connect with all of you and I'm excited to share some key updates from this first quarter.

Joining me on the call are Mr. Tanmaya Das, our CFO, and Mr. Divik Anand, our Head for Investor Relations. We announced our first quarter results for the financial year 2024 earlier today, and I hope you've all had a chance to go through our financial results, press release and investor presentation that are available on the stock exchanges and on our company website.

We continue to move from strength to strength and remain optimistic on the travel industry as activity in key markets remain above 2019 levels. The sustained growth of our customers' businesses is creating an opportunity for these businesses to focus on new digitization and technology initiatives, thus driving an increase in spending and therefore building more momentum for RateGain. I'm happy to share some of that momentum is already visible in our business as our operating metrics for Q1, which is traditionally a soft quarter for businesses have improved significantly compared to last year.

Our annual recurring revenue touched a new high at INR858 crores, growing at an impressive 80% year-on-year. Our quarterly revenues stood at INR214.5 crores, growing at 79.8% year-on-year.

We continue to champion sustainable growth by driving margin expansion year on year with a Q1 margin of 17.6% compared to 10% in Q1 of last year on the back of operating leverage across our business, the inherent strength of a SaaS-based business model as we scale up.

In line with this, our revenue per employee has improved to INR1.2 crores, improving 53% year on year. This is a metric we track that highlights productivity and potential to scale up the business without adding additional manpower.

We are witnessing strong growth in our Adara business on the strength of the platform and ability to provide solutions that generate higher returns for our customers. We continue to focus on the low-hanging fruit of bringing it back to a 100 million run rate and believe that we have the right team in place to make it happen as we continue to further invest in this business to drive growth.

Adara's brand recognition post-acquisition has improved significantly, where they are once again thought of as a thought leader and premium partner for brands and DMOs. Basis our product proposition, our renewal conversations are turning into upgrades, and more clients are choosing to activate performance marketing with us. Basis our AI modelling capabilities leading to improve performance.

Our new contract wins grew multi-fold to INR59.3 crores compared to INR18.9 crores last year, highlighting the strength of our comprehensive digital marketing offering and the adoption of technology across clients to drive efficiencies and optimize their revenues. With a healthy conversion in Q1, our pipeline stands at INR361 crores.

We generated a healthy free cash flow of INR15 crores as opposed to INR4.8 crores in the previous year, a significant improvement on the back of improving profitability.

Generative AI and its adoption by companies continues to be at the forefront. And the investments related to developing the right solutions and access to the right data set to generate accurate and useful results continue to be a constraining factor as mentioned by us earlier, and reported also by some tech majors as it impacts start to show on the bottom line.

RateGain with its own AI-powered data lake and travel intent data is suitably positioned to solve for use cases across digital marketing and competitive data, helping companies control costs while improving outcomes. We continue to explore a tenable and scalable way to use generative AI and track use cases that have commercial viability in our industry.

Global travel continues to remain strong, with 17 out of 22 key global destinations having fully recovered over 2019. The Global Health Travel Index by Swift, which is an industry benchmark to measure growth stands at 104, showing steady month-on-month improvement.

The Summer Pulse report from Adara also highlights the sustained strong demand for both international and domestic travel in the Americas, reaffirming travel as a key sectoral theme for the next few years.

The momentum in the industry is driving policy change, attracting new investments into the industry and unlocking new opportunities for players like RateGain to consolidate their position through strategic investments in R&D and acquisition to have a larger share of a thriving market as the industry looks at adopting more technology to engage with travellers.

Let's now understand how these changes are impacting each of our business units. The DaaS business, which now includes the Adara Data business, contributed to 32.9% of the total revenue for Q1. This unit grew at a strong pace on the back of healthy traction across OTAs, airlines, hotels, car rentals, and cruise liners. We continue to see incremental volume demand coming from our existing enterprise customers. Given the importance of AI, most of our enterprises are deploying AI capabilities for their decision support systems, helping in revenue management and digital marketing. The main ingredient for training AI models is data, and thus we are seeing exponential growth in data needs of our customers over the last couple of quarters. We expect to see this continued trend, which will continue to drive very strong growth for our DaaS unit over the next several quarters.

Distribution segment accounted for about 23.7% of our total revenue. Volumes growth helped steady in the past quarter with continued demand across our Internet segment on both OTA and GDS channels. We continue to be the partner of choice for large hotel chains as they undertake digital transformation products to modernize the distribution ecosystem and optimize their presence across channels. Our order book will begin to monetize some very large products projects beginning of this quarter and we will see full deployment play out in Q3 and Q4, which will poise the segment for good growth in upcoming quarters.

Booking.com recognized us as a premier connectivity partner for the sixth year in a row, which is a validation of the reliability of the connectivity platform we provide to our partner properties and to ensure a seamless experience for their guests.

Our MarTech business, which now includes the Adara business, contributed to 43.4% of our total revenues for Q1 on the back of leading hotel chains, airlines, and destination management organizations trying to achieve higher returns for their marketing investments.

We've solidified our positions with destination management organizations and continue to see good traction in the U.S. market with large enterprises, including hotel chain select update digital media offering to drive higher ROI on their ad spend.

We believe that the inherent strength of the Adara platform complements our digital marketing offerings to drive higher returns for our customers. And fits in perfectly our vision of integrated tech stack geared towards helping our customers to acquire guests, engage and retain them, and have a wallet share expansion with them.

Given the traction we see, we continue to invest in building out commercial teams and are bringing back Adara folks to fuel the growth and our quest to get back to glory days of Adara of $100 million run rate. I'm confident these additional investments in sales and marketing will continue to accelerate our growth of our MarTech solution.

Our focus is now to drive RateGain to a new goal of doubling our revenues in the next three years. And we've already started to lay the foundation for driving that growth by focusing on bringing in the best talent to scale RateGain.

At the beginning of fiscal year 21, we had restructured rate gain to drive more autonomy for each of these business units with the appointment of general managers, helping them drive healthy growth across each vertical, helping us cross a major milestone of 100 million ARR. Over the last few months, we've had leaders from marquee companies such as BCG, Netflix, and Deloitte joined RateGain leadership team to leverage their experience to build a world-class organization.

And as we look to further strengthen our leadership team, I'm delighted to announce the appointment of Peter Strebel, the current chairman of Omni Hotels and ex-CEO of Wyndham Hotels as our new President for America, effective immediately. Peter is a two-time CEO of Wyndham Hotels and Omni Hotels and a hospitality industry veteran with a deep understanding of building and scaling commercial operations and marketing teams playing an instrumental role in creating and driving business development strategies to increase awareness and capture market share.

Along with Peter, I would also like to welcome another travel and hospitality veteran, David Peller, as a board advisor. He will be instrumental in helping RateGain scale up its technology offering in line with the vision of creating an integrated tech stack RevMax platform and establish strategic partnerships. Peter has vast experience having worked with Google, booking.com and having led the Amazon's division of travel and hospitality practice, which was a P&L of USD2.7 billion.

As we welcome Peter and David, I also wanted to take a moment to thank Chinmai Sharma, our outgoing President of Americas, for his immense contribution in guiding our business in America over the last five years and wish him the best of luck. On the people front, we saw a healthy improvement in our attrition rate quarter-on-quarter. We now stand at 17.1% and we continue to adopt best practices for an engaging and conducive work environment focused on employee welfare and growth. We've launched various initiatives in the past few quarters as we work towards making RateGain the employer of choice.

In line with this, I'm proud to mention that RateGain was recently recognized by comparably as the best company for career growth and for diversity. I'd like to now ask our CFO, Mr. Tanmaya Das to take you through the performance of Q1.

Tanmaya Das: Thank you, Bhanu, and a very warm welcome to everyone on this call. I'm proud to report that the company has posted another strong set of results in the first quarter with continued improvement across all key operating metrics, contributing to robust revenue growth and margin expansion year-over-year. Steady performance on top line and bottom line in a seasonally soft quarter underlines the strength of the business model and the value we are delivering to our customers.

Our new contract wins grew threefold as we continue to mine and build a strong pipeline. This is on the back of continued traction with existing clients and new clients that we will be monetizing in the coming quarters.

With operating leverage playing out, we witnessed significant margin expansion and continued on the path of sustainable growth, unlocking value for our stakeholders. Adara continues to build on its momentum and delivered a strong quarter across growth and margins, underlining the strength of the platform.

Our inorganic growth approach continues to be a key pillar of our growth strategy as we focus to build a comprehensive revenue maximization solution to further deliver value to our customers or a goal of doubling revenue in the next three years.

For the quarter gone by, the company reported a revenue of INR214.5 crores with a year-over-year growth of 80%. We had well rounded growth from all three verticals with DaaS growing 139% distribution at 27% and MarTech at 88% for the full year.

EBITDA grew by 217% to INR37.8 crores for the year with the first quarter margin coming in at 17.6% as against last year 10% and holding steady sequentially. With wage hikes given in the first quarter, our operating costs grew by 65% year-over-year with revenue growth coming in at a faster click of 80%. As operating leverage continues to play out as we scale up, the Q1 EBITDA is much higher than the guidance given in last quarter of 13% to 14% and our high margin businesses like DaaS saw significant growth with increased demand of data volumes from our key customers coupled with continued successful integration of Adara beating revenue growth guidance.

Adara continues to outperform with strong revenue growth as it continues to see strong traction with new contract wins we have been able to reignite some of the lost relationships in the past few months. Adara which was loss making before the acquisition registered 10.35% EBITDA in Q4 FY'23 and this quarter the EBITDA margin has expanded to 15%. This business has very high operating leverage and with growth we can expect the margins to further increase.

Our PAT grew three times compared to last year, coming to INR24.9 crores up from INR8.4 crores. Sequentially the PAT was lower on account of one-time benefit of deferred tax asset benefit which positively impacted the PAT last quarter. Without the one-time benefit, the PAT grew sequentially by 15% up from INR21.6 crores to INR24.9 crores this quarter.

The company continues to have strong customer relationships that are helping in building scalable, predictable, and sustainable revenue streams. With 115 customers added in this quarter, our customer count crossed 3,000 for the first time and now stands at 3,057. Gross revenue retention and net revenue retention stood at 90% and 110% respectively.

One of the key metrics that we track with the revenue per employee, which saw a healthy increase of 53% over last year and stands at INR1.18 crores. We continue to make investments in expanding our sales and marketing efforts to propel future growth. And with that, our current pipeline stands at INR361 crores.

We continue to have strong balance sheet where our net worth so on 15% increase compared to last year and stood at INR732.2 crores. A cash and cash equivalent balance for the quarter stood at INR344.1 crores.

In terms of guidance for FY'24 for the full year, we're confident of beating the growth guidance given last time. And similarly, we would be looking to exceed the 17% margin guidance given for the full year. With that, I would like to conclude my update and we're happy to open the floor for questions. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Amit Kanodia from Smart Sync Services. Please go ahead.

Amit Kanodia: Thank you for taking the question and congratulations for a good set of numbers. So, my first question is related to, if I see your gross recurring revenue and net recurring revenue and compare it with what the numbers were exactly a year ago in Q1 FY23. So, the net recurring -- the gross recurring revenue at that time was 99% and today it is 90% whereas the net recurring revenue today is 110% and it was about 105%. If you can throw some more light as to what is going in these numbers that would really help us a lot?

Tanmaya Das: Look 90% gross recurring revenue, gross retention -- gross revenue retention, which is called GRR, is a SaaS benchmark and 90% is a good metric for SaaS companies and on an NRR front, anything between 110% to 120% is a good benchmark for SaaS companies and we track them pretty seriously and this shows the mining of existing clients because our clear strategy is to land and expand. So, majority of our growth if we talk about, is coming from existing clients and that's how the net retention rates, we continue to try to thrive to increase the net revenue retention.

Amit Kanodia: So, my question was basically why GRR is falling and NRR is increasing, what does that mean?

Tanmaya Das: I mean it's GRR, look the GRR was 90% between 90% to 95% historically. It has slightly decreased because our – the brand engagement and brand monitoring business has seen some voluntary churn because we know we let go some loss-making accounts. That's why there is the net retention ratio, net revenue retention has decreased a little bit. But from all other business parts our existing business has been growing significantly. Like some of the DaaS customers where the data volumes request that we're receiving is going through the roof, so those relationships are expanding.

Amit Kanodia: Sure, sir. My second question is related to the margin. So, if I understood correctly, I believe DaaS and distribution are high margin business, whereas Martech the margin is a little lower. And when I see our growth in the last one year, the growth has been phenomenal in MarTech. Then what is leading our EBITDA margin to grow in percentage terms? If we are getting more business through a relatively lower margin category, still our EBITDA margin as a percentage is increasing. So, what has led to that increase? You can share some?

Tanmaya Das: I think that, yes, I mean, DaaS and Distribution have grown at a healthy pace. If you see, you know, the DaaS business over the last three quarters, four quarters have gone through a significant growth path and that has really helped improve the margin. Even Distribution last year, there was a 37% growth and this year we are registering a 27% growth. So, those two segments have really -- growth in those two segments which was much more than the guidance that we had given has really helped us to improve the margin.

Amit Kanodia: Sure. That is, it from my side. I will come back in a queue if I have question. Thank you so much.

Moderator: Thank you. The next question is from the line of Kaushik Jhawar from AK Investment. Please go ahead.

Kaushik Jhawar: Yes, thanks for giving me the opportunity. Firstly, congratulations for a great set of numbers team. So, particularly I have a question related to management. So, I see that we are giving a lot of focus on the revenue, but I see the cash flows, right when I see there, our amount is stuck significant in the receivables. That is, I see 30% of sales. And there is a contingent liability also we have. What is the update on there and on the receivable part? Can you give some clarity here?

Tanmaya Das: Yes, I mean, receivables, the DSO is around currently around 75 days to 80 days at this point of time. It continues to improve year-over-year. I think we're coming back from a obviously COVID was two years back, but still the aftereffects are there little bit because some of the large customers who had given extended credit periods and we're trying to cut them down, but still at 75 days, 80 days.

But the conversion is good, there is no significant bad debts happening or allowance for doubtful debt provision that we need to take. The collections are happening, but it is more than what it should be. It should be ideally around 60 days, which we are continuing our effort to do so at this point of time.

On the contingent liability, I think both the cases we’re in a very strong position. There is no further updates, we have won those cases at appropriate you know levels and department you know either up can may go for a appeal or not, but in both the cases were in a very strong footing.

Kaushik Jhawar: And can you give more colour on the why in a SaaS based business in this sector when you're giving a value addition to the customer, why receivables also we need 60 days, can you explain further here?

Tanmaya Dad: Yes but we are not, we are SaaS based but we are enterprise focused company. So, our customers are all big customers, and the payment terms sometimes ranges from 30 days to 90 days. And in certain cases, as I told you, during COVID times, we are given extended credit period for this enterprise customers. So, our ticket size is much higher than a normal, you know, SaaS companies where the ticket size is very low.

Kaushik Jhawar: So, in couple of years, then we'll go back to again, 60 days, is that assumption?

Tanmaya Das: Yes, that's the effort, and you should see continuous improvement in that area.

Kaushik Jhawar: Okay, the next question I have is on the QIP, because at the time of IPO also, we have raised some fresh issue. And again, we are coming with the QIP of, I think massive INR600 crores. So, I'm trying to understand this. We always look for acquisition and this time are we going big on acquisition or rather than currently we have acquired Adara. So, we are in that ramp up phase. So, by then we are targeting this acquisition it it's in your plans can you throw some light here?

Bhanu Chopra: Yes so you know we have a very very active M&A program that we call programmatic M&A there's a dedicated team to it and you know we're seeing a very very robust pipeline there but as you guys already know we are very fiscally disciplined on what we are willing to pay and this you know this proposal on QIP is really to create a war chest for M&A activity so it's fully going to be focused on, any big opportunity that might come along and creating a war chest as along the same.

So, it's more of a enabling resolution. We haven't yet, determined at what time we will do as we understand it. It is a window of a year. And at the right time, we want to act on it because as opportunities become available, the forecast of opportunities that we see right now, we do feel that we will be served better by having a war chest available.

And we are also getting a lot of conviction and confidence in how, for instance, we've turned around Adara and other deals that we have done, that we have now the M&A playbook to consummate and drive these synergies. So, there is confidence to do more. And this just enables that.

Kaushik Jhawar: Okay. Like we have seen your execution in the past. So, we truly believe that. But which area are you focusing here? Because there are DaaS that we have our own AI related products. And in the MarTech also we have a curve we have scaled that. And currently with Adara also we are doing good. So which part you are seeing that where value addition can be more fruitful here?

Bhanu Chopra: Because it's company yes so there are bunch of companies that are in adjacent spaces in in MarTech and DaaS and Distribution which helps us realize that vision of having one integrated tech stack. And our focus continues to be in key markets of Europe and U.S., which is where majority of our revenue comes from. So those are, in terms of geography, those are the markets that we're looking at. And capabilities are going to be continued to be the areas that we operate in.

As we've talked about our TAM being north of $8 billion and there will continue to be adjacent use cases in each of these business units that we look to solve for and not everything that we need to build, we can acquire as well. So whatever opportunities we are exploring, you know, fall perfectly in each of these buckets.

Kaushik Jhawar: Okay. Lastly, I have a question on the, since for the quite some time we have been working on the products, right? And then with our R&D team, like RevAI or multiple this one? So currently we are ramping up our sales also. So where do you see that, like, however the SaaS revenues grow, like a hockey stick. So, from which year we can expect that the green shoots happening? Currently we are seeing that but I'm asking which year you really bullish or you are saying that okay now the things can start firing?

Bhanu Chopra: Yes so you know the good news is that we've already planted the seeds two three years ago so as you can see in the numbers that we are reporting, in a lot of the adjacencies that we launched these products in, we're seeing some very, very good traction. But I continue to feel that we haven't even scratched the surface.

The foundational thing about RateGain is that each of the areas that we operate in has such a massive opportunity that I do not believe we have reached the tipping point yet where we can see exponential growth in each of these areas. So, when do I see that happen? I think it's happening, like I said, because when we came into the market, we were a INR350 crores company just a year and a half of years ago and now approaching a INR1000 crores.

Yes, there is some revenue which is inorganic, but we are seeing some very, very healthy organic growth, even though the pace has almost tripled. So, I would say some of those hockey stick effects you are already seeing in our revenue. And like I said, the good news is there's so many seeds implanted that we will continue to see this trend, over the next two, three years. And thankfully, there is tailwind in the industry also that will continue to benefit us.

Moderator: Thank you. The next question is from the line of Karan Uppal from PhillipCapital. Please go ahead.

Karan Uppal: Yes, thanks for the opportunity. A couple of questions from my side. Firstly, can you clarify what's the organic growth in this quarter?

Tanmaya Das: So, the organic growth is around 25%. You know, that's the guidance we are given. That organic growth...

Karan Uppal: You are saying Y-o-Y?

Tanmaya Das: Yes, Y-o-Y. And yes.

Karan Uppal: And in terms of MarTech, so what led to such a strong growth? Is it due to Adara? Because there was some forced churn which was happening within the MarTech, right? So, yes, that's the question.

Tanmaya Das: Yes, within MarTech, as you know, we have got two segments. One is the paid digital media and the other is the brand monitoring and engagement and brand engagement, brand monitoring engagement where we are seeing the churn because, we are letting go of some of the loss-making accounts. There we don't have that growth, but the paid digital media organically has grown around 24%-25%.

Karan Uppal: Okay, and rest I believe is due to Adara?

Tanmaya Das: Yes, that's all inorganic expansion.

Karan Uppal: And last question from my side is in terms of the overall growth for this year, you had previously guided individual segments like DaaS to be at 30%, Distribution 15%, MarTech around 20%, but you have grown at a very high rate in a week quarter, so to speak. So, what kind of realistic growth we should expect in all three segments going ahead, as well as what kind of margins are you factoring in for full year?

Tanmaya Das: Yes, we will be beating the guidance that we had given last year, but that you know what labels we will reach, I think it will take us another one more quarter to see how the H1 pans out. But yes, that's, you know, whatever guidance we had given last time, it seems we will be beating them. But I think more precise answer I'll be able to give in next earnings call.

Karan Uppal: Okay. On the overall growth, can you give any range? Maybe 20% was the organic number which we had shared last time?

Tanmaya Das: Yes, I mean the last time also from a including organic and inorganic growth, we talked about a 55% growth. So that I think, we will be beating that. But by how much and all I think it would be better to give it better guidance after the H1 ends.

Moderator: Thank you. The next question is from the line of Rohan Nagpal from Helios Capital. Please go ahead.

Rohan Nagpal: Hi. Thanks for the opportunity. I just had a couple of questions on the revenue distribution or the revenue mix. So, if I look at the revenue by engagement disaggregation that you've provided, there's about 37% of the revenue that is transaction-based. In prior quarters, the only transaction-based revenue you were generating was generated through distribution. This time, the transaction-based revenue is far in excess of the revenue contribution of distribution. So where exactly is that incremental transaction-based revenue coming from?

Tanmaya Das: So, yes, that's correct. So earlier, 25% was majorly contributed by distribution segment. So now the, you know, Adara media segment is also a transaction-based model when we charge to the customer, we charge in per impression basis. So that's why there is a shift in that number.

Rohan Nagpal: Got it. Okay, that's helpful. Sorry, and would it be possible to sort of spell out what the Adara media segment is exactly?

Tanmaya Das: Yes, I mean, Adara has two revenue segment. One is the data segment, which is part of the DaaS. And the other is the media segment, where it is part of our paid digital media segment. So, we charge our customers based upon for impression basis and that's how it is part of the transaction model.

Rohan Nagpal: All right. Okay. And then the other question I had again on revenue mix. So, if the number that you cite as subscription revenue is 63.1%, but if I go back to the revenue by engagement disaggregation, subscription, what is explicitly subscription revenue is 25%. The only way to get to 63% is to add subscription hybrid. So, could you give us a sense of how much of that hybrid is a contractual revenue amount that you can expect to receive and how much of that hybrid is contributed through a transaction or like usage-based, I mean usage-based billing?

Tanmaya Das: All the hybrid revenue has a minimum subscription. And that's why we categorize it as a part of the subscription revenue. How much out of that will have minimum subscription and how much is exceeding? I don't have the data ready at this point of time. Maybe in a follow-up call I can share the more details on that.

Rohan Nagpal: Could you give a broad sort of brush of what that sort of some colour?

Tanmaya Das: No, we don't look at that way. So, I won't have that data ready.

Rohan Nagpal: All right, fair enough. Thank you, I will join the queue again, thanks.

Moderator: Thank you, the next question is from the line of Shobit Singhal from Anand Rathi. Please go ahead.

Shobit Singhal: Thank you. Sir, congrats on a good set of numbers. So, can you give us the breakup, organic growth break up between the DaaS and MarTech segment?

Tanmaya Das: So DaaS is 30% organically grew in Q1, and that's what the guidance was giving. Distribution was like 27%. And MarTech, as a combined, is around 20%.

Shobit Singhal: Okay. And second question is, sir, how is the progress on the Revmax platform and the distribution segment? And what would be the timeline where it will start contributing meaningfully to revenue?

Bhanu Chopra: Yes, so we've actually had a beta release with a couple of clients, and we've also won a very large order with one European chain that we are looking to monetize by Q3. So, as we sort of gain trust and confidence of the marketplace, we will look to accelerate our efforts. We've actually begun to hive off a sales team, a commercial team, just to focus on taking this platform out as well.

But in terms of meaningful contribution, I do believe that it's at least a year or two away. Now that we're approaching like a INR900-1000 crores to get that kind of revenue impact. I think it's some distance away, but I'm very bullish on the kind of traction that we are seeing. And these are very, very large deals. So, we will see like a hockey stick type of impact on this, whenever we see it in the in the years to come.

Shobit Singhal: Okay. And sir, have you given any guidance for Q2 FY '24?

Bhanu Chopra: No, we're standing by as Tanmaya mentioned, our guidance was 55% to 58% overall growth and a 17% margin. But as you saw on our Q1 numbers, we've comfortably beaten those numbers and we do believe that the guidance we gave, we will continue to exceed that given the acceleration that we are seeing in pretty much all our business units with the order book that we have. And I've talked about how we continue to recalibrate and invest in adding more salespeople incrementally.

So, for instance, we're seeing some like a growth on MarTech, especially Adara has been really, really good. And as you might recall, the business was 100 million, came down to 25 million. So, we are seeing now very good growth there. So, what we're doing is, even they had let go of a lot of people during the time of COVID, we are bringing them back. As a matter of fact, just in the month of July, we added like four people back who are Adara salespeople.

So, on the back of strong growth that we are seeing, and if you see our LTV to CAC numbers, they are also market-beating metrics. We get the confidence to continue to invest in our sales and marketing. And our goal will be to beat the numbers that we've guided for this year. Which we're very confident that we will. I think to Tanmaya's point, we just don't know by how much is the Delta going to be.

Shobit Singhal: Okay, thank you.

Moderator: Thank you, the next question is from the line of Kshitij Saraf from Tusk Investments. Please go ahead.

Kshitij Saraf: Hi, good evening team. Congratulations on the great results. I have a question. Just beyond the numbers, we see NRR at 110%. So, I wanted to get a sense of what's really clicking. Is it the pricing change to everything a more transaction or subscription-based on the MarTech side, is it the hunting you've been doing and winning the large contract so, how would we think of the growth which has come along?

Tanmaya Das: So, in terms of…

Bhanu Chopra: Yea, go ahead, Tanmaya.

Tanmaya Das: Yes, so NRR denotes the growth of our existing relationships, right? So, as I talked about, like both in DaaS and distribution, I've got very marquee customers who are the big, either the hotel chains or the big OTAs or car rental companies. So, both in particular in DaaS, the data requirements for these companies have increased significantly with the business growth they are experiencing. So that is number one, why the NRR has grown very, very healthy.

On the distribution side also, as you know, the volume growth is also there because of everybody's operating at a higher level than the pre-COVID levels. So, the volume growth in the existing clients are also there. So, these two reasons are where the NRR has grown from 105% to 110%.

Bhanu, do you want to add anything?

Bhanu Chopra: No, that's good.

Kshitij Saraf: Okay, thank you. And secondly, when we look at revenue growth guidance of doubling in the next three years, are you thinking of any inorganic moves here? I'm just trying to think of, you have the RG labs on one hand and then you have a very robust M&A pipeline on the other. So, are you going to look to acquire for scale or for a certain skill set that you want to add? Any thoughts that would be really helpful?

Bhanu Chopra: Yes, so it's going to be a combination of really three things, right? So, like I said, within the existing product set as well, we are seeing quite an acceleration. And we are continuing to invest more in the sales and marketing there. We added more people in Latin America. We're bringing back Ex-Adara folks. We've really taken on digital marketing also in a big, big way. And we see a very, very good return on ad-spend there.

We continue to invest in that area. So, from continuing to, if you look at the 4x4, 2x2 matrix of BCG, right, one is you can continue to penetrate your existing products and we are seeing some very good traction there. I would say, given the organic growth that we are seeing, we continue to see that growth, this is that penetration strategy and making our products incrementally better.

The REV AI, UNO, our integrated tech stack, the RG Lab initiatives are really, new products to our existing customers in that BCG matrix, which will be the opportunity to add an accelerator. And really the third accelerator is really M&A. But as we've demonstrated, if you look at our past record, we continue to acquire at least one company here since 2018, except for the COVID year.

And even today, as we speak, we have a very robust M&A pipeline. So, I'm very confident that given the pipeline that we have, we will continue to at least do one deal a year. So, with the combination of those three levers, it gives us the confidence that we can double our revenue.

Kshitij Saraf: Thank you. Thank you, Bhanu and Tanmaya, and all the very best.

Moderator: Thank you. The next question is from the line of Miten, an individual investor. Please go ahead. As there is no response, we proceed to the next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Good evening team and firstly congratulations on a great set of results. So, I wanted to ask about our doubling of revenue three years. We are taking FY '24 as the base of what we'll double in three years, right, or is it FY '23? That one clarification I wanted. And with the increase in the revenue and we see our good operating leverage that we've always had. So, what would be the ideal margin range that we could operate under?

Bhanu Chopra: So, yes, we are talking about FY '24 as the base. And let me also qualify the doubling of revenues as an aspirational goal. So, I don't want you guys to come back and tell me you committed to this. This is what we are aspiring to and given like I said the product set that we have and how, what percentage of the market that we have, the opportunity that's ahead of us.

You know, in fact also the team that we are building, it's, I can tell you, it's no -- it's not a small thing. Nobody asked me the question on appointing Peter Strebel, this is a CEO of, two very, very large hotel chains in the US to be able to attract that kind of talent. And you know how we are now in that, in that position to upgrade talent to take the company to the next level. It gives me the confidence that it's a very, very doable objective that we've set out.

On your question around margins, as I stated previously as well, our mature products are actually north of 25% to 30% margin. And in a steady state, I do believe that we could near that number. It is -- the fact that the opportunity is so large ahead of us that we continue to invest in R&D and building up our commercial teams. So, for whatever sales and marketing investments that we are doing today, there will be a lag of at least two quarters to three quarters. And we continue to invest sort of in that fashion given the opportunity is so large. So that's why the margins are much lower because we're still a growth story.

But in a steady state, I see me at least let's say, at a 2,000 crores number I'm very very comfortable to say, we should be anywhere between 25% to 30% margin.

Darshil Jhaveri: That's very great to hear, sir. So, sir, one more question regarding our inorganic strategy so with the growth that we are seeing, maybe organic would count for maybe 20%, 25% of our growth and a lot of our growth will come from our inorganic sector or how will this be?

Bhanu Chopra: I think what you just stated is a fair way to think about it. If you do a 25% growth, you can actually double the company in four years. And I do believe very, very strongly that given the tailwinds that we have the acceleration in our products and sales and marketing that we can achieve that 20%, 25% organic growth. And then in addition to that our inorganic play, which, we've demonstrated that we have a playbook that will add to the rest. So that gives us the confidence of aspiring to that goal of doubling revenues.

Kshitij Saraf: Okay, great. So that's great to hear, sir. Thank you so much for answering all the questions and all the best for future contacts. Thank you.

Bhanu Chopra: Thank you.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Goldfish Capital. Please go ahead.

Prolin Nandu: Hey, hi Bhanu. So, yes, again, coming back to this aspiration of having 25% growth, doubling your revenue in three years' time on a base of FY '24. So, that's a 25% kind of a figure for three years, right? In some sense, and that is something which we are already doing organically, right? So, my question is that, is this not a very low bar to have, right?

Given the sectoral tailwinds, given how small we are in the overall scheme of things, given the size of the opportunity, and given some of the people then to whom we are recruiting and healthy profitability also. So, I'm just trying to, are you being overly conservative in giving this number because that's a 25% taker for three years. You mentioned that you will double your revenue in four years, but no, it's three years, right, in some sense.

So, and you're also mentioning the inorganic part, right, in some sense, for which you have a INR600 crores kind of enabling resolution. So, I'm just trying to figure out, what am I missing in terms of, between the quality of growth comments and the, quantum of growth aspirations that you have.

Bhanu Chopra: Yes, these are very good points. I mean, look from my perspective, we came into the market, we were at INR350 crores, a year and a half later, we had run rating close to INR900-1000 crores. And now, I'm saying that, we're going to double in three years. So, from my perspective, in like 4.5 years, people who invested at INR350, now the company is growing like in a matter of 4.5 years about 6x. I don't think, a lot of companies in the history of Indian stock exchange or stock market would have accomplished that.

So, I'm very, very comfortable taking on that target and there's still a lot to do. So, it's easy to put these numbers in an Excel spread sheet but and be very confident about it but there is a fair degree of work to be done to execute on it. And my belief on setting goals and targets is that, they should be little stretched, but not as stretched that they're not achievable.

So, we want to continue to have this habit of saying things that we would deliver on, which I hope, we have demonstrated that we have done. So, look, could it be more? Yes, but I do think that, for me and for the team at RateGain, this is a very much an achievable target and that's how we want to pursue it.

Prolin Nandu: Sure. Because I was just trying to figure out, whether are there any other, any part of the business that you think are going to be a drag or going to grow at a lower pace going forward? That's what I wanted to probably check with you, right? Or is it like…

Bhanu Chopra: Yes, look, I don't see any, everything that we do, there is clear demonstrated the hack of it having a product market fitment, meaning that the customers need the product. But as you scale, the eye needs to be on the execution. And I don't worry about the opportunity. I worry about execution.

And I've been an operator for now 20 years, and I don't take that part of execution, softly or easily. So, I do feel like there is a tremendous amount of work cut out for us. And all of us would be very, very happy, if we are able to achieve that goal of getting to a INR2000 crores with a 25% to 30% margin.

Prolin Nandu: No, I agree with you. And, Bhanu, to be very honest, you have demonstrated that execution right, since you're listing. My second question would be on margins, right? In some sense, we are already at 17%. You want to hold on to that margin of 17% by the year end as well. And clearly you have talked about efficiencies in Adara and some of the other businesses as well.

And we are to enter some of the seasonally strong quarters, where probably transactional revenues will also be much more stronger. So, what are the pushes and pulls that you see in the margins going forward for us to have that 17% number?

Bhanu Chopra: Sorry, I missed the question. Can you please repeat it again? I think it was around margin, right?

Prolin Nandu: Yes, it was around margin. So, that we are already in Q1, we are at around 17% and we are saying that, for the whole year also, we are guiding for a 17% kind of a number. and you have, in your previous comment you have mentioned that Adara is a very highly operating leveraged kind of a business.

There the margins can turn positive right going ahead and then we are also entering some of the very seasonally strong quarters, right, where transactions revenue will also go up. So just wanted to, I see more of the bulls in the margin part of it, but if you can help me understand what will drag it down for the next nine months that would?

Bhanu Chopra: Yes. Well, you're absolutely right. We guided for 17% and we were actually had guided for about 13.5% at Q1 and we ended up coming at 17.6% and which is again great execution by the team at RateGain. And my belief is that we will exceed that 17% margin, but we don't want to commit to what that delta will be from what we guided at the beginning of the year. It's something that, we want to wait and watch and probably come back to you guys at the end of H1, where we can give a realistic number. But you're absolutely right.

With everything that I see in the business, usually H2 is greater than H1. There's no reason for me to believe that, there's going to be anything dramatically different. Given all the investments that we are doing, short-term investments, which I'm referred to as sales and marketing, they usually only have a lag of one quarters, two quarters after which they begin to fire as well. We have a pretty large order book on distribution.

We are looking to monetize that beginning this quarter and next quarter. It should also be a very nice jump in our Distribution revenue. So yes, I don't see anything out there that causes any cause of concern. I believe our H2 should be better than our H1 and so you know as Tanmaya stated also in his opening remarks that, we do believe that we should be exceeding the guidance that we offered at the beginning of the year.

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

Rahul Jain: Yes, hi. Thanks for the opportunity. Just can you confirm, what is the precise inorganic number in this quarter?

Tanmaya Das: So, Rahul, we grew 80% year-over-year, okay. Out of that 25% is organic, rest is inorganic because we have to consolidate Adara.

Rahul Jain: Tanmaya, the reason I was asking this because this is leading to a difficult maths for me because if I do that, it is appearing that, the Adara business has grown 60% Q-o-Q and we just had a 15-day advantage. So, am I reading right or is there some wrong in my calculation?

Tanmaya Das: Maybe, no, the calculations are right maybe I can send you data separately. The Q-o-Q improvement in Adara is around, sequentially it is a growth of around 58%.

Rahul Jain: Okay. So, is there any seasonality in this business or there is some spill-over that has come up from the previous quarter?

Tanmaya Das: No, there is little bit seasonality in Adara business. Generally, this quarter is a pretty strong quarter for them. But this quarter and the quarter of October, November, December are strong quarters and other quarters are little bit softer, but they are not materially softer.

Rahul Jain: Okay, but then, if you just simply do this current revenue in '24, for MarTech business, just take case of all your requirements for the year in terms of the guidance on the top end. So, are you indirectly implying the other two business would not grow in this year?

Tanmaya Das: No, Rahul, look, as I said, because Adara business is new for us, okay? And there is a little bit of seasonality in the business as we talked about. We want to have a clear H1 data before we commit to for any new guidance. So, we need to see some more patterns because you're currently also investing which into sales and marketing, which returns are yet to come. So, we need more time to commit to a new earnings guidance.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Bhanu Chopra for closing comments. Thank you and over to you, sir.

Bhanu Chopra: Yes, thank you everyone. As you saw that, we had a very, very strong quarter on the back of the overall deal wins in the industry, great execution by the RateGain team. And as I mentioned now, our heads are focused on this new aspirational goal of doubling revenues, and we appreciate everybody's support. Thank you.

Moderator: Thank you. On behalf of RateGain Travel Technologies Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.