Registered & Corporate Office:
Route Mobile Limited
4th Dimension, 3rd floor, Mind Space, Malad (West),
Mumbai - 400 064, India
+91 22 4033 7676/77-99 | Fax: +91 22 4033 7650
info@routemobile.com | www.routemobile.com
CIN No: L72900MH2004PLC146323

Ref No: RML/2023-24/440

Date: January 30, 2024

To,

BSE Limited	**National Stock Exchange of India Limited**
Scrip Code: 543228	**NSE Symbol: ROUTE**

Dear Sir/Madam,

Sub: Transcript of the earnings conference call for the quarter and nine months ended December 31, 2023

We are enclosing herewith copy of the transcript of the Company's Q3 FY24 earnings conference call dated Tuesday, January 23, 2024.

The transcript is also available on the Company's website under the Investors section at:

https://routemobile.com/compliance/2023/Route-Mobile-Ltd-Q3-FY24-Earnings-Call.pdf

Further, please note that no unpublished price sensitive information was shared/discussed by the Company during the said earnings call.

You are requested to take the above information on record.

Thanking You
Yours truly,
For **Route Mobile Limited**

Rathindra das
Digitally signed by Rathindra das
Date: 2024.01.30 17:59:10 +05'30'

Rathindra Das
Group Head-Legal, Company Secretary & Compliance Officer
M. No. F12663

Encl: as above

Route Mobile Limited
Q3 & 9M FY24 Earnings Conference Call
January 23, 2024

Management:

1. Mr. Rajdipkumar Gupta – Managing Director & Group CEO
2. Mr. Gautam Badalia – Group Chief Strategy Officer and Chief Investor Relations Officer
3. Mr. Suresh Jankar – Chief Financial Officer

Moderator: Good evening, ladies and gentlemen. I am Dorwin, the moderator for this conference. Welcome to the conference call of Route Mobile Limited arranged by Concept Investor Relations to discuss its Q3 & 9 MFY24 Results.

We have with us today Mr. Rajdipkumar Gupta – Managing Director & Group CEO, Mr. Gautam Badalia – Group Chief Strategy Officer and Chief Investor Relations Officer and Mr. Suresh Jankar – Chief Financial Officer.

At this moment, all participants are in the listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question, please press '*'and '1'on your telephone keypad. Before we begin, I would like to remind you that some of the statements made in today's Earnings Call may be forward-looking in nature and may involve certain risks and uncertainties. Kindly refer to Slide #2 of the Presentation for the detailed disclaimer. Please note, this conference is being recorded.

I now hand the conference over to Mr. Rajdip Kumar Gupta. Thank you, and over to you, sir.

Rajdip Kumar Gupta: Thank you, Dorwin. Good evening, everyone.

In light of the recent global trend of workforce rationalization and cost optimization among large global companies, the broader CPaaS industry has encountered some headwinds especially in the last 2 months of the previous quarter.

I want to take this opportunity to provide you with a transparent overview of the current situation as well as our strategic response to these events. While we have registered our best quarterly revenue during the quarter gone by, it was yet a slightly muted performance, considering Q3 is historically the best quarter. This is due to the industry headwinds and delays in a couple of our large contract going live. In lieu of the above, we revised our FY24 guidance from 20% to 25% revenue growth to 15% to 17% revenue growth. These developments while concerning are not uncommon in the fast-evolving tech landscape. The good thing is that our performance during the month so far is encouraging, and we are putting lots of effort to accelerate to go live for some of the large contracts that we have won and are on the verge of closure.

Some of the notable contracts which should go live during the course of this quarter are:

One of the largest e-commerce customers to go-live for European destination. Vodafone Idea contract integration is ongoing rapidly. However, the full-fledged impact of this contract will start from April 1st onwards. We have recently on-boarded a large e-commerce client from Asia, it should gradually ramp up. We are on the verge of signing a contract with one of the largest private sector banks in India. We are also encouraged by the growing adoption of new communication channels like RCS and WhatsApp messaging. In fact, some of our recent contract wins on these product lines are as big as our monthly revenue on these product lines.

The recent shift in the messaging space is opening up new avenues for communication. We expect to onboard a significant number of new customers to our Omni channel platform, leveraging these changes. This evolution in the market while bringing these challenges also present us with unprecedented opportunities for growth and expansion. The evolving messaging landscape is creating an exciting opportunity for us to welcome numerous new clients to our Omni channel platform. This shift, while challenging is opening doors to unprecedented growth and development. We are in the process of implementing innovative technological solutions such as GenAI to enhance our operational efficiency. While I won't delve into specifics, I can assure you that these advancements will significantly contribute to optimizing our processes and reducing dependencies, aligning us with the best industry practices.

In terms of the Proximus deal update, we have secured the most important U.S. approval and are in striking distance of deal closure. A couple of regulatory approvals from the Middle East are awaited anytime soon. Further, we have done a lot of groundwork on the integration effort across the group and have clearly identified synergies across various buckets. Upon the deal closure, we should immediately take action on the integration effort and the synergy should start to reflect in our financials immediately thereafter.

In conclusion, while we acknowledge the challenge we face, our outlook remains optimistic. Our strong foundation coupled with our strategic initiative positioned us well to capitalize our future opportunities and deliver on our promises of innovation and excellence. Thank you for your continued faith in our journey. We are committed to keep you informed and engaged as we progress towards our shared goal.

Now I will hand over the call to Gautam who will share more about our financial highlights. Over to you, Gautam.

Gautam Badalia: Thank you, Rajdip. Good evening, everyone. Wishing you all a very Happy New Year 2024. We've already uploaded our quarterly earnings presentation on our website as well as on the Stock Exchange website. Hope you had a chance to go through the presentation.

I'll quickly summarize our financial and operating performance during Q3 FY24 and 9 months FY24 before opening the floor for Q&A. I'll start by highlighting the key developments during the quarter gone by.

As Rajdip highlighted, we have registered our best quarterly revenues during the quarter gone by, yet it was a slightly muted performance due to factors which Rajdip again highlighted as industry headwinds, as most OTTs were in cost-saving mode, which affected the ILD traffic in regions, and delay in certain large contracts going live. With respect to our margins, we have encountered some one-off expenses. I just list out some of those one-off expenses for the quarter gone by. MR Messaging's revenue grew by 40% sequentially, but their performance actually was a drag on our EBITDA margin. Adjusted for MRM's EBITDA, we achieved a 13% EBITDA margin. MRM's performance for 9MFY24 was affected largely by geopolitical issues in Europe and industry consolidation. Hence an exceptional item of Rs. 150.4 million was booked in Q3 FY24, which represents the fair value gain as of December 31, 2023, of the contingent consideration payable towards the acquisition of the 100% equity stake of MR Messaging. There was also a backdate write-off in Masivian to the tune of Rs. 46.6 million in 9 months FY24 and we have already initiated legal actions for recovery. There was a one-time consultancy and retainer fees paid in Q3 FY24 for market expansion in Africa and LATAM, which amounted to Rs. 29.9 million.

In volume terms, we processed 31.2 billion transactions, similar to Q2 FY24. Despite Q3's seasonal step, the muted sentiment across the geographies is reflected in these volumes. India continues to be our largest market by termination, accounting for over 47% of our revenue by termination. The revenues from US headquartered customers declined, owing to reasons highlighted above. You may refer to slide 16 for the same. We are seeing strong momentum in next generation products across multiple geographies. We witnessed a year-on-year growth of 58% and a quarter-on-quarter growth of 40%. You may refer to slide 10 for the same. Our new product, LTM revenue is around US $25 million. The uptake in new products by enterprises, a few large contracts going live shortly, along with the synergy benefits that will accrue to group mobile post the disclosure will pave a very strong growth trajectory for FY25.

With this backdrop, let me walk you through our financial performance:

In Q3FY24, revenue from operations grew by 3.9% from Rs. 9,857 million in Q3 FY23 to Rs. 10,243 million in Q3 FY24. There was a sequential growth of 1%. Billable transactions increased from 27.7 billion in Q3 FY23 to 31.2 billion in Q3 FY24. Average realization for billable transactions increased to 32.9 paisa in Q3 FY24 from32.4 paisa in Q2 FY24. Gross profit margins remain flat on a sequential basis. EBITDA declined marginally, owing to certain one-off expenses highlighted earlier.

The effective tax rate for the quarter was around 15.4%. Profit after tax adjusted for exceptional items grew by 15.5%on a Y-o-Y basis and 11.6% on a sequential basis from Rs.854 million in Q3FY23 and Rs.884 million in Q2 FY24 to Rs.986 million in Q3 FY24. PAT margin was at 9.6% in Q3 FY24, as against 8.7% in Q3 FY23 and Q2 FY24. The board has recommended an interim dividend of Rs. 3 per share. For nine months FY24, revenue from operations grew by 17.4% from Rs. 25,606 million in 9 months FY23 to Rs. 30,063 million in 9 months FY24. In terms of certain KPIs, billable transactions increased from 79 billion in 9 months FY23 to 92 billion in 9 months FY24. Average realization per billable transaction was 32.7 paisa in 9 months FY24 as compared to 32.2 paisa in 9 months FY23. We had a net revenue retention of 110%, you may refer to slide 18 for the same. We added over 700 new customers in 9 months FY24 across all products.

Gross profit margin declined from 22.4% in 9 months FY23 to 21.3% in 9 months FY24. EBITDA grew by 15.7%. In terms of operating leverage, EBITDA as a percentage of gross profits stood at 59% in 9 months FY24. EBITDA margin remained flattish. Effective tax rate was 12.3% in 9 months FY23 as against 15.7% in 9 months FY24. Profits after tax adjusted for exceptional items grew by 21.6% from Rs. 2,291 million in 9 months FY23 to Rs. 2,786 million in 9 months FY24. The PAT margin improved from 9% to 9.3% during the same period.

We on boarded 35 new employees and 29 employees left us during the same period. Net cash as on December 31, 2023, was Rs. 4,654 million. Average receivable days was 73 days in 9 months FY24 versus 73 days in H1 FY24. Average payable days reduced marginally to 59 days in 9 months FY24 versus 64 days in H1 FY24. Normalized CFO conversion for9 months FY24 was in the range of 50% to 75% guidance range that we had told out at the beginning of the year.

With these highlights, we open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Swapnil Potdukhe from JM Financial. Please go ahead.

Swapnil Potdukhe: First on your growth trends for this particular year, you mentioned there has been a significant decline, I mean there has been a correction in growth of guidance as well. Now my question is, would we be able to recover the lost growth in this particular quarter and the revenues that we have lost in this particular quarter starting Q4. If not, what would be the reason be? That would be the first question.

Rajdipkumar Gupta: Swapnil, let me start with this. As I said, one of the largest e-commerce customers is live on our India platform right now. We were hoping for them to start 9 other countries which got delayed, and we are very much hopeful to get those started by this quarter, and we are in constant touch with them to start with UK and other countries. So, hopefully that will go live. As far as our Vodafone Idea contract is concerned, I think we were expecting to go live by 1st of December, which is now extended to 1st of April as an exclusive partnership deal with Vodafone Idea. We are almost migrating the different circles on our firewall. And we believe by end of March we will be able to complete the entire shift from other firewall to our firewall. So, the complete growth in terms of revenue on the firewall side will be effective from 1st of April. So, in terms of the last Quarter we said we are seeing significant growth in this month already. Some of the customers who lowered down their volume last quarter we can see them started again. So, we might not give any kind of guidance but in terms of revenue guidance, I think we are very confident that between 15% to 17% is something what we will achieve this financial year.

Swapnil Potdukhe: So, just to extend that point, you mentioned 17% at the upper end of the guidance. So, that effectively tells us that you're guiding for 15% of the sequential growth, QoQ. And historically, 4Q has typically tapered compared to 3Q. So, this time around, it will be the other way around.

Rajdipkumar Gupta: So, if you see our last year also, the Q4 was better than the Q3. So, we believe that this year Q4 will be better than Q3.

Swapnil Potdukhe: And if I were to just extrapolate a few things and ask you about FY25, what would be the incremental revenue potential that you are looking at from all the deals that you just mentioned and things starting, assuming the Vodafone deal also comes in from 1st of April?

Rajdipkumar Gupta: So, apart from Vodafone and other deals, I think the synergy between the TeleSign and BICS as a Proximus deal. So, we are expecting that deal to get closed very soon. If those synergies come along with the Route Mobile, I think we have a very high number to achieve. Right now, we are assessing the whole value. We might not be able to give you the exact growth trajectory for the next year, but very soon we will definitely share that.

Swapnil Potdukhe: And one thing on your gross margins, you just mentioned that your RCS and WhatsApp revenue has been doing well, but that does not seem to be reflected in your gross margins. In fact, if I see from a YoY perspective, you're down significantly Q-on-Q perspective also, you're flattish. When exactly should we start seeing these margins to inch up, get some benefits from the new product line?

Rajdipkumar Gupta: Swapnil, you need to also understand when you talk about, say, 25 million for the yearly basis revenue against the Rs. 4,000 crores revenue. So, it will always be very small. I think, as Gautam mentioned, some of the contracts we have won recently and some of the contracts which we are working on are very large contracts. And as soon as we scale this entire revenue to around Rs. 300 crores to Rs. 400 crores or maybe Rs. 500 crores a year, probably you can see the impact of that in our margins. But we are working very hard to onboard and focus more on

Omnichannel potential, which we see right now. So, that's the current situation. Gautam, if you want to add to this?

Gautam Badalia: Yes, so, I think we mentioned in our remarks also, I think MRM, while they have not had the best nine months, but last quarter, they did exceedingly well in terms of growing the revenue sequentially by 40%, but in terms of gross and EBITDA margin, it was a drag on our overall financials. So, adjusted for the MRM's gross and EBITDA margin, our margins would have expanded significantly. I mean, sure, it would have been closer to last year's gross margin.

Swapnil Potdukhe: And just one last question on your employee expenses. Right now, they are hovering around Rs. 55 crores on a quarterly basis. Is there any impact of any salary hikes or something in this particular quarter or like that come in later? If you can just guide some, how things we should forecast in the quarter?

Gautam Badalia: Some of the subsidiaries also have a January to December kind of cycle. So, there are some bonus payouts and all that happens typically at the end of December. So, some of those things have happened during the course of the last quarter.

Swapnil Potdukhe: So, fair to assume Rs. 55 crores is the run rate in the near term, next one or two quarters.

Gautam Badalia: Yes, in that vicinity, that's right.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Couple of questions. First, if I look vertical mix which we provide in terms of which segment is driven growth, digital native and aggregator seems to be weak. So, if you can provide some colors, what is playing out? So, CPaaS partner as well as digital native, some weakness is evident. The second question is about some of the comments you made in delaying large contract ramp up. So, if I look your PPT indicated, Vodafone where we are already live and in record time we implemented and stuff like that. So, what leads to delay in conversion to revenue or maybe billing? If you can provide some sense? And the third question is about the gross margin trajectory. I understand new product is not significant, but if I go to, let's say, year-to-year back, and overall consistent narrative about gross margin expansion plan over a period of time, some of it is not evident in the numbers. So, if you can provide what lead to some kind of mix, not for this quarter particularly, but broader, let's say 9 months or something like that. Thanks.

Rajdipkumar Gupta: So, Gautam, I'll start with the second question, and probably you can answer the remaining two**.** So, Dipesh, if you see Vodafone, we went live on 1st of December with our hub, which is like a record implementation of Vodafone Idea. There is a current partner who has a firewall deployed in all the various circles of Vodafone Idea, which is a very tedious job to transfer the entire traffic from one firewall to another firewall. And that is why now we have started in January to moving the traffic from one firewall to our firewall. That process has been started. We cannot move all the traffic in one shot because we have to test, we have to make sure everything is working fine from firewall A to firewall B. So, that transition period is longer. That is why it will take another 2 months more. And that is what we expect and that is why we are talking about 1st of April as go live and we will become exclusive also from 1st of April which means that all the traffic from 1st of April onwards will flow through our firewall.

Dipesh Mehta: Just Rajdip on this part, so earlier when we indicated to contribute revenue from Q4 onwards, whether we over-optimistically assume transition will be very short duration kind of transition?

Rajdipkumar Gupta: I think it was a little bit of miscalculation from our side and probably that was one of the reason we were always calculated Vodafone Idea to go live from January 15, but because of the shift it's taking more time and but we already started the process and that's why we are not considering the revenue of that in this quarter, but now the shift has already started, we have already moved three circles to our firewall now and the remaining are going weekly basis And keeping that in mind, I think 1st of April is a tentative date where we will be working exclusively on Vodafone Idea.

Gautam Badalia: So, Dipesh, your first question was on digital native and CPaaS. So, you're absolutely right. I think those two segments have witnessed some headwinds and that's largely an industry-wide phenomena and not specifically to Route Mobile per se. So, some of these CPaaS players, I mean, who are also our partners, they service a lot of large global enterprises and we've seen that trend pretty much play out across most of these large global enterprises during the last two months of the previous quarter. Hopefully, I think things are coming back with some of these enterprises now doing their budgeting and stuff. So, things should come back atleast, and it should steady now. So, from that aspect, I think we are cautiously optimistic about both these segments. And as Rajdip said, once Vodafone goes live, we'll definitely be able to increase our wallet share with each of these clients. So, Dipesh, your third query was on new products, right? I mean the ramp up. So, I think we're very, very enthused with the kind of ramp up that we are.

Dipesh Mehta: It was on gross margin.

Gautam Badalia: Yes, on the gross margin. Okay, the expansion that you were saying.

Dipesh Mehta: That's right. So, let's say if I go to your 2-year back narrative about gross margin trajectory, one year back also same narrative, we expect gross margin trajectory to improve over a period of time and it would be consistent steady kind of improvement. Now if I look actual delivery, the trajectory seems to be different. Now we will explain ABC reason why it is not happening, but if I look trajectory perspective, in 2022 we were at 21% gross margin, today we are not different. So, I just want to understand whether one should expect 21 is a reasonable number to expect for medium term or you think 25 and because at one point of time you indicated it can go as high as 30. So, we are way below those kinds of numbers, so I just want to get sense.

Rajdipkumar Gupta: Dipesh so as I said, our other business and our Omni channel business is growing every single quarter. And I think we are at a run rate of $25 million as of now. And we are expecting this to grow, I think, at least very highly as compared to the SMS piece. But again, as soon as it increases to a Rs. 500 crores revenue run rate; I think that is where you can start looking at the margin increase overall. Gautam, if you want to add to this.

Gautam Badalia: Yes, and just to give you a perspective, I think we've given a 3-year perspective of margin expansion, and that's a fair observation. I think some of that has kind of got a little diluted because of MR messaging's margin was a drag, right? If we adjust for that, I mean, there is some bit of margin expansion that's played out. But notwithstanding that, the important thing is this year, as we said, this would be an inflection year for the new products. I mean, at this point in time, we're working on a few contracts where our monthly run rate of the new product revenue, I mean, some of the contract sizes that we are winning are greater than that. So, some of those validations are happening. I think let these new products works team gather some critical mass at that point in time. I think this should definitely play out from an expansion standpoint.

Dipesh Mehta: And last question from my side. Now if I look at your Q4 guidance rate, I'm looking sequential perspective implies roughly around 7% to 14% as quarter-on-quarter growth. Now Vodafone is likely to ramp up from April, so it should not contribute. So, what we are building because from seasonality perspective, typically volume is not showing any material growth. If I look last few years of our performance, what we are building here, if you can help us understand?

Gautam Badalia: I think some of the segments which are now coming back, essentially the CPaaS that had actually kind of dwindled down quite a bit during last quarter. I think some of those things are now coming back. And I think last year if you look at the trajectory, on a sequential basis we were able to demonstrate growth in Q4 versus Q3. Plus, we are assuming that some of these contracts that we have won, the e-commerce client in Asia that we have already started the throughput and that should meaningfully ramp up. We are also assuming that one of the largest e-commerce clients will start the European traffic in the course of this quarter. So, some of these things are baked in to our assumption.

Dipesh Mehta: Last year growth was partly driven by acquisition. Inter telco was not there in Q3 and that's why some growth happened. If I adjust for it, your growth was not there sequentially, which is the usual pattern. And that's why I tried to, but you said these 3-4 reasons are sufficient for us to give that confidence?

Gautam Badalia: No, so, Dipesh I think Interteleco acquisition happened in December 21, not last year.

Moderator: Thank you. The next question is from the line of Nikhil Choudhary from Nuvama. Please go ahead.

Nikhil Choudhary: First question is regarding the decline we have seen in the volume number. While the argument you have given that there is cutting spending in ILD by global enterprises, volume clearly is driven by the NLD part, right? ILD is relatively a small portion of overall volume and declined on Q-o-Q basis, more or less showing that even on an NLD side, there is at least some pressure. We heard from your competitors last quarter that there are challenges from other players who are not passing on the increase cost. So, anything to highlight there in terms of volume?

Gautam Badalia: In terms of volume, what has actually transpired is I think there was a significant drop in volume for Masivian and while I think their volumes dropped by 10%, their revenue increased by 15%. So, they were able to kind of do a lot of solution selling which are inherently larger ticket sizes solutions that they were able to sell. So, I think that way, they have done really well in terms of the margin expansion and in terms of the gross margins.

Nikhil Choudhary: We have done margin expansion this quarter and there is a significant jump giving by realization, then Route's organic performance is even inferior right.

Rajdipkumar Gupta: No, that I think we did call out, digital native and CPaaS. Those two segments got impacted during November and December. So, that led to kind of a slightly muted performance for Route Mobile on an organic basis.

Nikhil Choudhary: One-time cost against Masivian?

Rajdipkumar Gupta: Yes, so this actually happened, part of it happened in Q2 and last part of it happened in Q3. So, this was pertaining to one solution that was sold to kind of a Mexican enterprise. But ultimately the Mexican enterprise was not able to realize it. I mean, it's more to do with the industry headwinds than anything else. So, we've kind of already started a litigation proceeding against them. So, we are hopeful that we'll be able to recover this amount that we have written off.

Nikhil Choudhary: Sure. Just last point here. A few questions asked by earlier participants regarding the required growth rate of 7% to 14% in the 4th Quarter. How much will be driven by the increase in volume in more or less our existing business and how much will be driven by incremental revenue coming from our one of the top clients starting in Europe?

Rajdipkumar Gupta: I think honestly, we can't quantify at this point of time, but we believe that knowing the pattern of spending on various 9 to 10 countries, if we get all of them as a part of our platform, we believe that it will add easily $3 to $4 million additional dollars to our revenue.

Nikhil Choudhary: Okay, $3 to $4 million revenues. So, the remaining portion you are saying that's going to come organically?

Rajdipkumar Gupta: Yes, as I said, I think the volume for this particular month, we have seen a growth whatever the distance we have seen from those large OTT players in the month of November and December. We start seeing the traffic coming back to our platform and we see a decent growth for this particular month, and we presume that the same growth will continue for the next 2 months as well and we will easily reach to our guidance of 15% to 17% year-on-year basis.

Moderator: Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: So, my first question is on the ILD part of our business, wherein in the past we have seen multiple price hikes on the ILD side. So, is it fair to assume that because the ILD revenue is being dominated by 5, 6 large clients, so maybe the higher pricing of ILD is forcing them to shift to some other modes of communication and now with RCS becoming preferred mode. Can we see the shift from ILD to RCS because the pricing differential is very high and so because if I see the sharp drop in the top client revenue for us in this quarter, so this is also indicating to some extent that the top client is not using the ILD channel as it was using say a quarterback?

Rajdipkumar Gupta: Not exactly in that sense. First of all, let me just clarify that RCS is no way allowed to send OTPs for OTT partners. RCS in India is being governed by Vodafone Idea as their hub and it is definitely not allowed to use that channel to send OTPs. I think that some misleading information has been passed in the market, which is not correct. And we have not seen a single drop because of RCS being used for OTP. Okay, it was not only for India, but I think OTT, a player like Google or Facebook or many others have reduced their volume not for India, but multiple destinations in those months. So, it is not just for India and ILD business.

Amit Chandra: No, I agree that, that it's not for OTP messages, but mostly for the promotional part and for the promotional part of the messages?

Rajdipkumar Gupta: Even for the promotional part of the messages, I think we serve one of the largest e-commerce customers right now in India and we have seen in fact this growth in their volume on SMS side and I think there are lots of grey routes available in the market and that will lead to de-grow the traffic, now most of these large brands, they are aware that their people are using grey routes to terminate the message and we in return getting more traffic and more assurance from these brands that they want to work with people who have legitimate route to terminate the traffic. First of all, that is something that we've have got some confirmation for this month and that is why we see growth in our ILD traffic for this month. RCS, you might have referred to some of the transactions happening on WhatsApp for Amazon which is totally not as a counted transaction in our revenue model. So, we still see the growth of whatever traffic which is coming for companies like Amazon, we still see the impact with us.

Amit Chandra: And sir, recently Apple also mentioned that they're going live with RCS globally because RCS is only on Android right now. So, with Apple going live on RCS and RCS being a cheaper mode of communication as compared to ILD which is Rs. 5, obviously it's an opportunity for newer clients but for existing clients, can this be a risk as the shift to volumes which are lower on realization?

Rajdipkumar Gupta: Amit, RCS is live in almost 95 to 100 countries as of today. The biggest threat between WhatsApp and RCS, it is not on SMS side. So, if you talk about the conversational messaging which is happening on RCS as compared to conversational messaging which is happening on WhatsApp, WhatsApp is 75 paisa in India and RCS is about 25-20 paisa in India. So, we see lots of shift is happening from WhatsApp to RCS. That is a real shift and that is something which we see or we have seen a trend. As a company, we are doing reasonably well on RCS side and reasonably well on WhatsApp side. As a Omnichannel provider, we are not seeing that trend of RCS or WhatsApp being used for the SMS channel, but I think there is a biggest gap we see between WhatsApp business messaging and RCS, and we see people adopting RCS more to replace WhatsApp business messaging. So, that is a trend we have seen from last few months and that is happening and because of the cost and because of that is governed by the operator ecosystem by GSMA and the data residing within the country, RCS preferred two-way communication channels over WhatsApp. This is a trend we have seen in the last few months.

Amit Chandra: So, sir, you mentioned that most of the ILD, large ILD spenders, have not spent what they intended to in the last two months. So, the drop in the spending on ILD is because of the higher pricing that ILD because they are finding alternate challenges, or this is more linked to macroeconomic conditions?

Rajdipkumar Gupta: It is more linked to macroeconomic condition and India is just a 5-cent market right now but there are various markets where SMS being charged to 23 -25 cents also. So, it is not just India as one market which is charging 5 cents. If you go to Bangladesh or Sri Lanka, I think it is as expensive as about 13 - 20 cents range. So, I think it's overall different for various other countries by all these OTT channels. Commonly the macroeconomic condition, which will lead them to withdraw some of the traffic, which they believe is not critical, and they stick from critical traffic, but again from month of January, we see those traffic coming back.

Amit Chandra: And sir, on the VI deal, you mentioned that it will start from April onwards. So, the revenue commitment or the revenues that we are building in, remain the same or is there any change in scope of the project?

Rajdipkumar Gupta: It will remain the same, whatever the guidance we have given before.

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

Swapnil Potdukhe: I just wanted to confirm one of the questions that I had earlier asked with respect to the gross margin. So, you mentioned that MRM is something which has impacted the margins over there.

Now, as we understand, the MRM margins are significantly better than our standalone margins. And is that understanding correct? And if that is so, then?

Gautam Badalia: So, Swapnil, it was historically, I mean what you're saying is right, but I think last quarter, so if you remember, the first half for MRM was significantly kind of muted in terms of revenues, right, while they were doing good in terms of margins. I think this quarter they've chased revenue growth and compromised the margins a little bit, so that has actually diluted our margins for the quarter.

Swapnil Potdukhe: And secondly, do these numbers that we have reported for this quarter include any trials that you were doing with TeleSign? I remember you saying, I think a couple of quarters back that there were some.

Gautam Badalia: There is nothing that we are doing right now because of the competition commissions and other aspects, we can't do, so some of these would be tantamounting to Gunjumping**.** So, I think we're working independently as two entities right now. Once the deal closes, at that point in time the throughput would start.

Swapnil Potdukhe: And one more thing, as you consolidate with TeleSign at some point of time, your volume is consolidated, is it possible that the enterprises may have a challenge because due to higher concentration coming from just one particular CPaaS player because ultimately TeleSign and Route would be considered as one by an enterprise and that may lead to some of the enterprise trying to diversify their exposure to some other CPaaS, basically where is the concentration?

Rajdipkumar Gupta: Swapnil, there are many customers that TeleSign has we don't have, okay. Let's do some of the classic examples like Spotify or Netflix right? So, these customers we don't have, we don't serve them. And there are few large we serve both, we both serve them, its fine. But there are many of them are US based, we don't serve them directly. And that is the opportunity we see in long term where we will get as a one combined team to serve all the customers based out of US as a single entity or a partnership.

Gautam Badalia: And something just to add to what Rajdip said, so I mean as part of the integration exercise, we have done exhaustive work on all this along with our global consulting firm. So, at this point in time, we don't believe that we've run any concentration risk per se. I mean if at all, we both complement each other rather than kind of creating any concentration risk per se. So, I think that is again a very positive kind of outcome that we have been able to kind of at least from a hypothesis standpoint, being able to formalize.

Swapnil Potdukhe: Right. But just for clarity sake, would you guys be able to give us what would be the total overlap of revenue between TeleSign and Route today? I do understand you very clearly mentioned that there are a few other clients which you do not serve at all.

Gautam Badalia: Swapnil, at this point in time, it would be premature for us to kind of divulge some of these information……

Moderator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global, please go ahead.

Dipesh Mehta: Two questions. First about one, in last quarter we announced large e-commerce client deal and in that you broadly indicated India is roughly half, half is from around 8-9 countries outside of India. So, can you provide some update? I think partly you touch upon, but if you can provide more clarity on it? Second question is now if let's say one look at it, some of the challenges which we face in Q3, Q4, or maybe Q3 particularly. Now it has some implication in Q4, some kind of a quarter kind of delay in one large deal. So, base effect is supportive for FY25 growth trajectory plus some of the extent which you highlighted in terms of new product growth what we are witnessing. Do we expect our FY25 growth trajectory will be much better than what you might have anticipated at the end of Q2, if you can provide qualitative comment around it? Thanks.

Rajdipkumar Gupta: As I said, the Vodafone deal plus all these new, I think we got a new large e-commerce giant based out of Asia. I think that is also a big deal for us right now. There are lots of banks we are working right now. There is definitely this large e-commerce company for 9 countries which will come. Vodafone deal plus the synergy between TeleSign, Route Mobile and the Proximus, we'll definitely add much, much higher revenue potential for the next financial year. Right now, we might not be able to give any kind of guidance. We are still at very early stages, but definitely we see a huge growth and potential of this partnership in the next financial year.

Dipesh Mehta: I understand qualitative 25, just want the update on this deal or you said there is some delay even in the e-commerce kind of client?

Rajdipkumar Gupta: First of all, the entire system was frozen in the month of December, now in January they all are back, and we started the communication to start doing testing and I think the testing is over. Maybe we will start getting traffic very soon. It will start country by country not just all countries together. So, it's a process at their end which may take some time, but even one country adding to our platform, as I said, even 3 to 4 countries we start within this quarter may lead to about $3 to $4 million additional revenue to our portfolio.

Dipesh Mehta: Understood, so broadly this will be fully ramp up somewhere in Q1. That is right understanding?

Rajdipkumar Gupta: Yes, Q1 next year, yes.

Moderator: Thank you. We have the next question from the line of Ronak Chheda from Awriga Capital Advisors. Please go ahead.

Ronak Chheda: Couple of questions. One is on this global scenario, just going back to this ILDs, what we've seen in the quarter and what we've seen that the fungible volumes have been racked up not just for India, but globally. So, now when you're thinking about, let's say, 2-3 years down the line as a CPaaS business of the entire group entity, how do you see the competitive intensity? And in your view, do we see this as a structural trend where the volumes will keep on coming down on the ILD, it is not just in India, but in all the markets where we operate, where the fungible volumes will shift to other platforms? Just your thoughts on this?

Rajdipkumar Gupta: As a platform company, we have all the channels available between our offering and the customer is looking out to change from platform A to platform B. Everything is possible from our end, but as far as the messaging trend is concerned, there is a huge adoption in the growth in the SMS side also. From the ILD business, we have not seen that kind of de-growth. It was just one time, I think most of the OTT players, they wanted to reduce the cost for those particular months and that is a threat we have seen**.** And as far as I know, there are markets where prices are almost 25 cents, and still all the OTT players are using those countries and networks and paying that much amount. So, I don't think there's any change we can see, but there is definitely different channels that may be used by these OTT players to have OTP for one channel and primary promotion for the other channel. That is possible, but it all depends on the regulatory matters also because the various regulatory aspects are linked to this kind of traffic to be terminated within the country.

Ronak Chheda: And just an extension to this question there, for the Vodafone deal, we have certain business assumptions baked in, right? And there is some commitment also. So, just if the channel changes or shifts, the OTT player shifts between the channels. Do you see a risk to the $100 million business annual run rate that we've baked in?

Rajdipkumar Gupta: No, that is the minimum we have baked in, and the potential is much higher. Considering all the parameters, we believe that 100 million minimum we can achieve out of that.

Ronak Chheda: Understood. On the MNO side, we had certain deals in pipeline on the firewall side of the business. And you had mentioned in the call that we were hoping to sign, but we don't see that. So, just an update there. Is this delayed or are we out of the discussion?

Rajdipkumar Gupta: Maybe we will announce something in this quarter that also got delayed because of the network freeze in various countries due to last month. So, we might get some kind of announcement in this quarter for our firewall win.

Ronak Chheda: Understood. And lastly, on this competition globally, how is the pricing right now because we've seen some pressure on the margins as well. So, how is the pricing and how is the competitive scenario which you are seeing today?

Rajdipkumar Gupta: As I said, Route Mobile is a unique company based out of India. We are definitely not offering one country to all the different companies. We offer multiple countries. And there are very few limited numbers of players right now in the market who have this kind of coverage and potential. And I think if you see, there are 5 or 6 companies only who serve the customers for global domination and we are one of them. And if there is a pricing challenge but there isn't, what I see normally is a channel shift and we see lots of use cases for WhatsApp and lots of use cases for RCS. These are all new use cases, and that's the potential we see from CPaaS industry because the growth on RCS and WhatsApp are totally new use cases, which is not somehow killing the SMS volume as such, because the two-way communication, the conversational chat, which is a new thing right now, and we see a growth on that as part of the business and it will be continued. So, most of the companies, most of the enterprises are now looking out to engage their customers with a various mode of communication and RCS and WhatsApp is one of them, including SMS right now. So, we are very bullish about the growth of CPaaS and Omni channel coming years down the line.

Moderator: Thank you. The next question is from the line of Sarang Sanil from RW Investment Advisors. Please go ahead.

Sarang Sanil: My first question is, is it possible to give volume growth in NLD and ILD for the quarter?

Gautam Badalia: Guys, we don't share that level of details right now. India, the volume growth was around 2%.

Sarang Sanil: My second question is, since there was a guaranteed volume given to Vodafone Idea in the firewall deal, so is that part affected or renegotiated as we are planning to go live with a three-month delay now?

Rajdipkumar Gupta: We cannot share that kind of detail right now. There is definitely an agreement between Vodafone idea. We have a certain element, but we may not be able to share on this call.

Sarang Sanil: What are the margin levers going forward? Since RCS, WhatsApp would take, new products would take time to scale to the Rs. 400 crores – Rs. 500 crores range, what would be the levers in the next couple of years?

Rajdipkumar Gupta: The levers will be just Omnichannel, right? So, e-mail, WhatsApp, RCS, and voice will be the levers for the next coming year. And we are fairly placed well and our platforms are working well. We are one of the top 5 partners with Google and RCS, and I think we're doing fairly well on RCS right now. And on WhatsApp, I think we are now one of the premium partners as well, and I think things are going really well for Route Mobile Omni channel. And things are going good and we believe that in the coming quarters this will keep on going.

Sarang Sanil: And the final question would be, what is the effect of tax rate for this year and the next couple of years?

Gautam Badalia: Yes, 18% to 20%.

Sarang Sanil: 18% to 20%.

Moderator: Thank you. The next question is from the line of Suresh, an individual investor. Please go ahead.

Suresh: Greetings everybody. Just wanted to understand what the revised guidance is for the current year as well as in the past we spoke about a billion-dollar revenue in 2 to 3 years. Has anything changed on the long-term outlook both on the margins as well as revenue and what is the revised guidance for this and next year, if you may?

Gautam Badalia: Yes, so in terms of guidance, we revised this financial year's guidance from 20%-25% back to 15%-17% and that's largely to do with the industry tailwinds. Considering some of these large contracts which should go live during the course of this quarter, we'll see the full year benefit of that play out. And there are, as Rajdip said, some large MNO deals also that we are working on which are firewall deals across multiple operators. So, some of these things, I think, will help us accelerate. And then for next year, I think the way as somebody had kind of highlighted the base effect, I think next year we're looking at a very strong year from a growth standpoint. And on the billion-dollar revenue over 3 to 4 years, I think that stands valid even today and especially with this Proximus deal, we believe it will open a lot of avenues across the developed markets, which will be a catalyst to drive the core business.

Suresh: Thanks for that. In one of the television interviews Rajdip mentioned that combined entities, TeleSign and Route Mobile targeting a $2 billion revenue in next 3-4 years. I know this model is probably evaluated to both organizations, but want to check if that's still going forward?

Rajdipkumar Gupta: That is still intact. I think if you see the combined revenue of both the companies is over $1 billion already. So, we definitely stick to that $2 billion and we believe we can overachieve also.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question. I would now like to hand the conference over to Mr. Rajdipkumar Gupta for closing comments. Over to you, sir.

Rajdipkumar Gupta: Thank you, everyone. Thank you for joining this call. And we're looking forward to the strong quarter of this one and we are working very hard to get more contracts and at least to work on our existing contract to go live. Thank you for joining this call. Thank you.