

Ref No: RML/2020-21/22

Date: November 03, 2020

To,
The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai 400 001
Scrip Code: 543228

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 051
NSE Symbol: ROUTE

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q2 FY21

We are enclosing herewith copy of the transcript of the Company's Q2 FY21 earnings conference call dated October 28, 2020. The transcript is also available on the Company's website i.e. www.routemobile.com under the Investors section.

You are requested to take the abovementioned information on your record.

Thanking you,
Yours faithfully,
For Route Mobile Limited



Rathindra Das
Head Legal, Company Secretary & Compliance Officer



Encl: as above



“Route Mobile Limited
Q2 FY 2021 Earnings Conference Call”

October 28, 2020



ANALYST: **MR. MANIK TANEJA – JM FINANCIAL
INSTITUTIONAL SECURITIES**

MANAGEMENT: **MR. RAJDIP GUPTA –MANAGING DIRECTOR AND
GROUP CEO – ROUTE MOBILE LIMITED
MR. GAUTAM BADALIA – CHIEF STRATEGY
OFFICER-ROUTE MOBILE LIMITED
MR. SURESH JANKAR – CHIEF FINANCIAL
OFFICER- ROUTE MOBILE LIMITED**



*Route Mobile Limited
October 28, 2020*

Moderator: Ladies and gentlemen, good day and welcome to the Route Mobile Limited Q2 FY 2021 Earnings Conference Call hosted by JM Financial Institutional Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the Conference, please signal an operator by pressing “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manik Taneja from JM Financial. Thank you and over to you Sir!

Manik Taneja: Thank you Inba. We would like to welcome everyone to Route Mobile maiden investor conference call “inaudible” recently. The company would be talking about their Q2 FY 2021 performance. We have with us leadership team from Route Mobile that includes Mr. Rajdip Gupta, Managing Director and Group CEO. Mr. Gautam Badalia, Chief Strategy Officer. Mr. Suresh Jankar, he is the Chief Financial Officer. I now request Mr. Rajdip to provide brief remarks on the company’s performance and future outlook before Gautam walks us to the financial details about Q2 FY 2021 results. Over to you Rajdip.

Rajdip Gupta: Thanks Manik. Good everyone. First, I would like to express our gratitude to all the investors who gave such a overwhelming response to Route Mobil IPO. Your confidence in our business model and the management team capability fuels us further to drive our business to newer heights. We are relentless in this pursuit and this is just a beginning of a next phase of evolution for Route Mobile.

Q2 has been another quarter for strong performance backed by better operating leverage despite the trying circumstances. The pandemic has accelerated the CPaaS adoption amongst enterprises and Route Mobile continues to enable our customers in their digital communication journey. As per Gartner estimates by 2023, 90% of the global enterprises will leverage API enabled CPaaS offering to enhance their digital communication and to give a better user experience to their end user, up from 20% in 2020.

We are optimally positioned to be at the forefront and drive this transformation. I am also incredibly proud to highlight that Route Mobile continues to feature as a global CPaaS player in several independent research report published by agencies including Gartner, Juniper and ROCCO. This is just a testament to our 16 years of hard work and dedication of our team in creating a robust global AI enabled CPaaS platform which we will drive significant growth for us in the future.

Following our mantra of simplifying communications and focussing on solving problems for our customers we strive to be the preferred partner of choice for various enterprises globally. Across almost all industry vertical including 9 of the top 20 global technology brand. To sustain this growth and gear up for the future we continue to hire highly capable individual across the world to share our passion and vision to integrate them into our highly motivated team.



*Route Mobile Limited
October 28, 2020*

Aside from the strong organic growth we continue to evaluate potential target of the city that we will fuel our inorganic growth strategy. During the last quarter, we closed the acquisition of Key Technology related contract of TeleDNA Communication on a slump sale basis to strengthen our operative side of the portfolio. This deal was closed in a completely virtual environment and the transition and the integration has happened effectively. We are continuously storing synergies and value addition through inorganic growth. From the operational perspective we are continuously improving our internal control system, processes and governance standard. Now I request Gautam to walk you through the earnings presentation. Over to you Gautam.

Gautam Badalia:

Thank you Rajdip. Good evening everyone. I trust all of you are safe and healthy. We have uploaded our presentation on the exchanges as well on our website. So, what I will do is I will walk you through the financial highlights and take certain key highlights from the presentation that we uploaded and then we will open up the floor for Q&A.

So, Rajdip reiterated, CPaaS business adoption remains robust despite the pandemic and being a global CPaaS company, our business has been resilient to COVID and has demonstrated very strong momentum and growth trajectory.

With that I will quickly jump into the quarterly highlights. So, in Q2 FY 2021 our total revenue has grown 76% on YOY basis from INR 2,014 million to INR Rs. 3,545 million. EBITDA also grew by 113% on a YOY basis from INR Rs. 221 million to INR 470 million. Adjusted PAT grew 135% on a YOY basis from 155 million to 364 million and there was an expansion on the margins as well. Adjusted PAT margin grew from 7.7% in Q2 FY 2020 to 10.3% in Q2 FY 2021.

On a half yearly basis again we demonstrated similar growth trajectory. Revenue growth of 54% on a YOY basis from INR 4,443 million in H1 FY 2020 to INR 6,668 million in H1 FY 2021. EBITDA margins improved from 10.6% in H1 FY 2020 to 13.1% in H1 FY 2021 affecting high operating leverage of the business. Adjusted PAT margin again grew from 7.2% to 9.9% for the same period and adjusted PAT grew almost 112% on a YOY basis.

In terms of the key operating matrix, we have offices in 18 locations, each of these offices are manned by hunters. The hunters keep hunting for newer clients, we keep adding million dollar client every year and then we have key accounts management team which keeps mining those accounts to help them graduate from 1 million dollar to 5 to 10 to 15 million dollar and the endeavour is always being to add large global clients into our repertoire.

In terms of our recurring revenue that has demonstrated almost a 60% strong recurring revenue growth and net revenue retention of 139% so that kind of depicts the quality standards and the kind of deliverability that we offer to client and hence we have been able to garner higher wallet share from existing clients.

In terms of our geographical revenue mix, there is a slide in the presentation which kind of depicts why we are dominant player in emerging markets. We have been clocking super normal



*Route Mobile Limited
October 28, 2020*

growth rates in most of the countries in the emerging markets be it in APAC, MEA or LATAM, so our focus towards driving growth in this market continues undeterred and a lot of this is also attributed to the firewall acquisition that we have done that has really augured well in terms of the acting as a catalyst to drive the growth or being the technology partner with the MNOs in the emerging markets.

In terms of key snapshots, both revenue per transaction and EBITDA per transaction continues to inch upwards, that kind of depicts that the business is growing across not only in India but even internationally. Internationally the realisations are higher than India and we have been able to muster a lot of growth with our international clients.

In terms of the ROEs we have been able to clock around 30% ROE. In H1 it was only because of the IPO proceeds that ROE in H1 FY 2021 is about 24% but historically we have been doing close to 30% in terms of ROE and we will continue to maintain similar sort of a trajectory going forward. The drastic improvement in our business has been on the working capital front so as you can see cash flow from operations to EBITDA is almost 145% so that is the kind of cash the business generates now in terms of free cash.

So, one important aspect that we look at in our portfolio with respect to the operating leverage of the business - Since we function out of multiple geographies and each geography has a different sort of margin profiling, we look at EBITDA as a percentage of gross profit to determine the operating leverage of the business and it was 49.8% in Q2 FY 2020 which has inched up to almost 64.2% in Q2 FY 2021. So, this kind of depicts the nonlinearity of the platform and the global scalability of the platform and we believe the more global clients that we can keep adding to this operating leverage is to keep improving even from this 64%.

I will just take another two minutes to talk about some of the new clients as we have added about 164 clients in H1 FY 2021 including two global Fortune 500 companies. During this pandemic what we have witnessed from enterprise is that they have started to adopt the next generation of messaging be it a WhatsApp, Viber, we are seeing a lot of use cases wherein enterprises are increasingly looking at the new age messaging so that is where we have been able to on board almost 47 new clients and for the existing A2P business which continues to be our cash cow, we have added about 117 clients.

Interestingly because of the acquisition of the TeleDNA's key technology business, today I mean the operator side of the business is the comprehensive portfolio and now we are talking almost 55% gross margin for that business so this has completely transitioned into a Saas business where we own all the IPs in the messaging stack which can be offered as solutions to MNOs. So, there again we have bolstered that practice by hiring a new CEO, new COO for that business and that has kind of transpired into massive traction that we have been able to generate on that. We have been able to win 1 client and are the preferred bidder for another MNO in the LATAM market. Then we have also submitted nine odd proposals out of which two we have been graduated to the next level; for the balance seven the results are awaited.



*Route Mobile Limited
October 28, 2020*

In terms of receivables again I would like to highlight the business as I said generates a lot of free cash. Receivable cycle for all the international businesses are generally negative working capital business for us. On the receivable side, 75% of our receivables are less than 30 days and only 12% of receivables or rather 13% of receivables are greater than 90 days, within which these are the receivables where we have some of these PSU banking contracts for PSU contract where the bills are settled on a quarterly basis. So, that is essentially the significant part of that bucket. So, with that snapshot captured most of the key's aspect of the business. Happy to answer any queries that you may have.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Thank you for the opportunity and congratulations on a very good listing. So, this segment related disclosure, UK shows a very high revenues and India shows less, so can you just explain I am sure it is because of the date of the billing is done but just can you explain that part?

Gautam Badalia: Dheeresh, thanks. The way we generate our business for regional companies, for geography specific companies we have local entities doing the billing. When we are talking about entities, I mean some of the largest global Fortune 500 companies most of them prefer jurisdictions like UK for billing so all the global contract that we have, we are kind of helping them with our super network, most of those contracts are done in UK. So, in addition to that 365squared also gets consolidated into UK so for 365squared the entire firewall revenue which is a very high margin business so there the entire cash flows and revenues gets consolidated into UK, so that is one reason why UK is a significant part of our portfolio.

Dheeresh Pathak: So, can you also like the billable transactions that I think has mentioned as first half as 15 billion so on an annualised basis this is running at similar to the "inaudible" for last year, so is there going to be an acceleration in the second half because I thought there was expectation of volume growth has done well.

Gautam Badalia: So, that is correct. Inherently, in terms of our portfolio we have seen H1 and H2 ratio pans out to be 45% to 55%, 45% in H1 and 55% in H2, that is a typical notwithstanding that so Q1 to some extent was impacted because of COVID so lot of enterprise clients in markets like India and Middle East were impacted because of COVID essentially the clients in travel, hospitality sector but as things comes back to normalcy you will see that things coming back to normalcy again.

Dheeresh Pathak: So, one is growth could be how much in the billable transaction if you have that data?

Rajdip Gupta: Dheeresh, Hi Rajdip here. I think the last we did over 2.75 billion transaction in the month of September so we are on a track of seeing the same kind of growth what we have shown in the last year probably much higher as well. So, I think if everything is now coming back as normal and in spite of that there are certain segments which has a lower volume but because of international

customer volume is increased and we still have higher revenues and margins. Gautam, if you can reply.

Gautam Badalia: Dheeresh, I will share the data with you. I do not have it offhand for the corresponding period last year.

Dheeresh Pathak: It would be also useful if going forward you can also share, it will be small right now but the share of revenue that you get from non-SMS, that voice, emails, WhatsApp related and other new age messaging tools. Can you share that now if you have it for 1H otherwise going forward in your presentation if you can include it will be very useful? The other question that I had was on the slide 11 where you were talking about net revenue retention of 139 so I have not really understood, so 139% what does it imply?

Rajdip Gupta: It implies that the clients who were part of, so among the top 150 clients, their contribution in FY 2020 what was there contribution in H1 FY 2021 on an annualised basis, what is the retention rate.

Dheeresh Pathak: So, if I put it in other words, top 150 clients which were 96% of that FY 2020 revenues have grown by 39% in H1, is that the way to understand?

Rajdip Gupta: That is correct.

Dheeresh Pathak: Thank you so much.

Moderator: Thank you. The next question is from the line of Varun Goenka from Nippon Mutual Funds. Please go ahead.

Varun Goenka: Good evening. Thank you for taking my question and since it is the first call, let me extend my heartiest congratulations to the entire Route Mobile Team. I am sure it could have been very hard based work, building the company over last so many years and in India specifically and on boarding such marquee clients. I have two questions. One, the technology companies as good as its people so what would be our plan, on the people's front the R&D side or sales side product development side. That is one and secondly about your guesstimate on our existing clients what could be the organic growth maybe for two to three years depending upon additional geographies or existing geography, your guesstimate?

Moderator: Mr. Goenka, I am sorry but there were some parts of your question which were not clearly audible.

Varun Goenka: I am sorry for that. So, I have two questions. First, on the people's side, what is our understanding of the investments we will do on the R&D team, product development team or support team, what is the kind of people addition that is one and secondly on our existing clients what would be our estimate of the organic growth for the next may be three years to five years based on either the existing geographies or additional geographies we are adding to clients, some

insight could help that and I do not know if my comments were really heartiest congratulations to Rajdip Ji, Gautam Ji, I think it has been very long journey for you guys, really welcome to the market.

Rajdip Gupta: Thanks. Let me answer the first part and then Gautam will answer the second part of the question. As you know Varun, we as a company completely at tech savvy company and we already have over 20 people in our product team and R&D is going to be our key focus if you see I think we have hired over 54 people in the last quarter of H1 and we are now looking out to strengthen our C level team and in fact we have identified few people and we are going to announce very soon. In terms of we are looking out more people in our board as well who can actually contribute and apart from that I think we are looking out to hire senior level management team in different part of world including UK, US and India. Gautam, if you can answer the second question.

Gautam Badalia: We have done some assessments in terms of our existing clients and their net retention rate over the last two years and for H1 as well I mean for H1 we have done a net retention of about 139% for the last two years, we have done net retention of 120% plus, so we believe it will be anywhere between 20% plus growth from the existing clients that will be there. On top of that we will keep adding the new clients to the portfolio.

Varun Goenka: Just ballpark the kind of tenders we have submitted or the pipeline, would you have any kind of guess estimate as to the size of the pipeline?

Rajdip Gupta: Varun, I think some of the pipeline which we are working on right now, I think they are really big and they have a very huge potential that is what I can share with you all, right now and some of the operator led solution which we are bidding right now and I think those are also very big in terms of firewall contracts in some of the Asian part of the world or may be Latin America so yes in terms of pipeline I think I can only say that there are very huge Fortune 500 companies who are there in our pipeline but right now we cannot share the name but yes we do have a very strong pipeline as of now. Gautam, if you could add?

Gautam Badalia: Sorry just to intervene, to address Dheeresh's point on the number of transactions for the corresponding period in the H1 FY 2020, we have done 14.1 billion transactions in the same period last year.

Moderator: Thank you very much. We will take the next question from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity. Congratulations on a good set of numbers. Sir, I have three questions. One is with regards to your slides talking about clients more than 50 million and more than 10 million so we see addition in terms of FY 2021 also in there, so number one are these new customers which have been added to that side or has it been the existing customers which have scaled up if you could share some details without of course in the clients but if you could share some more details on what has happened over there and typically when we are talking



*Route Mobile Limited
October 28, 2020*

about say FY2021 you have mentioned that three clients are somewhere in the band of more than \$50 million and four clients are in the band of more than \$10 million so I see an addition of one in 15 million bucket and two in the ten million bucket. So, how large this kind of customers can be if you could share some details with regards to this client? That is question number one. Second, is when you are acquiring new customers typically I presume that some of these customers might be already working with some other company, so how does Route approach them or what is the key point or key trends where Route is able to get these new deals or take a customer from some other operator? Third, last one on the contract pricing. If you could share something on how the pricing of each contract is done? Are we into fixed price contract or is it variable depending upon volume and scale and typically when the mobile operators increase their prices, how do we pass it on, does it happen with some lapse or immediate and is it differing on customer side like when you are working with some of the large Fortune 500 global clients, does it differ from some of the smaller clients?

Gautam Badalia:

Fair enough. Thank you, Rahul. I will address the last question first. So, most of our contracts are pass-through contracts and it is all on pay per use. As and when there is an increase in terms of the cost from an MNO we are able to pass it to the enterprises with some notice period, that spans between 7 days to about 30 days, and invariably we have seen clients accepting it more often than not, and in cases where we do not see or receive some reluctance we then stop providing services. These are contractually defined so we can adhere to the contracts and expect the clients to also adhere to the contract which has happened in the past with all clients. Moving to the client bucketing, as I said every year the hunting and the mining work hand-in-hand so, we are having the 15-million bracket so some of those clients would be over 20 million as well. So, there are new client additions to that bucket and existing clients continue to grow that is how the 18 locations or offices that we have most of them have hunters, as I said and then we have a KAM team which is a Key Accounts Management team, a large part of that team is in India. They keep scouting for opportunities within existing clients where they can keep getting higher wallet share. So, that is the genesis of the ramp up with existing clients.

Rahul Jain:

Any of these clients will come say about \$30 million to \$50 million line something in that range?

Rajdip Gupta:

For some of our competitors in US it is even more than that, so the runway is massive. I think as to answer one more question of yours, there is one question about competition. I will give you simple example of what is the advantage of these in global CPaaS player and then a local CPaaS player. Suppose I will just give a real time example of airline company based out of Middle East one of the largest in the world, they were looking out for a vendor who can support them in over 120 countries in terms of termination. So, for them it was very challenging to go to each and every country to have connectivity with each and every vendor in that part of the world. Instead of that they were looking out single vendor like Route Mobile who can provide connectivity for all 120 countries. They have selected Route Mobile and now we are terminating their messages in 120 countries that is the biggest advantage everyone is able for all these large global enterprises and that is why they prefer to work with a global CPaaS like Route Mobile. In terms of the local enterprise I think the biggest disadvantage is they have it like they can provide



*Route Mobile Limited
October 28, 2020*

connectivity only for a particular country and we as a company have that advantage where we are connected with almost 850 operators globally and we bring lots of value for enterprise in terms of seamless connectivity throughout the global market.

Rahul Jain: Just one more small part, we have been very strong on APAC and Middle East region and Africa. So, do we plan to go to the developed countries, or do we plan to go to US and UK in terms of clients over there?

Gautam Badalia: We already have teams based out of SFO right now. We already have teams based of UK and Europe and we are serving Fortune 500 customers based out of US. So yes, we do have a plan to increase our sales strength in terms of people in those parts of world and we are very soon going to hire more people in US and Europe.

Rahul Jain: Thank you so much and all the best.

Moderator: Thank you. Our next question is from the line of Ravi Dharamshi from Value Quest. Please go ahead.

Ravi Dharamshi: Thank you for taking my question and congratulations on great set of numbers and wonderful listing. My question is more on the competitive advantage and risk that the model faces. I think yesterday or day before one of the Telco providers in India announced their entering into the space what we hear and see everywhere is that the space being under attack from various players. Tulia wanting to enter India and Telco providers also wanting to get a piece of the pie so, just want to understand your thought process on how the space is evolving and how we are going to get up to ahead of the curve?

Rajdip Gupta: That is very interesting question. Thank you for asking this question. First of all, I would love to answer this question and in fact that operator has endorsed the entire CPaaS model which we were hopefully talking about some very long time. Now, operators are also endorsing that kind of a model which is very strong. Now, India itself is a billion dollar market as of today and we do see that is going to be a \$2 billion market in just one and half year. So, I think there is competition, there is a growth for everyone in this space and somehow somewhere there is a lots of partnership also required to work as a global CPaaS player we see that as an advantage getting these kind operator coming in the market and they will definitely use my connectivity in the global arena and that I am very happy to have them as one of the new CPaaS entry company as to enter in this space.

Ravi Dharamshi: I am sorry I did not understand, you said you are happy to see them because they will be using your platform?

Rajdip Gupta: The entire global CPaaS model also require lots of partnership like, you talk about the company based out of US if they do not have much of the connectivity option available in Africa or Asia or Middle East they can always grow up with people like us and we do support lots of aggregator base out of West and probably if your company based out of India and they want to have some

kind of connectivity in Africa and Europe or Middle East, I think I see that as an opportunity of growth.

Ravi Dharamshi: What about competing CPaaS player like who have such big developer network and they are also looking to enter Indian geography?

Rajdip Gupta: I love to compete with them Sir. There is a market for everyone and I will not take anybody's name out here but I think almost all the company based out of West they are partnered with Route Mobile and they are very strong partners with Route Mobile as of today and I do see a competition coming to India means that the market is always growing. If it is \$1 billion now it is going to \$2 billion next two year down the line. See, you have to understand one thing very clearly, that mobile adoption and the deceleration is going to be multifold in coming months or years. Right now 35% of the India population has a smart phone access which means that within two years we will have over 70% of this access, which means that more number of digital transactions will be there and everybody who are there in this space and who are going to have a better quality of services and who are going to have better offering to the end user, I think they will win and we are very confident about our offering and platform.

Ravi Dharamshi: Just the last question from my end. On one hand competition is heating up and on the other hand the offering is getting outdated pretty soon and newer and newer things keep emerging, how do we address that, how are we keeping ahead of the curve again over here?

Rajdip Gupta: From me I can talk about Route Mobile, categorically out here there is like being a tech founder it is duty of mine to make sure I innovate every once a year down the line and we as company partner with almost all the global companies to take care of, may be work on RCS we work on Whatsapp, we work on Viber and all the other API channels or all over the IP channels which is available in the market. I think it is more about innovation is going to be the key for future and we as a company we took in innovating and keep offering new channel of communication to our end users or enterprises so that they can have a better user engagement and customer engagement with their end user and that is what the key for us. Innovation is the key for success, and we all need to keep on innovating.

Ravi Dharamshi: Thank you once again. Congratulations and all the best.

Moderator: Thank you. Our next question is from the line of Dixit Mittal from Shubhkam Ventures. Please go ahead.

Dixit Mittal: Sir, firstly my question is on revenue per transaction. We have seen large jump from 32 paisa to 45 paisa. So, is it a function of geography mix or basically offering mix, what has made to this jump in similar translated into per transaction also?

Gautam Badalia: Dixit yes, largely it is because of the geographic mix, international revenues have increased significantly.



*Route Mobile Limited
October 28, 2020*

- Dixit Mittal:** Okay, and if I see the breakup UK has seen large jump, any particular reason for that and if you make that as only lead for this jump, right?
- Gautam Badalia:** As I said UK because most global contracts are signed from UK. So, that is where because of being a global CPaaS company we have benefitted and we find a few global contract as distinct clients are seen a lot of ramp up in the revenues so, all that kind of has translated into higher revenues in UK.
- Dixit Mittal:** When you mentioned that it is a geography mix that has led to higher revenues. So, which geographies are basically more remunerative as compared to existing market?
- Gautam Badalia:** All the emerging markets, I mean that I think you have a slide of that as well we have shown it. When you come for the geographic mix all APAC, MEA and LATAM, we have seen decent amount of growth across all these markets. Dixit just to close a loop on that, I mean some most networks and all increasingly getting firewall and we have such solutions being deployed with operators. So, once you deployed a firewall solution the realizations for that network increases that is where in emerging markets, we are seeing the realizations increasing because of cost of compliance increasing from MNO's front.
- Dixit Mittal:** Okay, and just to understand for us to maintain this pace of growth, so this will be led by increase in revenue per transaction or billable transactions will also see a similar kind of growth?
- Gautam Badalia:** No, billable transactions will also increase, I think Q1 was impacted slightly in terms of the billable transactions from enterprises in India and Middle East as I said in certain sectors. As things normalizes you will see that coming back and we can witness similar those trajectories that you have done historically.
- Dixit Mittal:** My last question is to Mr. Rajdip Ji, Sir just to understand the long-term vision for this company. For example, if we see the current gross margins of around 20% if you compare to global leaders like Twilio and all they are making 55%-60% of gross margins. So, I am assuming that because of the difference in offering that we have. So, any plans for us to move into high margin offerings and what we are doing to add this to our kitty?
- Rajdip Gupta:** There are two way to see. The two synergies we are working right now. One is very clearly to focus more on developed market strategy and we are going to hire more number of people in those markets where we can have a customer with high margin apart from that we are focusing more on new technologies where such as Voice, Viber, RCS and WhatsApp where the margins are much higher than 30% as compared to SMS. So, I think as the product mix will increase in coming quarter-on-quarter we will see much higher margin as well and we are very bullish about our growth story in US and Europe which we are working right now and margins in our US portfolio will definitely increase in next two quarters down the line.
- Dixit Mittal:** You mean to say we have capability to offer those kinds of services just depends demands from customers, right?



*Route Mobile Limited
October 28, 2020*

Rajdip Gupta: Yes, in terms of capability we are serving Fortune 500 customer, I think they are using net platform, so we try to work every boxes in terms of the quality, in terms of platform capabilities and we as global CPaaS player in Asia right now, probably we in terms of platform capabilities there is no doubt about it, what we need is move on board more number of customers to our platform so that we can just start serving them. We already have the connectivity in almost everywhere in the world.

Dixit Mittal: Thank you Sir.

Moderator: Thank you. Our next question is from the line of Anand Gupta from EastSpring Investments. Please go ahead.

Anand Gupta: Rajdip congratulations for good financials. I wanted to request your comments on M&A strategy, what is the progress on M&A so far, if you can talk digital be in made that Rs. 12 Crores M&A and the aspirations in the near terms?

Rajdip Gupta: Thanks Anand. I think it is very good question. In fact as Gautam mentioned and in my initial remark I have also mentioned that inorganic growth it is definitely going to be our key focus area and what we are now looking out in few segments which is the ChatBot base companies and we are already in talks with few companies who are really good in ChatBot platform. Apart from that we are also in talks with some of the marketing automation-based company and apart from that virtual contact centers. So, I think these three segments will add the entire portfolio of communication as combined offering at Route Mobile and this is the major key area for us to focus on and I think we have already identified few companies in that segment in terms of closing those acquisition probably we will take few quarters. But, again we as a company are looking out to have seamless kind of connectivity and communication offering to end user where starting from ChatBot to marketing automation including our API's based offering like SMS, WhatsApp and RCS. In terms of our 365 offering I think these 365 acquisitions we have a complete portfolio of operator offering which includes SMSC, MMSC, Network Monitoring Tools including firewalls. So, now we have everything what operator requires, and we directly compete with company like Bombiva in that place now. So, that is one of the big strategic investments where we wanted to have the entire offering as our product portfolio and with this probably we are now going to contact all the operators where we have a direct partnership with them and we will try to upsell and cross sell these kind of products which we have acquired recently.

Anand Gupta: Thanks. That is helpful. Second and last question is on organic growth. How is the organic growth trend rate and what are your aspirations there?

Rajdip Gupta: Organic growth wise we have always shown a growth over 25% year-on-year basis and probably this year it is looking much stronger than what we have achieved in past and we are always going to overachieve our guidance which we have given to all our investors during the IPO road shows and in fact based on the current numbers which we can envisage as of now we are going to



*Route Mobile Limited
October 28, 2020*

overachieve the guidance apart from that two years down the line or three years down the line if you see organic growth is going to be over 20% to 25% to 30% also, I do not see any problem in that kind of growth.

Anand Gupta: Thanks. Best wishes Rajdip and to the entire Route Mobile Team.

Moderator: Thank you. Our next question is from the line of Pranav Kshatriya from Edelweiss Securities. Please go ahead.

Pranav Kshatriya: Thanks for the opportunity and congratulations on IPO and a good set of numbers. I have a few questions, firstly if you look at the growth that is coming largely on the back of increased realizations what is exactly driving this realizations, is it entirely the mix change or there are some of the geographies has been a direct increase by the operators which is driving this growth?

Rajdip Gupta: I think there is two ways to see that. Gautam maybe you can answer is same question again. But, for me I think there is a lot of, people need to understand more about Route Mobile or firewall offering as well like it is not about Route Mobile does messaging as a solution, we do messaging as one of our offering, apart from that we have RCS, we have WhatsApp, we have rest other offering as well. But, out of that 100% of total bucket of our revenue 14% to 15% comes from the operator solutions, you just think about now operators are going to enhance their entire infrastructure in coming days to give a better communication or have a better communication offering to their end user. In that scenario they would definitely need more infrastructure where they required a firewall to monetize their revenue leakages in their network. So, we do see a potential growth coming from our operator side of the business which really growing big as of today and in coming future also we do envisage that that is going to grow in a very rapid way. Apart from that local, I think Gautam you can answer on the messaging side.

Gautam Badalia: I think you have rightly pointed out, revenue per transaction the increase is there that is because of garnering incremental or increased international business plus for some of the geographies where we are present you have seen also realizations, MNO's also have increased the pricing and that has resulted in higher operating leverage which gets translated into an higher EBITDA per transaction, plus because of the sheer nature of the business in terms of platform the operating leverage kicks in so that is where the EBITDA to gross profit ratio that we were talking about, that has also seen drastic improvement.

Pranav Kshatriya: Can you just break down a bit on the firewall business how much has been the revenue contribution and the growth for that business for the quarter and first half?

Gautam Badalia: In H1 we have done about Rs.38 Crores of revenue from the firewall but, now this is completely a SaaS sort of an offering where we were doing gross margins as high as 55%. So, in terms of margin there will be significant outperformance vis-à-vis some of the historical periods that we have performed. So, in some cases where there was pass-through of revenue to third party with the acquisition of TeleDNA now, we have also plugged back. So, in a way that TeleDNA slum sale acquisition was a backward integration which rendered 365squared with a comprehensive

stack. So, now we own all the IT layers that are required for that stack, so there now it has the potential to even as high as 90% gross margin business.

Pranav Kshatriya: My second question will be on the inorganic, partly it has been answered. Is the focus more on enhancing capability on the existing geographies like Middle East, Africa and Asia? Geographic expansion is more important or the capability/product offering is more important. How does the management think about it?

Rajdip Gupta: It is a mix of both, but product line expansion will definitely be the most important thing right now. So, our internal take is that the future of communication will be culmination of CPaaS with UCaaS so, UCaaS is Unified Communication along with communication platform. So, once both these things can be bundled together the stickiness with client and then you can use all the API's of the CPaaS platform. So, that is where we are looking at in terms of the product line expansion, we are trying to create a very strong and robust platform which will be a culmination of CPaaS and UCaaS and in terms of geography essentially to enter a new geography the rationale would be to get access to clients that is what we are focusing on. But in terms of priority it will be product line expansion followed by geographical expansion.

Pranav Kshatriya: Thank you so much Rajdip from my side and all the very best for your future endeavors. Thank you.

Moderator: Thank you. Our next question is from the line of G. Vivek from GS Investments. Please go ahead.

G. Vivek: Sir first of all congratulations on fantastic set of numbers and really lived up to the expectations. One question I had was regarding, how do we stand versus window and Sinch abroad. Are we exactly in the same business because it is a new sector for us and can we hope for an acquire for the same sort of valuations in time to come and what is the growth rate we expect and what is our USP versus Gupshup and other companies also operating and trying to enter into India and all that? Thank you very much.

Rajdip Gupta: Gautam let me answer this question. When we talk about the global CPaaS players we compete directly with all those companies like Sinch and Twilio and we are partner in certain region as well and Route Mobile is a company founded in India and these companies they have got a advantage of getting startup based out of US and Europe and I think we have the same kind of platform what they have and there is no difference at all. If you talk about Sinch and Route Mobile, we have the same set of offering to our enterprise customers, so there is no question of looking at them as or this what we do achieve in life. But, again we as a company we compete very strongly in various markets like Middle East and Europe also, yes, they are not my aspiration but they are my competition and we definitely want to get into their market in coming days which is like Europe and US which is high margin developed market where we definitely want to. If I give a very simple example, cost per SMS in Africa probably lesser than cost for SMS or any transaction in US or Europe, so in terms of if you see the margin of Sinch probably



*Route Mobile Limited
October 28, 2020*

they are doing 20%-25% in the same range what we do, okay and we do the same number of transactions what they do probably, so this the similarity we have in terms of our platform capability. In terms of their customer base is mainly based out of US and Europe and probably they have a higher margins and higher revenue option available with them. So, in coming months or quarters we are looking out to address those markets very strongly and we would love to hire more number of people or if possible to acquire some company, if possible to acquire some company in that part of the world to have the higher market share in Europe or US.

Gautam Badalia:

Just adding to what Rajdip said, so for most global contracts I mean that kind of bid or we are invited by the Global Enterprises, invariably head into I mean the names that you articulated, in terms of similarity, in terms of portfolio I mean Sinch would be an apples to apples comparison with Route Mobile in terms of the portfolio stage that we have and what Sinch have, the only differentiator is with Twilio or rather Twilio has really excelled on their developer side of the program where they have been able to create a very strong developer community who uses their platform so they have been able to create a really good platform which is being used by developers largely from US, we have also started to focus on the developer side of that equation which launched program called Rapid last year because of COVID, it took a little bit of backseat but that focus is there who would create a similar developer ecosystem in emerging markets where we would open all our APIs for all our developers to focus on their app or web ecosystem, The endeavor will be definitely to create a similar developer program because it will help you utilize your APIs which will lead to a significant ramp up of your margins.

G. Vivek:

Coming to the second part of the question Sir regarding the Gupshup and other things in India and what is our USP mode and opportunity size also?

Rajdip Gupta:

Are you talking about India market or global market?

G. Vivek:

Indian and global both, what is our USP note, opportunity size and of course in India local competitions also there in the form of Gupshup and other people also, so how do we stand?

Rajdip Gupta:

Every country we go, I think we have a local competition as well. If I go to UK, if I go to Middle East or if I go to Dubai every country, we have this kind of competition and we compete with them directly in those market, I think with the advantage we bring on table is our super network which is more than 850 to 900 connectivity out of which 250 operators are direct connectivity connected to our platform apart from that the firewall offering which is very unique and we have already deployed this solutions with one of the Indian operators as well and we are doing lots of revenue monetization for that operator I think we have a unique offering for operator along with enterprise, that is one of the USP we have as compared to any other domestic aggregator, you can name it and I think apart from that where the platform plays a very big role in terms of offering a multiple destination to enterprise customer or OTT players, so we serve multiple OTT players not only for one destination like India means these all OTT players for multiple countries into more than 100, more than 50 countries to all of them, so my revenue was that OTT player is not based only for India market, it is for completely different market global market as well, so I think

that is the biggest difference we bring on table for any OTT player if they are connected to my platform, they can send messages all across the globe as compared to any company based out of India they can only offer Indian community.

- G. Vivek:** Thank you, keep up the good work.
- Moderator:** Thank you. Our next question is from the line of Suraj Navanagar from Prithvi Finmart. Please go ahead.
- Suraj Navanagar:** Good evening and congratulations on the listing and on the very good set of numbers. My question was on the segmental performance that you have given, margins for the India business last quarter was 6% and this quarter it is 1%, so the Dubai it was 7% now it is 3%, why there is so much fluctuation in the margins?
- Rajdip Gupta:** What has happened was there was one large global contract which is one of our largest clients, we had made representations that we wanted that because we serve them in multiple countries and to streamline our operations and reduce the forex cost in terms of trend actions happening on a daily basis or a monthly basis, we made representations that we want the invoicing to be moved to UK because all global companies they prefer to get the invoicing from UK, in Q2 FY2021, this is one contract that moved from India to UK and hence what you see is ramp up in UK profitability vis-à-vis India.
- Suraj Navanagar:** So, going ahead, we can assume that this profitability would sustain in all the geographies right?
- Rajdip Gupta:** That is correct.
- Suraj Navanagar:** Sir how big can this IoT can be an opportunity for us, so if you can throw some light on it?
- Rajdip Gupta:** IoT as per some research, it is almost \$27 billion opportunity and for one of the clients we help them with an IoT solution where they keep checking their servers at regular frequency, whether that is functional to hard bit testing, so IoT in itself can be a massive opportunity, so it is almost \$27 billion opportunity and right now we are only scratching the surface.
- Suraj Navanagar:** Thank you Sir. Thank you very much.
- Moderator:** Thank you. We will take a next question from the line of Jason Soans from Monarch Network. Please go ahead.
- Jason Soans:** Thanks for taking my question Sir. In your presentation, IPO presentation what I refer to, there is a slide where you have mentioned about a grey routes and basically acquisition which is 365squared helps you build up firewall and just mentioned that even your margins are much better by providing firewall services, so this concept is just not very clear to me, could you just explain this to me just to so that clarify this concept basically?



*Route Mobile Limited
October 28, 2020*

- Rajdip Gupta:** Is it better if we can send you the video to because it will take another 10 minutes to 15 minutes to explain the entire grey routes scenario.
- Jason Soans:** Yes, sure and just one more thing, you did say that you would want to focus on developed market such as the US and the Europe, right? And I know this has already been a lot of conversation around this with Twilio and Sinch etc., being well established in those markets, so just wanted to understand when you compete with them in their dominant markets, what can be the differentiation, is it in terms of service, network or in terms of cost?
- Rajdip Gupta:** It is a very good question and thanks a lot for this question. I love to answer this question. First of all, you all need to understand for all the company or the large OTT player based is the largest market in all the emerging countries whether it is Africa, whether it is India or whether it is Asia, the first thing is population more number of digital transaction is possible only for the country who have highly populated, first of all you need to understand that and if you just go to US market and start offering my connectivity in this part of the world, I have a huge potential of that, I do not need to go and directly sell the domestic customer initially in US market, I will start selling the Africa connectivity, I will start selling the Middle East connectivity that is the big and you know if Twilio is making 54% margin on that kind of customer even I sell it 33%, so I have a more opportunity to wage from that market than lose anything from this.
- Jason Soans:** Right, it make a lot of sense, so for example just I am saying so if you take Netflix, they will be more interested in servicing the emerging market customers because we have a lot of young population etc., which is growing, right, makes sense. Thanks, that is all from my side.
- Moderator:** Thank you. Our next question is from the line of Keshav L from Angel Broking. Please go ahead.
- Keshav L:** Thank you for the opportunity. If I see your last three year financials, there is lot of volatility in the bit margins which I am seeing let us say United Kingdom or say Dubai, can you please explain me the reason for so much volatility in the margins and secondly, your margins have quite came down in the last four years to five years although you have delivered what you have said improving margin and that is what delivered in this quarter, is it sustainable or will we see some sort of deterioration in margin also because now COVID is over possibly you might lose a percent of a margin in upcoming quarter?
- Gautam Badalia:** Large part of this margin expansion that you have seen is sustainable and my only request to all of you will be to evaluate the business on a consolidated basis, so we hold 100% shareholding in all the subsidiaries, so it is a function of I mean the clients that we onboard, some clients prefer to get invoice from UK, so we have to enter a contact with that from UK, when it comes to domestic enterprises, I mean domestic enterprises the invoicing happen so we have to set up a local entity and secure the necessary to do the billing there. For that so we have number of subsidiaries in terms of local billing, so when it comes to local enterprises they are built from the local entities and when it comes to global enterprises invariably our endeavour is even from the client perspective they prefer to get the invoicing term from UK, so on a consolidated basis that

is a way to look at it and we have a transfer pricing and there is a charge because heart of the company in terms of control systems and processes is based out of Mumbai, so Indian headquarter revise sort of charge or there is a cost that all the international subsidiaries pays to India in terms of the services that they avail, all this is done at arm's length.

- Keshav L:** It is quite an interesting model and the kind of growth you have delivered is like on quarter-on-quarter growth is what we look at a company like yours but if I compare the revenue growth of Q2 FY2020 compared to Q1 FY2020 surprisingly in Q2 FY2020, there was a growth in compared to quarter-on-quarter like 12% to 13%, so what is the reason for that?
- Gautam Badalia:** Quarter-on-quarter 12%-13% is very good.
- Keshav L:** I am saying in Q1 FY2020, there was degrowth of 10% to 12%?
- Gautam Badalia:** No. You are asking quarter-on-quarter or Y-O-Y basis?
- Keshav L:** Quarter-on-quarter I am talking because I have your H1 FY2020 numbers and I got your Q2 FY2020 numbers, so accordingly I computed Q1 FY2020 number, so your Q1 FY2020 revenue is 230 Crores and Q2 FY2020 revenue is 200 Crores, so you got my point? In Q2 FY2020 your revenue is less compared to Q1 FY2020?
- Rajdip Gupta:** Can you just refer that PPT file Gautam?
- Gautam Badalia:** I do not think we have it in this, I think you have culled it some other source right from our DHRP?
- Keshav L:** No, what I have done I have got your first half number and Q2 number.
- Gautam Badalia:** I get the context, so in FY2019, so you are looking at FY2019 versus FY2020 right?
- Keshav L:** I am looking at the number of Q1 FY2020 and Q2 FY2020.
- Gautam Badalia:** Q2 usually is the worst quarter out of the four quarters because the entire world goes on vacation, so your Europe going on vacation, US going on vacation, so in terms of our portfolio Q3 and Q4 are the best quarters, Q1 is better than Q2 that is how it always pans out.
- Keshav L:** I thought there is no seasonality in the business, okay.
- Gautam Badalia:** Last two quarters versus H1 is almost 55 to 45, so that is the kind of split between H1 and H2.
- Keshav L:** One last question from my side, what is the revenue of TeleDNA in this quarter?
- Gautam Badalia:** 2.7 Crores.



Route Mobile Limited
October 28, 2020

- Keshav L:** Thank you. That is it.
- Moderator:** Thank you. Our next question is from the line of Amit Mishra, an individual investor. Please go ahead.
- Amit Mishra:** Congratulation on good set of numbers. Most of my questions already answered just wanted to hear more about competition in India. I was always also there in the pre-IPO investor conference, I remember that you advised that there is no invest companies as a competitor and in my view there is we have some solutions which I think operates in your segment, so can you just throw some light on?
- Rajdip Gupta:** Thank you for asking this question. I definitely will answer your question. So first of all as I said every market will go, every country we go, we will definitely have a one local competition to that. I gave you example of one of the largest airline companies that we are serving in Middle East and we have been selected by that company because we are able to deliver their messages in more 100 countries, at the same time we serve all the OTT players not for only India but we serve this OTT players all across the globe and we have a customer starting from US to New Zealand and the Ukraine to South Africa, so that is the kind of base we have, so when you talk about local competition, listed all the subsidiaries when we talk about a global CPaaS player, if you prefer the Gartner report, if you refer the Juniper report or if you refer the ROCCO report all these reports are easily available over the Internet and you can just see the global CPaaS player landscape over there and you will come to know who are the actual large players.
- Amit Mishra:** You mean that global CPaaS player?
- Rajdip Gupta:** Route Mobile is indeed as global CPaaS player and we have been now featured in all most all the reports by for Juniper or Gartner or ROCCO, I think you have to refer those and just find out, who are the global players.
- Amit Mishra:** I understand but the context was not clear earlier in the presentation.
- Rajdip Gupta:** I hope I am able to answer your question and this context has been cleared by various other investors also, so I think thank you for asking this question.
- Moderator:** Thank you. Our next question is from the line of Siddharth Malhotra, an individual investor. Please go ahead.
- Siddharth Malhotra:** Firstly congratulations on a good set of numbers and thank you for living up your promise. Going forward, these are still early days but do you think you are looking at the growth guidance that you see upped it a little bit?
- Rajdip Gupta:** You are breaking Siddharth we are unable to hear you.

- Moderator:** It looks like his line is disconnected, we will wait for him to rejoin, in the meanwhile, we will move to our next question that is from the line of Sunil Jain from Nirmal Bang. Please go ahead.
- Sunil Jain:** Good evening Sir and congratulations for good numbers. I got two questions, one is can you share your percentage of revenue from US or Europe market and second question is more of a like you have said that H1 has number of transactions 15 billion, so can you split it into Q1 and Q2 if that is possible for you?
- Rajdip Gupta:** I think we just answer your question in a way besides way I would say that about 85% of our revenue comes in US dollar or foreign currency and I think around 15% is Indian INR currency, if I am not wrong, correct me Gautam if I am wrong.
- Gautam Badalia:** 14% was INR billing and 86% was foreign currency billing.
- Sunil Jain:** My question was not related to the currency part of it, I was looking more from you had said that your strategy will be now going forward to expand in the developed market like Europe and US and you are aggressively trying for that, so I would like to know what is the base right now how much revenue you are getting from the US customer or Europe customer?
- Rajdip Gupta:** On my initial remarks I think I have already said that we are serving almost 9 out of 20 talk time brands of US and they may direct customer, so more than 30% of revenue do comes on US of now.
- Sunil Jain:** US clients?
- Rajdip Gupta:** Yes.
- Sunil Jain:** Okay, second question if possible split up?
- Gautam Badalia:** Q1 the volumes were 6.95 billion and Q2 it was 7.8 billion.
- Rajdip Gupta:** I just wanted to add something to this like so when you talk about their number of transactions, I think do not compare Route Mobile with an amount of transaction we do, I will tell you simple example of Bangladesh where we are an exclusive partner with one of the operator over there and we charged for SMS Rs. 6, so if we talk about 10 paisa SMS as compared to the Rs. 6 one SMS and you can say how many SMSs we can buy in Rs. 6 in India, so I think when you talk about our revenue, it is not about the how much billable transaction to more about what country and what price we sell. If you go to Nigeria market for international traffic, we charge almost Rs. 2.5 per SMS.
- Sunil Jain:** Okay, when you go into US market, it will still be higher than that?
- Rajdip Gupta:** Yes, it is Rs. 3 to Rs. 4 per transaction.

- Sunil Jain:** I got it. Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Deepak Mehta from Mehta Associates. Please go ahead.
- Deepak Mehta:** Good evening and thank you for taking my question and good set of numbers. My question is around the for new RFQ, so if you do not mind, can you please answer what is the success rate for new RFQ or new deals for our company bringing success rate?
- Gautam Badalia:** RFQs I think recently also we have one few RFQs , I do not know how to answer that, so if you can give little more specific what is that you are looking at, so we have one on RFQ basis, not only in India but even outside India?
- Deepak Mehta:** So, suppose in a year our company participate in 100 RFQ, so what is the success rate for winning debt RFQs or deals?
- Gautam Badalia:** We can touch base on this separately. I do not have this data offhand.
- Deepak Mehta:** My next and last question is around the competition, so we are also into chat and chat platform and all, how you see the Haptik as a competition which is owned by Reliance so they have huge capital brand, I think tech backing up?
- Gautam Badalia:** The scope or opportunity is massive, I mean every enterprise you go and any vertical within that enterprise again every vertical is an enterprise has a requirement, so the opportunity is massive, it is just that you are able to go, provide solutions to enterprise, create the chat body ecosystem and then couple with that contact centre at the back end that kind of seals the deal for you, so pretty much, I mean opportunity is massive I can just tell you that and as I said despite the lockdown, we have been able to win 47 clients on the new edge messaging piece.
- Deepak Mehta:** So, these 46 clients from across the globe, right?
- Gautam Badalia:** Yes, so these across the globe.
- Deepak Mehta:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to Mr. Manik Taneja for closing comments. Over to you Sir!
- Manik Taneja:** Thank you to the leadership team at Route Mobile for providing us an opportunity to host you for the results concall. Thank you once again.
- Rajdip Gupta:** Thanks, Manik, thank you everyone.
- Gautam Badalia:** Thank you.



*Route Mobile Limited
October 28, 2020*

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