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CIN No: L72900MH2004PLC146323

Ref No: RML/2025-26/581

Date: May 14, 2025

To,

BSE Limited
Scrip Code: 543228

National Stock Exchange of India Limited
Symbol: ROUTE

Dear Sir/Madam,

Sub: Transcript of the earnings conference call for the quarter and year ended March 31, 2025

We are enclosing herewith copy of the transcript of the Company's Q4 FY25 earnings conference call dated Thursday, May 8, 2025.

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

https://routemobile.com/compliance/2025/Route-Mobile-Ltd-Q4-FY25-Earnings-Call-Transcript.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Further, please note that no unpublished price sensitive information was shared/discussed by the Company during the said earnings call.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: 2025.05.14 16:01:13 +05'30'

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

Route Mobile Limited
Q4 & FY25 Results Conference Call
May 08th 2025

Management:

1. Mr. Rajdipkumar Gupta – Managing Director
2. Mr. Gautam Badalia – Chief Executive Officer
3. Mr. Raj Gill – Group Chief Financial Officer
4. Mr. Vinay Binyala – Chief Strategy Officer

Route Mobile Limited
Q4 & FY25 Results Conference Call
May 08th 2025

Moderator: Good evening, ladies and gentlemen, my name is Yusuf, moderator for this conference. Welcome to the conference call of Route Mobile Limited arranged by Concept Investor Relations to discuss its Q4 and FY25 Results.

We have with us today, Mr. Rajdipkumar Gupta – Managing Director, Mr. Gautam Badalia – Chief Executive Officer, Mr. Raj Gill – Group Chief Financial Officer and Mr. Vinay Binyala – Chief Strategy 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 '0' on your telephone keypad.

Before we begin, I would like to remind you that some of the statement made in today's earnings call may be forward looking in nature and may involve uncertain risks and uncertainties. Kindly refer to Slide #number 2 for the presentation for the detailed disclaimer. Please note this conference is recorded.

I now hand the conference over to Mr. Gautam Badalia, Chief Executive Officer. Thank you and over to you, sir.

Gautam Badalia: Good afternoon, everyone and hope all of you are doing fine. I am pleased to report that Route Mobile has delivered exceptional performance this quarter achieving industry leading revenue growth of 15.5% year-on-year despite significant headwinds in the CPaaS sector.

The communications industry is undergoing substantial structural changes primarily driven by trust concerns around artificially generated traffic. These shifts have prompted enterprises and OTTs to explore alternate communication technologies and reconsider their go-to-market approaches. While these changes have presented challenges across the CPaaS ecosystem and eliminated weaker competitors, they create strategic opportunities for established globally diversified players like Route Mobile. As part of the Proximus Global umbrella, we are uniquely positioned to transform this market challenges into growth opportunities.

I will now share some of the key developments in Q4 FY25. We launched a new AI powered SMS spam and fraud protection solution under 365squared which is called 365squared guard.

We have been awarded as the Platinum winner for Conversational Commerce Solutions innovation at the Telco Innovation Award 2025 by Juniper Research, honored with two prestigious Exchange for Media awards for Demand Generation Vendor/User of the Year and Best use of Martech in Travel, Hospitality and Leisure.

We anticipate several advances in digital identity and telco APIs for the upcoming year and we are confident in our ability to lead these trends. Given the global uncertainties surrounding traffic regimes that could substantially impact enterprise and OTT communication spending, we have decided against providing specific guidance for FY25-26. However, I want to assure all stakeholders that Route Mobile remains committed to outperforming industry growth rates while implementing enhanced cost efficiencies to drive stronger profitability in this uncertain environment.

In Q4 FY25, we accelerated our synergy initiatives with the group, while our primary focus was on COGS, the cost of goods sold synergies, which temporarily diluted our direct margins or gross profit. We are confident in our ability to capitalize on high margin cross-sell opportunities in FY26. These strategic initiatives should significantly improve Route Mobile's direct margin profile moving forward.

Our operating cost increased notably in FY25 due to strategic integrations with Proximus Group including investments in more robust systems and processes, one-time incentives, and competitive compensation packages to retain top talent. Looking ahead, we are implementing targeted efficiency measures, including AI-powered automation of internal processes, which will drive our cost optimization strategy. Regarding the exceptional item for an MNO contract, we have delivered over $100 million in annual value with strong ROI for Route Mobile, even after accounting for the exceptional charge. This charge was triggered in Q4 when a major global technology company began phasing out one of their key platforms while shifting to alternate channels for authenticator and notification service. Despite not meeting our FY25 guidance for revenue growth and EBITDA margin, we have excelled in free cash generation, achieving a remarkable 114% EBITDA to cash conversion. This success stems from enhanced working capital management and our strategic decision to pursue only such MNO deals where we have compelling business cases and appropriate contractual protections.

Our new product initiatives have continued to thrive, demonstrating an impressive 38% year-on-year growth in FY25. While WhatsApp business messaging margins were affected by Meta's pricing and incentives adjustments during the year, our product innovation remains strong. In recognition of our solid performance, our board has recommended a final dividend of Rs. 2 per share, bringing the full-year dividend to Rs. 11 per share, which exceeds our guidance that we had doled out previously. From a capital allocation standpoint, we will continue to scout for bolt-on acquisitions to enhance the capabilities of the platform, and we shall continue to maintain our dividend payout ratio of 20% of the annualised PAT.

I will now hand over the call to Raj, followed by Vinay, who will walk us through the key financial highlights and performance indicators. Over to you, Raj.

Raj Gill: Thank you, Gautam, and good evening, everybody. I will quickly summarize our financial performance during Q4 FY25 and for the full year. Before handing over to Vinay.

Starting with Q4:

Our Q4 revenue from operations grew by 15.5% year-on-year, slightly declining 0.7% sequentially to 11,750 million INR. Gross profit margin was 19.3%, as compared to 21.8% in Q4 last year and 21.1% in the previous quarter. EBITDA for Q4 decreased by 2.8% year-on-year and 6.1% sequentially to 1,219 million INR. The EBITDA margin contracted from 12.3% in Q4 prior year and 11% in the previous quarter to 10.4% in the current quarter. Profit after tax was 850 million INR, which is down 8.9% year-on-year, and PAT margin declined from 9.2% in the previous year to 7.2% in Q4, which is in line with the previous quarter.

Now turning to the full year:

Revenue from operations grew 13.7% from 40,233 million INR in the previous year to 45,756 million INR in FY25. Gross profit margin decreased to 20.8% in FY25 versus 21.4% in the previous year. EBITDA grew by 3.3% to 5,278 million INR in FY25, with EBITDA margin at 11.5% versus 12.7% in the prior year. Profit after tax adjusted for exceptional items is lower by 5.3% year-on-year to 3,524 million INR, with a PAT margin of 7.7%.

Cash and cash equivalents stood at 13,327 million INR, and net cash was 8,918 million INR as at March 31st, which are both significantly higher than the prior year. Day sales outstanding average over the year was 80 days, in line with the previous year. However, as at March 31st, DSO was 74 compared to 97 in the same period last year, with DPO at 68 days compared to 66 in the prior year, all contributing to a very strong cash flow conversion of 114% in FY25.

I will now hand over to Vinay, who will provide some more color to our operational performance.

Vinay Binyala: Thank you, Raj. Good evening, everyone. Adding to the updates shared by Gautam and the financial highlights presented by Raj, I will run through the key business performance indicators for Q4 FY25 and full year'25.

Despite the material shifts and headwinds in the CPaaS market, as referenced by Gautam, we have successfully delivered industry-leading yoy revenue growth of 13.7% in the year FY25. Revenue from operations, as Raj highlighted, grew from Rs. 40,233 million in FY24 to Rs. 45,756 million in FY25.

In addition, we have delivered 38% growth in new product revenues in FY25, which reflects our platform's expanded capability in terms of addressing communication requirements of enterprises across various channels, not only in A2P SMS, but across IP-based messaging, such as WhatsApp, RCS, etc., and email.

To discuss some of the key business metrics:

In volume terms, we processed 156 billion billable transactions in FY25. We processed 39.3 billion billable transactions in Q4 FY25 versus 38.9 billion in Q3 FY25 and 34 billion in Q4 FY24. Average realization per billable transaction marginally decreased from 31.9 paise in FY24 to 29.4 paise in FY25, primarily due to the change in traffic mix. In FY25, we reported net revenue retention of 107% with 90% recurring revenue. You may refer Slide #11 of the earnings presentation for details.

In terms of geography mix:

India continues to be our largest market by termination, accounting for 50% of our revenue by termination. Slide #9 presents additional details on other geographies.

Revenue contribution from Tier-1 CPaaS partners increased from 10% of total revenue in FY24 to 19% of total revenue in FY25, primarily from low margin COGS synergies resulting from related party transactions. Slide #9 presents our contribution from other verticals in the investor presentation.

In terms of human resources, we onboarded 53 new professionals and 29 employees decided to move on during the quarter gone by. This is a quick summary of the quarter and year gone by.

Thank you, and with that, we can open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: I just wanted to ask, this year, we are not able to make the guidance. So, what are further stands on that and what the guidance we wanted to give to shareholders and investors? And apart from this volume side, we have seen growth in India in this quarter. But overall, if we see overseas and other regions, still we are in degrowth. So, if you can guide.

Gautam Badalia: Thanks, Jyoti. I will take the second question first. So, I think you are right. I think in the domestic volumes in India, I think we have seen a significant ramp-up. We have witnessed a little bit of a challenge in terms of the ILD volumes. Largely, as I said, I think during the commentary as well, I think some of the customers, I mean one of the large technology customers, they phased out one of their core platforms and then they've also kind of moved to alternate channels. So that led to a little bit of an impact in terms of the ILD volumes. And from a rest of the world standpoint, the volumes have been flattish, so to say, on a quarter-on-quarter basis.

Coming to the guidance:

I think considering a lot of uncertainties around, we decided, I mean, last year I think was kind of a miss from a revenue and EBITDA margin guidance standpoint. I think we wanted to kind of first focus on some of the integration efforts that we are doing with Proximus and then see to it that the cross-sell synergy starts to fructify before we really call out some of the numbers from a forward-looking standpoint. But as I have highlighted, I think during the commentary as well, we will continue to kind of focus on driving industry-leading growth and also work towards some of the cost efficiencies so that we can drive that growth with some operating leverage as well.

Jyoti Singh: Just wanted to understand how the integration is going on with the Proximus. And also, you know, channel shift is going on overall industry. So, if you can guide us when we are seeing the better visibility in this sector.

Gautam Badalia: You are absolutely right. The integration efforts with Proximus, I think it is going in full swing. And I think last year what we were able to tap into was largely the cost of goods synergy, I mean, which essentially is the low-hanging fruit. We were able to identify routes which are beneficial and thereby garner the traffic from the group**.** That, I think, was the easier of the lot. I think we have done adequate enough and more training within the group now on cross-pollinating each other's products, which we can then kind of tap into our respective customers. We are very, very optimistic that we will start to kind of ring the right bells from a cross-selling standpoint in this financial year. And that will really kind of drive some margin, the direct margin kind of improvement for the year.

In terms of some of the structural changes that is happening across the industry right now and which the industry is trying to grapple with. The good thing is it is leading to the wheeling out of a lot of weaker players, so to say. And today, most of the large global enterprises prefer working with large, established players where they can kind of have high reliability and credibility in their relationship. And that is where I think as Proximus Global, as Route Mobile, we stand a fair chance.

In the past, I think we have won a few large deals. Unfortunately, some of them were not kind of contributing meaningfully during the year gone by. But some of those strategic partnerships that we have won, in FY26 you will see some meaningful kind of contribution from some of those strategic partnership deals that we have won.

And just a last point on that, I think the world will also gradually kind of move. This AIT is a big, big kind of a nuisance value in the industry and which has really caused a lot of trust issues with large enterprise. The largest e-commerce companies of the world, they have called it out explicitly in some of their statements as well. So, I think we will have to kind of graduate to some of the more advanced technologies like network APIs. We are already working on the Telco API stack. So, some of these investments into the futuristic technologies, I think, will be very important. And as we speak, I think we are testing some of these things with some of the large enterprises. Once we are able to garner some success on that, we can really have a first mover advantage on that.

Moderator: Next question is from the line of Swapnil Potdukhe from JM Financial Limited. Please go ahead.

Swapnil Potdukhe: Gautam, I would like to understand what kind of revenue contribution currently we have from Telesign or, broadly speaking, cross-sale revenues from Proximus?

Gautam Badalia: For the quarter gone by, the revenue contribution from Telesign was close to 14%.

Swapnil Potdukhe: And any incremental cross-sale from Proximus or, like, we are still yet to get?

Gautam Badalia: Not really. The synergies that we have been able to kind of tap into right now largely is around the cost of goods sold. Some of the cross-sale initiatives, we have seen some good progress in terms of pitch to clients, in terms of some advanced level of discussions, but nothing is fructified in terms of numbers yet.

Rajdipkumar Gupta: I think you need to also understand that there are certain discussions, let us talk about BICS as a part of Proximus Global. So, Route Mobile and BICS, I think, are jointly working on certain solutions, especially on the 365 Guard and our firewall solution. Being BICS has more reach, especially in the operating ecosystem, and we are definitely going to leverage on that relationship what BICS has, and I think we are already in discussion with multiple operators about our firewall solution as well as the new spam filter which we have built. Apart from that, I think the world is moving towards RCS also, and we are definitely looking out a platform play in this. And since we have deployed our RCS platform with Robi Axiata, which is live last one year, and we would love to take this entire stack to the operators all across the globe where BICS has a huge presence, and I think that is exactly where we are looking out the RCS platform play a big way. We are already in talks with multiple operators for this solution, and we believe in this particular year we will have a few good operators who are going to be onboarded with our RCS platform as well, plus, the spam filter.

Swapnil Potdukhe: Got it. And in the opening remark, there was a mention of some impact on the gross margin because of the related-party business. I am presuming this is Telesign. I just wanted to get a sense as to what kind of a gross margin are we getting in the Telesign business and ex of Telesign currently?

Gautam Badalia: We have kind of highlighted in the past, it should blend around our EBIT margin levels, but considering some of the cross-sell synergies did not fructify, so effectively the dilution was a little more than the EBIT margin.

Swapnil Potdukhe: But as revenue from our related parties increases going forward, how should we think about your gross margins? Is 19% the new norm?

Rajdipkumar Gupta: Gautam, let me just answer the first part, then maybe we can add the second part. So, I think Swapnil, you need to understand the two parts, which is the pure messaging piece and then the platform play when we talk about the platform play, whether it is a 365-spam filter or RCS platform or a CPaaS in-a-box solution with operators, we are looking definitely at a high margin game over there. And that is the one play which we would love to play along with BICS for the long term. And I think we believe in the coming future these margins are definitely going to be much higher than SOS margins.

Gautam Badalia: Swapnil, just to answer your query, right now what we have been able to tap into is largely the cost of goods sold synergy and which from a maturity standpoint, I think we've kind of fully kind of reached nearly the maximum. I think that we could have reached while we will still be scouting for more there, but we believe at this point in time, we are nearly there in terms of that. As I said, I mean, these are relatively at a lower and lower margin levels. And then as Rajdip alluded, that most of the other cost of synergies that we are talking about are at a significantly higher margin. So going forward, we should not see the direct margins to kind of get further diluted. And in fact, we believe, I mean, it should meaningfully improve from here and should steady around, I mean, our last few quarters historical levels.

Swapnil Potdukhe: Is that short-term guidance or medium-term guidance, Rajdip? I mean, I am just trying to understand, like, will there be a few quarters where we will be in this current range and gradually there will be an improvement? Or you are suggesting that 1Q FY26 onwards itself, we will have a recovery on our gross margins?

Gautam Badalia: As the cross-sell synergy starts to ramp up, Swapnil, you will see that improvement coming through. I mean whenever we start to kind of start hitting those cross-sell numbers you will see meaningful improvement coming through. We anticipate in the next few quarters, we will definitely see meaningful improvement there.

Swapnil Potdukhe: There is another question with respect to the write-off that you had in one of the MNOs. I just wanted to get a clarification. Is this related to Vodafone first and secondly can you explain why you had to take a write-off on the receivable side? What were the circumstances because there is also a mention of non-fulfilment of short-term contracts? I mean, there are multiple things mentioned there, but better clarity would be appreciated on this.

Gautam Badalia: I will not call out the name of the party due to confidentiality kind of aspects. But I think we have generated more than $100 million of value, annual value, to that MNO. We had about a 28 crore higher target than what we've kind of delivered. And that largely, that 28 crores shortfall was around a large global technology company. First of all, phasing out one of their platforms. And then the second thing was essentially on they were moving to some of the alternate channels for communication. So that led to a tad bit of an impact on the ILD volumes for Q4, which had an impact in terms of the overall commitment that we had with the MNO. Essentially that gap was kind of captured as part of an exceptional charge to the P&L. But notwithstanding that even if we adjust for that charge, I think from an ROI standpoint, we would have generated more than mid-teen, close to mid-teen kind of $15 odd million plus kind of ROI on that deal.

Swapnil Potdukhe: But Gautam, as I understand this would be airtight contracts, I would presume that you would have with the MNO. It still does not answer why exactly would any established MNO would want to not pay you according to the terms of the contract?

Gautam Badalia: No, no, no. It is, so we had an annual commitment with that MNO and by virtue of which we have exclusivity on the network. We were able to deliver, as I said, over $100 million. We were short by about Rs. 28 crores there. So as part of the contract, that Rs. 28 crores was kind of an impact that we had to take on our P&L. But as I said, I think from an ROI standpoint, we have generated, we would definitely have loved to kind of fulfil the commitment, had this ILDO impact not kind of fructified in Q4, which unfortunately was kind of out of our control. But having said that, I think overall as part of this deal, I think we have made a decent ROI for the business.

Swapnil Potdukhe: Just a last one on your balance sheet side. We have seen our borrowings almost double from around RS. 200 crores to Rs. 450 crores. Since we are also generating decent FCFF, why exactly are our borrowings rising and that too in a meaningful manner, even if it is, let us say, working capital related borrowing, but still the quantum seems to be quite huge now?

Gautam Badalia: This was taken kind of only for a six-month period. Essentially again, at the backdrop of a contract where we had to kind of make the payment to a supplier. And it would have entailed a lot of cash pooling. So, we have kind of created a security in India. And then through some treasury, we have some positive carry in terms of the cash deposits that we have. So, from that perspective this loan will get retired in the next 2-3 months' time. So, per se, as you rightly said, we have close to over Rs. 850 crores of cash, net cash from the books. So, some of these loans will be retiring over the next few months.

Moderator: Thank you. Next question is from the line of Dipesh from Emkay Global. Please proceed.

Dipesh Mehta: A couple of questions. First about the synergy benefit you indicated. How do you expect this platform or led synergy to play out? My understanding, you indicated about messaging synergy largely played out, platform is which yet to play out. If you can provide some context, how you expect it to scale up, and what are the markers, let us say, which you try to track in terms of whether progress is up to the mark or not?

Question two is about the cash balance. What would be our net cash balance at the end of FY25? And let us say, when we are generating very healthy cash flow, why we still stick to 20% kind of payout? So, if you can just give some thought process about how you would intend to utilize cash, what we are generating, and what is there on the balance sheet, apart from M&A, and M&A, which would be the focus area, let us say, where we intend to invest in the business.

Rajdipkumar Gupta: Dipesh, I think, is a very good question. In fact, there are many firewall deals which we are working with BICS right now. And BICS is front-ending some of these deals, especially in Africa and Latin America, certain markets. And we believe these deals to be closed very soon, and there are certain deals which we are going to announce very soon as well.

In terms of platform play, especially on RCS platform, which is definitely a big need for many operators globally, and most of the operators are looking forward to have this platform. And our relationship with operators because of BICS is now, I think, the largest as compared to any CPaaS player in this world right now. And probably we are leveraging each and every single contract, touchpoints of BICS. In fact, we are doing lots of workshops with operators, which we have started from last three months. These workshops are playing really well in our favor because when we go and meet operators, we are not just talking about BICS solution, but we talk about Route Mobile solution, and especially the CPaaS piece which we have and the firewall piece which we have. I think jointly we have got very good feedback from operators, and I think we are definitely going to have multiple workshops with Asian operators also where RCS is still at a very early stage, apart from India, if you say. And the kind of connects we have in Asian market and African market through BICS, I think these things are already in talk, and we probably have a few decent discussions which we will announce very soon.

Yes, Gautam.

Gautam Badalia: Yes Dipesh, on the cash bit, we have continued to maintain kind of the guidance and of doling out 20% of the annualized PAT. Besides that, we can also look at returning any excess cash to the shareholders through some corporate actions. Besides that, as we speak, we are working on a few small bolt-in, bolt-on kind of opportunities which can really help us have greater capabilities in terms of the platform. I mean, it could be things around CPaaS, powered by AI. Some of those areas we are really kind of looking at a few opportunities at this point in time.

Rajdipkumar Gupta: One more point, Dipesh, just to add, I think travel SIM is a big market right now. We as a group have a brilliant solution through BICS travel SIM and we would love to lead this travel SIM solution for the operators, especially where Route Mobile has a good connect right now. In fact, we have reached out to a few of operators in our part of the world and I think they have shown a great interest in our travel SIM solution also.

Dipesh Mehta: Understood. Just on the follow-up on those BICS-related firewall, whether the margin profile of that would be like what we make in related party transaction, or it would be organic route kind of margin profile?

Rajdipkumar Gupta: I have already shared that the margin on the platform play, and the firewall is much, much higher than the messaging side of the business.

Dipesh Mehta: So that we will retain, right? It would not be the…

Gautam Badalia: Dipesh, we will have the software margins there.

Dipesh Mehta: So sorry. Okay. So, we will have a higher margin in that side. And I think you have provided net cash at the end of fiscal 25. If you can give that number, what was the number?

Gautam Badalia: Net cash was 8,918 million INR.

Dipesh Mehta: So that is fairly, let us say, Rs. 800 odd crores is fairly large number. And considering our CAPEX requirement is fairly low annually, do you think this kind of cash balance is what we intend to retain and accrue over a period of time? Because 20% payout seems to be very low considering the kind of case we generated in fiscal 25.

Gautam Badalia: Well, it is a fair kind of an observation, Dipesh. I think we are in the midst of a review, I mean, some are review, I mean, at the group level. And as I said, I mean, some of the excess that we have, we will definitely want to return it back to the shareholders through, I mean, certain corporate actions. So, we will come back to you at an opportune time. But as I mentioned, I think some of these things are at a drawing board right now. And we will come back once we have something more concrete.

Dipesh Mehta: And the last question on related to platform versus messaging. Let us say you indicated the related party transaction is roughly 14% of revenue in Quarter 4. Considering, I presume, right now platform play is practically insignificant. If one would want to look at 3-year out, what kind of mix you expect between messaging and platform play in our related party revenue mix?

Rajdipkumar Gupta: Dipesh, I think the platform play, as I said, you know, like it is a long sale cycle. And definitely we do not want to give any guidance on that. But I can just assure to the investors that we are definitely going towards a very different kind of direct margin game right now with BICS right now. Gautam, if you want to add anything to this?

Gautam Badalia: No, fairly put. And, Dipesh, at this point in time, we do not want to call that out. But I mean, we would want some successes to kind of come through and then kind of give some contextual guidance on that.

Dipesh Mehta: Fair point, thank you.

Moderator: Next question is from the line of Prasad Padala from SBI Mutual Fund. Please go ahead.

Prasad Padala: Hi, everyone. Gautam, if I look at your EBITDA margin, so from last quarter Q4 FY24, it was almost like 12.3. So, this quarter, it has fallen almost like 200 bps from there. So, one, I understand maybe at a gross profit level, you might have a lower gross profit for the related party messages. But at an EBITDA level, conceptually, there should not be any gap, right? So, if you can actually clarify, first, what is the impact because of the related party messages? So, that would be helpful.

Gautam Badalia: Essentially, what has actually transpired at the operating overheads level, I think we have been able to kind of capture some efficiency. So, there was some benefit that we were able to kind of drive vis-a-vis Q3. But I think the weakness that you see in EBITDA margin largely is flowing from the DM impact which is, to a large extent, contributed because of the lower margin COGS synergies with the group.

Prasad Padala: I do not understand. Because, let us see, even if you assume 0% margin from those related party messages, right, because of 14%, let us say, even if you take 0%, the impact maximum should be 140 bps. So, there is an impact outside of that also, right? And for example, I see that your employee expenses have gone up by 17% while your gross profit is almost flattish.

Gautam Badalia: You are talking about the full year, Prasad, you are talking only for the quarter.

Prasad Padala: No, I am just talking about. Then I am also talking about only quarter. So, I think maybe it will be helpful if you can actually clarify on the related party absolute margins on gross margins and EBITDA margins. I think that would be very helpful for the investors.

Gautam Badalia: Yes, sure, Prasad. So, I think what I see on the numbers right on the operating overheads, vis-a-vis the previous quarter there is a drop. Right in absolute numbers, I think what is kind of impacting the EBITDA is largely showing from DM and that is largely to a large extent attributable to the related party transactions which today I mean so for all practical purposes the cost of goods sold synergies, I mean the essentially the route optimization that we have been able to provide to the group. That is happening at arm's length, which has been kind of approved by one of the big four and as I said, I mean it is at a tad lesser than the EBIT margin for the company. So which is what is causing the impact.

Prasad Padala: Got it. Okay. I mean, if it is just a tad lesser, I am just wondering why there is a 200 Bips drop in the EBITDA margin you did not hear, that is the only question I am asking.

Gautam Badalia: Year-on-year. You are talking about it year-on-year or Q-on-Q.

Prasad Padala: No, year-on-year I am talking.

Gautam Badalia: Year-on-year, you were right. Okay. So, now I got the context. So, year-on-year, if you were to look at the numbers, I think the cost base for the company has increased. I mean from what it was a year back and there has been a significant increase in the cost base and Prasad I mean that is what I wanted to call out in the commentary as well, I think as management team, we are committed to optimize a lot of those cost. I mean some of these cost base recalibration happened during the course of last year owing to the closure of the M&A deal and then the integration efforts and stuff. So some of them were kind to front loaded as we speak right now. I think the management and that is also been a guidance by the board to work on cost optimization and as management teams we are committed to drive some of those initiatives by kind of focusing on automations powered by AI in the ecosystem and also focusing on kind of removing the redundant layer within the company.

Prasad Padala: Got it. Thanks.

Moderator: The next question is from the line of Anmol Mittal from SMC Private Wealth. Please go ahead.

Anmol Mittal: Sir, as you quoted, there are few large deals which will contribute in sales of the company in coming future. So what is the margin from there we can expect? And the second question is there as you mentioned about the 365guard - the new digital platform and there are many initiatives the company had taken till now regarding spam and fraud control solution. So as this segment looks very lucrative from the initial view, what is the expected amount of contribution and sales and profits come from here in future it is superior margin business for us.

Rajdipkumar Gupta: I have already mentioned that there are lots of synergies and there are lots of discussion going on right now with the various operators and enterprise along with BICS and we are in a very early stage to give any kind of guidance. But we are very much sure that the direct margin is going to be much higher than what we make on over messaging right now. That is the only thing I can share with you right now.

Anmol Mittal: And what about the fraud and spam control solution?

Rajdipkumar Gupta: So, I think it is a great thing to have this solution in built in house and we as a company have deployed this solution with operator in Asia and we do see this is a very basic requirement is going to be with multiple operators because of the kind of digital fraud happening all across the globe and we do see this as a great opportunity where operators are definitely looking out to deploy this kind of solution. And I think probably we will give more clarity in our next earnings call that how the things are moving out right now.

Moderator: The next question is from the line of Nirman from Unique PMS. Please go ahead.

Nirman: My question is on the balance sheet. So, we have a few advances and deposits given to suppliers. So by when do we expect these to be adjusted or flowing to the cash flow?

Gautam Badalia: Yes, so the deposits for flow into cash flow, I mean over the next few months. So that I think will get kind of unwound during the course of the next few months in terms of that the advances we have with certain telcos, these are kind of renewed on a six monthly basis with some of them. So, I mean they are mostly short term in nature and I think for one of the telcos, I mentioned in the notes we have also a legal dispute right. I mean that is now kind of gone into an arbitration. So we will share more light as and when we have more color on that arbitration proceedings.

Nirman: Okay, but we do expect these to start getting cleared by next financial year.

Gautam Badalia: That is correct.

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

Dipesh: Yes, just wanted to get Quarter 4 EBITDA margin on Non-GAAP basis, because it appears that it is corrected more than what it appears on reported basis. If you share that number, nine months it was 12%. If I look a full year it is 11.5. So can you say what is the number for Quarter 4. Thank you.

Gautam Badalia: It could be around I guess 10%. I can reconfirm that offline.

Dipesh: Yes, so there is a sizable decline if I look, let us say adjusted margin because that is one better way to look at it, how margin is tracking. Can you help us reconcile that full?

Gautam Badalia: Yes, we can take this up offline, but largely Dipesh it is flowing from the DM impact.

Moderator: The next question is from the line of Siddharth S from VDAI. Please go ahead.

Siddharth S: Sir, recently, I guess around a month ago you said you are going to launch this 365squared app which is powered by AI and one main thing which I wanted to look into was Route as a whole is backed by Proximus Global which is the global CPaaS Company. So, just wanted to understand you facing the current industry, backgrounds as such, will Proximus, will it any way back up growth assets and what kind of potential revenue contribution can this 365squared platform bring to you?

Rajdipkumar Gupta: Siddharth as I have already mentioned like some of the in-house products which we have built and especially the RCS platform which we have built by Route Mobile, Proximus Global is already helping Route mobile to take us to the various operator globally where BICS has a direct reach. I think that is the biggest advantage we have as a CPaaS player right now as compared to any other CPaaS player in the market, where we have advantage of being BICS as a part of Proximus Global. And I think jointly we are working on strategy and as I said we are having multiple workshops with operators which we have started few months back and every single month we are going to have one or two workshop with the operators where we not going to talk only about the Route Mobile messaging solution, but apart from the 365 solution and the BICS solution as a combined solution offering. In terms of revenue potential, I can just tell you it is completely a platform play and you can understand the kind of margin we can generated from the platform play not only should I add anything to this.

Siddharth S: Got it. So, the other thing would be that you know the current industry backlashes that you are facing as well. And I totally understand when the industry was performing on a good scale. What would you give an outlook on the industry going forward and how it will exactly correlate with the Route Limited assets in terms of some guidance if that would be possible.

Rajdipkumar Gupta: So as far as the company is concerned, so there is a shift happening from say, messaging to other OTT channels. We as a company are fairly well placed in that ecosystem as well. We are a premier partner with Meta. We do have lots of solution. If you see overall growth in the Omni channel space, I think we grew almost by 35% year-on-year basis. I think if you see that numbers and we are still onboarding lots of banks, lots of enterprises on these channels especially RCS and WhatsApp and plus the email solution which we have. With this cross sell and upsell opportunity which we bring together as one group including Telesign and BICS. I think now we have access of multiple customers which are in our captive customers all across globe. And I think now we have a full story and full idea that what to sell and how to sell and which customer to sell? I think probably you will see all these synergies factoring out in our numbers in this particular year.

Siddharth S: Okay, got it. I mean it looks very impressive on the track record that you mentioned with respect to the company. What would you give an outlook with respect to the industry as such?

Vinay Binyala: So, as far as the industry is concerned, if you see Route Mobile performance is definitely industry-leading numbers. Even in terms of growth, in spite of having so many headwinds in the market we are still performing better as compared to some of the competitions if you see right now. So, I think I can only tell you that some of the synergies which we are working right now with as a group I think we do see a great potential in coming quarters. That is the only thing I can share with you right now.

Siddharth S: Got it. And just a small clarification to the first question that I asked, the 365squared that would be a potentially high margin, right, Sir?

Rajipkumar Gupta: Yes, indeed.

Moderator: The next question is from the line of Amit Agicha from HG Hawa. Please go ahead.

Amit Agicha: So, my question is like some birds eye view, if you have seen from last 10 years, the sales in March'16 was Rs. 367 crores and now we have Rs. 4,576 cores, we are talking twelve times you can say but the profit has jumped from Rs. 63 crores to Rs. 334 crores which is not even six times. So can you guide us like what is reducing the profits because the expenses have not been in control or, plus another question was connected to the cash which the company is having the balance sheet shows like big cash is available and plus the loan is also available there. That is the question sir.

Gautam Badalia: Sure, so, I think on the cash, we called it out right. I think we are in the midst of kind of our summer review, and I think we will come back. We are looking at a few bolt on acquisition opportunities to called out a 20% kind of analyze dividend payout and besides that any excesses that we believe we have we will definitely look at returning back to the shareholders. In terms of the business, I think you are referring to. So from what period to what period you mentioned, sorry if you can just repeat that.

Amit Agicha: 2016 to 2025, 10 years

Gautam Badalia: The base of the business was very small at that point in time. The ILD business was less than one cent right and then we were making 30%, 40% kind of direct margin. So as the prices in the ILD ecosystem started to increase and that increased from 10 paisa and it has today, I mean close to 4 to 5 cents. So I mean in absolute terms, we are making definitely a lot more, but I think what has happened is in terms of the percentage margin, it has kind of led to significant dilution and hence what you see as the revenue ramp up does not necessarily kind of rectify into your EBITDA margin expansion.

Amit Agihca: So, what are the company's internal growth targets for EBITDA margin for the coming years?

Gautam Badalia: So, as we mentioned, at this point in time considering some of the integration efforts and the global uncertainties, we are not calling out a number there. But I think we would definitely want to kind of do better than the industry both in terms of revenue and drive more cost efficiencies within the company to drive better profitability.

Amit Agicha: And the last question can you please help me out with, what is the employee strength for the account current?

Gautam Badalia: 841 employees as of March end.

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

Amit Chandra: So, my question is a follow up. In terms of the impact that we have seen on the gross margins. So, as you said, we have 14% contribution from the related party volumes which had the impact, but the math's is not matching. But you know in terms of the volume from the third party or the related party volumes has it peaked at 14% or we see that increasing more from here. Why I am asking this is because if it increases more from here then can we see further impact on the gross margin because we have said that the gross margin is expected to improve from here. So what confidence are we having, Yes.

Gautam Badalia: Sure, Amit, I think we are more or less close to the peak in terms of the low margin cost of goods synergies. And then this was easier to crack. Considering, it was just the root route optimization. So we have been able to tap into that in a big way during the year gone by. If you were to just kind of slice the direct margin of gross margin between related party and all the other third parties. So, if you adjust the related party gross margin, we have seen marginal improvement in the gross margin metric compared to the previous quarter ("corrected" previous FY) right? So I mean the last part of that was largely because of the arm's length pricing with the related party which was causing the dilution.

Amit Chandra: Okay. So, you are saying all the impact that we have seen on gross margins in this quarter is because of the higher related party volumes. So, there is another part of the business, the margins have improved basically.

Gautam Badalia: So, Amit for the quarter, there would be a marginal dilution here and there. But on an average, I think it is steady. I think the large impact is because of the related party.

Amit Chandra: Okay, fine. And the second question is you said that we have done 100 million the kind of revenue for the large, for the VI deal so this 100 million is obviously for the full year and still we have missed around 2 and a half million which we have made the provisions for. So, for the next year, the target remains the same or it is a moving target. Here also our previous understanding was there the minimum revenue commitment was much lower in from the 100 million mark. Then also, despite doing 100 million. We have to pay or we have to make a provision of 25 crores that is what we are not able to understand.

Gautam Badalia: So, I think things transpired towards the end of the quarter. I think we were running at kind of a good average to kind of meet the committed obligations last year. Now, for the next year I think considering some of these global uncertainties and we have had detailed negotiations, discussions and I think that the commitment amounts have significantly reduced and contractually there are now safety nets into agreement that if the headwinds were to go beyond a certain or get impacted beyond a certain threshold there are kind of levers in the contract which can lead to a lower commitment amount from our perspective. So, I think from a FY'25-26 commitment standpoint I think we have enough cushion in terms of the obligation that we have and we have kind of baked in the risk of some of the uncertainties that we could kind of baked in this point in time. And besides that as I said there are safety nets into the contract which allow us to downward revise the commitment if things were to go bad beyond a certain threshold.

Amit Chandra: Okay, and lastly if you can give some number around what percentage of volumes and revenue is from ILD basically or the international messaging, if you can give that for the full year.

Gautam Badalia: So, Amit we do not call it out categorically. India happens to be 50% of the revenue and as a rule of thumb, about 2/3rd of the revenue comes from ILD. I can just give you kind of a ballpark sense on this.

Moderator: Thank you. Ladies and gentlemen, we will take this as a last question for the day. I would now like to hand the conference over to Mr. Raj Gill, Group Chief Financial Officer for the closing comments.

Raj Gill: Yes, Thank you everybody for your attention. And with that, we will close the call and I wish you all a good end today and see you next quarter. Thank you.

Moderator: Thank you, Sir. On behalf of Route Mobile Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.