

OnMobile Global Limited

**Investor Conference Call
30 April 2008**

Operator:

Thank you for standby. And welcome to the Investor Conference Call presented by Mr. Arvind Rao and OnMobile management team. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session, at which time, if you wish to ask a question please press “star” “one” on your telephone. I would like to hand the conference over to Mr. Arvind Rao. Over to you, sir.

Arvind Rao:

Thank you very much. First I would like to welcome everyone to this Investor call. As a publicly listed company, this is the first time we will be releasing numbers for the entire fiscal year. We have with us Mouli Raman, who is the CTO and Co-Founder; we have Rajesh Moorti, the CFO and myself, Arvind.

I'll now hand it over to Rajesh Moorti, the CFO, he will walk you through the numbers and the results and following that we will have a question-and-answer session, which all three of us will handle. So, Rajesh over to you.

Rajesh Moorti:

Thanks, Arvind. Good afternoon, everyone and welcome to the investor conference call and thanks for your continuous support. Value-added services business as we had explained earlier is driven by the timing of the new product launches, the acquisition of the new customers or the underlying market changes and as we had mentioned last time, it does not necessarily fit into the quarterly reporting pattern. We had therefore mentioned to everyone that our performance should be judged by the annual performance and we had decided to give only annual guidance. You may recollect that the company had given a guidance of 65% year-on-year growth in revenue for the year with the intention to maintain PAT in the range that we had talked about.

I am very happy to present the financial performance of the company for the year ended 31st March 2008. The consolidated revenue for the year was Rs. 2,693 million with EBITDA of 1,123 million and the profit after-tax of 603 million. This represents a 97% increase in revenue year-on-year and a 79% increase in profit over 2006-2007.

The consolidated revenue for the quarter, which is January-March quarter 2008 was Rs. 717 million with the EBITDA of 200 million and a profit after tax of 44 million. In percentage terms, the full year EBITDA is around 40% and the profit after tax is around 22.4%.

I would like to highlight a couple of things here again, this is what we had discussed in last conference call, about the unevenness of the Voxmobili, France revenue, this is the company that we acquired in September 2007. This is more from the accounting practices

followed by the company. The business recognizes its revenue only when the product is delivered or the service is completed. October to December quarter, which is the last quarter of the calendar year, is typically the quarter where you have the maximum revenue, but the costs are incurred more on an evenly basis across all the quarters. Now this being the first quarter of the calendar year, it has more costs than the revenue and you can see that from the consolidated numbers.

The other thing that I want to highlight is that, the business has continued to invest heavily in the new business initiatives, be it on international expansion or other initiatives like mobile marketing and M-Commerce & corporate businesses. Also, during the year, we had some one-time accounting hits - either because of change in accounting policy or because of the acquisition related costs that we had early in the year and also we had a one-time FX charge. If we were to exclude only the one-time charges, even without considering the new initiatives, our PAT would have been closer to 24% and that's the range that we had given earlier.

With this, I'll hand it back to the operator for the Q&A.

Operator:

Surely sir. Participants who wish to ask a question please press "star" "one" on your telephone and wait for your name to be announced. We have our first question from Ms. Divya from J&K Financial. Please go-ahead ma'am.

Divya:

Hi. This is Divya from JM Financial. I haven't been able to look at your numbers. Could you just repeat your full year Revenue and PAT and Revenue, EBITDA and PAT numbers in the quarter, please?

Rajesh Moorti:

I'll give the full year numbers first - Revenue is 2,693 million which is an increase of 97% year-on-year and EBITDA is 1,123, which translate to a 40% EBITDA and my PAT is 603, which is 22.4% and as I mentioned there are some one-time accounting entries some of which we had disclosed earlier. If you have to really look at it on a like for like basis, our PAT would have been 24% but for those one-time hits.

Divya:

Okay, okay. And for the quarter?

Rajesh Moorti:

For the quarter, the revenue is 717 million with the EBITDA of 200 million and PAT of 44 million, but again as I explained earlier in the call that this is predominantly impacted by the unevenness in the recognition of revenue during the year.

Divya:

So what is the loss that came in from Voxmobili this quarter?

Rajesh Moorti:

If you look at accounting loss it is roughly 7 crores.

Divya:

Okay. But next year you said this would even out, right, we would not be accounting

Rajesh Moorti:

Correct. So what we are doing is that, we are changing the accounting policy to recognize the revenue on our projects on a percentage completion basis rather than on project completion, so that would avoid all the quarterly lumpiness.

Divya:

Okay. Sir for the full year how much has been Voxmobili contribution to the top line and bottom line?

Rajesh Moorti:

It is around 31 crores on top line and 13 crores in bottom line.

Divya:

Okay. Sure. And I missed your guidance for the FY09, your guidance is for 65% on revenue growth. Is that right?

Arvind Rao:

Yeah. Our guidance for the next year remains the same, which is 60 to 65% growth in revenue and margins in the same range plus or minus 1 or 2%.

Divya:

Okay, okay.

Operator:

Okay. Thank you very much, ma'am.

Operator:

Next in line we have Mr. Ruchit from HSBC. Please go ahead.

Ruchit:

Yeah. Hi. Good morning, gentlemen and congratulations on results. Just a query, you know, you mentioned that there was some one-time expenditures in this quarter, could you give a sense of what those figure was?

Rajesh Moorti:

Yeah. One-time expense is really in the year.

Ruchit:

Okay.

Rajesh Moorti:

And the total impact on the P&L is roughly 1.3 - 1.4%.

Ruchit:

And in absolute rupees please?

Rajesh Moorti:

Yeah. In rupees it is around Rs. 50 million.

Ruchit:

Okay. Just in terms of the overall business in this quarter, could you give a sense of how much revenue has come in from international and domestic, I mean, you gave Voxmobili was 31 Crores but what is straight from international?

Rajesh Moorti:

In this quarter?

Ruchit:

For the year.

Rajesh Moorti:

For the year, the international business is roughly 15% of our total revenue.

Ruchit:

This would include Voxmobili?

Rajesh Moorti:

That includes Voxmobili, yeah.

Ruchit:

Okay. And just on Voxmobili for the years a whole, what was the EBITDA that company generated because you said PAT of 13 crores but what is the EBITDA?

Rajesh Moorti:

EBITDA is more or less the same since Voxmobili has some carry-forward losses...

Ruchit:

Okay.

Rajesh Moorti:

And we do not have any tax payable in that front.

Ruchit:

Okay. But there is no depreciation or interest on those books?

Rajesh Moorti:

No.

Ruchit:

Okay.

Rajesh Moorti:

It is very, very marginal.

Ruchit:

And going forward how do you see the Voxmobili business itself panning out, I mean, when you are seeing 60 - 65% growth. Do you anticipate Voxmobili to grow in the same fashion or...

Rajesh Moorti:

Yeah. 60 to 65% growth includes growth from Voxmobili.

Ruchit:

Okay. But would that business grow in line with the overall company or would that grow slower than the company?

Arvind Rao:

Actually, you know, all this depends on product maturity and where they are in the lifecycle, I mean, some of our core products, which have been around for a longer period of time.

Ruchit:

Okay.

Arvind Rao:

Like Ring Back Tones and voice portal, Voxmobili will probably grow faster than them.

Ruchit:

Okay.

Arvind Rao:

I'll let Mouli to answer that.

Mouli Raman:

Yeah. And overall we have amalgamated both the products and on the same side, so that way, we will not be necessarily tracking that separately. As Arvind said this is going to be 60 to 65% turnover increase on a combined basis.

Ruchit:

Okay. And when you said maintaining our margins, you know, plus or minus 1 percentage points are you talking of EBITDA or you are talking about net margins?

Arvind Rao:

We are talking about the net margins.

Ruchit:

The net margins, okay. And finally, can you give us an update on new product launches during the quarter and any progress on the international especially with Vodafone?

Mouli Raman:

Yeah. So the product launches that we have done in the last quarter - one was MRadio, which is where people can listen to streaming music on a 2G network which we have launched and actually you may have seen some ads called Vodafone music station around the country – which is powered by us.

Ruchit:

Okay.

Mouli Raman:

Another product that we launched is 'Friend Finder' in one of the large operators and it is doing pretty well.

Ruchit:

Okay.

Mouli Raman:

And we have also launched Hindi Wap in one of the largest carriers in the country.

Ruchit:

Okay.

Mouli Raman:

And we have also launched some lead generation initiatives in one of the carriers.

Ruchit:

Okay.

Mouli Raman:

And the model is that, for every lead that we give to a merchant, we get a cut out of the same. So these are the four major product launches that we had last quarter.

Ruchit:

Okay. But does Ring Back Tones still form a significant portion of revenue as of now?

Rajesh Moorti:

Yes. Yes.

Ruchit:

Would have been greater than 50% or what percentage?

Rajesh Moorti:

It is roughly around 40%. Yeah.

Ruchit:

And what is your market share for the year as a whole and if you consider all the VAS revenues that the telecom majors have declared what market share did we have actually?

Arvind Rao:

That's very difficult to get because the definition we can use is quite varied across operators.

Ruchit:

Okay.

Arvind Rao:

It varies from operator-to-operator, you know, wherein some cases, we are strong, some cases we are not so strong and they have in-house and some cases they don't have in-house.

Ruchit:

Okay.

Arvind Rao:

And again, we are not tracking that number. But if you, you know, add up the total VAS revenue in India and if you make the assumption that roughly 50% of that is person-to-person SMS, GPRS, Roaming etc since that's not an addressable market for us.

Ruchit:

Okay.

Arvind Rao:

Right. If you back that out and then if you say based on that, if you take our domestic revenue and come up with a number, you probably come up somewhere in the range of 25 - 30%.

Ruchit:

Okay.

Ruchit:

And just finally, if you can update us on what's happening on the Vodafone front, any progress on the international market of Vodafone?

Arvind Rao:

Yeah. We have been contacting multiple Vodafone entities around the world and we are in discussion with at least five or six of them. Now one thing is in terms of just setting the expectations, while our story and our credibility and our references are very strong from Vodafone India. Typically, telecom field cycles are long and obviously the reference would help to shorten that. And I am looking forward to leveraging what we are doing with them in India and take it outside. So far, as of today, we have not signed anything, but we are in good state of discussion with several other Vodafone entities.

Ruchit:

Would it be fair to say by the end of the year something materialize?

Arvind Rao:

I think so.

Ruchit:

Okay. Thank you so much.

Operator:

Thank you very much, sir. Next in line we have Mr. Sandeep from ICICI Securities. Please go ahead, sir.

Sandeep:

Can you just give us the revenue excluding Voxmobili for this quarter as well as the PAT?

Rajesh Moorti:

The standalone revenue?

Sandeep:

Yeah. Excluding Voxmobili?

Arvind Rao:

For this quarter?

Sandeep:

Yeah.

Rajesh Moorti:

For this quarters excluding Voxmobili the revenue 70 crores.

Sandeep:

Okay.

Rajesh Moorti:

And the PAT is around 12 crores.

Sandeep:

Okay. So the PAT margins in this business excluding Voxmobili have declined. So is there any one-time in this quarter also?

Rajesh Moorti:

Yeah. There is one time. I had mentioned about the foreign exchange hit that we had and it was roughly 2.5 crore.

Sandeep:

This is the hedging loss?

Rajesh Moorti:

It's not a hedging, I mean, again, the reason I call it one-time because we had some deferred payment to be made to Voxmobili on an earn out basis.

Sandeep:

Right.

Rajesh Moorti:

And given the way euro has fluctuated as against the dollar.

Sandeep:

Right.

Rajesh Moorti:

That's one-time, but again yeah, this has to be taken to the P&L as per accounting regulation.

Sandeep:

Okay.

Rajesh Moorti:

It is not on the normal business. It's related to the acquisition cost.

Sandeep:

Okay. And any other one-time in this quarter?

Rajesh Moorti:

Not in this quarter, no.

Sandeep:

Okay. And sir, can you give us the update in terms of the Phone Backup and the cross selling of our organic strength in Voxmobili, as well as, Phone Backup in India?

Mouli Raman:

Yeah. So, we have managed to sell Phone Backup in India for -- clients in India. And we have also launched Phone Backup in two operators outside of India, in Malaysia and Indonesia. The Phone Backup is doing pretty well.

Sandeep:

Okay.

Rajesh Moorti:

Sandeep, sorry, just to come back to your question, there is one accounting reclassification, which has happened which may, as a percentage term bring down the margin.

Sandeep:

Okay.

Arvind Rao:

Doesn't affect in terms of absolute number because there is some amount that we used to earlier deduct from revenue.

Sandeep:

Right.

Arvind Rao:

Now that is reclassified to cost and that is around 5 crores. But it doesn't impact the absolute number.

Sandeep:

Okay. And what is this amount like nature of this amount?

Rajesh Moorti:

This is provision against debtors.

Sandeep:

Okay, okay, okay.

Operator:

Is your question answered sir?

Sandeep:

Yeah. Last thing, this phone backup revenue when it's expected to start in India as well as internationally?

Mouli Raman:

It will start in Q2. I mean, it is based on a lot of factors while one of the carriers who are expanding to the market is pretty ready. It's going to be based on how the initial marketing is going to be done and also the consumer uptake. So basically we expect the revenue to start in Q2.

Sandeep:

Okay.

Mouli Raman:

And it will ramp up over the year.

Sandeep:

Okay.

Arvind Rao:

And just to clarify one thing, you know, phone backup is a data product and penetration of data services and data enabled handsets in India is relatively low compare to international markets.

Sandeep:

Okay.

Arvind Rao:

So while in the long run we believe that the phone backup product will do extremely well in India. In the short-term, the real value from phone backup will be in international market and not in India.

Sandeep:

Okay, okay. And this is all included in your guidance?

Arvind Rao:

Yes.

Sandeep:

And secondly, is it like the clients of Voxmobili being converted to revenue share model or they are still working on license revenue model?

Arvind Rao:

See when you do a licensing based you can't change that to a revenue share. So what we have done is, in many of the new customers, particularly in Asia Pacific where we have sold Voxmobili product, many of them have been contracted and negotiated on a managed services revenue share basis.

Sandeep:

Okay.

Arvind Rao:

Whereas the historical ones will, you know which have contracted on licensing basis, we are trying wherever we can to upgrade and change it but, you know, we should not rely on that...

Sandeep:

Okay.

Arvind Rao:

...on our ability to change it.

Sandeep:

Is your guidance considering any decline in the revenue share in the sense of entering into FY09 or do you expect to remain stable versus FY08?

Arvind Rao:

By and large we expect to remain stable, but it varies, in some cases we, you know, in overseas we will have higher recognition. We are trying to get the best we can. So in some cases the additional stuff that we negotiate and get a new contract. It may offset any decline on the existing one, which again very obviously negotiate and try to maintain it.

Sandeep:

Okay. Okay. Thanks. And all the best.

Arvind Rao:

Thank you.

Operator:

Thank you very much, sir. Next in line we have Mr. Vijay from Macquarie. Please go ahead, sir.

Vijay:

Hello. Good morning.

Rajesh Moorti:

Good morning.

Vijay:

My question is what would be your expected revenue share from software license fee and software development fee?

Rajesh Moorti:

Sorry, revenue share from?

Vijay:

Software license and development fees that is part of your revenues.

Rajesh Moorti:

We do not charge the telecom operators any one-time software development fee, which is the package solution that we provide.

Vijay:

Okay.

Rajesh Moorti:

So there is nothing separate for software development.

Arvind Rao:

And so when we do our revenue share deals with customers, it is all-inclusive number.

Vijay:

Okay.

Arvind Rao:

And it ranges anywhere from 15 to 35 - 40.

Vijay:

Okay. And my next question would be, do you have any provisions that are made for regulatory fines that are common in the business that you operate? Because in many of the cases we see the regulatory fines because of a few people being charged on their mobile phones without even using the services? This might happen because of your integration of your platform in the telecom infrastructure as well?

Arvind Rao:

Yeah. See we are a white labeled company, so really we provide the technology and operations and the operators go out and market the service under their brand name. They bill end users, they collect the money from end users and based on that they pay us. So really we do not have or carry the liability for any such incidents. The liability is borne by the operator.

Vijay:

Okay. And fine with that. Thank you. And then, one more question on your MMP 2500 platform. And then your recent partnership with Dialogic, in what are these synergized?

Mouli Raman:

Yeah. So one of the components of a platform is something called a telephonic card, which is the integration point between the switches on the telecom network and our systems and until now we have been using, we have been working with two partners which we have extended to dialogic.

Vijay:

Okay. And then, your guidance on the tax rate for the company?

Rajesh Moorti:

The tax for the company is assumed to be the effective -- current effective rate of 33% for the standalone.

Vijay:

Sir 33?

Rajesh Moorti:

Yeah

Vijay:

Okay. Fine. And then your opinion on the location based service that you have taken any products in the line up?

Rajesh Moorti:

I mean, while we are exploring the space, it is not going to happen in the hurry because both the networks and the handsets are far from available in the market today. So -- yeah,

as far the Indian market. Some other market, which is in a bit more advanced stage, we are working in that space. But in India, it's not going to happen at this stage.

Vijay:

Okay. Thank you. Thanks for your example.

Rajesh Moorti:

Thank you

Vijay:

Thank you.

Operator:

Thank you very much sir. Next in line we have Mr. Ankush from ING Investments. Please go ahead sir

Ankush:

Hi. Couple of questions. I might have missed this but what is the loss for this quarter for Voxmobili?

Rajesh Moorti:

Around 7 crores.

Ankush:

Can you detail some reason given for that?

Rajesh Moorti:

As we have mentioned early in the call. In Voxmobili, the revenues recognition policy that the company followed in the last year was on the delivery of the service or on the completion the projects. And that necessarily created scenario where you would have the cost recognized across the year but revenues recognized predominantly in the last quarter of this calendar year

Ankush:

Okay

Rajesh Moorti:

What we are doing now from this current fiscal year is that we will change the accounting practice as far as the revenues would be recognized on percentage completion and that does not create reporting unevenness.

Ankush:

See, why I am asking this question is revenue for this quarter fallen by around 10% and the cost have gone up by 20% odd percent roughly and more than that around 25%, so essentially profitability obviously has taken a hit. So just want to understand the reason how do you see this going forward. This is because even if you exclude these losses, the growth has not been very strong. So

Rajesh Moorti:

If you look at to say the nine months number that we reported couple of months ago

Ankush:

Yeah

Rajesh Moorti:

In that one Voxmobili revenue was 29 crores and the profit was 20 crores

Ankush:

Okay

Rajesh Moorti:

Now if add on another three months, that number has gone to 31 crores and the profit has come down to 13, right. Basically if you look at the impact on the consolidated numbers.

Ankush:

Okay.

Rajesh Moorti:

So that plays a major part when I report the numbers and you will not see that kind of lumpiness going forward.

Ankush:

Okay

Arvind Rao:

And the other thing I just want to point out is, you know, one is that we operate in the telecom industry where sales cycle are long and secondly, even when you launch new product, sometimes they take off immediately and sometimes it takes a while to build up the user base. So typically we manage this company, we run this company and we intend to build shareholder wealth on an annual year-to-year basis. We do not manage this company on a quarterly basis and many times what happens is when we see large market opportunities we invest in it readily for the long run without really giving a lot of weightage to short-term quarterly earnings and stuff. That's the way we run this company and we will continue to do it in the best interest of shareholders.

Ankush:

Perfectly fair. And sir, going forward you do not think this kind of lumpiness anyway to come in and probably growth will be more stable in any case. That's what you are expecting?

Arvind Rao:

See, the point you have to remember is, we are still in a hyper growth stage of the industry, right? So we will make calls based on market share, based on new customers, new product opportunity, which are significantly different from a mature company investment cycle. So if there are short-term dips whether in earnings or EPS or whatever, investors I think should temper that with a longer-term vision of what we're doing.

Ankush:

All right. Sir, one last thing. Sir, just a suggestion. Where do you see the results for this quarter, I am not sure where you posted it. So would we get the results before the call happens. If you can have a look at results sir next time onwards, will always help us to have a look before we start talking

Arvind Rao:

Yeah. Result has been posted on our website

Ankush:

Actually I am on the website. I am not going to trace

Arvind Rao:

Okay. Fine. We are just active, we have to make sure that it is there, yeah. Thanks for this.

Ankush:

All right. Thank you

Arvind Rao:

All right.

Operator:

Thank you very much sir. Next in line we have a follow up question from Ms. Divya from JM Financials. Please go ahead ma'am

Divya:

Hi. I am trying to reconcile the guidance here. We've spoken about the 60 to 65% revenue growth of which around this year of the 269 Crores around 31 crores came from Vox and Vox we were discussing would almost, it's almost expected to double in '09, which means the residual growth coming from your existing business is less than 10% is that term fair -- is that right or am I missing something here?

Rajesh Moorti:

If we look at on our annualized basis, and you exclude Vox, our core business has grown by over 70% that is also in excess of the guidance that we gave you the guidance again, just after the IPO, that also factored Vox numbers.

Divya:

No, but going forward in '09

Arvind Rao:

Yeah.

Divya:

Based on your 65% guidance and assuming that Vox will double this year. Then we are looking at residual growth of around. Yeah. The growth that we're looking at is much lower than right.

Rajesh Moorti:

The Vox is still around 10 and 15% of my overall business.

Divya:

Okay.

Rajesh Moorti:

Even if you expect Vox to double that does not dilute the growth percentage of standalone business.

Divya:

Okay. So you say that the core business growth is still continuing.

Arvind Rao:

This growth will be entirely fuelled by core business.

Divya:

Sure. Thanks, that really helps. And you also spoke about the data backup solution being launched in India with the large carriers. The revenue select growth from 2Q is it?

Arvind Rao:

Yeah. The revenues will start trickling in Q2 and as Mouli said this is a data product, penetration of data handsets and data services in general in India is low relative to Europe or even Malaysia, Indonesia etcetera. So while in absolute numbers it should take off, in overall contribution to our top line, we are not expecting a huge impact from Voxmobili products in India in the next year. Overseas we are expecting much more

Divya:

Right. Also new product launches that we've had during the quarter when is that revenue expected to accrue. And could you also give us some sense on the relative success or otherwise of each of these product that you've launched during the quarter.

Arvind Rao:

Overall, we have launched both MRadio, which is Vodafone music station that you may have seen. That has met with very good success in terms of the numbers of subscribers and the usage and even the friend finders that we have launched in one of the large

carriers, it is meeting with good success. For example, MRadio within a month or so it has hit a million users. These are the two major products that we have launched. So of these two products have already started getting revenues and that you will see more of it in the next quarter. The other two products which is lead generation and Hind Wap will take a longer time.

Divya:

Right. That is very helpful. All the best for the year.

Operator:

Thank you very much ma'am. Next inline we have Mr. Vinay from Lotus India. Please go ahead, sir.

Vinay:

Hello?

Arvind Rao:

Hi.

Vinay:

Yeah, good afternoon, sir. Sir, I wanted to ask during the call you mentioned there is ringback tones which are roughly about 40% of total revenues. And in the consolidated level you said Vox is about 15% of the total revenue. Is that the total contribution of phone back up in the overall revenues is it just 15% on it's higher or some revenues outside Vox in phone backup?

Rajesh Moorti:

In the last fiscal year, the entire phone backup revenue came from Vox.

Vinay:

Okay. So are we expecting some percentage of Phone Backup revenues to start kicking in this year? Though you said it is going to be minor, but still would it start kicking in?

Arvind Rao:

Definitely, will revenue will start kicking in, as we said, we have launched it in one operator and we are in the process of deploying in two more operators in India and

besides that we have already launched it in two operators outside of India now. So, yeah the revenues are going to start kicking in Q2.

Vinay:

Okay. So, apart from ring back and phone backup. Which other products are contributing the remaining say about 45% of the rest of the revenues. Any other significant products?

Mouli Raman:

Yeah. I mean, broadly the other products are music related products on voice portal for example the music radio, I talked about.

Vinay:

Okay.

Mouli Raman:

About 25 to 40% was from voice portals.

Vinay:

From voice portals?

Arvind Rao:

Voice Portal itself has a lot of services under that, I mean it's like MRadio or cricket scores and live updates, contests, examinations results and so on basically. So it is a combination of multiple services.

Vinay:

Okay. Fine sir, thanks a lot.

Arvind Rao:

Thanks a lot.

Operator:

Thank you very much sir. Next in line, we have a follow up question from Mr. Sandeep from ICICI Securities. Please go ahead, sir.

Sandeep:

Yes, sir. Can you throw some light in terms of acquisition plans like after raising the money from IPO, any near term plans or it will take any, any pipeline in terms of early negotiations?

Arvind Rao:

We had several discussions and we continue to have discussions. What I can say is that in the next 12 months in this fiscal year we will be doing at least two acquisitions.

Sandeep:

Okay.

Arvind Rao:

And one should be announced in the next two quarters, because we are in discussions. We continue to keep looking, but again in some cases either the price is not right or in terms of the product and the market fit with our existing business, we don't see sort of immediate synergies, which is very important for our acquisition rational.

Sandeep:

Okay.

Arvind Rao:

So you know there will be significant inorganic growth in the next 24 months. Largely using both our IPO cash as well as you know the market cap currency that we have, but again we are going to do it, you know gently, slowly, and do it in the manner that is very selective. But something is going to happen in the next few quarters for sure, that I can tell you.

Sandeep:

So, this will be its like entering a new market or its like adding a new product to the Kitty?

Arvind Rao:

The first one that we are talking will largely be a product based, product technology based acquisition.

Sandeep:

Okay.

Arvind Rao:

We are looking at several, which are market entry based, but those typically - you know the premium that you'll pay for it on a valuation basis is many times not justified.

Sandeep:

Okay.

Arvind Rao:

And today because of our track record and our references with large operator's families whether its Vodafone or Singtel or Ericson, given the shareholder base that we have, we don't really see a need to make acquisition that has a high premium for market access.

Sandeep:

Right. Okay. And how do you see US and Europe as a market. When you will be entering organically or it will be inorganic strategy like Voxmobili which has given you presence in Europe?

Arvind Rao:

Yeah.

Sandeep:

So how do you see these two markets going forward?

Arvind Rao:

See, right now, in terms of organic, we are in discussion with several customers both in the Americas as well as Europe. So we are now continuing doing that. If some acquisition opportunity show up, which is attractive to those two markets we will definitely prefer it, you don't move on pay some huge premium and some huge price just for gaining market entries.

Sandeep:

Okay. And the guidance of 60, 65% doesn't include these acquisitions?

Arvind Rao:

You know it could be a little bit but not much.

Sandeep:

Okay.

Arvind Rao:

So also, the reason we say this is because you know, when we gave guidance, we're looking at what we feel comfortable delivering, achieving to the street.

Sandeep:

Okay.

Arvind Rao:

We do not want to factor things which are completely unknown or uncertain.

Sandeep:

Okay. So organically, you believe the Indian large market will still continue at a rate of 55 - 60%?

Rajesh Moorti:

Yeah. 55 - 60% that is something that we are looking at

Sandeep:

Okay. And sir, just on the EBITDA Mr. Rajesh like you said 40% but this full year EBITDA, which you said 1123 it seems like a 42%, so what's your outlook on an EBITDA margin entering FY '09?

Rajesh Moorti:

By '09, I mean, we are talking about the net margins.

Sandeep:

Okay.

Rajesh Moorti:

We expect the net margins to be in the same range.

Sandeep:

Okay.

Rajesh Moorti:

For the fiscal year.

Sandeep:

So we're at 22.4.

Rajesh Moorti:

Yeah. 22 - 23%.

Sandeep:

Okay. Despite this year has some one-time expense?

Rajesh Moorti:

Yeah. But what I mentioned, also Sandeep, we continue to invest very heavily in the new business initiatives.

Sandeep:

Right.

Rajesh Moorti:

And again there will be a mis-match between the cost and the revenue.

Sandeep:

Okay.

Rajesh Moorti:

And yeah, we feel that we have to continue to do that.

Sandeep:

Okay. And sir, on the new products, I just missed, one you spoke about is MRadio with Vodafone another was a lead generation and Hindi Wap and what was the other product?

Mouli Raman:

Friend Finder

Sandeep:

Okay. And we were also talking about launching different types of RBTs other than the Bollywood music, what is the status on that like?

Mouli Raman:

Yeah. We have launched something called a user generated RBT in Indonesia.

Sandeep:

Okay.

Mouli Raman:

So I mean to be correct, there will be RBT and we keep evolving - for example the MSearch on the RBT that we launched it is doing extremely well, that is how do you search for the songs that you want?

Sandeep:

Right.

Arvind Rao:

We have launched it and it is doing extremely well, and -- so I mean you know these are the two major things that we have done over last few months and -- yeah we keep evolving it.

Sandeep:

Okay. And thanks all to this.

Arvind Rao:

Thanks a lot.

Operator:

Thank you very much, sir. Next in line, we have Mr. Vikram from GM financials. Please go ahead, sir.

Vikram:

Hi.

Arvind Rao:

Hi Vikram.

Vikram:

Yeah. My question is regarding accounting policy in Voxmobili.

Arvind Rao:

Yeah.

Vikram:

You said that you accrue for the expenses earlier and then income comes later.

Rajesh Moorti:

Yeah.

Vikram:

But just want to understand isn't it a normal accounting policy to match costs and revenues?

Rajesh Moorti:

You need to look at Voxmobili business as such, where they work to the proposals from the Telco's.

Vikram:

Correct.

Rajesh Moorti:

And the lead time from start to end is roughly 6 to 8 months. While you incur expense like people cost on that, but the revenue was recognized only when the final bill was raised on Telco. But if you look at accounting policies when you work on contract, which have a long lead-time, you can recognize the revenue on a percentage completion basis based on achievement of milestones.

Vikram:

Correct.

Rajesh Moorti:

This is what the company did not do.

Vikram:

They did not do that, okay.

Rajesh Moorti:

There is a timing mismatch between the cost and the revenue recognition.

Vikram:

Okay. Ideally they should have recognized on a percentage completion, which they did not?

Rajesh Moorti:

Yeah.

Vikram:

Okay. Thank you.

Operator:

Thank you very much, sir. Next in line, we have Mr. Purab from Pink Research. Please go ahead, sir.

Purab:

Good afternoon sir. And congratulations on your good numbers. My question is that can you tell me the potential of mCommerce market in India and what kind of market shares, you are looking for that?

Arvind Rao:

MCommerce is in its infancy in India. There are lot of issues, one is the technological issues. The second one is regulatory issue and the third one is consumer behavior. So while we have started working on them and in fact, we are first one to launch ticketing on mobile last year. But all these things had to come together for it to be of any meaningful size. We think that it's going to take about 2 to 3 years before it can happen, but yeah, we have made a start on that. Right now, it is too early to start putting numbers to it because of all these factors.

Purab:

And, sir one more thing what kind of Capex plans you are looking for your new products coming in the market or something like that?

Mouli Raman:

You're asking about Capex on the new products right.

Purab:

Yes, yes.

Rajesh Moorti:

If you look at the Capex in the last fiscal years, we have roughly spend around 32% of a revenue on Capex, which is little more than the average of the previous three years. What we expect to plan going forward is around 20 to 22% of our revenue.

Purab:

Okay. Thank you so much, sir.

Rajesh Moorti:

Thanks.

Operator:

Thank you very much, sir. Next in line we have Mr. Nikhil from Content. Please go ahead sir.

Nikhil:

Hi. I was just wondering about, how much money have you set aside for the acquisitions that you discussed.

Mouli Raman:

Yeah. We don't have -- we keep looking at opportunities, we don't have separate budgets for that.

Nikhil:

Yeah.

Mouli Raman:

But we are looking small companies with good IT or good market accesses I mean, we don't have any specific budgets for us.

Nikhil:

Okay. And looking at the state of the Indian VAS market, there are large number of small players in this market. So how do you see that situation-evolving going forward then? Are you also looking at acquisitions in India?

Arvind Rao:

As of now, we are not looking for acquisitions in India. We believe that in the market in India there will be consolidation. The large will get larger and some large number of the smaller players will consolidate, we are always open for over the trans from proposals but we are not really -- actively looking at India for acquisitions.

Nikhil:

Okay. And, I was also wondering about, what kind of revenues are coming from your Voice portal business?

Mouli Raman:

It contributes to around 35 to 40% of our business.

Nikhil:

Okay. And how much revenues are from the revenue share deals with carriers, for the last fiscal I wonder it was about 90%.

Arvind Rao:

Yeah. This year we are consolidating Voxmobili and Voxmobili revenues are largely historically been on a license basis as opposed to our revenue share. If you factor that in our standalone business still continues to be on the same basis 90 - 95% is on managed service revenue share basis.

Nikhil:

Okay.

Arvind Rao:

At overtime and so if you're factoring the fact that 15% is Voxmobili, so then you're saying 90% of roughly 85% is what is on a revenue share basis. And that number will increase as we consolidate them further into our businesses.

Nikhil:

Okay. Has there been any increase in the number of clients, if you exclude the Voxmobili numbers, last years it was about 50 clients.

Arvind Rao:

Customer signups we have had several probably about five or six customer -- new customer signups in the last two quarters. Obviously all of them are international, there is nobody really left in India to signup for us. They have been largely in the Asia region.

Nikhil:

Okay.

Arvind Rao:

Many of them are under deployment and as they go live, you are going to hear about it.

Nikhil:

And amongst the new carriers that have been talked about in India?

Mouli Raman:

Sorry could you just repeat the question Nikhil.

Nikhil:

Any amongst the new carriers that have been talked about in India?

Arvind Rao:

Yes. We are in discussions with them. The new operators who are coming in, we are in discussions with them for opportunity.

Nikhil:

Okay. And so I was also wondering about how much of your revenue is concentrated amongst that of five clients....

Rajesh Moorti:

Yeah. Nikhil on a consolidated basis the top five were about 75%.

Nikhil:

Okay.

Rajesh Moorti:

Which has come down from the year before?

Arvind Rao:

And that would attribute to increasing revenues from the others.

Rajesh Moorti:

Yeah. That's right.

Nikhil:

So thanks so much and all the best.

Arvind Rao:

Thank you.

Operator:

Thank you very much, sir. Next in line, we have Mr. Subhashini from JM Financial. Please go ahead, sir.

Subhashini:

Hi, this is Subhashini from JM Financial. During an initial remark, you had mentioned about that during the quarter you had taken a hit because of new business initiatives and international expansion. So I just wanted to know how much cost would we attribute to this during this quarter. And what are the plans for these new business initiatives, which you are talking about here?

Rajesh Moorti:

We do not like to take credit for the cost on the new business initiatives, but what we are saying is that in this business we always needs to invest in those businesses before the revenue accrues to us. Mouli, talked about the mCommerce initiative and when the revenue we'll start kicking in and it's of sizeable amount. The other initiative that we have started is really the mobile marketing initiatives.

Subhashini:

Okay. And apart from that I just wanted to get a hang on - I mean I know that you have a revenue sharing agreement with the telecom operator. But what is the payment schedule, which you have. I mean is it on a monthly basis or on a quarterly basis.

Arvind Rao:

In most cases it's monthly.

Rajesh Moorti:

Yeah. Most case is monthly and our DSO and the time to collect the money from telecom operator is between two, two and a half months.

Subhashini:

Okay. Great. And just one more question, I think the earlier caller as well had asked I mean the 60% revenue guidance which you have talked about does it include the acquisition which you said you have visibility which is going to come in the next six months. So have you included that acquisition into the 60% guidance?

Arvind Rao:

No. Typically we don't do that because in some cases we may acquire for technology reasons, which may not have a significant impact from revenue.

Subhashini:

Okay.

Arvind Rao:

Because we are going to do what is right for the business and not make assumptions and then be driven to justify those.

Subhashini:

Sure. That was helpful. Thank you.

Operator:

Thank you very much, ma'am. Next in line, we have Mr. Ragupati Hegde from Financial Investments. Please go ahead, sir.

Ragupati Hegde:

Yeah. On phone backup services in India, I like to know whether you have exclusive agreements with telecom operator whom you'll have started the service with or its 2 – 3 service providers providing the service to the Telco.

Mouli Raman:

By its nature, it is exclusive.

Ragupati Hegde:

Okay. And what's the revenue model in this is it a revenue share or a licenses fee as in Voxmobili earlier that you had mentioned.

Mouli Raman:

It is a revenue share ...

Ragupati Hegde:

Okay. And the revenue share is similar to what it is on the ring back tones etcetera the services which you're providing or it's better than the revenue sharing?

Rajesh Moorti:

The share is broadly in the same ballpark here.

Ragupati Hegde:

Okay. And how many subscribers would you all have on this, on the data backup services in India approximately?

Arvind Rao:

Well, it is bit too early to say because it was launched very recently and in one operator and we are in the process of deployment in other two operators and it's a bit too early to say at this point in time.

Ragupati Hegde:

Okay. Thanks.

Arvind Rao:

Thanks.

Operator:

Thank you very much, sir. Next in line, we have Mr. Atul Phule from TATA Mutual Fund. Please go ahead, sir.

Mr. Atul Phule:

Hello, sir. I just wanted to know what is the client addition figure in this quarter? And also the employee numbers and whether the employee split between R&D and the marketing?

Rajesh Moorti:

Atul, can you repeat the question?

Arvind Rao:

Just do it one at time, first one.

Mr. Atul Phule:

What is the client addition in this quarter?

Arvind Rao:

Client addition in this quarter, we have signed up two. See sometimes it's difficult to tell because as I said the sales cycle is long

Mr. Atul Phule:

Yeah.

Arvind Rao:

And typically, we when you sign a letter of intent and then that leads to a contract and then that leads to service going live.

Mr. Atul Phule:

Okay.

Arvind Rao:

It's a question of what you count. From a conservative standpoint, we really count the customer as when we go live. So in many cases we have signed LOI with the customer, which we know we'll be going to go live with but we don't count those assigned customers.

Mr. Atul Phule:

Okay.

Rajesh Moorti:

I think in the last quarter, we went lively with two with data products.

Mr. Atul Phule:

Sir and can we know the how many clients are in such LOI's are in pipeline?

Arvind Rao:

There must be at least -- between product and customer opportunities somewhere in the 4 to 6 range.

Mr. Atul Phule:

Okay.

Arvind Rao:

So we always have a pipeline of customers that are under deployment and will go live but we don't take credit or announce it until it's gone live.

Mr. Atul Phule:

Okay. And what is the employee split between R&D and marketing?

Rajesh Moorti:

Yeah. Overall, the employee stand is around 850 people at the end of the fiscal year.

Mr. Atul Phule:

Okay.

Rajesh Moorti:

And roughly, I would say around 40 to 42% of the employees are between R&D and marketing.

Mr. Atul Phule:

Okay. 40% in the R&D and 40% in marketing?

Rajesh Moorti:

No, both put together.

Mr. Atul Phule:

Okay. And rest of them I mean about 60%?

Rajesh Moorti:

Yeah. We have a deployment, operations and delivery team.

Mr. Atul Phule:

Okay.

Rajesh Moorti:

That's another 35 to 38%.

Mr. Atul Phule:

Okay.

Rajesh Moorti:

And the balance is all about – creative, general, admin, HR.

Mr. Atul Phule:

Okay. Sir you mentioned CapEx is around 20-25% of revenue going forward.

Arvind Rao:

Yeah.

Mr. Atul Phule:

But for FY'09 can you give it in the absolute figure some appropriation?

Rajesh Moorti:

So again, CapEx what we do is that, we look at the projects which have a high probability of being concluded, right. And during the years we always come up with new projects or new customer win.

Mr. Atul Phule:

Okay.

Rajesh Moorti:

Very difficult to clearly factor what the Capex would be for those projects. So based on whatever visibility we have, we are talking of around 20% Capex and in absolute terms, if you apply 60% factor to the revenue and then 20% of that would be the Capex amount.

Mr. Atul Phule:

Okay. And the last question is, are we seeing any pressure in pricing for this product, voice product like ring back tones like what we are seeing in the voice business of wireless operators?

Mouli Raman:

Did you ask -- pressure on pricing did you ask?

Mr. Atul Phule:

Yeah, pricing?

Mouli Raman:

Pricing meaning End user price or?

Mr. Atul Phule:

Yeah. It is that when we downloads say a ring back tone.

Mouli Raman:

Yeah. Definitely there is always, the pricing models keep evolving, even if you look at our first product which is voice, the pricing model is evolved over a period of time. It started from a premium air time to now it is a combination of low or lower rate time and a subscription model or pay per use. So even in ringback tone, we keep experimenting with the new pricing models and that keeps evolving.

Mr. Atul Phule:

Okay. Thank you.

Operator:

Thank you very much, sir. Next in line, we have Mr. Rohan Adhmane from Keynote Capital please go ahead.

Rohan Adhmane:

Hello, sir.

Arvind Rao:

Hi.

Rohan Adhmane:

You told that you going to acquire two more companies. So what would be the size of these companies?

Arvind Rao:

Rohan to be honest with you we have visibility only into one, which is again it will be in the same profile range as this Voxmobili acquisition that we did.

Rohan Adhmane:

Okay.

Arvind Rao:

Somewhere around the same range or slightly lower. The other ones we are looking at is it ranges -- we are looking at one or two small companies and one company that is very large.

Rohan Adhmane:

Okay.

Arvind Rao:

And again, I come back to this thing, we'll do what is right. We are not going to look at -- we don't define a priori that we want a particular size or a product or a market and then go after it.

Rohan Adhmane:

Okay.

Arvind Rao:

So we are opportunistic to some extent.

Rohan Adhmane:

Okay. So are we raising any money or are we utilizing our IPO proceeds?

Arvind Rao:

Our acquisitions will be funded largely out of IPO proceeds and if necessary we will leverage that with debt, if required.

Rohan Adhmane:

Okay. And one more question about Voxmobili market, what is the growth rate in that overall market?

Mouli Raman:

Sorry, could you please repeat that?

Rohan Adhmane:

Yeah. Can you tell me, what is the growth rate on Voxmobili market? Revenue growth in European Market.

Arvind Rao:

Voxmobili in the European market will grow at roughly about 35 - 40%.

Rohan Adhmane:

Okay.

Arvind Rao:

Okay. Now you have to remember one thing that, Voxmobili is that, they're also going through a business model change, right? So their earlier model which was license based that results in more revenue being booked upfront...

Rohan Adhmane:

Okay.

Arvind Rao:

Okay. But over a period of time the quantum of those revenues is lower than the revenue share model that we are transitioning them to. So in short term if you know, for example, before the acquisition, if their growth rate was say 50 or 60%...

Rohan Adhmane:

Okay.

Arvind Rao:

And after the acquisition we are going to add several customers to it. So the customers that we add will not show immediate impact, but over a period of time they will show huge impact.

Rohan Adhmane:

Okay. And in terms of pricing, what is the trend, means, is it going upward or downward, in case of on ringtone downloads and all these things?

Mouli Raman:

I think, definitely the pricing models are changing. It is -- for example what was premium access...

Rohan Adhmane:

Okay.

Mouli Raman:

...pricing model before is now a combination of subscription model or a pay per use model. So that way I mean, it is going through a pricing change.

Rohan Adhmane:

Okay. Actually we adopted this revenue sharing model with Telco, so is there any pressure from Telco in terms of on new contracts or anything?

Arvind Rao:

No, many of these places; we have the contracts them now for five, six years. So, you know, the initial discounts and the volume discounts have all been given.

Rohan Adhmane:

Okay.

Rajesh Moorti:

So right now as far as we see it, we see a stabilization in revenue share, but that doesn't mean that -- it won't move plus or minus here and there. But by in large we don't see any major structural changes.

Rohan Adhmane:

Okay. And last question, we launch a new product every month or every quarter. Actually I wanted to know whether competitors can adopt those new products and launch...means what frequency, what time does it take?

Mouli Raman:

It depends on product-to-product. Typically in a quarter, we will have one major product launch because an operator can launch only so many things in the given time. And it

depends on the complexity of the products basically. So we launched lets say, press * to copy on ring back tone...

Rohan Adhmane:

Okay.

Mouli Raman:

That was copied in over about 9 to 12 months. There are somethings which we have done which is on cricket, which is live score update on voice that has not been done by anybody so far even after two years.

Rohan Adhmane:

Okay.

Mouli Raman:

Whereas couple of things have been copied within about three months or so. So there is no fixed time to it. But it is based on complexity. We believe that in many of our products we have a technological edge, which will make it difficult for others to copy very easily.

Rohan Adhmane:

Okay. Okay. So are we related with this IPL, Indian Premier League?

Mouli Raman:

Yeah. We are doing something -- we have started to doing something with them.

Rohan Adhmane:

Okay. Okay. Thank you, sir.

Mouli Raman:

Thank you.

Operator:

Thank you, very much, sir. Next in line, we have a follow up question from Mr. Nikhil from Content. Please go ahead, sir.

Nikhil:

Yeah. Hi, I was just wondering about the Hindi Wap portal that you mentioned, which operator was that and what is the market potential for it?

Mouli Raman:

It is in Vodafone

Nikhil:

Okay. And what's the market potential and how has been the response so far?

Mouli Raman:

Yeah. It is very decent. It's too early to say again. Because the marketing will have to start and other things basically. So what we expect is a decent usage on this.

Nikhil:

Okay. So it's very recent launch then...

Mouli Raman:

Yeah, it is rolled out. While we had the product it was a recent launch in this customer.

Nikhil:

Okay. Are you also looking at any local language deployment?

Mouli Raman:

We already have five local languages on WAP.

Nikhil:

Okay. And which ones are those?

Mouli Raman:

Sorry.

Nikhil:

And which ones are those?

Mouli Raman:

Yeah. It is Tamil, Telugu, Bengali and Malayalam. These are the four languages that we have besides Hindi.

Nikhil:

Okay. And it's essentially WAP.

Mouli Raman:

Yeah. That's right.

Nikhil:

Okay. And nothing on the market potential as such for this, right now?

Mouli Raman:

Yeah. Market potential, it is – it is bit too early to say but we expect a decent usage on this. And we don't have any specific numbers as yet.

Nikhil:

When do you expect this to become a significant contribution of any significance at all?

Mouli Raman:

I think it will take about 12 to 18 months before we see some good numbers.

Nikhil:

Okay.

Mouli Raman:

And because inherently if you look at it WAP penetration itself is pretty low. Right.

Nikhil:

Yes.

Mouli Raman:

So that way even if within the WAP penetration, this is high, in absolute numbers it may not be very high.

Nikhil:

Okay. Thanks so much.

Mouli Raman:

Thank you,

Operator:

Thank you very much, sir. Next in line we have a follow-up question from Mr. Sandeep from ICICI Securities. Please go ahead, sir.

Sandeep:

Yeah. Sir, this Capex of 20 - 22%, this is for the full year revenue or will be for the incremental revenue?

Rajesh Moorti:

This will be on the full year revenue. Fundamentally, it's a capital expenditure that is required to handle additional call volume.

Sandeep:

Okay.

Rajesh Moorti:

So you always have to pre-invest, you cannot really lose business for want of capacity.

Sandeep:

Okay. And are we looking to change depreciation policy or it will remain the same?

Rajesh Moorti:

No. It will be same, we will be as conservative as we are today

Sandeep:

Okay, And last, what kind of employee addition like are we now done with kind of high growth employee addition or do you believe now there will be operating leverage through employee cost?

Rajesh Moorti:

In certain mature products we certainly have that leeway but at the same time I have mentioned that we are expanding internationally where you have to preinvest and in all the new business initiatives we will have to continue to preinvest. So we will continue to see some employee additions.

Sandeep:

Okay, Thanks.

Operator:

Thank you very much, sir. Next in line we have a follow-up question Mr. Raghupati Hegde of Financial Investment. Please go ahead, sir.

Raghupati Hegde:

Yeah. I just want to know what's the preparedness of the company to migrate a portion of their Indian customers to 3G network? And does the company have any solution deployed on 3G network outside India at present?

Mouli Raman:

While we do not have any say over the carriers moving to 3G networks. What we have done is that in couple of markets where 3G networks are advanced, we have a few services. So once the 3G networks are launched in India, it is possible for us to bring out those services in India

Raghupati Hegde:

Okay. Thanks.

Mouli Raman:

Thank you.

Operator:

Thank you very much, sir. Once again participants who wish to ask a question, please press “star” “one” on your telephone and wait for your name to be announced. We have a next question from Miss Zara from ASK Investment. Please go ahead, ma’am.

Zara:

Hi. I just wanted to know how much cash do you have in hand? How much do you have as of 31st March?

Rajesh Moorti:

As of 31st March the cash and the cash equivalents is around 330 crores.

Zara:

Okay. All right. That’s all. Thank you.

Operator:

Thank you very much, ma’am. Next in line we have Mr. Manoj from Baring. Please go ahead, sir.

Manoj:

Hi, sir.

Arvind Rao:

Hi.

Manoj:

As I join this call late. So I don’t know if this has been already answered. Your revenue growth guidance was I think 65% earlier. Any particular reason to bring it down to 60?

Arvind Rao:

We have not got it down. We said the guidance was 60 – 65% for the year ending March 31st, 2008 and for the next year we will continue with the same guidance

Manoj:

All right. Actually I just wanted to congratulate you on your results but I am being unable to catch it on the exchange sites and have the results have been sent out?

Rajesh Moorti:

Yeah, the results have been sent out, it is more than two hours ago. I can repeat it for you. Our consolidated revenue grew around 97%.

Manoj:

All right.

Rajesh Moorti:

And the profit after-tax around 80%.

Manoj:

All right. Congrats on that. A previous caller asked that a few services and products are copied by other competitors and you said it takes around nine to twelve months. So when these competitors come out with the product as we already have the Telco locked in, how does it matter because we already have the Telco in for around two years or something? Isn't that right sir?

Arvind Rao:

Yeah. The issue is not in the existing Telco, so for example if we come out with the product and we launch it lets say in Vodafone. The question is can a competitor if they have developed it and we have not sold it lets say into Airtel, can the competitor approach Airtel for it? Sure, they can. So in other words the challenge is whenever we launch and deploy a product, the question is how fast can we roll it out into all our existing customers such that nobody else can replicate and jump in.

Manoj:

Right. And I think last time we said that our two years revenue visibility is extremely high because we have the Telco's locked in for two to three years. Could you share a bit more on that as in how long are these contract periods?

Arvind Rao:

See the contracts typically are evergreen contract and – some of them are two years, some of them are three years, some are five years.

Manoj:

Okay.

Arvind Rao:

So far from the date of inception of this company I don't think there is ever been a single customer contract, which has not been renewed, so that's all the way from 2001. And that because these are master contracts, they are very large. You take any of these larger customers of us, they have anywhere from 5 to 10 million of their subscribers using our services, so you can't just switch that off at any point.

Manoj:

Right sir. I appreciate that as you had made that point, but see if we stand as on today as in April '08, how much of our revenues are like contractually there – they are contracted in the for the next two, three years, if that can be answered or if that question makes sense.

Mouli Raman:

Yeah, while we have a long-term contract with the operators, the key factor is the consumer uptake that while we have the long-term contract with the customers, I mean you say to them that it is going to be based on the consumer uptake on which we don't have – we cannot predict that.

Manoj:

Of course sir, lets say like say now the April '08, say with like the key top five customers, how – I mean how – say like you said that you signed contracts in say '01, '02, '03 .So, as of now how many years out do we have these master service agreements or...

Mouli Raman:

We have been working with operators in India from 2001 and, basically we have been operating on many of these customers for last three to four years...

Manoj:

Sure...and on the international segment if you would like to share something anything exciting happening there?

Mouli Raman:

We are fairly aggressive on the international front, we are operating in about eight more countries besides India organically and through Voxmobili acquisition in 11 more countries. And so we are looking at international market aggressively and whatever products that we have developed and deployed in India, we are seeing good traction in some of the markets, so we are very bullish on international markets.

Manoj:

All right sir. Thank you so much and all the best for you.

Mouli Raman:

Thanks a lot.

Operator:

Next in line we have Mr. Rahul from ABN AMBRO. Please go ahead.

Mr. Rahul:

Hello sir.

Rajesh Moorti:

Hello.

Mr. Rahul:

If I could understand 15% of your revenues come from international market and 85% from domestic market?

Rajesh Moorti:

That's right.

Mr. Rahul:

How do you see this equation over say next two years? You will be finding more bullish in international market and Indian market?

Rajesh Moorti:

Yeah, we expect the international to contribute something like 25 to 30% of our revenue.

Mr. Rahul:

Okay.

Rajesh Moorti:

And as Arvind mentioned earlier bulk of the new customer additions are really in the international markets.

Mr. Rahul:

Okay.

Rajesh Moorti:

And that's where we expect the growth really. The Indian market will continue to grow organically but the international market is where we expect the top line to come from as well.

Mr. Rahul:

Okay. Great sir that answers to my question. One more question sir, sir if you introduce a product you give it to a operator, what kind of longevity agreement where you have with that operator for that product?

Arvind Rao:

There is no longevity defined for the product.

Mr. Rahul:

Okay.

Arvind Rao:

It is entirely based on the market reaction,

Mr. Rahul:

Okay.

Arvind Rao:

We launch it, we work in good faith, both of us on technology and marketing to make it as successful as possible. And if it succeeds and does well we continue operating it and you know deploying it. If not, if it's a real dismal failure after a period of time it is either withdrawn or it dies its natural death.

Mr. Rahul:

Okay. Thanks a lot.

Arvind Rao:

Sure.

Operator:

Thank you, very much sir. Next in line we have a follow up question from Mr. Nikhil from Content. Please go ahead.

Mr. Nikhil:

I was just wondering about the kind of products that you have launched on 3G in the international markets and what kind revenues are there from those?

Arvind Rao:

Sorry which product?

Mr. Nikhil:

You have mentioned that you have launched some products on 3G in the international markets?

Arvind Rao:

Yeah.

Mr. Nikhil:

And some of these products you might be launching in India later if 3G does happen here? So I was wondering about what kind of products if you could give some details? And what kind of revenues are there from this?

Arvind Rao:

The revenue is really are not very material at all at this point. The objective is as follows: We are looking at the 3G operators overseas that we have relationships with more as a test bed. Okay, so the trials and the launches that we are doing are in the range of music, entertainment, location-based services and some data services. So far we are more in test mode more for checking out features, capabilities, extensions, synergy with our existing products. Less for really commercial proposes. In terms of when we would bring them into India, we will bring them in the right time, I mean when the operators are ready and live with 3G network and handset. Surely we will bring all that, whatever we have overseas, all of it in.

Mr. Nikhil:

Okay, great. Thanks so much.

Arvind Rao:

Sure.

Operator:

Thank you very much sir. Once again participants who wish to ask a question please press “star” “one” on your telephone and wait for your name to be announced.

It’s a follow up question from Ram Prasad from Sundaram BNP please go ahead.

Ram Prasad:

Good afternoon sir. Just to want to have the follow up on contract for the hello tunes for BSNL contract which you won, any updates on that?

Mouli Raman:

Well could you please repeat the question once?

Ram Prasad:

Sir last con call you talked about contract you won for the BSNL hello tunes?

Mouli Raman:

It is Airtel Hello Tunes in one Zone. It is under deployment now.

Ram Prasad:

Okay. And in the last con call you also talked about maintaining the PAT margin. If I remember FY07 your PAT margins were close to 26%. So going forward I mean this quarter it has gone down to 22% and it was I mean – because if my understanding is correct is it due to the new initiatives that you have taken sir?

Rajesh Moorti:

As I mentioned it is the combination. We had 24.5% margin last year, and that has come down to 22.4%. If we were to take out one time hits, it will be back to 24, so it is broadly inline with last year.

Ram Prasad:

Okay.

Rajesh Moorti:

And this 24 is without adding back the cost of the new initiatives. The despite spending sizable amount of money on new initiatives we still have 24% margin, but for the one time hits.

Ram Prasad:

Okay, sir. Thank you very much.

Rajesh Moorti:

Yeah, thank you.

Operator:

Thank you very much sir. At this time there are no further questions from the participants. I would like to hand the floor back to Mr. Arvind Rao for final remarks, over to you sir.

Mr. Arvind Rao:

So overall we've had a decently good year. And we don't see any decrease or any negative trends or developments that will impede us in the going forward. So we are really looking forward to yet another year continuing the momentum, investing in across-the-board, both in terms of products as well as expanding internationally, and launching new products. So, we are fairly bullish about the forecast, about our guidelines and we are looking forward executing as well and good as we can. So we wanted to thank everyone for this and we hope that you all continue to support us and enjoy the benefits of being an OnMobile shareholder. Thank you very much.

Operator:

That does conclude our conference for today. Thank you for participating, you may all disconnect now.

END