"RateGain Travel Technologies Limited's Q4 FY'22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the RateGain Travel Technologies Limited's Q4 FY'22 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode. 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhanu Chopra, Chairman & Managing Director, RateGain Travel Technologies Limited. Thank you and over to you, sir.

Bhanu Chopra: Thank you very much, and good afternoon, everyone, and thank you for joining the earnings call for RateGain Travel Technologies Limited for the Financial Year-ended March 31, 2022. We've been very excited to meet all of you again and share with you how the last one year has been what is driving growth for us and where we are headed.

Joining me on the call are Mr. Tanmaya Das, the CFO of RateGain; Mr. Ankit Chaturvedi, our Global Head of Marketing; Mr. Thomas Joshua, Company Secretary of the company, and alongside, we have our Investor Relations partner, Strategic Growth Advisors.

So we announced our annual and fourth quarter results yesterday and I hope you've 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.

As we start, it is important for everyone on this call to understand what we have really achieved in the last one year. There are very few years in the entire trajectory of a company will go through multiple transformations and FY'22 will always be a special year in the history of RateGain as it stands as a testament what a culture of collaboration, nurturing talent, and innovation can achieve.

The few high points that I'd like to share with all of you. First off, on a run rate basis now, we're exceeding our pre-COVID annual recurring revenue by 8%, which was last achieved in fiscal year '20, which was pre-COVID and so it is the highest in the history of the company.

We launched three new industry-leading products completely built in-house, powered by AI to serve the new use cases as the industry moves towards digitization, and we see very good adoption across all of these products.

We now have an end-to-end digital marketing platform under our Martech business to help hotels drive higher ROA and brand engagement.

One of the things we talk about is always our ability to mine our large customer base. And we were able to do that this year and improve the penetration in this customer base and increased our revenue from existing customers by 14%.

So, for those of you who are joining us for the first time and would like to understand more about RateGain, we are a provider of SaaS solutions that work with close to 2,400 travel and hospitality companies to help them maximize revenue through AI-powered SaaS solutions. Every day, our solutions are used by the leading 23 of 30 hotel chains of the world, the 25 out of the top 30 largest online travel companies of the world, all the leading car rentals of the world, airlines and tour operators to engage, acquire, retain guests and also drive wallet share expansion with them.

So, our business internally is aligned around three major segments. Our data as a service that provides competitive insights around pricing, demand and now also we have an end-to-end pricing platform.

Our second business line is distribution that provides connectivity to our customers, that is hoteliers to get travel demand from OTAs as well as GDSs, which are the traditional travel agent system.

Our third business line is Martech which is the end-to-end digital marketing platform to digitally acquire customers, elevate brand equity through brand education awareness and engagement.

Now, let me also talk about the "Global Travel Health." So, as we all know, COVID has now really entered the endemic stage. If you think about it, all of us are traveling now and the impact of COVID seems to have subsided and entered the endemic stage. So, it has really been impacted given the changing attitude towards COVID.

So, if you look at earning reports from leading hotel chains and our own numbers, we're seeing that leisure travel istouching 2019 levels and in some cases is being reported that leisure travel is actually higher than 2019 levels in certain key markets, such as the US and Mexico.

So, as we had indicated earlier, US was first to open, but because of the booster activation programs in Asia and European countries, it has really helped international travel resume, and we are expecting the 2022 summer to help in accelerating recovery and go beyond 2019 levels in these regions.

The conflict in Europe continues to have lesser impact in deterring travel plans, as western and central Europe are seeing a 500% increase in bookings on our systems, despite of hotels and airline prices also rising.

So, some of the macro level economic changes that are impacting the industry that I've touched upon earlier as well and I would like to revisit. There is a structural shift happening in our industry. We've all heard of the great resignation in US, there are labor shortages. And also just like other industries, we are seeing a faster digital adoption in travel and hospitality.

Thus, we see acceleration of adoption of our new AI, ML products. This has really been the heart and soul of what we've been working on, and see acceleration of new product development at RateGain.

This is also helping to elevate the positioning of the company as an innovative leader for the industry to capture this events travel demand.

We continue to focus on innovation and working on solutions to help our customers engage better with guests and also lead to wallet share expansion. I'll be happy to share more on this in upcoming quarters.

So, now let me take you through each of our business lines. So I'll start off with Martech. The Martech business unit has a recurring revenue of 90% and now contribute 33% of our overall revenue. Growth has been driven by an increase in existing volumes and our Metasearch product, which grew by 175% year-on-year on net revenue. The business unit continues to see considerable demand for its Metasearch offerings as more hotels strive to optimize costs, improve ROI, and generate direct revenue through Metasearch platforms to reduce cost of customer acquisition. FY'22 was the year when our Martech division really recovered from the pandemic and delivered the biggest sales in the history of the division.

The immediate focus of the company is to continue to build on this momentum and increase penetration in our existing client base, and we look at building an end-to-end digital marketing platform, which will allow hotels to get a unique platform, manage and drive performance across all digital channels. This only platform that allows both connectivity and optimization to Metasearch channels and this is also our 10x differentiator against the competition. This is the only platform that uses demand forecasting data to provide smart insights to improve return on ad spend.

Our distribution business segment also continue to grow with recurring revenue of 97.2% and contributed 38% of the revenue in fiscal year '22, with our volumes now even higher than 2019 levels. We enabled 50-plus new pairings between existing supply partners and demand partners, which have been driving growth. This included connecting the top five hotel chains of the world to regional leading OTAs such as Rakuten, as well as new emerging OTAs such as Hopper, that is now the fastest growing mobile first travel application in the US. The DaaS business unit registered strong growth in airline and OTA customer segments on the back of acquiring marquee customers as well as expansion of volumes in our existing OTA customers.

We saw one of the largest hotel chains in Latin America, Caesars Entertainment in the United States, one of the top 10 airlines in the US and many more. The recurring revenue for this business was 97.1% and contributed to 29% of the revenue in FY'22.

RateGain's new AI-powered products revAI, Content.AI and Demand.AI launched as part of RG Labs have had leaders in their respective segments. Content.AI and Demand.AI have been selected by one of the largest operators of hotels in Germany and one of the largest hotel chains in Spain respectively, where we continues to onboard car rental franchisees to solve the problem of automation and revenue maximization, and was also selected by Budget Rental Cars, largest franchisee in the United States.

In terms of awards and recognition, our people, our products and our commitment to our customers have all been recognized this year, making FY'22 the biggest year in terms of award wins as well.

We were recognized by both Booking.com and Expedia.com as a premier and preferred connectivity partner. We achieved the distinction with Booking.com for a fifth year in the row. We continue to show our excellence in innovation by winning four awards for demand.AI, content.AI and BCV at the recently concluded HSMAI Adrian Awards that recognizes the Best Technology and Talent from the Industry.

We won top honors at HotelTechAwards, which recognizes the best products awarded by over 100,000 plus hoteliers and came in as First Runners Up in Rate Intelligence Parity and Channel Manager Categories, as well as finished as One of the Most Loved Companies of 2022.

On the people front, we were recognized as a Great Place to Work for a third year in a row and awarded as the Best Employer Brand as well by the World HRD Congress.

I'd like to now ask our CFO, Mr. Tanmaya Das to take you through the performance of the year.

Tanmaya Das: Thank you, Bhanu, and a very warm welcome to everyone on this call. It has been a strong quarter on a historical year for RateGain. Our strong fundamentals and steady improvement in key KPIs is a testament to our business model. RateGain's performance showcases how new age tech companies can drive growth, as well as profitability in a tough macro environment.

The global environment is improving in favor of travel even though macroeconomic uncertainties continue to persist due to multiple factors. However, high demand shows the industry has grown resilient.

Due to seasonality of our business, due to travel booking patterns throughout the year, it's more relevant to see year-over-year performance rather than quarterly sequential performance.

Talking about the financial highlights of Q4 FY'22, our top line registered a growth of 51% year-over-year. Adjusted EBITDA margin achieved was 11.7%, registering a growth of 66% year-over-year, indicating margin expansion due to growth. The growth was aided by 101% growth in new contract units compared to the same quarter in the previous fiscal year, and some large contracts signed in each of our businesses.

The EBITDA margins of Q4 was higher than expected by 50 basis points due to delay in hiring few positions, which will spill over to Q1 of FY'23. On similar lines, the revenues for FY'22 registered a growth of 46% over FY'21. Adjusted EBITDA margin improved to 10.3% as against 9.4% in corresponding previous year, registering a 59% growth.

After two years of negative PAT reported, we return to a positive PAT this year, registering 116.1 million and 84.2 million PAT for Q4 FY'22 and FY'22 respectively. The adjusted PAT after adding back amortization of acquisition cost stood at 117.8 million, which is 16.5% of revenue for Q4 and 317.9 million, which is 8.7% of revenue for FY'22, registering multi-fold growth.

Our revenue model remains highly predictable, scalable, recurring and resilient. The gross revenue retention is 90%, while the net revenue retention stands at 114%, indicating low churn and expansion of our existing relationships.

The recurring revenues across all our business range from 97% to 99%. 75% of our revenue came from subscription revenue. Leisure travel dominated the revenue by type of travel standing at 95%. US remain our largest market with 62% revenue contribution, followed by Europe at 24%.

Another metric that we feel extremely proud about is our LTV-to-CAC ratio, which stands far above the industry benchmark at 12.9, which improved from 11.9 last quarter.

During the quarter, we have repaid all our borrowings, utilizing IPO proceeds and have become completely debt-free, which will result in higher PAT going forward.

In respect of guidance for FY'23, We expect to grow our revenue by around 30% organically. In terms of EBITDA margins, we expect to improve our margins to around 12.5% for FY'23 as against 10.3% in FY'22. Our business needs to be looked at annual basis. Q4 is our strongest quarter, whereas Q1 is our weakest quarter, both from revenue and profitability perspective. EBITDA will gradually grow from around 10% in Q1 to around 14% in Q4, which is an increase of 200 basis points each quarter when compared to annual basis.

With this. I'll open the floor for Q&A. Thank you.

Moderator: We will now begin the question-and-answer session. First question is from the line of Praveen Sahay from Edelweiss Financial. Please go ahead.

Praveen Sahay: So, as you had guided for 30% of our revenue growth, can you a bit elaborate on your segment wise, like, how much of the Martech or distribution expected to grow organically?

Tanmaya Das: So, we have been giving guidance of DaaS segment growing around 15% to 20%, distribution 20% to 25% and Martech 50%. We don't see that mix changing, it will be the same mix.

Praveen Sahay: Second question is your hybrid revenue contribution is increasing. So, where you wanted to see this contribution to go?

Tanmaya Das: I think hybrid and subscription have the similar in nature. Hybrid is where we charge a minimum subscription fee and we also charge for excess usage. So I would probably keep them in the same bucket, which is around 75% subscription revenue. I'm expecting my MarTech to grow more than distribution business. The subscription revenue contribution will increase further.

Praveen Sahay: So, is there any same customer moving to the hybrid, is it also happening like from your existing model, the person moving to a hybrid model, because that's a mix of both?

Tanmaya Das: No, the same customer is not moving to hybrid. I think hybrid is increasing, primarily because of the increase in volume. So as travel is coming back, more people need more data, like OTAs, and car rentals and airlines, I think because of that, the hybrid percentage is increasing.

Praveen Sahay: One clarification. As the rate for airfare or the hotel room rate is increasing, is that also going to impact your revenue in positive way?

Bhanu Chopra: Our pricing models are not linked to airlines or hotel revenues. Just if you're talking about the ADRs, they are more linked to volume. So increase in number of bookings, that will improve our revenue, but not the average price increase.

Praveen Sahay: As you had mentioned that Q4 being the strongest quarter, can you bit elaborate that why is it so?

Tanmaya Das: Generally, all the travel plans happens in Q4. So the bookings happens majorly in Q4 for all, and also, Q4 is the first quarter of the budget year for many companies, which are in US and Europe. So, the spending happens more in Q1. So that's how we experienced that our Q4 is always strongest and stronger than the rest of the quarters.

Praveen Sahay: It's more to do with the travel Industry?

Tanmaya Das: Absolutely.

Bhanu Chopra: I'll just add largely in Q1 is when you think about leisure travel, a lot of the bookings happen for summer. And that's why we see that trend.

Praveen Sahay: But as we're moving to the subscription or the hybrid model, so that will --?

Tanmaya Das: The subscription hybrid model remains constant in terms of pattern. We might see some hike in subscription model, when we see more wins in Q4. But from a transaction perspective, like we have 25% revenue dependent upon transactions, those are higher in Q4 than the rest of the quarters.

Moderator: The next question is from the line of Debotro Sinha from ICICI Securities. Please go ahead.

(Debutru Sinha): I would like to know a bit more about the business. So who are the target customers for your company -- is it the hotel or the travelers? And in case it is the hotels, what segment of hotels are you targeting? And in case it is the travelers, is it domestic travelers or international travelers?

Bhanu Chopra: We are a B2B company. So our customers are basically people who are either what I refer to as travel suppliers or travel intermediary in the travel ecosystem that ultimately serve the traveler. So, we don't deal directly with the traveler or the consumer. We provide solutions to these B2B companies, which enable them to acquire the travelers, retain and engage with them and have a wallet share expansion with them. So if you think about who our customers are specifically, it's these hotel companies, the airlines, the car rental companies, it's intermediaries, which are the online travel agents, also tour operators, cruise liners, and now we also deal with vacation rental companies that you see on Airbnb.

Debotro Sinha: In that case, do you provide entire holiday packages, including traveling, lodging and everything included?

Bhanu Chopra: We don't do the packaging. It actually depends on the supplier, are they using pre-package products to sell or are they using dynamic packaging on their own website. But what we do provide is the availability of rates and availability of the hotels that they can put together in the package through the distribution platform that we have

Moderator: The next question is from the line of Nilesh Jethani from BOI Mutual Funds. Please go ahead.

Nilesh Jethani: My question was on this Martech business. So just when I was reverse calculating on average clients for FY'22, and our earnings, the number comes at around $45,000 to $50,000 earning per client. So wanted to understand when we sign up what is the bare minimum we ask for the client for the Martech business? What are the opportunities to ramp up if client wants to increase his spending, does it impact our profitability in a better way, or we charge the fixed amount for the entire year, and then whatever client requires us, we just do the gross up and bill the clients, whatever actual expenses are, can you please explain that business?

Bhanu Chopra: So let me first talk through what is the Martech business and get into a little bit more details and then I let Tanmaya step in and talk about how do we price our offerings. So, our Martech offering is, simply put, it's an end-to-end digital marketing platform. And if you think about marketing, it enables you do two things, right; it enables you to acquire customers or travelers or guests; and two it does brand engagement. So we do this on the entire gamut of digital channels that are available, whether they are social channels like Instagram, Facebook, Twitter, or the traditional digital marketing channels like the Google, PPC. In the case of travel, another important digital channel is what is called Metasearch site. These are price comparison sites, which I'm sure most of you have used, whose business models also like a Google model, which is an ad model. So we basically enable our customers to acquire guests, and drive traffic to their own website through any of these digital channels. The second thing in our Martech platform is we also do brand engagement. As you know, social selling has become extremely important if you were to target the millennial customer. We do a lot of brand engagement, where we advertise and talk about all the new things that are happening at the hotel, what are the different offers that they have, and also monitor and engage with guests on a real-time basis as and when they put out commentary about the particular hotel. While they're at the hotel, or they're looking to book a stay where we are engaging with the customer. So what we do is we do offer each of these components as different modules, and the pricing of each is different. And I'll let Tanmaya come in and talk about how different modules are priced.

Tanmaya Das: On Martech, as Bhanu was talking about, like, we cater to like Facebook, Twitter, and Instagram. So the customer can choose what level of scope of solution he wants to take. I think the $45,000, you talked about, I think what you probably have done is that you've taken the total MarTech revenue and divided by customers. But I think in Martech, we provide two separate solutions; one is the BCV solution, and the other is the myhotelshop solution. I think the average price is more relevant to the BCV solution where the average price per property that we charge is around $25,000. But there are graded solution levels that they can get into. I think it starts with $15,000. Some hotels pay us even more than $50,000 to $60,000. So it depends upon what level of solution they take. And obviously, once they get in at a smaller price, if they want to avail more solutions, then the price increases.

Nilesh Jethani: My second question is on the overall margin. So, in the initial comment, you said that two high margin subscription-based business will grow in the range of 15% and 20% respectively, but Martech will grow at 50%. So how confident are you to taking our overall company's EBITDA level to mid-teens in next one or two years if Martech growth would come at a very higher pace vis-à-vis the SaaS business?

Tanmaya Das: Yes, the Martech gross margins are around 60%, which is at a pretty high level. We need to talk about a SaaS company gross margins is around 63%, IT services company gross margins is 40%. So even if I grow Martech year-over-year with a 60% gross margin, quite a chunk of growth will flow down to EBITDA. Obviously, DAS and distribution both are pure platform plays, and with a 90% gross margin, their growth will show down to EBITDA. So as we're giving a guidance of 200 basis points increase year-over-year, that's what we're targeting to, pretty confident about that.

Moderator: The next question is from the line of Prolin Nandu from GMO. Please go ahead.

Prolin Nandu: So two broad questions. One is on the operating metrics that you say in terms of net retention rate and CAC-to-LTV or LTV-to-CAC. So just wanted to understand what is our aspiration, whom are we benchmarking in terms of the numbers, where do you want to see these numbers in a couple of years' time? And on this, I was a bit perplexed that our net retention rate of 120%, which we reported in nine months, have dropped to 114% in the strongest Q4. So could you help me understand these two broad questions on your operating metrics?

Tanmaya Das: So the benchmarks for SaaS companies for net retention rate is 115% to 120% is a good benchmark. As far as LTV-to-CAC is concerned, anything 3 to 5 is a great benchmark, but in net retention, we are at par in LTV-to-CAC, it's 12.9, which is much, much better than SaaS benchmarks. But, considering many SaaS companies don't make profits, and we are profitable, so the 12.9 is in its well, I think it's at a very fair level. From a net retention perspective, I would love to increase that from 115% to 120% in future quarters. Your question on reduction in net retention rate is that, look, my gross retention rate is at 90%, it was around 91% last quarter. So we have not churned a lot. The factor is that we had some great new sales which contributed to revenue growth. We had a very good Q3, it was the highest in the history of RateGain and then we also had a very good Q4. So there are new logos that have been added. So that's probably decreasing the net retention rate, because if you see the churn rates have gone down significantly.

Prolin Nandu: I thought that the new retention rate should not impact your net retention rate, right because that's old customers is giving you Rs.100 without any adding anything, you would be getting Rs.20, right. So I had an understanding that your new client acquisition should not actually impact your NRR, or am I wrong in that understanding?

Tanmaya Das: I was answering from a revenue growth perspective, that why my net retention is around 114%, whereas my growth is around 46%. But I think you're right, 114% is what the net retention rate is. Maybe I'll just recircle back with you with SGA.

Prolin Nandu: Why Tanmaya I am harping on this is that your nine month retention rate was at 120%. For you to report a full year NRR of 114%, there has to be a significant drop in Q4 is my understanding. So again, but if you can circle back, that would be great on this number.

Tanmaya Das: I'll take your connect from SGA and I'll circle back to you.

Prolin Nandu: You have given FY'23 EBITDA margin expansion of 200 bps in some sense. So, slightly more medium term questions on margin and operating leverage. Could you help us understand, what are the levers wherein, we can increase revenue per employee, we can spread out the other costs and how the depreciation and amortization will also normalize over the few years, not in terms of quantity, I'm not looking for a number for FY'24-25, but in medium term in two to three years' time, how does the three major cost item look like as a percentage of sales going forward?

Tanmaya Das: At the end of the day, we are still a very small company, right and there is a huge market to tap and we can grow really fast. So, we have been investing in our sales and distribution network where we spend almost 20% of our revenue, we are spending 5% on innovations, which RG Labs Bhanu talked about because we want to get more new age products which will propel growth. Once the growth happens, those are the investments in terms of percentage of revenue will go down. Now, if you look at my revenue per employee, it has increased 17% year-over-year. In fact, pre-COVID we were around a Rs.400 crores company, the number of employees we had was around 630, 640 people and today we have exceeded the run rate revenue by 8%, the annual recurring revenues are around Rs.435 crores, we have only 606 people. So there are definite synergies that will come in when the growth happens. All the segments of costs, like we talk about as SG&A, or sales and marketing or investment in the new products, in terms of percentage of revenue will come down when the growth comes.

Moderator: The next question is from the line of Sameer Dosani from ICICI Prudential Asset Management. Please go ahead.

Sameer Dosani: Just two questions. One, when I look at DAS revenue, we see there is a 20% degrowth on a QoQ basis. Could you explain that? Second also, gross margins when I compare FY'22 to FY'21, there's a 3.5% drop. So can you just explain?

Tanmaya Das: I'm not sure about the first question, because what I see is if you're comparing Q3 FY'22 versus Q4 FY'22, I think there's a 5% increase. At the end of the day, DaaS or any of the businesses have not declined quarter-over-quarter. Maybe If you have a different calculation, we can touch base offline. On the second question on margin front, I think I explained that also. Look, DaaS and distribution are steady growth businesses, we experienced a high growth in Martech. DaaS grew 15%, distribution grew 20% this year, whereas Martech grew around 100%. So there was a reduction in gross margin because Martech is a slightly lower gross margin business than other businesses.

Sameer Dosani: Only mix change is you are saying?

Tanmaya Das: Yes.

Sameer Dosani: Is there ESOP cost reversal in Q4 that we see?

Tanmaya Das: Yes, there is a reversal, because the unvested portion of exited employees that we have to reverse.

Sameer Dosani: So, going forward for this ESOP cost, what would be the impact for FY'23?

Tanmaya Das: It will not be very significant. Most of the ESOPs are vested and those costs in the P&L last year when we went public. So this year, it may be in the range of Rs.2 crores to Rs.3 crores max.

Moderator: The next question is from the line of Ashish Chopra from Goldman Sachs. Please go ahead.

Ashish Chopra: Two questions from my side. Firstly, Bhanu, you mentioned the LTV-to-CAC of 12.9. If you could just split that out in terms of what was your CAC last year were compared to pre-COVID and how should we expect that to trend going forward?

Tanmaya Das: You are talking about the customer acquisition cost? So we have been continuously seeing improvement in our LTV-to-CAC. I think pre-COVID level LTV-to-CAC was around 8 and it has increased to 12.9% this year. I think a couple of things that is contributing to that is we had a very large year in terms of new contract points. We closed around Rs.104 crores of new contracts, last year it was roughly around Rs.30, 40 crores because of COVID impact. Pre-COVID, we used to close around Rs.60, 70 crores or $10 million range. So, there has been significant increase in sales efforts with lower costs. As I talked about pre-COVID levels, we have more employees than what we have now. So, the sales and marketing effort cost is lesser than what it is. I think one reason also factored is that if people are not selling out of India or not traveling, so travel cost is saved. And we kind of recognize the fact is there can be an efficient way to sell. So, that's how improvement happened.

Bhanu Chopra: If I may add, one of the other things that's happening at RateGain from go-to-market perspective is, as you might have seen with other SaaS companies, there's a transformation in the whole framework what is referred to as a product-led model, where you basically let the product sell itself. It's completely self-served. So we've seen it with, likes of ZOOM, etc., I wouldn't say we are there yet, but we are making now investments also in how we go to market instead of being the traditional sales model of insight, coupled with marketing and feet-on-the street, we're trying to now become more and more of a product-led model, which from a GTM perspective is extremely sales efficient. And that's why you're seeing some of the benefits of that. We are not there completely but will continue to move in that direction.

Ashish Chopra: So you're saying that these levels can be sustained going forward as well?

Bhanu Chopra: That's correct.

Ashish Chopra: When you mentioned that the organic growth in Martech next year could be 50%. Just to be clear on the definition there, so the business from myhotelshop is to consider that as entirely organic, considering that it was not integrated for the full year in FY'22?

Tanmaya Das: I'm talking about an apple-to-apple comparison. So, if I am consolidating like seven months on myhotelshop will report seven months growth only.

Ashish Chopra: So reported number can be higher than?

Tanmaya Das: Yes.

Moderator: The next question is from the line of Ranjithgopal K A from HSBC Asset Management. Please go ahead.

Ranjithgopal K A: I have a couple of questions. The first one is you mentioned about 50% organic growth. So I what we're seeing from an industry perspective, we've seen clearly recovery happening. So in terms of our growth assessment, is it coming from the kind of contracts that you signed over the course of FY'22 or is it more on the confidence of the trajectory of improvement that we're seeing currently, so if you can give some color on the growth that we're seeing, especially on the Martech side, that you mentioned about 50% growth, so how do you look at the color of the growth in FY'23?

Bhanu Chopra: When we talk about the growth drivers for FY'23, one is just organically now that we all know everybody's traveling, people are talking about revenge travel. So we're just seeing more volumes coming back. So when I talk about our DaaS business, we're seeing significant growth in our OTA customer segment, they just want more data. Similarly, on our distribution business, as Tanmaya pointed out, we're seeing a lot more transactions. And to your point, we did some very, very large deals in our distribution business, and I'm happy to report a lot of those deals have now been monetized, and as a result of which, we're actually seeing transaction volumes exceed pre-COVID levels in this quarter. The second thing that we are also seeing is these are things that we had sold last year that I talked about RG Labs, and these are going to also drive growth, especially in RevAI, it's been a great success for us within the car franchisee market, and we are seeing great amount of traction on our Demand.AI product also. So, we're also excited about what these products are doing and we want to continue to invest in sales and marketing of some of these new products, which we see huge growth areas for us. And we are also encouraged by the reception that we've had on these new products that we are experimenting on some other product launches this year, that we'll be able to talk about in later quarters. Something that I've always talked about is, we have a very, very large customer base. And now that things have opened up, we are ramping our investment in sales and marketing in our Martech business and really focusing on cross-selling and up-selling to our existing set of customers, so which we see good growth. And we were in a pause situation, because US opened first and then as I pointed out in my opening remarks, now we see Asia and Europe has looked up also. And in this March-ending quarter, we made significant investments in ramping up our GTM infrastructure also. So, we see all across. You will see as a result of that investment, additional go-to-market push as well. And specifically, in our DaaS segment, we have also have now entered adjacent customer segments. We all know about vacation rentals that we look up on Airbnb, it's become a big market and very organized now, and we've had some customers enquire and sign up on our DaaS platform. And similarly, we also are seeing a lot of interest by destination management companies on our Demand.AI product. So, there is an opportunity to get into these adjacent customer segments as well that should enable growth.

Ranjithgopal K A: The next question is on the inorganic initiative that we have planned for FY'23? And will it be around Martech? And amortization charges around 23%, 24% for the past two years. And will it be actually on the similar lines for FY'23 as well?

Bhanu Chopra: I'll let Tanmaya address the second part of your question on the cost amortization. The first part, I'm glad you asked that question. Generally, I'll give you some commentary on our M&A endeavor. First of all, we run it as a proper program. There is a dedicated team and we are constantly engaging with the marketplace for opportunities, and we evaluate opportunities from a lens of three criterias; one, are these product capabilities that are a part of our overall product vision; two, does it help us get deeper into a certain geography. So, we want to continue to get deeper in western markets, US and Europe and we continue to look at opportunities where we can get more customers; and third, opportunistically, we want to look at competitors. Something that I've commented on earlier is, for each of our business lines, we have different set of competitors. There's not truly an apple-to-apple comparison to RateGain, because most of these are point solutions. So we opportunistically look at those as well because they can be very, very synergistic for us in terms of acquiring customers. I'm happy to report that given the overall environment as you see especially in the US NASDAQ market, that it's creating very, very good opportunity. So in terms of market opportunities in evaluating companies, we've never seen a more robust pipeline. But at the same time, I will say that we have demonstrated that we are very, very disciplined about what we are willing to pay. So, the conversations are on and there're multiple conversations, and they actually span all the criteria that I talked about. And these are all related to the different lines of businesses we have. So, I want to say, there is more than one opportunity per business line that we have as we evaluate currently.

Tanmaya Das: The second question is on the amortization cost, right. So, yes, I think FY'23 also will have similar amortization cost as FY'22 It will go down from FY'24 onwards.

Moderator: The next question is from the line of Vishnu K G from Singular Capital. Please go ahead.

Vishnu K G: A few questions from my side. Could you call out the number of properties in the market at the end of FY'22? Over the next three to four years, what is the number of properties that we can target?

Tanmaya Das: We have got two segments in Martech business now. We've got BCV and we've got myhotelshop, which is in Germany. BCV is close to 375 properties today and myhotelshop is close to around 800 properties today.

Moderator: We'll move to the next question from the line of Sanjay Awatramani from Envision Capital. Please go ahead.

Sanjay Awatramani: In the last con call, you mentioned that in the Martech business, we have 400 properties and in the short term, we are planning for 1,000 properties. So can you clarify, how are we moving ahead in this and what is the number we can expect in the next four to five years down the line, what are the properties we are expecting to be with us?

Bhanu Chopra: You're right. Thanks to the education we're getting from public markets. There is a very, very large focus on margin expansion, and as a result of which, in our Martech business, we saw there were some deals done because of the COVID situation at deep discount. So as a result of which, as we look to expand our margins, we decided to let go of some of these properties. And now we are very, very focused on ensuring that we uphold our prices and continue to actually expand on our prices so that we can have a margin expansion. So, we saw a great addition to number of properties, but at the same time, we did have attrition or properties as well, as I mentioned, there were some, low priced property engagements that we have. Our target continues to get all across. So our first target is to now, as I mentioned, our Martech business is about selling both on social channels, which is BCV and social engagement and two, is also selling on digital channels. So our first target is to now have a much, much larger cross-sell, up-sell initiative where we can get hotels to be across both the platform. And, overall target continues to get to 1,000, but at the same time, like I said, we are now extremely sensitive about driving our margins higher. So we've calibrated our efforts to focus first more on getting our margins to be higher and driving sustainable growth forward.

Sanjay Awatramani: For FY'23, you have given a target of 12.5% of EBITDA margin. Is this correct? And the second thing is on Q4, you said that you will be hiring some senior team members or team leaders. So, what is the margin impact for this on Q1?

Tanmaya Das: No, I think the Q4 we registered 11.7%. What I talked about is that we were expecting 50 basis points lesser margin, because there were some new positions that could not be filled up and probably spill over to Q1. As I said like Q1 in terms of revenue, and profitability, it's lesser than Q2 or Q3 or Q4. So we're expecting around 10% margin in Q1 and gradually increasing so that we average out around 12.5%.

Sanjay Awatramani: Martech is a high touchpoint business. And as we need to work on pitches basically to manage the marketing campaigns or tweaking them, so this will require a large team on the ground, right? And unique campaigns to attract people on the RateGain platform for the customers, which we get on board, I mean, the hotels and the other intermediaries, which we spoke about. So how we are planning to manage the scale, or how many people will be required in the future to move ahead with this Martech business?

Bhanu Chopra: That's a great observation. You're right. This is a more managed service, part of our business versus being completely a platform play. The analogy that I usually use is we provide the platform or the car, but we also give you the chauffeur or the driver to drive the car. So, our goal is to do two things, really. One, we want to continue to stitch together everything that we have into one platform and make this platform a lot more intelligent across the industry, because we are able to have a lot of these nuggets like we know how travel demand is trending, we know how your competitors and your distributors are distributing your price. So, all that information is absolutely critical in driving a much smarter ad spend so that you can drive a much better ROI. So the fact that we are the only company that can pull all of this together. Thanks to the integration of DaaS and distribution components. We see that the value that we can charge on each of these customers, we can continue to drive much higher ticket price as we sort of move forward and stitch all of this together. Now, the second thing that we are really focusing on is, automating and productizing some of these managed service elements, such that the number of people is not completely linear to the number of hotels that we had. And we're happy to get offline with you and provide you some statistics where we are seeing, the number of hotels that each team member can support is increasing as we look to automate and productize a lot of these tasks.

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

Karan Uppal: Bhanu, if you can provide any color on the new products, which you have launched – RevAI, Demand.AI and Content.AI, what is the market response from these new products? Any contribution you're expecting in the 30% organic growth guidance?

Bhanu Chopra: Very quickly, what Demand.AI does is basically gives you a sense of how travel demand is in any particular market. So think of Delhi, and we will say in the month of June, we give it a score on a scale of one to 100, that travel demand is going to be let's say, 90, which means it's going to be high. And using that information, hoteliers can do two things. One, they can decide, how they want to price their product, if the demand is going to be high, they can increase the rates. That's what we're seeing across markets, right. Because the demand is high, they're increasing rates. And b), they can also plan to optimally start up their hotel entry. It's also useful information on how you do your sort of digital marketing. So we're seeing some very, very good traction on Demand.AI. As I mentioned earlier, we signed up one of the largest hotel chains in Spain. We've also signed up a lot of these that I refer to DMOs. Think of Visit Dubai, Oman tourism, all these, tourism boards that are supported by the different governments to attract tourists. We're also keen to understand how travel demand is working out in their area. So it wasn't something that we targeted, but incidentally, it's taken a huge liking by a lot of these DMOs. In fact, we are also seeing as big events happen, the tourism boards of those events, whether it's FIFA or World Cup, also showing a lot of interest. So it's opened up an adjacent segment for us. And on revAI, what it does is, it takes Demand.AI and our competitive intelligence solution from that and puts all of it together and goes one step further and makes a recommendation on how you drive. So, we actually tell our customers how they should price. You guys are going to hate me but if you're seeing increase in prices, maybe some of it is as a result of people using RateGain software because we see there is increased demand, but not as much inventory and we recommend our customers to increase. So, we deliberately decided to go after the car rental franchisee market because we see that as a whitespace and Greenfield opportunity. I'm happy to report just within the first year of launch and just six months of marketing, we signed up about a million dollars ACV in revAI and then Content.AI is a content distribution management and content augmentation tool. Hotels also, as I talked about are suffering from this great resignation. They are unable to provide updated content on what are health and safety protocols. Now, there is a lot of talk about sustainability. We provide an automated tool through which hotels can update content with their third-party partners and also enhance the quality of their images. So, on all these products, we are at different stages of evolution. I would say revAI is where we have seen great traction. I think we're in the final stage of getting to having the product market fit before we start to scale. In terms of the 30% growth percentage what contribution this would have, I let Tanmaya comment on it.

Tanmaya Das: It will be roughly around 4%.

Karan Uppal: Second question was on your transaction business. Right now, it is around 20% to 25% of the overall revenue. But with a very strong travel demand, which is there currently, so can this transaction which will go up to maybe 35% to 40% of revenue at the end of FY'23?

Tanmaya Das: If the demand goes through the roof, obviously, we'll be beneficiary of that. But I can't predict that today.

Moderator: The next question is from the line of Manish Dhariwal from Fiducia Capital Advisors. Please go ahead.

Manish Dhariwal: I had one question on the working capital position of the company, when I look at the trade and other receivables shooting up, and also some significant write-offs. So give us some color on that? We have some 2,400 companies that we're working for? So how many hotels does that translate into, you've given some numbers on the Martech side, but then on the total thing, if you could just give us a flavor?

Tanmaya Das: So taking the first question, we have had a large quarter in terms of revenue. The revenue increased by 51%, which is around Rs.36 crores or Rs.37 crores increase in revenue as against last quarter of last year. So we have a large debtor balance that was accumulated because of the billings that happened in Q4, which is getting collected in Q1. If you talk about a percentage of revenue, it was the same for last year and this year. So that's fine. The question on write-offs, if you see, last year, it was higher, because of COVID year, we had to give discounts, waivers and all. We had some slippage to this year of those, which we have taken care of now. In a good year, it is around a 1% of revenue that we experience as write-offs, in a bad year it is around 2% of revenue that we experience. I think the COVID year has been a little bit slight higher, but this year it is within that limit. And we now cleaned up all COVID-related issues now and we expect to improve it for the next year. The other question you had was on the properties. It's different in different segments, for example, in distribution segment we have got like the Marriott's of the world or the big chains of the world who have like connected to multiple hotels out there. So distribution segment itself caters to around 130,000 hotels. But not all hotels might be producing because they're connected with us basically. On DaaS segment, there would be around 3,000 properties with us. So in total if you're talking about I think we connect or provide solution to around 140,000-odd hotels.

Moderator: The next question is from the line of Rahul Jha from Bay Capital. Please go ahead.

Rahul Jha: Can you give us how much revenue was contributed by myhotelshop for the full year and for this quarter? Secondly, on the Martech new client addition, what portion is due to this acquisition of myhotelshop and what is organic?

Tanmaya Das: On overall basis, as I talked about, we grew 46% year-over-year right. And if I just take out myhotelshop, then we grew around 30% organically and 16% was contributed by myhotelshop if that answers your question. On the new client addition in Martech, Rs.104 crores we had, because we acquired the company in October and there were like three months of cross-training and all. So, that is not a very significant amount of sales from myhotelshop have recorded. It is primarily the existing client expanding the growth came in.

Rahul Jha: On the receivables front, I see that like some Rs.16, 17 crores receivables have increased, but actually if you look at quarter-on-quarter, say from December '21 to March '22 receivables have increased by Rs.17 crores, but your revenue has actually increased by Rs.7, 8 crores. So what is really happening here?

Tanmaya Das: We grew around 9% sequentially and that is Rs.7 crores increase, right. So, the DSO of the company is around 80 days, it went up to 105 days in the COVID time, in pre-COVID, it was around 60-days. So that's obviously gradually decreasing from 105 days, come down to 80 days and it's going to further decrease on that. There are certain large clients, where we've agreed for an extended pay period, which still continues and we're trying to negotiate to bring it down further. But as we reduce the DSO going forward, the situation will improve further.

Moderator: Due to time constraints, this was the last question for today. Mr. Bhanu Chopra, you may proceed with the closing comments.

Bhanu Chopra: I just wanted to thank everybody who could take the opportunity to participate on the call today. I hope we've been able to give you a good overview about our company, insight into the performance thus far and the growth story that lies ahead. Moreover, I hope we have answered all your questions appropriately. And if there's anything anybody else wanted to ask, please feel free to contact our partner, SGA, and they can relay the questions to us and we'll be happy to also jump on a call if required. So thank you, everyone.

Moderator: On behalf of RateGain Travel Technologies Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.