

OnMobile Global Limited

Investor Conference Call – Q3

30 January 2009

Operator

Thank you for standing by and welcome to OnMobile Investors conference call presented by Mr. Arvind Rao. At this time all participant 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 the question please “press Star 1” on your telephone. Please be advised that this conference is recorded today. I would like to hand over the conference to Mr. Arvind Rao. Over to you sir.

Arvind Rao:

Thank you. First of all, I would like to welcome all shareholders, investors & potential investor to this call. I have with me over here in Bangalore Mouli Raman who is the CTO and Co-founder; Rajesh Moorti, CFO; Praveen Kumar, Investor Relations Manager and in Mumbai we have Sandhya Gupta who heads our M&A and Strategy and we have a new member in the Management team, Sanjay Uppal who is our new President and COO. He has just relocated here from the valley in the US. I will be introducing him a little later today. The first point I would like to make is, many of you have received the press release and our Quarterly results. In addition we have also circulated 2 pages note which is a Partial MD&A summary which captures some of the major highlights of the quarter. This is a new format that we introduced from this quarter and we intend to continue going forward. And I would like to request all of you to review it and things, which are missing, or things which you would like, please email us, we can improve the quality of this MD&A summary report that we send out to you every quarter. So with that let me walk you through to first few parts and then I will turn it to Rajesh Moorti for doing the numbers. On the first point in the note is a material new development with Customers. I'm happy to report that the cross operator press star to copy, which is a very key future for us in the Indian market, we have launched that with very large two Operators in India, with Vodafone and the IDEA as a matter of fact. And that deployment has gone very well. We also won order to provide complete suite of VAS services to a new GSM operator in India, who is launching new GSM network. That was a competitive win against an overseas competitor. So we are very happy that we have won that. We have also started the deployment of our first ring back tone customer in Europe. This is a major achievement for us, as you know Telecom Operators and Customers in Europe are specifically very difficult breaking in to and we have been working on it now for about year - year and a half. This is the first customer that has been signed, which is under deployment now, and we should go live in the first quarter or so of the next year. We have expanded our presence in emerging markets primarily in Bangladesh where we have signed up new operators for Voice Portal, Subscription Services and OBD services. We have also deployed phone backup from our new French acquisition company into one of the very large Bangladesh Operators. And finally we have expanded our presence in Indonesia. We are live with their 3 or 4 operators and we are steadily expanding to our presence to a point where we hope to be live with almost every operator in Indonesia. So that's on the Customer side and on the product side, as you many of you must have seen the banner from Airtel what is called “Gana Bolo” which is being played on television & on banners all over the Country. I am happy to tell you that's actually OnMobile under the hood. The technology is all ours. It was developed using Telisma which is the French

acquisition that we completed and I will turn it over to Mouli to talk more about the technology as well as the impact of the market results that we have seen.

Mouli Raman:

Post acquisition of Telisma, OnMobile & Telisma Team have been working together to integrate the Telisma Technology to OnMobile platform and this is our first installation and this was launched on January 14th and within very short period of time, we have seen very good traffic and very positive update from the consumers. We have seen more than a million minutes a day and good number of downloads already happening for hello tunes through this channel. So it has been very positive. The second one we have done is the OnMobile developer network. As you know we have our platform across most of the operators in India and until now we have been developing the applications on top up it. And now we have opened up the platform, so there is a possibility for small and large application developers to develop applications on top of our Platform. In the first stage we have tied up with six application developers. We are happy to inform that the first application has gone live on one operator, on the ODN. The 3rd thing we have done is we have developed retail kiosk through which it is possible for a consumer to go to operator retail stores, and using the kiosk it is possible for them to experience various content and download the content on to the mobile phone. 4th thing is AdRBT, we were running a trial in one large operator in one zone and it was successful and the operator has decided to go live across the entire country. So it is already in progress and that would be completed in this quarter. So these are the major developments in the quarter.

Arvind Rao:

So, just to conclude that section on the products, the real good news is AdRBT which as you know is a very large project investment for the company. The trial was successful, the Operator is extremely happy with the results and they have validated and agree to roll it out countrywide. So that been a success and testimony to our capability after a long haul of 12 to 15th months.

The next thing I would like to do is to talk a little bit about the Organization. I would like to introduce Sanjay, Sanjay brings tremendous expertise to the organization. As you know we are putting in place a strategic plan and vision to really take the company into the next 3 or 4 years, make it far more International, expand the range of products, and significantly increase the presence that we have with each of our customer as of today. And Sanjay is going to be the Key part of that organization leading us going forward. So I would like Sanjay to introduce himself and say few words about him to all of you.

Sanjay Uppal:

Thank you Arvind and I would like to say Hello and welcome to all of you on the call and I am very pleased to be here at OnMobile. I joined OnMobile in December of last year and just a few weeks ago moved with my family from the United States, Silicon Valley here to Bangalore. I have spent over 23 years in the United States and saw this opportunity in terms of helping the management team here grow the services; grow mobile value added services from a global basis. I think the team has achieved a lot in the short time that they have been together. I think that the opportunity really lies forward

and that is the main reason why I have come here to strengthen the management team as well as the diversity of the team that we have here, So I really look forward to working closely with the team, as well to being in touch with you as we go forward in the Quarters ahead.

Arvind Rao:

You know just on that point I think one thing we are looking forward to is the operational experience that Sanjay has will help us dramatically in terms of managing our margins particularly, because you know that's an area where his software product experience is something that was missing in the company all these years. So it fills in a very critical gap in our top management skill set.

The second part of the organizational issues very quickly is that we have just opened two new offices and applied for registrations, one in South Africa and one in Nepal. Nepal is close to India, we are already live in Bangladesh, in Pakistan and Sri Lanka, so when we go live in Nepal that will basically complete the presence in all the SAARC countries.

I'm very excited about opening an office eventually in South Africa because that's our first presence in a very large continent. We are in advanced stages of signing with couple of customers and we will be deploying our services starting over there in the next 6 months. This is a completely new continent, market that has been opened up for us. So again there is a huge revenue growth opportunity for us in the next year

Finally the last point is recently we have been awarded a few awards, the Deloitte fast 50, Deloitte fast 500, the mobile marketing Ernst & Young etc. So that's on recognition for our company and with that really I would like to turn over to Rajesh Moorti our CFO and he will walk us through the numbers and then we can do the Q&A after that.

Thanks Arvind and welcome everyone to Quarter 3 earnings call. I will quickly run you through the profit and loss account of the company and we will talk about the Balance Sheet later.

If you look at the current quarter, consolidated revenue was 115 crores that represents quarter on quarter sequential growth of around 19 percent and the year to date growth of around 51 percent. I would just like mention here that as discussed earlier, we had change the accounting policy on revenue recognition in Voxmobili our subsidiary in France, early this year. And with that we were trying to take away the lumpiness in the revenue recognition during the year. While we have achieved that to a great extent, the business is still impacted by the underlying business seasonality. So typically the quarter 3 which is the Oct - Dec quarter, would typically be better than rest of the quarters, so in quarter 3 we have had that benefit.

If you move on the EBITDA, our current quarter consolidated EBITDA was around 40 crores that represents 35 percent EBITDA margin. And a sequential growth over quarter 2 of around 48 percent. I would just like talk about few costs line items at this stage. Our direct costs in this fiscal year has been higher than the previous year and that's mainly on

the account of the higher content cost and higher payouts related to our Media and Mobile Marketing Businesses. In this period we also consolidated revenues and the costs of Telisma which was acquired on 1st of July. Given the lower revenue growth that we talked about in the previous conference call, we have also focused a lot on controlling our discretionary expenditure and we have been able contain the cost by trying to reduce the spend whether it's on travel, on communication, on meetings and conferences. And through hiring freeze we are able to contain the manpower cost. So that's certainly has helped in terms in growing the EBITDA Margin.

Moving on to profit after tax current quarter consolidated number is around 28 crores that represents a 22.4 percent margin and that represents a sequential growth of around 50 percent over the previous quarter. The standalone numbers are also given in the press release. So with this we can open the floor for any questions.

Operator:

Certainly Sir. At this time all the participants who wish to ask a question please press star one on your telephone key pad and wait for your name to be announced. If you wish to you cancel your request please press the Pound key.

First in line we have Mr. Sumit Poddar from Birla sun life.

Sumit Poddar:

Hello sir, congratulations on the results. Just wanted to get some more flavor on the AdRBT. As you have said it has been successful in one of the circles. So if you could give some more color in terms of how things will be and what could be the revenue potential and how the subscribers have really reacted to whatever scheme that has come up.

Arvind Rao:

Yeah, Just a couple of things. First of all I want to caveat it, as you know being white labeled we are doing this under the aegis of an operator and so I have to be careful about what information I give out because it is confidential and they are the first out in the market. But what I can tell you is that in terms of consumer's response the brand recall rate which is a key part of advertising medium was several several times higher than any other digital media including the internet, fm radio etc. So that is very powerful indication.

Second thing is adoption rate was extremely high in terms of the target market that we went to and the percentage of people. I mean, typically if you get 5- 6 percent response rates you are happy. This was way above that. Now, granted that all these targets were done on only a sample size of about 10000 - 15000 customers. So you know I am bit hesitant to say that you can extrapolate that vary widely. But we are very excited about it and very positive and we have done a lot of dip sticks and checks with the consumers and everything is now ready, the customer is satisfied and ready for roll out. In terms of what the revenue potential is, you know, it's big & it's a very very large project. On one

extreme, if things go according to the projection that we believe are doable, you know this could be as large as 15- 20 percent of the revenue of the company, of the Indian revenues. It's that large. Now the question is really to get to that scale it would take multiple years and it will necessarily involve deploying it across all operators. So from a technical stand point it requires a lot of efforts and all the rest of it but it has very very large revenue potential.

Sumit Poddar:

So in terms of what is being offered to the subscriber has that still been finalized or ...

Mouli Raman:

During the trial we tried out a few options but when we role it out as much largest sale across the country we need to fine tune it. So, adding to what Arvind said, if you look at it, there are four stake holders in this - the consumer, the operator, the advertiser and us. It is going to take a lot of fine tuning to get the entire eco system right.

Sumit Poddar:

Ok. So when do you think that over all thing would be in a much better shape like I mean six months, three months or like a year kind of thing.

Arvind Rao:

Frankly, to be honest with you, I think in FY09-010 we will begin to see revenues coming from this project deployment. And if you think about meaningful revenues in terms of where it's significant or has an impact that could be probably be 10-11.

Sumit Poddar:

Ok

Arvind Rao:

By the time it really scales up, because when you think about it, if you look at RBT today for us, in India we are achieving high revenues but you know thats almost about 20 to 25 million users who are driving that revenue. So if we have to achieve similar type of results, we have to get to that scale of subscribers. And while we have proven and tested the technology to make sure that we can handle it, it's now up to the operator to promote it heavily and roll it around.

Sumit Poddar:

Sure sure, and in the terms of study that has been done is it that the expenses are being borne by the operator or by us?

Arvind Rao:

No, there's no study. It's basically a dip stick with the consumers which is done partly us and partly by the operator. We did use some external help but we also did it internally.

Sumit Poddar:

Ok right, great. Thank you so much and all the best

Operator

Thank you Mr. Sumit. Next on line we have Mr. Shubham Majumder from Macquarie. Please go ahead sir.

Shubham Majumder:

Hi! Arvind Congratulations on a good set of results and more importantly on a flagging of AdRBT product. I just had a couple of questions.

Just on the macroeconomic environment and the flow down on VAS, if you look at some of the listed of company results that are already out for this quarter, we have seen a significant slowdown in the propensity of spend by the subscribers on Mobile value added services, Bharti, Reliance and Idea primarily speaking and I guess Vodafone to some extent as well. Are you seeing perfectible slow down yet or there is a lag impact in the way you see it impacting you. Just some color on that, because clearly this is the most discretionary part of spending from a consumer wallet perspective on mobile services.

And my second question is on the EBITDA growth excluding voxmobili for this quarter, for 3Q last year and for 3Q this year so we have better sense of comparison of the business fundamentals. And the last thing how does the revenue model on AdRBT work. Have you finalized that, I mean, you talked about four stake holders or four partners in the way an RBT will work, can you just give a sense of how the dollar actually size up between these four players and how you split it up. Thank you,

Arvind Rao:

We will take that one at a time. The First one, which is slow down in the market and consumer spending is that going to affect us and materially. Clearly there is no doubt on my mind that current market conditions and market down turn, you know, just generally consumer nervousness with the macro economist trends and the outlook is going to affect how they spend money on services,

What we are finding is some interesting trends which is value added services and mobile services are often viewed much more a utility and personalization rather than discretionary. I mean it's bit of a counter intuitive thing but I remember when the we launched services all over the country, we found surprisingly high usage from Bihar, from Madhya Pradesh, from Kolkata, from areas where we thought would not be such high usage areas. We are also seeing extremely high usage from prepaid users as opposed to post paid whose ARPU is much higher. So that's also counter intuitive. So, you know in some strange manner, I mean, I give this classic example all the time, I have not changed my ring back tune for a year whereas my driver changes it every week, you know they find the money somehow, for them it's far more important in terms of how they come across how they personalize themselves relative to their peers and people who call them than it may be for someone like me. To some extent while are we are seeing a slow down, the other trends that are going which mitigate that effect. The other trend that is mitigating is the sheer growth in terms number of subscribers, so for e.g. while on one hand your ARPUs may be going down, the spend on VAS may be going down, we are sort of are mitigating that just by a larger base of users because when you think about it,

if Indian Operators add 10 million users in India in any 1 month, all 10 million of them are potential users of our services because our reach is 100 % into the Indian market, without doing anything. So, we are in a bit of a favorable spot that way, in some way we are insulated against the sheer downturn in consumer spending.

Mouli Raman:

I mean if you look at typically during down turn there are two theories. One is that people stop spending in very large ticket items hence they have more disposable income to spend on small ticket entertainment items. So, that way, historically if you look at it small ticket entertainment items go up. So from that stand point there may not be too much of an impact but on the other hand you are right, it may have an impact too. So we have to see how it is going to pan out. But so far in India, we have not seen any slow down.

Arvind Rao:

And the other thing is that from our revenue stand point remember one thing that we are severely under penetrated in international markets. So as we continue growing and you can see that % revenue for international has gone up, so on the one hand India is slowing down to some extent but just by adding new customers and adding new subscribers we can offset some of that ARPU decrease impact. So that addresses the first part of your question right?

Rajesh Moorti:

Shubham I will take the second one which is on EBIDTA. In Standalone we had an EBITDA of 34 crores which represent around 39% EBIDTA margin and that's a sequential growth of around seventeen and half percent and YTD EBIDTA of standalone has increased by 24%.

Shubham Majumder:

Can you just once more repeat the numbers Rajesh, not very clear coming through

Rajesh Moorti:

Standalone EBITDA is around 34 crores which is 39% EBIDTA margin that represents 17% sequential growth and YTD growth is around 24%.

Shubham Majumder

YTD as in nine month over nine month last year

Rajesh Moorti:

That's right

Shubham Majumder:

And last question, really speaking how do you split up the customer spend on AdRBT, I mean how does the entire revenue model work?

Arvind Rao:

On AdRBT, it's like this. The revenue for that is going to come from the advertisers. The people who participate in that include the selling agent whoever goes and sells it to the advertiser, includes the operator and includes us. Now we have our revenue share, there are some fix costs, fixed revenues between the three of us, that's how it's going to be split. Now it depends on, when we actually roll it out, because right now we have a set of numbers that we have in mind and we have talked to agencies about it and they are fine, the operator is fine, so there is not going to be any delay due to any commercial negotiation or anything of that sort. We are ready to roll it out.

Shubham Majumder:

And just a very small follow up on that. Are you in talks with other operators as well, I mean, is there a likelihood in the next would next 12 or 18 months you may actually see it replicated with couple of other large operators or is there any sort of exclusivity relationship that can prevent that for a certain period of time?

Arvind Rao:

Yeah, usually we don't have exclusivity, but typically it's a partnership. All our customer relationships are partnerships. That's one of the key reasons why after 8 years we haven't lost a single customer and our share within each customer has only gone up over 8 years. So what we do is, while we may not be able to give them exclusivity, we have some preferred status and preferred lead-time to market that we work exclusively with somebody. So in return for doing the very detailed trial and all that, obviously, we are going to have some exclusivity for a period of time. But on the other hand, you have to remember one thing, it's just like a cross operator press star to copy, while there is an advantage to an operator to have it exclusivity initially, by building of the overall market, everybody benefits, the same thing as saying when Pepsi cola advertises, coco cola benefits that's because they are expanding the market, and it's the same thing over here. So you know after a limited period of time we will be rolling it out across all operators, because, if you are an advertiser, you know, let's say you are Colgate, you know if Colgate says that I want to advertise to people in the Punjab. You know, they don't care whether it's a Vodafone user or a Reliance user or an Airtel user. They want a certain definition of a TG, whether it 15 to 25 male, professional whatever, and they don't care which operator it is on. So, if you really want to serve advertisers well, you have to be cross operator. And that's the beauty about OnMobile in that we are the only company in India today who can be cross operator with a product like AdRBT, because we are live with the basic RBT in almost every operator.

Shubham Majumder:

Ok Arvind, while you didn't sort of give us an exact sense of how the revenue model will work, can you just give us a sense of whether the revenue share that accrues to you would be I would assume much higher than 22 to 23% share of customer spend revenue share is at this time?

Arvind Rao:

Yeah! All I can tell is you know I can't release that number to be honest with you, but I can tell you that, it will be either in line with our existing thing or better.

Shubham Majumder:

Right and finally, as we are in January, would you give us some sense of your numbers, how it looks like for fiscal 2010?

Arvind Rao:

You mean this year or the next year?

Shubham Majumder:

As in March 2010 fiscal, any guidance whatsoever?

Arvind Rao:

Very frankly, we have a very good revenue momentum and we are doing a lot of efforts to maintain or increase our margins. Largely through you know being more cost effective, watching our discretionary expenditure very carefully, re-negotiating all capital expenditures, we are looking at every line item to improve the margins and not just rely on revenue momentum for driving this Company, like we did it in the past.

Having said that, obviously we are looking at every opportunity as a major real estate slot we are trying to grab wherever it makes sense. But the thing is that the current conditions are pretty severe, no matter which part of world you look at it in terms of credit crises, just sort of monetary, fiscal discipline that people are just being very scared to spend. So, we should be in same range as what we are maintaining right now. But we are not going to give out any sort of serious guidance. Because we don't really know, right now we are looking and feeling we will have a better sense probably towards the end of this fiscal year. You know because by April, May we expect hopefully that things will be better and there will be some direction particularly in overseas market, in the US in particular and some stability. At that time we will be able to have a better sense of where we are going.

Shubham Majumder:

An any change whatsoever on your March 09 guidance, can you re-iterate once more?

Rajesh Moorti:

Shubham at this stage we don't have any other information to the contrary, so we are sticking to whatever we had said in the previous earnings call.

Shubham Majumder:

Which are?

Rajesh Moorti:

50-55% revenue growth, and 20% net profit margin.

Arvind Rao:

Now given the current market conditions and all that, it's not easy maintaining and driving these numbers, that's one. Second thing, is as I said before on our call, the big challenge for us in management over here, is that, should we slowed on any R&D

investment in order to deliver higher margins. And we had a lot of debate internally at the management level on this issue and we feel very strongly that we are in such a strong position in our industry, that it's a shame not to go for the gold. Ok, because we are seeing our market share improving in almost every customer, we are seeing customer demand and customer preference on us. I mean, we are getting called by customer far more than we have to go and pitch them. So we are going to go ahead and invest, of course, we are going to be very careful and watchful about margins to make sure we don't take our eye off the ball. We are still in a very high growth stage as far as I am concerned. And the market is extremely wide open, we are seeing new territories in terms of be it Africa, Latin America, Europe, there are large parts of the world where we are not present. So there are no shortage of opportunities at all for us right now.

Shubham Majumder:

Sure I have a couple of questions, but I guess I'll come back

Operator:

Thank you Mr. Shubham, next in line we have Mr. Sameer Naringrekar from BNP Paribas.

Sameer Naringrekar:

Good Evening, just a couple of quick questions, the first one is regarding when in Europe, could you give us a sense of what kind of wireless subscriber base that operator has in Europe. And also in terms of use of cash are you still actively looking for acquisitions and are you finding anything attractive at this point in time?

Arvind Rao:

Ok, the European operator today is in the range of about 10 million subscribers, 10 million plus. The only other thing I can tell you is it's a significant win for us and we are happy about it because it is really part of much much larger family of operators. So clearly, if we do very good job over here it could serve a very strong reference which is our aim. So it's much more than a single customer win in my mind. Also the other thing is that, people keep saying that you all have such great results in India, you all have such great results in emerging market, but has that something to do with the culture of that market, which is significantly different from Europe and your services are not going to be successful in Europe. When I say services, I mean our core services of ring back tone and voice portal. We are already live with phone back up and data services in Europe which are doing well. So keep those aside. So for us, this is going to be very interesting deployment and we are putting some of our best people, to make sure that this is extremely successful. Because it's going to send a very strong signal, to the entire European telecom community that we have arrived, we have arrived with our set of products, here's our different business models, how we work operators, and it shows the value add that we bring to the table more than just a product or a software license that makes it successful.

Your second question on the use of cash, if you ask my CFO he is looking to put it in a safety deposit box and throw away the key because he doesn't want me to use it. But, we will be looking at M&A, so we are continuing to look at M&A, all over the world. We

are seeing a lot of deals because there are lots of companies which are running into trouble, where the venture capital investors are not going to give the next capital call on them. We are seeing lot of deals, the problem is many of them are not high quality. And we have chosen explicitly to very selective and we are not going to feel any pressure to do a deal just because we have the cash, I mean, I know it's a crime, we have had an internal debate, it does not make sense to have cash sitting at 6 - 7% interest when inflation is 11-12%, and the return in equity is significantly higher than that as well. But on the other hand, we don't want to rush into something even in the deal looks cheap. So we are looking at several acquisitions. We have actually walked from one or two acquisitions where either the price was not right, based on the quality of the assets, or where we could not negotiate the terms that we wanted.

Sameer Naringrekar:

Ok thank you very much Arvind and congratulation on an impressive set up number,

Arvind Rao:

Thanks a lot.

Operator:

Thank you Mr. Sameer, next in line we have Mr. Sandeep Shah from ICICI securities, please go ahead sir.

Sandeep Shah:

Yes Sir, Congrats, on a good sets of numbers, just on the AdRBT, you must have discussed earlier, but specific to the client where you going live across India, how does revenue model will work. Is this like cannibalization in terms of an existing product where you will be offering that as a free or this would be like a freebie offer to the subscribers?

Arvind Rao:

Ok, here's the rationale. You know RBT today is the product that's, let's say, got 20 or 25% penetration in an operator. So you have 75 to 80% of the installed base of the operator who is not subscribing to RBT. So the initial concept of AdRBT was, can we come up with products that can target the 75 to 80% of the base that is not taking RBT. That was the original concept of AdRBT. On the one hand, people did say, there may be cannibalization and all the rest of it, so what we done is we have ensured the end pricing of the service is such that the effect even if there is cannibalization, the net to an operator ARPU remains the same. So as far an operator, and therefore us are concerned, whether we get a subscriber coming in as an AdRBT subscriber, or as an RBT subscriber, the take is the same. That's a way to neutralize the cannibalization effect.

Sandeep Shah:

Second thing, in terms of this, export revenue Mr Rajesh can you just break down in terms of the India based export revenue for this quarter and for the last quarter?

Rajesh Moorti:

The international revenue, we have this quarter, the total revenues of 24% of that only 5% is organic, the balance is really from the French companies.

Sandeep Shah:

Ok and this income tax notice, can you elaborate more on this because, we were paying, being a full tax Company for many years, so how this relates to and what is the certainty about this?

Rajesh Moorti:

This is not an income tax notice, this is a notice from the VAT department in Karnataka, and the revenue departments are on an overdrive to really try find out where they can go after. But we have always been paying service tax so we have paid over last so many years around 55 -60 crores of Service Tax, but the same revenue the Karnataka VAT department is targeting and they have actually said in the notice that we have wrongly paid service tax. Obviously they don't have a jurisdiction to say that. So, we have gone in appeal and there are Supreme Court Judgments clearly saying that the same revenue cannot be subject to both Service Tax and Sales Tax.

Sandeep Shah:

And Just on the content cost as you were saying in your opening remarks like that has been going up YOY basis even on quarter on quarter basis. So one can assume that now our gross profit margin will be lower by 400-500 basis points.

Rajesh Moorti:

Not really because on a consolidated basis if you look at it there have been certain onetime costs especially in the subsidiary company and we are looking to rationalize that

It also the function of what is the product mix or the revenue mix. The media revenue which has increased year on year, where the amount that we pay out to media partners is higher than what we pay out for other parts of the business. If that mix changes, obviously it's good for revenue and profit growth but that impacts the gross margin. It has gone up certainly, but we are looking at every single cost component and looking to optimize the costs.

Sandeep Shah:

And how much has the AdRBT cost as a percentage of sales has affected this year's margin which you may expect to be little bit lower because now the commercialization may start.

Rajesh Moorti:

Sandeep, in the earlier calls also we talked about, the company continues to invest in new initiatives in capacity building. I would not really like to give the breakdown of each initiative. But in total this has had an impact of around 4 % on EBIDTA margins this fiscal.

Arvind Rao:

Again, that's not representative because, Sandeep, you have to understand that you know, we are common teams working on multiple products and all that we don't sort of try to allocate cost very carefully because then it becomes an accounting exercise.

We do manage the cost but at the same time, we are not here to cut corners and do some nickel and diming here and there. So the number is significant as Rajesh talked about because we have invested a lot but that's directly in proportional to the size of the product opportunity that we see.

Mr. Sandeep:

So that's what I wanted to just get a feeler that whenever the AdRBT commercializes the benefit in terms of margin will also come in.

Arvind Rao:

Yeah, the benefit here again is going to be over a multiple year period and don't forget one thing that even after you develop the product, there is also a big chunk of cost in maintaining the product and supporting it going forward because it has to be customized for every market with every operator etc. So, there is lot of ongoing work as well but I agree with you a lot of it is frontend loaded.

Sandeep Shah:

Have more questions, I will come in a follow up round thanks and all the best.

Operator:

Thank you Sir. Next in line, we have Mr. Srinivas Rao From Deutsche bank.

Srinivas Rao:

Hi Arvind and other members of the OnMobile team. Thank you very much for taking the call, I wanted to ask on the phone backup, the product which you have acquired and now you are rolling out. What is the response and how are the deployments actually going on because you indicated last quarter that you had signed up certain customers on that particular product.

Mouli Raman:

We are live in two operators so far and we are having about hundred and fifty thousand users, using the service. One difference in India and Apac markets is that the Operator does not sell the handsets. So there are lot of challengers related to distributing the client. So we are working on that to see how we can make it easier for the user to download file and start using it. We are working on it and it's ongoing.

Srinivas Rao:

What is the pipe line in terms of deployment with other operators?

Arvind Rao:

We have a long pipeline. The product is solid, well tested and also our relationship with our customer is extremely strong. So the challenge in rolling it out is the function of how

fast we can move. For example, the largest operator in Bangladesh, we have just deployed phone backup out there. That is a very large customer with around 30 million subscribers, and believe me, it took us a while, several months of hard work by our product teams, to customize and integrate the product for all the different types of handsets that they use out there. But now that we have gone live, it's just the operator pumping it out and see how many users we can crank. That is going to be a good deployment. So far after having bought Voxmobili, we have signed contracts with almost 14 operators in Asia Pacific and that includes you know the ones that we are live with like Airtel, BSNL, Vodafone India, Idea, Grameen in Bangladesh, Maxis in Malaysia. So there is no shortage of sign ups. The customer response to the product is the phenomenal. The Challenge for us really is because each market has a different set of handsets. They have to customize it for that handset, make sure it works correctly and then tell the operator to go whole hog in marketing it.

Srinivas Rao:

Thanks, Thanks, Arvind and One more, this is for Sanjay has joined you. I wanted to ask him as to what is his perspective on taking in the company forward? He has worked in the Valley for about 20-23 years. What did he see in the company and how does he want to take it forward?

Sanjay Uppal:

Yes, as I said before I think the opportunity is global for this company. The Company has been very successful in going after all of large operators in India. The set of services that are heavily customized that creates a high barrier of entry for other people to come in. The company has a great understanding of what the consumer wants and does. That has been expanded in to certain markets like Asia Pacific and Europe. Coming at it from a prospective that I have, having spent a lot of time Silicon Valley, there are two thoughts that I have. One is if we take a look at how to really make this scale from the product perspective. So, we take a look at all the operators from the worldwide basis, what are the processes we need to put it place to scale it. And we can see the opportunity really lies ahead. Because there is a lot of innovation that is coming out of the teams here from the understanding of the customer as well as in being deployed in all of the operators, particularly from an Asia Pacific and India Stand point. So we can take that and then stamp it out into the Global operator that's one aspect. The other aspect is because of the acquisitions that have been done that are more data oriented, now coming more from a western stand point to take those products and then roll them out in the emerging market. So, there are both of these opportunities I think that from a product development and product role out stand point, the opportunity to take both of them and really make this company get to the next level. Continue as being the number one provider mobile VAS then really expanding it out from adding all these new products and then going into the Geography. I think that's where I believe the opportunity lies ahead and some of what my teams and I have done in Silicon Valley, we can bring that to bear, in terms of the experience and diversity in combining with all the successes the team has had here.

Ok.

Srinivas Rao:

Thank a Lot. If I have any question will come back.

Arvind Rao:

Sure

Operator:

Thank you Mr. Srinivas. Next in line, we have Mr. G V Giri from IIFL

Giri:

Hi Arvind & Team excellent numbers. Just about your goodwill it's about 210 cores. It is a quite a little bit, what is your policy on amortization, because we are going to have a lot of inorganic growth going forward?

Rajesh Moorti:

Good will is really on consolidation so the goodwill per se will not be amortized. The accounting policy says that you have to do Impairment value of the investment made in subsidiaries and that is based on the projections that we have for those businesses and what the actual numbers are. So it's too early because the businesses have delivered, otherwise if the underlying value of the business has remained the same or gone up there is no amortization of goodwill.

Giri:

No other questions. Thanks.

Operator:

Thank you sir. Next in line we have Mr. Gaurav Malhotra from Citi Group.

Gaurav Malhotra:

Thank you for opportunity just have couple of questions I'm going back to the content fee and royalty. I know the figures have been going up but even if we take it as a percentage the of the VAS revenue, even that number has gone up say from 8 percent in December. Now, almost 14 % so just wanted to know what is the reason for that considering that the revenue share agreements have broadly remained stable over the past few quarters. That's my first question.

Arvind Rao:

Apart from the content cost which are regular which are recurring there are one times cost out there which when you are comparing, you know, going from 8 percent to 14 percent, it includes some one time and extra ordinary items I think.

Rajesh Moorti:

If you look at YTD numbers it has gone up from around 10 percent to 13 percent. If you take out the one time, it will be more like an 11.5 to 12 percent

Gaurav Malhotra:

Ok! And just going on, Voxmobili, if you can just tell us, basically the revenue of the Voxmobili would be the consolidated minus your stand-alone numbers right.

Rajesh Moorti:

Yes, bulk of that.

Gaurav Malhotra:

And what percentage of your total revenues are International for this quarter?

Rajesh Moorti:

24%. Sorry that's YTD, I'll have to come back to you. I don't have the quarterly number but then that is broadly in the same range.

Arvind Rao:

Again I must say one thing, don't look at International revenues on a quarterly number because that does not make sense, because the nature of our business is such that, while it is not totally lumpy from quarter to quarter, one customer may start, another customer may dip, you know, so look at on at least 2-3 quarter basis.

Gaurav Malhotra:

Ok, and Arvind you had mentioned last time you have mention it again, do you see visible slow down in operator deployment especially in the international market considering the tough environment that you are in currently?

Arvind Rao:

What I can say is, this is all relative. The last time we talked about it we were seeing the depress six months ago. Today if you ask do you see it from six month ago the answer is not. But it is the same depress level but I do see signs of turning around and I do see a change in sentiment and change in mood and people are looking at us and again as I said, as our track record gets longer and longer and results get better and better, you know, it creates more of a compelling reason for an operator not to have inertia to actually take the plunge. So actually in strange manner I'm seeing that the resistance is actually decreasing.

Gaurav Malhotra:

Ok! Alright! That's it from my side
Thank you so much.

Operator

Thank you Mr. Gaurav. Next in line we have Ms. Deepti Chauhan from Asit C Mehta.

Deepti Chauhan:

I just had some question basically we seen your other income in a YTD basis gone up quiet significantly, I just want to know what is the reason behind the same and second question is how much capex have you done so far and any guidance if you can give for the full year as well as FY10 and the third question is we have got a deferred payment

liability in our balance sheet, consolidated balance sheet worth 110 crores. I just want to know is that with respect Telisma acquisition?

Rajesh Moorti:

OK, I will just go in a reverse order

Deepti Chauhan

Yes sir!

Rajesh Moorti:

The deferred liability is related to acquisitions. It's around 6.5 crores to Telisma and a small chunk payable to Voxmobili share holders which is the last installment. In terms of capex, we have had the year to date capex as a percentage of revenues around 12 percent, that has come down to significantly over the last year. I had mention in the previous call as well as is that we are looking at the capacity utilization much more closely before deploying the capacity. On full year basis it will be more like 15 percent. In terms of other income the money that we raised in IPO and money which is left unutilized, we used to earlier invest in mutual funds, Liquid and FMPs and now we have moved that to all fixed deposit with lower interest and hence the other income has come down and will come down as we utilize the money for business purposes

Deepti Chauhan:

Ok, Sir, for the last quarter can we expect the same numbers or should we be factoring in a little lower as what we have seen in the past

Rajesh Moorti:

It will be lower

Deepti Chauhan:

One last question I just wanted your view on exactly how is the RBT market if you see apart from India if you can just throw some light and exactly and how is exactly RBT market may be say in US 'or' Europe 'what is' I mean in India it's like a very big huge market lot of potential I just wanted in your sense what exactly is the market out there.

Arvind Rao:

The market in India is very large but it is also large because you know it is being promoted very aggressively by operators. If I look, you know, when IDEA launched dialer tunes or AIRTEL launched hello tunes and stuff, the VAS heads over there promoted it very heavily. And they have done that for several years and as a result, you know, thanks to them really that the market is where it is today. Now, in other markets the operators are not willing to promote as aggressively. They are far more conservative, they are far more sensitive to issue like subscriber privacy and they don't want to spam them with messages. So therefore the going is much slower. That's one thing, the second thing is the model in which Telco's work with partners like us in India is quite a bit different from how Telco's are used to working with third parties in developed market's like Europe and US. Over there it is far more of a shrink wrap, you know, buy this

product and then deploy it and then stand back and expect it to deliver wonderful results which don't happen and over here it's more of a partnership model where we come in as specialists and we actually sit on site and work with the operator day after day, actually drive the results and if any things goes wrong or if things are not going well, we find out what's wrong and we fix it in real time. It is a completely different model.

Mouli Raman:

Just to add to what Arvind said, we believe that we can make a huge difference in many of the markets where RBT has not really done well. A proof of that we have entered one large market and we started working with an operator there and many other operators had RBT there and what we are seeing is that, the results that we are getting in our systems is much more much superior to what other operators are getting on their systems. So, we believe it should be possible for us to enter the markets were RBT has not been successful and make a difference with our products.

Deepti Chauhan:

OK sir! You saying that you are eyeing the other markets where RBT is not developed much

Mouli Raman:

Yes, Absolutely

Deepti Chauhan:

Ok! Thanks a Lot Sir!

Operator

Thank you Ms. Deepti. Next in line we have Mr. Himanshu Shah from Religare

Himanshu Shah

Hello

Mouli Raman:

Yes

Himanshu Shah:

Sir I am having a question with respect to your capex, basically you said that your capex for the year was 12 percent of revenue which would be somewhere around 28-30 crores but your gross block has went up by 100 crores. So and till last quarter I think so you first half of capex was 25 crores so just wanted to understand the gap for the current quarter in gross block.

Rajesh Moorti:

We acquired Telisma on 1st of July and the Telisma business was consolidated into our books from that date. So you would see significant increase in gross block but at the same time a significant increase in the accumulated depreciation.

Himanshu Shah:

Okay

Rajesh Moorti:

The net block has not really gone up much.

Himanshu Shah:

Okay fine sir. Sir another question was with respect to Voxmobili. I understand they are having two main product phone back up and mobile paparazzi. And then there is on top of that we have maintenance revenue. So if you can just get a break up or split between these three components phone back up revenue and mobile paparazzi and how is the other product doing basically?

Arvind Rao:

First of all, to be consistent with our policy also, we don't release the break up by product line because in many cases we also have shared components which make it difficult to allocate the cost and revenue across them. Typically you know AMC & support maintenance and revenues are somewhere around ten to fifteen percent and that the norm in the telecom sector. So you know Voxmobili number should be along the same lines in terms of the AMC component.

Himanshu Shah:

Okay

Arvind Rao:

Clearly going forward you know while the AMC component is an important part. You know we are trying to see wherever we can, if we can convert them into our business model which is more of managed services, revenue share basis. In some cases the operator may not be willing to do it and that case we have no choice.

Himanshu:

Okay. And sir can I assume basically on the product side major towards the phone back up will that be a fair assumption? Or just

Arvind Rao:

Sorry, what was that, again?

Himanshu Shah:

On the Voxmobili product side between phone back up and mobile paparazzi because mobile paparazzi was also looking at attractive product. What I understand about that product is uploading your pictures and images on real time basis on the blogs or social networking sites using the technology of Voxmobili. So is that product live in the sense. Is that contributing significantly as of moment just want to get some sense?

Mouli Raman:

That has gone live very recently and it is too early and it will take some time before it is successful.

Himanshu Shah:

Okay

Arvind Rao:

You know today the bulk of the revenues are really from phone back up. Mobile paparazzi not contributing any material significant percentage today.

Himanshu Shah:

Okay, how do you see that product going forward sir? In terms of revenue mix or in terms of absolute growth or something like that? That particular product?

Arvind Rao:

Today if you look at consolidated basis we are live with probably about 45 or 60 products. So if you ask me broad scheme of things is mobile paparazzi going to be material given our entire portfolio, the answer is "no".

Himanshu Shah:

Okay

Arvind Rao:

But then again you know the way it works is, you have 3-4 large products or 5-6 large products & whole bunch of other supporting products.

Himanshu Shah:

Okay fine sir. That was useful

Operator

Thank you Mr. Himanshu. Next in line we have Mr. Rishi Maheshwari from Enam Asset Management.

Rishi Maheshwari:

Hi, Good Afternoon. I want to first understand the competitive scenario that you are facing. In the last one year has it changed by any chance and I understand the market is really huge, but have you ever faced pressures from competition from Indian VAS providers and also are international VAS providers making their foot prints in the places where you are bidding?

Arvind Rao:

Okay so let's separate India from non India because the competition is significantly different for us

Rishi Maheshwari:

Right

Arvind Rao:

On the Indian front I will say what I have to say and Mouli will add a couple of points. Couple of trend points I see. One is clearly a consolidation in the market place in that may be five year ago, if there were 10 other companies along with us, I feel clearly in terms of revenues, market shares, size of portfolio, we have pulled significantly ahead of the competition. And in fact some of the other companies have actually either died or withered away or struggling even to survive. From that stand point in India we don't really see any real major competition in terms of people who have better products or higher products. That's one. As far as international companies coming into India, in many cases their overseas cost structure just prevents them from being competitive in the Indian market place. So you know does that really bother me? I don't think it bothers me. The real concern is when you go overseas because over there you are going into someone else's home territory where they have entrenched relationship with the operators, they know the local content, they know the local content partners, they have teams on site. We are going with technology into new market. So we have to compete against the local incumbent and while we have been successful in many markets and each one of them have taught us new lessons, it's still a tough challenge.

Rishi Maheshwari:

Sir is it fair to assume that in India which ever bids you want to bid for will not be very difficult task for you to get?

Arvind Rao:

I won't say that. I mean, saying that is sure sign of becoming over confident, arrogant and complacent and eventual failure. So we believe in being paranoid and we treat competition very seriously and if we see any signs of project that we want where we see competition, believe me, we put our best team on it and we make damn sure that we pull out all the stops in winning it. So there is no way we are going to take things lightly.

Rishi Maheshwari:

And just a book keeping one, when did you acquire Telisma and since when you have started booking revenues for that?

Rajesh Moorti:

Telisma has been consolidated from 2nd quarter onwards.

Rishi Maheshwari:

So how much has it delivered in this quarter, would you be able to bifurcate that?

Arvind Rao:

Just for you to understand, Telisma is a speech reorganization technology engine. So what we are doing is, we are embedding into all our advanced products, for e.g., we talked about Airtel 'Gana Bolo', the new music search that has been launched all over the country which has been phenomenally successful, that entire product was launched on Telisma. Now can you take the revenues from that and attribute only to Telisma. The

answer is “No”. It is also a part of the RBT product and stuff like that. So we are not going to be tracking revenues by Telisma indefinitely in to the future because it’s really embedded across all the products.

Rishi Maheshwari:

Right, Thank you so much and all the best.

Arvind Rao:

Thanks very much

Operator

Alright Sir. Next in line we have Mr. Atul Bhole from Tata Mutual Fund

Atul Bhole:

Hello Sir, Congrats sir, my question is to Rajesh. Our advance income tax as well as TDS is much higher than this 9 months profit as well as tax paid in this 9 months. So what is the reason behind that and my second question is relating to manpower, the bifurcation between project development team and deployment team what is the number there?

Rajesh Moorti:

Hi Atul. You are looking at the cumulative number as of December. You have to look at the movement between the March end balance sheet and September end balance sheet. That’s the advance tax we have paid, that’s number one and sorry what was your second question?

Atul Bhole:

About manpower?

Mouli Raman:

Today, of about 1200 people, we have 350 engineers.

Atul Bhole:

350

Mouli Raman:

Yes that’s right.

Atul Bhole:

Which should be working on the project development or product development?

Mouli Raman:

Yes that’s right.

Atul Bhole:

And Rajesh, this 98 crores advance income tax and TDS. You mean to say it might be including some tax payment I mean tax due for the last year.

Rajesh Moorti:

Yes, typically in your books you show tax paid as advance income tax till the assessment is over and you have the corresponding liability under tax provision.

Atul Bhole

Ok, Thank you

Operator:

Thank you Mr. Atul. Next in line we have Mr. Nikhil Pahwa from Medianama.com

Nikhil Pahwa:

Hi, I just wanted to get a sense of, you mentioned the Simca deal earlier in your talk. I wanted to understand what are the implications on your margin since you have also entered the content space with that kind of a deal.

Arvind Rao:

Ok, just for you to understand, we did that deal, but don't read into that, that we are entering the content space or that we are going to continue doing this indefinitely into the future. We did that for a very specific reason because there was a threat that Simca and a lot of the south Indian artists and music companies that generate the content were running into financial trouble and they may actually not be able to supply us with the content. And there was nobody else willing to fund them and help them out of that situation. So it was a special situation that we really stepped out to do. Ok, going long term we don't believe as of today we have any need to change from our strategy, which is, saying that we are going to be content neutral, we are going to be very large aggregator, distributor, but we are not going to be in content space.

Nikhil Pahwa:

Okay

Corporate Participant:

I don't think you should read too much into that on a long term basis.

Nikhil Pahwa:

Also, one thing about the Voxmobili situation, we have seen a lot of free phone back up services being launched in the market, they have not been marketed much but the free products are being launched. How do you see that the situation is panning out and isn't that a threat to the investment that you made in the phone back up business.

Arvind Rao:

These are launched free in which market?? In India?

Nikhil Pahwa:

In India, for example rediff has launched mobile rediff with a free phone backup feature. There are others also, there are several websites that are offering free phone back up etc. seems to be a growing trend .

Arvind Rao:

In all these cases, first of all anything on the web, the complications are so high of backing up on to web and getting people to go on web and all that, so the users on that are very low. So I am not really worried about that. Again, if take a broader perspective and look at the base of mobile users in India, and say what is the minimum number of users we need, to break even or make our deployment of phone back up worthwhile, it is so far below anything that we could achieve that I am not really worried about even a small slice of that goes and does free back up on website. Which I don't think is going to happen anyway.

Nikhil Pahwa:

Ok, you know a couple of quarters ago talking about the acquisition that you are eyeing, you said that you don't look at acquisitions as a means to enter a market because the companies were far too overpriced at point of time. Has that now changed and would you be looking acquisition as a market entry strategy?

Arvind Rao:

Actually, I don't remember when we said that but it must have been while ago because

Nikhil Pahwa:

About 2 quarter ago.

Arvind Rao:

Yes, a while ago. Even as of last quarter, I could not have made the statement, because we are seeing valuations that are actually quiet realistic and quiet reasonable, the problem is the quality of the asset, we get something cheap is great, but we are getting junk for cheap. So the valuations are very attractive, we are looking and we are looking actively, and going forward, unlike in the past, where we have done acquisitions only for buying technology, and product IP, we are completely open and we in fact are evaluating, looking at options for market entry, into certain places. The problem with market entry as opposed to IP is that the geographic score for what your buying is restricted, and therefore the multiples, and the valuation that you can place on such a company is lower. Because if you buy a really good product IP like phone back up, it has global product appeal, you know, if you are a company in, pick a name, in Argentina to go and access the local markets around there, you know, it's unlikely that the company will be able to help you to break into Germany or Canada for example.

Nikhil Pahwa:

Also, just about the operator VAS revenues, I mean, in terms of on an ARPU basis they seem to be fairly restricted, ranging between about 18 Bucks for Reliance, and going up to about 30 bucks for Airtel, and that includes the P2P SMS bit. This seems to have plateaued over the last 2 Quarters, in fact it seems to be declining. Is you growth also

restricted by that? One and second is there increasing pressure from operators for you to actually re-negotiate terms?

Arvind Rao:

I take the latter question the first. I think we are not seeing pressure from operators to re negotiate terms, because the whole philosophy about revenue share is that, you know, it is revenue share, it is not a one time. If we were selling a product and walking away on a revenue share, then as a customer I would say 'yes' its logical to say, to go back to the supplier and say, you have recovered all your money and made up all your profit, I want you to reduce your revenue share. But that's not the way we work, I mean, if you look at the largest customer we have, where we have deployed almost teams of 60-70 people per customer, these are guys who sit on site work on marketing, work on market analysis, work on the churn rate analysis, work on operations, there is a lot of hard work and value being done on a daily basis, which is what generates the results. So, we have not seen any pressure to re-negotiate rates for the last year, year and a half or so.

So its also a fuction of being able to deliver continuous stream of innovation to the customer wherein the customer understands that the money that they are paying you is been recycled into R&D, give them new products for the future to grow the revenue pie. So long as you can keep growing the revenue pie for the operator, you know, there won't be that much of a pressure on internal revenue shares. We have not seen that plateauing, as far I can say, if there is negative platoing overall, there must be a negative trend in what other competitors are supplying the operators.

Nikhil Pahwa:

So you are seeing a growth

Arvind Rao:

I mean, we are giving you numbers. Our numbers are showing a Top line growth and those are real number. They are real revenue growth.

Nikhil Pahwa:

Okay, also could you just delve upon the difference in margins while operating in India, and operating globally, with Sanjay coming on Board, looks like you are going to have significant global outlook. So your costs would be increasing in relation to that, so you could you share anything on that.

Arvind Rao:

See the way it works typically is when we do an International Deployment, first of all there is a long period of time which is what I would call as pre -launch or pre-revenue, that is the negative hit on Margins and we absorb that as a part of our core business. In some cases it relevantly quick, for example where we can use our reference from an existing customer to piggy bag and step into their Parent or related operator somewhere else. In some cases where we are going completely into new territory then the sales cycle could be much longer and we would have to absorb larger investment on that front. Once we deploy our service typically in the first year or so, the contribution margin on that is

going to be low, because you have taken all the capex upfront, you have put in the investment of a team that is on-site. So for any one deployment the margins improve over time, because you are operating leverage in that you are costs are more towards the fixed side with spectrum, whereas your revenues are ramping up based on your revenue shares. So, I would like Sanjay to talk a little about Margins, as he is going to be the key contributor to our margin management and margin growth story going forward.

Sanjay Uppal:

Right, if you take a look at the western market, while on the ground costs will be higher, the ARPUs of course are also going to be higher, so we don't think that there is going to be a significant difference or drag once we have overcome the amortization of the fixed cost that go in. Also, in the more advanced markets there is an opportunity for some of our data products to go in and really do well. So, that's one aspect of it. The other aspect is in terms of cost containment and control. That's going to be something that, we are already looking at it very closely, but we will be extracting the leverage that we can because of our scale right now. There is scale both in terms of the product segments that we are in and scale within the operator network. Once we are already in with the product then putting another product into the same operator, we can already get some cost efficiencies and we can afford to do that better than other people can, because we are already in a majority of the large operators, of course in Indian stand point and from Asia Pacific and going forward from European and America stand point.

Nikhil Pahwa:

So have you seen an extension of the sales cycle in the last quarter? Arvind had mentioned that deployments are slowing, how is it been in Q3?

Arvind Rao:

Yes, the way we measure it is, you know, it's little bit like an hour glass. So sometimes, these operators, you just keep plugging and plugging and sometimes you don't know whether you are making progress or not and in some cases you can tell or you can see the light at the end of the tunnel but you are not still there. So, as I said before in many of these cases where we have been plugging away for a long period of time, we are beginning to see the results. I told you about this one European operator where they launched ring back tone, we put people on the ground in Europe almost one and half years ago, we absorbed the cost. These are expensive people of Europe based out of the London, and we absorbed the cost. And we kept plugging away and the first dam has burst and I am optimistic and hopeful that there will be more dams that start bursting quarter after quarter going forward. Some of these are the actually results of long term investments we have been making which are beginning to bear fruit.

Sanjay Uppal:

But in general, you can say that from an international perspective that the sales cycles tend to be.

Nikhil Pahwa:

One last thing, in last quarter call you said that you'd be sharing the inputs on the trends that you have observed in the AdRBT, the pilot should be finished. Could you say anything about that?

Mouli Raman:

Without going to the specifics, it is success to the extent of operator deciding to take it countrywide.

Arvind Rao:

And as I have said earlier on the call, what we can tell you is that the brand recall rates are significantly higher than the other digital media like the internet, FM radio and all that, it is a very strong re-enforcing metric.

Nikhil Pahwa:

Is it going to be on a press star or a CPC basis or is it going to be on a lead basis or is it going to be on an impression basis using internet terminology?

Arvind Rao:

The combination of both. But in many cases, our philosophy on the whole advertising spectrum is to make it much less CPM or exposure basis because we don't believe in that philosophy. I mean, if we rolled out AdRBT, the way we are planning to roll it out, we could be generating almost 150 to 200 million impressions a day. Now pricing it to advertisers at that volume will really not make sense and we are going to really crash the market and drop advertising prices for everyone to zero. We have to do it more intelligently in terms of personalizing it, mass customization one and one and interactivity which is the key. So, we have a process in place and a pricing model but a lot of it is still early in the processes. Let's face it, the ad industry has been around for 40, 50, 60 or 100 years and we trying to revolutionize it in 6 months is not going to happen. Is it going to happen in 2 years? 'Yes'.

Nikhil Pahwa:

What about competitive AdRBT products, ad jingles in India times. I think even IMI mobile had mentioned an RBT, So what would be your take on that and this you are talking about a deployment all over the country with Vodafone whom you said last time?

Arvind Rao:

Yeah, we don't comment on competition and competition products, as we don't know that much.

Mouli Raman:

Broadly there are two components to this. One is the technology size technology in terms of RBT as well as the ad server and the second one is getting the ads. As far as the technology is concerned, we believe we are definitely superior to anybody in India and on the ad collection we are going with others.

Nikhil Pahwa:

Great, really appreciate your time thanks so much and all the best for the quarter

Mouli Raman:

Thank you very much.

Operator:

Thank you. At this time I would like to hand the floor back to Mr. Arvind Rao. Over to you sir.

Arvind Rao:

Ok, I wanted to thank everyone for the support and interest that has been shown. One thing I can tell you is that we remain as excited as ever about both the industry prospects as well as our momentum for maintaining and growing our share of this industry. The second thing is that from the addition of Sanjay Uppal and several other things that we are doing in-house, we are basically in cognizant of the market trends, we are looking at every measure we can to improve our internal efficiencies in addition to external measures. So, both of them should have a very powerful impact on our net results going forward. So we are very excited, we are very happy, we are positive and we look forward to support and continued interest from all of you. Thank you very much

Operator:

Thank you sir, that concludes the conference for today. Thank you for participating. You may all disconnect now.