"RateGain Travel Technologies Limited
Q2 FY23 Earnings Conference Call"

November 07, 2022

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY23 Earnings Conference Call of RateGain Travel Technologies Limited. 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 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 '*' 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. Thank you and over to you, sir.

Bhanu Chopra: Thank you. A very good afternoon to everyone and thank you very much for joining the earnings call for RateGain Travel Technologies Limited for the Second Quarter and First Half Year Ended September 30, 2022.

We are very excited to meet all of you again and share some key highlights from our Q2. Joining me on the call are Tanmaya Das, the CFO of RateGain, Mr. Chinmai Sharma – President of Americas and our Distribution Vertical; Mr. Divik Anand, our Head for Investor Relations, and Thomas Joshua, Company Secretary of RateGain, and alongside we have our Investor Relations partner Strategic Growth Advisors.

We have announced our second quarter results for the fiscal year 2023 and I hope you have had a chance to go through our financial results, the press release and investor presentation that are available on the stock exchanges and on our company website.

We are proud to announce another quarter of healthy broad-based growth with strong performance across all our three business segments. We continue to witness strong traction with existing clients and healthy volume growth with travel demand holding up well along with new client additions contributing to the underlying growth performance. The standout for us this quarter is the operating leverage kicking in with expansion in our operating margins to a ten quarter high of 15.2%. This is a testimony to the strength of the business fundamentals and our commitment to prudent growth as we continue to be one of the very few profitable growing SaaS companies globally. On a run rate basis we are now exceeding our pre-COVID annual recurring revenue by 22% and are well on our way to meet or even exceed the annual growth guidance given at the time of the IPO.

Also considering the rule of 40 with that is a typical benchmark for SaaS companies globally, we are exceeding this rule of 40 by a great margin as we are now at 62% which is an aggregate of our 15% EBITDA plus 47% growth.

We have focused on our mission and commitment to our customers to help them unlock new revenue by helping them acquire guest, retain and engage them and expand on their wallet share.

In line with this commitment, I am pleased to announce the launch of our latest AI powered offering developed in house at RG Labs called Engage AI. This is a virtual concierge tool that will be available to hotel guest on their preferred messaging app like WhatsApp right from the time of booking to the culmination of their stay. This tool will assess them with virtual check-in and checkout, answer their simple queries to making reservations at a restaurant or a spa of their choice and get personalized recommendations for shopping and tours and activities thus enabling the hotels to engage better with their audience and also grab a share of all their travel spends. We are already live in some properties and in talks with some large clients.

In terms of global travel trends, we continue to see that the demand remains strong despite growing concerns on macro headwinds. Volumes in reservations continue to remain strong with a strong holiday season coming up in key destinations globally. Also, there are several reports indicating that the consumer have put travel experiences on top of their discretionary spend. The global health travel index released by Skift continues to hold steady and many geographies are at or above pre-COVID levels now.

While the near-term demand remains strong, we are cautiously optimistic in our outlook for next year and are cognizant of the macro headwinds that we are facing that might affect demand. Our big customers like the big OTAs, the biggest car rental companies and hotel companies have reported record Q2 performance in terms of revenue and profit, and given the need for digitization and record profits, we continue to see robust demand for our products.

On a year-on-year basis we continue to see very healthy improvement across all our critical business metrics with strong margin expansion in this quarter on the back of operating leverage kicking in. As our revenue scales up sequentially while our cost has essentially remained flat.

We continue to focus on our sales and marketing efforts with more events happening our teams has been participating and hosting events focused on new technology trends and it is giving us a chance to physically reconnect with a lot of our clients. We built up a very, very healthy pipeline of 315 Crores. I want to commend the team on their continued endeavor to deliver consistently strong all-round results.

With that I will briefly now touch upon the performance across our three business segments starting with distribution segment. This division accounted for 35% of our total revenue with a recurring revenue of 99.2%. Volume growth continues to be strong on the back of robust recovery across the mid size hotel chain segment and pickup in GDS business which is a parameter of business travel. We closed some good deals this quarter in terms of pairings between popular OTAs and large hotel chains and some of the parings from previous quarters are scaling out well. We continue to invest and scale new products like Content AI that will enable us to position our distribution vertical with a 10x differentiator.

Within our MarTech business unit now has recurring revenue of 99% contributing 38% of our overall revenue for Q2. We are seeing some good signs of early traction in APAC and specifically Middle East region as these markets open up and have on-boarded multiple properties for one of the largest global luxury chain.

Our growth within this segment continues to be driven by an increase in existing engagements as customers are looking to include our metasearch product. Properties are focusing on optimizing their distribution cost and reduce customer acquisition cost to tackle inflationary pressures. Our end-to-end digital marketing offering covers all essential customer acquisition channels including Google, Meta and social media including Facebook, WhatsApp, TikTok, Snap, etc., and we are able to drive higher returns on ad spend for our clients with real time demand and parity insight through our DaaS products.

The DaaS business unit grew at a healthy pace in the second quarter on the back of strong volumes and new logos added within our OTA and airline segment. You must have seen some of the press releases on new airline customers we have added in the past quarter. Our new adjacent sub vertical within the travel space which is vacation rentals has been seeing some good traction and is a promising new growth segment. We are seeing some good opportunities within the vacation rental space with some of the largest OTA customers. The recurring revenue for DaaS business was 98.3% and contributed to 27% of the revenue in the second quarter. One of our new products on the DaaS which is Rev AI continues to perform well and has seen strong traction within the car rental space and we have recently completed integrations with some of the largest CRS systems on large car rental companies which will allow us to make further inroads with these franchises of these car rental companies.

Our strategy is to penetrate these verticals and then look at other sub verticals within travel industry. On M&A we have a very, very robust pipeline and we are looking to consummate if the value is right. These opportunities spread across strengthening our existing business lines of DaaS, Martech and Distribution.

On the people front, RateGain was given the award for talent management by Economic Times Ascent National Awards. We are constantly investing in upskilling talent and have recently instituted a digital learning platform with over 80,000 courses. This along with our policy and opportunities for the people to grow within the company have been key to retaining talent. In terms of awards and recognitions we received the best channel manager and the best car rental technology awards from World Travel Tech Awards which is a prestigious awards program for the global travel industry. I would like to now ask our CFO Mr. Tanmaya Das to take you through the performance of Q2.

Tanmaya Das: Thank you Bhanu and a very warm welcome to everyone on this call. I am proud to report that the company has posted another quarter of strong performance with the margin expansion during the quarter, which has exceeded the guidance provided in our last quarter earnings call.

The improvement in margins year-over-year sequentially is a testimony to our strong fundamentals of driving sustainable growth resulting in operating leverage.

Our revenue growth continues at a healthy pace with more broad based growth across all three segments. We witnessed another quarter of healthy performance across key KPIs contributing to all-round growth in margins. The growing pipeline and strong client additions despite a volatile global environment highlights the strength of the travel industry and the adoption of tech products to drive revenue.

Continuing with the momentum in last couple of quarters the company registered a 47% year-over-year revenue growth with the Q2 FY23 revenue of 124.6 Crores compared to 84.8 Crores in the corresponding quarter last year. The growth in the first half of FY23 stands at 52.7% with the company posting a total revenue of 243.9 Crores in H1 for this year. The growth is primarily on the back of continued client addition along with an uptick in the volumes of bookings seen across our platforms.

In terms of profitability happy to report that the company has posted its highest adjusted EBITDA margin 15.2% in the past few years and this is against 8.4% in Q2 FY22. As I had mentioned in our last call, we have managed to post healthy sequential growth in our operating revenue with our cost remaining flat with operating leverage kicking in we have managed to post an operating margin of 15.2% exceeding the guidance given. This takes the adjusted EBITDA margin to 12.8% in the first half of FY23. The adjusted EBITDA for the quarter grew at an impressive 170% to 18.9 Crores against 7 Crores posted in the same quarter last year. The adjusted PAT has grown 5.3 times to 19.6 Crores in Q2 FY23 compared to 3.7 Crores in Q2 FY22. The adjusted PAT for H1 stands at 34.4 Crores.

The EBITDA margins of Q2 were in a significant improvement sequentially and last year in line with the guidance given last quarter that we should see quarter-over-quarter growth in revenues leading up to Q4 while our costs have largely remained flat. Our payroll and other costs are flat sequentially in line with the guidance given. The company continues to have strong customer relationships that are helping in building a scalable, predictable, stable and sustainable revenue streams. Recurring revenues for the quarter stood at 99% and 76% revenues were in subscription in nature.

Gross revenue retention and net revenue retention stood at 90% and 105% respectively. Our new contract wins posted healthy year-over-year growth of 12.5% and came in at 21.2 Crores and with that we saw an improvement in our LTV to CAC which remained at 12.2 for H1. The marked improvement over 8.9 reported in Q1. Our employee headcount was flat sequentially with the revenue per employee saw 12% increase over last year at 78 lakhs. Our annual recurring revenue stands at 483.4 Crores almost 20% above the pre-COVID levels. Our pipeline increased by 10% to 314 Crores as compared to last year.

We continue to have a strong balance sheet where our network saw an increase by 3% as compared to last quarter and stood at 653.1 Crores. Our cash and cash equivalent balance for the quarter increased by 18 Crores, stood at 435 Crores. Our cash from operations saw a marked improvement in H1 where we generated 1.4x of cash generated in entire fiscal year of 2022.

In respect of guidance for Q3 FY23, we expect to continue our growth around 30% year-over-year and our margins level would be similar to Q2. With this I thank you and give it back to you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Thank you for taking my question and congratulations on good set of numbers. My first question is on the net retention rate. So, in our last con call we mentioned that the net retention rate will sequentially move up from 105% to 110% and maybe 115% by the end of the year, but we are still at 105%. If you can provide more color as to how it has been and how do we see for the rest of the year, how we will achieve the 115% mark or do we want to revise that guidance that would be great.

Tanmaya Das: No, I think the net retention rate will continue to see improvement. Look our business is little bit seasonal in the sense that Q4 is our highest quarter and the volumes are pretty high in Q4 so we continue to see the improvement from Q2 to Q4. So, we do not need to change any predictions at this point of time.

Ankit Kanodia: My next question would be when you look at our performance Q-o-Q so our employee expenses and other expenses have been flat but we have seen a big bump up in the ESOPs expenses. So would you elaborate as to why that could be and is it the same we can expect for the rest of the year and in the future as well or do we see any change there.

Tanmaya Das: Yes, so we in the month of June we approved a Stock Appreciation Right Scheme which was rolled out in June so only one month cost was factored in the Q1 and this Q2 that to we bear around three months cost that is where there is a bump up. The Stock Appreciation Rights were issued at market price there was no discount given to the employees or strike price or the market price so ideally there should not happen any cost but because of the Black Scholes method and accounting treatment were carrying a notional cost for that which is non-cash cost. Yes, I think this will continue for the rest of the quarters as well, but because we have not given discounts so the cost is lesser than what it should have been.

Ankit Kanodia: In terms of the employee expense and other expenses any color, more detail on that as to how we are doing.

Tanmaya Das: It should remain flat at least in Q3 it will remain flat, Q4 might see slight increase but not materially because what we plan for year’s next growth and all, but more or less it will not be huge uptick from Q1 and Q2.

Ankit Kanodia: We won a contract from Akasa Air if you can throw some more light as to what was the nature of the contract and how big it is in terms of the overall scheme of things that would be really helpful.

Tanmaya Das: I am not sure I cannot talk about the quantum of the contracts but it really shows the value of this product line because Akasa which even had not started its operation they had to sign a price comparison competitive price intelligence product from RateGain on the back of we also do Air India and most of all the Indian airlines are with us. So that shows the value that this product really carries because without this the entire pricing strategy will fall flat. So, this is a significant contract for us and a very good brand and with this I think all the Indian clients are with us so it is a very good sign.

Ankit Kanodia: However, in the overall scheme of things India still forms a very small part am I correct in that still we expect that to get better over a period of time.

Tanmaya Das: That is right in the overall scheme India carries less than 1% of our revenue but the other brands like Singapore Airlines and Emirates etc., which are also our clients.

Ankit Kanodia: Thank you so much and all the best rest of the year. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much for the opportunity. I wanted to understand the first part on the revenue front I think in the past as well we have been iterating that at the minimum we should be growing at about 30% CAGR. So just wanted to understand that is largely our organic aspiration right through organic route that is the CAGR we are looking at.

Tanmaya Das: Right.

Deepak Poddar: So, any inorganic aspirations we have or anything on the card so anything on those front.

Bhanu Chopra: As we have traded all along since the IPO a part of the reason we raised fresh capital was to actually go out and consolidate as you may recall we have actually demonstrated that we have the ability to acquire companies and turn them around and make them very, very value accretive for RateGain so we have done three acquisitions already and so even we raise the money in to do M&A I am happy to share that although the tech markets especially in the US have crashed it has is created some very, very interesting opportunities for RateGain so when I look at our pipeline since the beginning of the year it has been pretty robust and we run an active M&A program as well so we are talking with a bunch of companies and given we have the experience in doing this and we have been judicious about how much we are willing to pay it is also a game of patience so sometimes it takes longer to engage and get the right price at which you are willing to consummate the deal because we look for very large alpha returns after we consummate the company in terms of synergistic value that we can drive both on revenue and cost. So net, net like I said there are some very, very good conversations in play I am pretty hopeful because the valuations have come off for RateGain also but I do think that it should create some very good opportunities for us and there is this activity happening in that area.

Deepak Poddar: So, what I understand is that we are on conversation with various opportunities since the valuation have also kind of tapered off so this is one area where we are actively looking and any kind of inorganic growth would be over and above this 30% revenue CAGR that one might look at right.

Bhanu Chopra: That's correct. So, what we had guided was that in terms of deeper penetration our existing broader client is continuing to cross sell, up sell we should organically see 30% and then whatever we do sort of from an M&A perspective will be above and beyond.

Deepak Poddar: I got the point and my second question is regarding your margins. Currently this 14% is that the going forward at least the run rate one can envisage or will not see any kind of weakness that we have seen in the past in terms of margins.

Bhanu Chopra: As what we have guided if your recall sort of couple of quarters ago as we were at 10% and we said look this year we will get to 12% and going forward we can expect between 200 to 300 basis points expansion getting to about 20% to 25% by FY25. So yes we are exceeding that number for FY23 like you saw we are already at now 15% and I can tell you that the forecast for Q3 and Q4 is similar, the H2 of our business is usually stronger than H1 so we do see maintaining these margins from a Q3 and a Q4 perspective Q4 should be even better because it is usually the strongest quarter for us but at that point we will look at the situation and also because there is a growth aspiration also we want to continue to grow the company and we follow this rule of 40 which is to recalibrate this as leading the aggregator 40 which is the EBITDA percent, growth percent, so it will continue steady course yes I do see the margins continuing to expand but like I said if there is opportunities to accelerate we will look at those opportunities as well.

Deepak Poddar: Since you mentioned that 2 to 3 years I mean this 200 to 300 basis points every year so largely if we continue current performance this year our margins could be in the range of 13% to 14% so a 200 to 300 basis points for next two, two and a half years means FY2025 20% margin could be a possibility.

Bhanu Chopra: Yes.

Deepak Poddar: Okay fair enough I got it. That is it from my side. Thank you very much all the very best.

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

Chirag Kachhadiya: Congratulations on a good set of numbers. Sir I have a few questions on our predictable revenue part which we have given on slide 7. So, you have mentioned that the subscription revenue cost is about 76.8% and recurring is 99%. So I just want to know some basic understanding when we enroll any client do we have any such contract that the minimum service period should be of this month length or something like a ten year of let us say one or two years anything such condition is mentioned over there in contract.

Tanmaya Das: Yes, majority of our clients are one year, it is auto renewal clause like you can terminate the service at the end of the year if you do not do then you are auto renewed for another year that is the subscription nature of the contracts. Some of the large customers do sign off for multiyear deals but this is at around one year auto renewal nature of contracts.

Chirag Kachhadiya: My second question the digital technology space and ITES is passing through rough phase due to this attrition and all. So is there any impact of such broader issues of industry on our business.

Tanmaya Das: On the employee attrition look yes it is high across the board especially in the tech space, our attritions are currently around 22% to 24%, historically we have been around 16% to 18% attrition rates but we have taken steps towards it is like there is lot of upskill training there is lot of investment going into L&D. Secondly we have a predictable hiring method where we have hired bunch of management trainees from tier I tier II colleges in July which were utilized to refill the attrition which really helps both from margin front as well as the tenure of the employees at the same time our average tenure of employees in our organization is more than four years and that is higher than any of the new age tech companies or even IT, ITES companies so it has not impacted our business as such as of now but the trend is continuing to go down we are seeing lesser attrition month-over-month now. So hopefully it will go back to 16% to 18% attrition rate in coming quarters.

Chirag Kachhadiya: One final question if the attrition is again back to the normal level of 16% to 18% range which we use to have earlier will it have any impact on employee expenses on positive side and will it result into higher EBITDA as what we posted in this quarter.

Tanmaya Das: Yes, it should because generally there is higher attrition and you replace people you generally replace at a premium so if attrition comes under like 16% to 18% historically then the average cost of employees will also reduce.

Chirag Kachhadiya: Thank you so much, best of luck.

Moderator: Thank you. The next question is from the line of Hitesh Zaveri from Axis Mutual Fund. Please go ahead.

Hitesh Zaveri: Thanks for taking my question. When I was looking at the quarterly topline revenue numbers 15 million and so on and the number of customers and so on of course I do understand the SaaS company and the number of fixed phenomenon having said that as compared to the number of customers we have and the revenue number currently is it a fairly low realization per seat kind of the situation how should one think about this.

Tanmaya Das: Not sure I understood your question fully.

Hitesh Zaveri: I am just asking that the overall revenue of the company and number of customers that we serve and so on. So therefore, per customer realization and if you can provide some color there and the trajectory thereof that will be useful.

Bhanu Chopra: Tanmaya let me make an attempt and then you can step in. So, at the end of Q1 we were sitting at about 2300 customers and we added about 200 customers, but we lost about 50 so the net addition was about 150 customers so if you look at customer addition it was roughly about 6%, 7% and if you look at our quarterly revenue growth it is similar sort of 4% to 5%. I do not know if that sort of addresses the question you had.

Hitesh Zaveri: So, I am just looking in case you are aware of some other competitors of yours who are based and let us say in any of the advanced countries and so on like Western Europe, US and so on I am just wondering how in your vertical are the realizations, the pricing.

Bhanu Chopra: Are you referring to sort of the position in terms of market share and as a result of which our ability to sort of charge more.

Hitesh Zaveri: Yes.

Bhanu Chopra: So in terms of basically our pricing there is an initiative that we talked about in the last quarter also which is we are sort of adjusting our pricing because when we were coming out of COVID on compassionate ground we were very accommodative of our clients where we gave them sort of discounts as well as gave them free periods so now that we are completely out and as I mentioned earlier our customers they are having record performance in terms of revenue and profits so we are trying to restore back, a) we are trying to restore back to our sort of pre-COVID pricing and b) we are now going back into each of our contracts and restoring that we have CPI clauses such that all the renewals that come up on an annual basis organically see a CPI increase in our contracts and the fact that we have moved from being a two, three product company to now almost 10 to 12 products and we are able to effectively bundle them, it does create a much, much larger picking point and basis that we are able to charge more. One of the examples as given previously is our Rev AI offering for instance which is a vertical integration of the pricing process for car rental franchise so we started with giving them competitive intelligence and now basis knowledge of demand and supply we are also able to make recommendations on how they should thrive so as an example our car rental franchise which was a $50,000 contract for us now which Rev AI bundled in that is a $0.5

million contract for us. So a) we are able to increase our pricing because we are out of COVID and b) because we are moving higher up in the value chain in terms of the value we provide the integrated bundle we are able to charge more.

Hitesh Zaveri: That is helpful. Thank you.

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

Rahul Jain: Just a couple of questions. Firstly, congrats on a very strong number. The question on the Engage AI tool that we have launched what is the typical pricing or earning model in this kind of say it is bundled with the other services that we are already offering or this can be standalone sold for a relevant incremental revenue and that is question number one and what could be the incremental TAM or any one or two year kind of addition that this kind of product can bring in so that is question number one and secondly, when you mentioned about and we have been also following global large hotel or various travel companies we are seeing that they are reporting very, very strong number and their commentary also continues to do better. So, in that light if they are doing far better than what they were doing in the recent quarter don't we will see that we should be witnessing some more acceleration even on a sequential basis hereon and is there any thoughts on the conversation that we might be having with them versus how they shaping versus what it was three months back. Thank you.

Bhanu Chopra: On the question around Engage AI and sort of commercial model it is a subscription model and it is based on the number of rooms that the hotel have and then we also look at what is sort of the average daily rate because we are able to directly impact both on revenue and the cost side, on cost side because we are able to automate a lot of the queries that a guest might have at the hotel through this virtual bot and on the revenue side because we are able to cross sell and up sell different services that the hotel may have at the property or outside the property. So, the commercial model is basically looking at what is the average daily rate and then looking at the number of rooms and secondly, we also have a model to take a percentage of share of what are the cross sell, up sell revenues that we generate at the hotel. Now in terms of your question around the TAM, everything that we do is basically targeted to the same midmarket and enterprise market level of hotels that I always refer to which is there over a million hotels but where is our key market is the 3,00,000 hotels that are part of this midmarket in enterprise segment and in that sense the TAM is very, very large but we are still at sort of very, very initial days we just recently launched this product we have got a few hotels that have recently implemented it. So, as you can tell from previous earnings calls also that RateGain is an very, very innovative company, we have launched multiple products and some of these experiments will work and some will fail. But I will only be able to provide you more definitive color on where do we see, which of these experiments really moving. I can tell you from everything that we have done in the past 18 months we are seeing huge amount of traction on our Rev AI product and that is why we have won the Best Cars Technology Provider award from World Travel Tech Awards also. The second question can you repeat the second question.

Rahul Jain: Yes, so what essentially I was saying about the comment that you made about how some of the global companies are making this record profits who are your clients with those company having this kind of a numbers don't we see that there has to be some immediate acceleration on a sequential basis that our business should also witness the way we are going for next at least in the near future and we thought and how that kind of a conversation change on a sequential basis for you versus what they were saying three months back.

Bhanu Chopra: Well this is something as Tanmaya mentioned also I think the way to look at our business is not really doing a sequential growth analysis but doing really more sort of an year-on-year and as you saw we delivered a 47% growth, but having said that I do see very, very good momentum going into sort of Q3 and in our business given the fact that most of our customers are in US and Europe they start doing their annual budgeting and planning exercise going into 2023 so a lot of the discussions are made in this next couple of quarters especially this Q3 in terms of new booking so we have some very, very good momentum and I am pretty hopeful that in terms of new booking this should be again a very, very strong quarter for us.

Rahul Jain: Just if I could add one more again if we look at this number of course these number on a Y-o-Y basis are very, very good, but we definitely have some advantage coming from some of the past acquisitions coming into the normalized business run rate. So, to your argument of that 40% SaaS kind of a thought process how one should look at FY2024 right now because profitability I think can stay where it is at least if not more than should we think of that FY2024 we should be comfortably above that 40% number or 25% plus kind of a growth or you would stick to the 40 as a thumb rule for now.

Bhanu Chopra: You are talking about the rule of 40.

Rahul Jain: Yes.

Bhanu Chopra: So, like I said right now as you can see it there is a tremendous amount of momentum and we are at almost 62% in terms of our aggregate, our EBITDA and growth and our endeavor is going to continuously we do continue to do exceed that number. I very comfortably see the 15% EBITDA margin for this Q3 quarter and hopefully exceeding that in Q4 as well, but like I said we want to do a balancing act. We will continue to see the margin expansion happening given the operating leverages kicking in but we also want to see if there are opportunities to accelerate our growth as well. So if we continue being operating the way we are we could see much, much larger expansion of our margins, but like I said if we are doing all these experiments by launching new products, this quarter we are also making investments to expand our teams in Latin America and as we see the results of these incremental investments we are making if there is an opportunity to sort of cease and get accelerated growth, we do not want to hesitate to invest in that but like I said we are doing all of this in a very, very calibrated fashion such that we continue to maintain that rule of 40.

Rahul Jain: I mean the whole point is that you are adding new products which are doing well and well accepted by the clients, you are consistently adding new customers. Your customers are doing well which is not the case with most of the industry at this point. So, everything clicking in somehow that optimism is not visible is it that you are conservative because of in general macro headwind that we all hear about or you are saying we will really do well here on

Bhanu Chopra: Yes, I would say look we are cautiously optimistic I mean having come out of COVID you don't take anything for granted and there is a lot of talk about inflation and recession in our key markets, although we do not see anything in our numbers. We want to be careful about what we guide the market so I think so far we have over delivered and we want to continue to do the same in the future.

Rahul Jain: We always liked any company doing better than what we think out but should not be extremely higher so I think your thought should be aligned also with what is the realistic growth just a thought and one incremental request is it possible to also try and get the revenue mix from a geo perspective in a manner in terms of where this service are getting consumed I know it is not an easy thing, but just to get the thought here for example if you are doing let's say some business with one big hotel chain what part of that revenues are actually earned let us say in India market because the customer will be called as American or European customer but maybe the bulk of the revenue that hotel brand is consuming maybe consumed in some of the Asian markets including India so is that a way to understand which are the key markets by that way.

Bhanu Chopra: I think it is a great question, and you are right it is a little bit of work for us to sort of reverse engineer it because you are absolutely right Marriott may have hotels across the world but we will recorded it as a US revenue because the entity that pays us is from the US so I get your question and let us come back to you. Tanmaya has a pretty phenomenal finance team here, so I am hoping next time we speak with you we are able to sort of reverse engineer and share that information with you.

Rahul Jain: Sure. Thank you so much.

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

Prolin Nandu: Thank you for giving me this opportunity. Two questions from my side one is that you mentioned this subscription based revenue or recurring revenue now you gave an example of how you are able to bundle and up sell right but I want to under your pricing structure in a single product I mean now you have seven, eight products or eight, nine products in your kitty but in a single product is there a theory in the pricing where you start with a low rates and then you are able to take up for the similar service not by adding more hotels or not by adding more rooms for example but is there a tiering there wherein there is an opportunity to up sell within the same product by offering some more features in the same product and is there a metric that global SaaS companies also report on cross sell and up sell and can we also get some qualitative or quantitative color on the same.

Bhanu Chopra: On the question about how does the model work so it is basically different for each of our product lines and the fundamental pricing methodology that we follow is what is sort of the economic driver for our customer so in case of our distribution business, the economic driver is the number of rooms that the hotel has and how many outlook for distribution channels that we enable them on. So, more rooms connected to more channels means more transactions and as the number of bookings or transactions increase we get a higher realization as a result. Similarly in our DaaS business, our information enables the customer to be more competitive so the more data that they get from us the more we are able to charge, so a lot of the growth that you are seeing in our business is not really cross sell, a lot of it is up sell because as the demand has come back our customers the larger customers for instance have become data hungry and the data volumes have really gone up and similarly on our distribution business more people travelling, more bookings happening and as a result and we are also enabling them on more shelves or more market places or OTAs and thus we are able to realize more transactions and we see significant amount of volume in that and also the question about giving you some more metrics around cross sell or up sell, Tanmaya you want to take that is there something that we don't provide some specific numbers but is there something that we could do and maybe take up with them at a later stage.

Tanmaya Das: I think the up sell for net retention rate is a quite good metrics to our self I think it is a 110% is the good metric to follow. On cross sell net retention rate we generally report in every quarter.

Prolin Nandu: So just a follow on that what I understand is that maybe right now that whole operating leverage which might come because of cross sell that lever is something which we are yet to press in the business is that a fair comment and also as a follow on to that if I look at the growth across your three segments, the fastest growing has been Martech and which is the latest innovate in our armor right, we have added that business sometime in 2018 and 2019 so is that a worry because if I look at the size of the opportunity that we are playing with I would have thought that there would be an equal opportunity in each of the three segments that we are present so is that a worry that ex of Martech our growth is not as aggressive or as attractive as maybe what the underlying demand is suggesting.

Bhanu Chopra: Yes, so I think you have asked a few questions here and let me try to address and if I forgot any one of them you can ask them again. I think the first one that you asked is that the whole cross selling capability as a growth lever has that kicked in, it does not feel like it. You we are absolutely right because if you look at sort of the chronological order of all the capabilities, we have added it has really happened since 2019 because our first acquisition happened in 2018 and then 2019 and then a lot of these new product capabilities that we have launched it is really happened over the last 18 months. So we have sown the seeds I would say for future growth over the last two three years both organically and inorganically, but then we were hit with COVID and now that we have come out of the COVID we are beginning to realize the fruits of our hard labor that was done but yes it has not fully kicked in I think we are still at a very, very infancy stage on a lot of the new capabilities that we have added and that is why it makes me very excited about the future growth prospects of RateGain. On the overall growth prospects for all the three business lines, look if you have attended our previous quarterly calls there is definitely was more bullishness on Martech and maybe lesser bullishness on Distribution and DaaS, but I am happy to report that our DaaS and Distribution business are doing extremely well on the basis of penetration of our existing product, it is getting new logos and as I talked about there is more consumption of data, there is more transaction happening, we are connecting more pairings also in our distribution what has been a very, very positive surprises is the business travel has bounced back and for us the parameter of that is really the GDS connectivity that we do for the larger chains and we have recently won some business and we see a very, very healthy pipeline there as well and we are also launching additional products both in DaaS and Distribution so net, net it is a positive surprise that for both these segments are growing significantly faster than what we have anticipated, it is like I said the function of the whole business travel bouncing back and also success with some of these products that we have launched under these product lines.

Prolin Nandu: No, that is great just one suggestion I have to give is that on this Martech part and this requires a slightly more detailed discussion on a different forum but it would be great if you can share sort of an analyst meet where each of your products are highlighted in a better manner the reason why I am harping on this Martech is like we are probably looking at what is happening in US to do with this whole edtech industry and the ad revenue going and what Apple is doing so that is the reason why we probably in case if you can highlight each of the product in detailed analyst meet that will help us to understand the product better, so just a suggestion.

Bhanu Chopra: No, I think it is a great suggestion and we do have enough pipeline to have an analyst day to actually do these product demos, we intend to do a virtual session and followed by a physical session to showcase all our capabilities.

Prolin Nandu: Great thanks a lot and best wishes.

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

Ashish Chopra: Thanks for the opportunity. Just a couple of questions from my end firstly out of the 488 Crores of annual recurring revenues that you have disclosed in your presentation how much of that currently would be from the new product initiatives that we launched during COVID.

Bhanu Chopra: The number, I do not have the exact number but it is not a significant number at this point as I mentioned these are seeds that we have sown over the last 18 months, but I have a huge amount of conviction and confidence that as we sort of weed out all the teething issues that we have around sort of go to market then implementation these can be a big revenue generators for us. For instance the Rev AI product that I talked about that does pricing recommendation requires us to integrate with the key car rental company CRS systems so those integrations need to increase and we have one two car franchises sort of using that product as the established success with these pilot customers it can open up the gates and really to give us the ability to scale across all the car rental franchise so the number is not significant, but we are quite confident that these are seeds of future growth and as I mentioned they have other sort of intangible benefits of positioning the company as an innovator, we are sort of vertically moving up the value chain from a bundle offering customers look for one integrated tech stack so it also enables us to position these new offerings as 10x differentiators to RateGain's existing product set.

Ashish Chopra: Secondly from my end if you could just help me understand little bit about any seasonality that persist in the MarTech business as well where I guess this quarter at least sequentially the number was down although I understand we should be looking at it on a Y-o-Y basis but considering the fact that 99% is recurring revenue and you added 80 properties I think those as a new additions to the MarTech customer base so I was just wanting to understand as to what drives the quarterly maybe uptick and down sides on revenues.

Bhanu Chopra: As I stated earlier Q3 and Q4 are sort of the big quarters for us so H2 is bigger than H1 so that is what you will find seasonally in Q4 being the best quarter however in the Martech business as I was mentioning earlier that as we were coming out of COVID we were very, very aggressive in doing the kind of deals that we did as we were sort of coming out with COVID I think there is some correction that we have done given the fact that we are and that is why you are seeing a huge margin expansion also that we want to make sure that we are escalating prices where its due and if some of the customers are unwilling then it leads to separation of those customers as well. So we cleaned up some of the contracts also on the Martech side so there was a small amount of impact with that, but as I stated across all our three business verticals we should see some very good momentum in Q3 and Q4 and Q4 being the biggest.

Ashish Chopra: Understood that is very helpful thank you so much.

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

Kshitij Saraf: Thank you for taking my question. Just wanted to know on the IPO amount of 90 Crores raised for general corporate purposes is there a plan to use that or you planning to return that to the shareholders in some form.

Tanmaya Das: From the IPO per se we have got inorganic expansion is one which we will utilize. The strategic investment into AI led products that utilization has already started and general purpose will utilize as part of the M&A or the organic investment into the AI led products.

Kshitij Saraf: Just one more question on RG Labs and the product coming out of the lab could you just help us with a sense of what’s is in store, which segment or what kind of offerings are you experimenting with that.

Bhanu Chopra: Yes sure. So as I had mentioned in the earnings call the big new offerings from RG Labs is Engage AI and prior to Engage AI the three products that we had launched were Demand AI, Content AI, and Rev AI and our focus right now is as I mentioned earlier is to sort of continue to scale up on these products from a go to market perspective, iterate through what we are learning from the customer and continue to accelerate on these. So, I think in terms of new products there is a bunch already happened now we need to basically nurture and cultivate these seeds that we have sown.

Kshitij Saraf: Got it thank you so much, congratulations and all the best.

Moderator: Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: Thanks for the opportunity. Just a couple of quick questions. So firstly can you give some color on how much of our growth this quarter would be organic given that MHS should have been incorporated only from 3Q or maybe sometime in 2Q and even growth going forward because looks like it is touch below 30% so just trying to understand that we are in the middle of peek pent up demand on travel and going organically at 30% so is there any scope to increase it beyond that or is it primarily because our business is volume driven rather than value driven that the growth is limited to that number.

Bhanu Chopra: I will let Tanmaya speak to the exact organic growth numbers that we have. To your point about where do we see the growth so look again I go back to the core philosophy for the company is to really focus on sustainable revenue growth keeping in mind this rule of 40 where there is a focus on the margins as well and this is what we sort of learn from the market as well. So, we want to continue to be very, very prudent with how we sort of accelerate, so we feel very good about where we are today and as I mentioned earlier, we are sort of cautiously optimistic. We do not want to go crazy given there is a lot of talk about interest rate then recession next year although we are not seeing anything but it would not be prudent to step on the gas at this point. So we are making all these experiments both from a product and a go to market perspective but I think we are a great company in terms of how we manage metrics and we are very, very data driven so we want to see proof points on success and calibrate and go forward in a very, very managed passion versus crash and burn so although yes it does feel like we could go crazy and accelerate and then next quarter you come back and say why have the margin gone down so we want to be just sensible about how we move forward given just the overall macro trend that we see. Tanmaya can you comment on the organic growth point.

Tanmaya Das: Yes, so organically we grew around 33% and total was 47%.

Rishi Jhunjhunwala: Just quickly is it possible to just give some breakdown in terms of margin expansion that has happened this quarter broken down between mix change given that Martech being lower margin business has gone down Q-o-Q, currency depreciation and other efficiencies. Thank you.

Tanmaya Das: Yes primarily because of that I think we have high profitable business like Distribution and DaaS doing better than expectation and that has actually improved our margins. Currency depreciation actually I have hoped it to sort of helped us, but the challenge is that the US dollar appreciated but we are like more than that Euro or GBP depreciating so it was kind of a compensating impact both on revenue and profitability as well, but you are right I think though the operating leverage kicked in because our kind profitable businesses like DaaS and distribution grew more than expected.

Rishi Jhunjhunwala: Thank you.

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

Bhanu Chopra: Thank you everyone for your support and as I mentioned very, very proud of the team in delivering a great set of Q2 numbers and feeling very confident as we sort of go into the second half of the year and looking forward to everybody's support here. Thank you.

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