First Quarter FY2017
Earnings Conference Call
01 August 2016

Speakers:
Mr. Rajiv Pancholy, Managing Director & CEO, OnMobile
Mr. Sanjay Bhambri, Chief Commercial Officer, OnMobile
Mr. Praveen Kumar, Chief Financial Officer, OnMobile

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Moderator: Good day, ladies and gentlemen. I am Sourodip, your moderator for this session. Thank you for standing by and welcome to the First Quarter Financial Year 2017 Investors Conference Call for OnMobile Global Limited. For the duration of presentation, all participants' lines will be in the listen-only mode and there will be an interaction to the results followed by the question-and-answer session. Joining us today on the call are Mr. Rajiv Pancholy, Managing Director and CEO, Mr. Sanjay Bhambri, Chief Commercial Officer and Mr. Praveen Kumar, Chief Financial Officer. So before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such consideration, please refer to the earnings presentation. OnMobile Global undertakes no obligation to publicly revise any forward-looking statement to reflect future-likely events / circumstances. Please be advised this conference is being recorded today. And now without any further delay, I would like to hand over the proceedings to Mr. Rajiv Pancholy. Thank you and over to you, sir.

Rajiv Pancholy: Thank you very much, Sourodip, and good morning, ladies and gentlemen. I welcome you to OnMobile's First Quarter Investor Call. As mentioned, with me are my colleagues Praveen Kumar, our Chief Financial Officer and Sanjay Bhambri, our Chief Commercial Officer. Today, in a departure with the past there are several points that I want to amplify because of the significance these are over and beyond the highlights of the quarter that we usually present and discuss. First of all, you will know that the financial results have been presented in the new IndAS format. The statement of our Q1 results requires a deeper scrutiny because of the adoption of IndAS for standard which has impacted as you might know the calculation of OpEx as well as the different treatment for ForEx gains and losses. Praveen will elaborate on this as he presents the results in greater detail. For the sake of comparison and consistency as is the norm being followed by other companies, we've also restated the results of our Q4 of the previous year in the IndAS format. You may want to refer to that in the investors' presentation that has been posted and published.

Now, let me talk about one obvious aspect of our financial performance. After two years of sustained reorientation of the company we are seeing the full benefits of our efforts. After long time OnMobile is reporting profitability on a PBT and a PAT basis. This has been achieved through the careful management of our product portfolio, a highly targeted growth in market share, very tight cost control and a refusal to entertain commercial terms that do not provide acceptable returns to the company. Giving full profitability is the moment that we have been anxiously waiting for and right at the onset I would like to thank all my colleagues who have worked so tenaciously over the past two years for this moment. We hope there's no turning back.

You will notice in the results that certain regions have registered de-growth which is more than the typical variation that we see and which is typically caused by seasonality or currency fluctuations. This is principally due to the final obsolescence of certain non-core products. To fully explain this, let me take you back in time. Two years ago we divided our product portfolio into three groups; the first obviously included our core products of ring-back tones and CVAS. The second group consisted of offerings that were not core but has the potential to generate revenues in sales for the next 18 to 24 months without any further investments. And lastly, we had those products that we did not see an opportunity for and which were basically ceased immediately. It is these products that we saw our cash cows for 18 to 24 months window that have, as expected, come to the end of life. While it is very, very tempting to invest and prolonging the lives of old products, doing so takes away from investments in the new products that we absolutely need to make. We have firmly decided that the best course for OnMobile is to maintain exclusive focus and make investments only in the new offerings that we believe have serious global potential.

Speaking of the future, let me give you a glimpse of what it actually holds for OnMobile. In the last call I had referred to a change in the business model which I call taking on complete customer lifecycle management. I am very, very pleased to announce that Sprint, a major US operator, has recently opted to adopt this model with OnMobile. Under the new terms, the existing customers of Sprint ring-back tone and music download service will be transitioned to become customers of OnMobile and OnMobile will take on the responsibility of marketing service under its own brand providing customer support and acquiring the content in support of the service. Sprint will obviously remain a partner and then provide the vital customer billing service. As compared to the traditional wide level B2B model that we have pursuit in the past, a much larger percentage of customer spend will now be booked as OnMobile's revenues. While this model will not be implemented in all geographies and all operators, it does mark a major milestone and the fundamental change in the history of the company. With this, we will have the freedom to introduce new features and new capabilities rapidly and most importantly have a direct connection with the end consumer to understand the needs and to respond to them in a timely fashion.

On previous occasions I have mentioned the necessity of OnMobile having its own consumer brand for pursuing the model that I just described. For the past one year, we've been working closely with two world leading agencies develop a new brand which includes a new visual and a new sonic identity. In conjunction with the annual shareholders meeting in September of this year we will be unveiling our new products and our new brand. Please stay tuned for the exact dates and timing of this major event. Since this event is going to be opened to all, I will be personally and on behalf of my colleagues delighted to see you there. I am sure there will be lot many questions about what I've just said, but first let me turn it over to Praveen for details on the financial performance. Praveen, over to you.

Praveen Kumar: Thank you, Rajiv. Good morning, everyone. Welcome to our first quarter earnings call for the new financial year 2016-17. As Rajiv just mentioned, this time around it's slightly tricky to explain our financials because of the IndAS. So what you will see is that in our earnings presentation we have provided the quarterly financial and comparison as per IndAS as well as under the old GAAP so that you can relate better from a historical perspective. So there are only three things that will change due to IndAS. One is manpower cost, then we have FX gain / loss and the related impact of the Opex line item. And the third one is the tax impact on all the above which is not really significant. So let's elaborate on this first one manpower cost. We have two accounting treatment impacting the cost. First one is the ESOP accounting, so we grant or rather allowed to only grant ESOP at market price. So in the erstwhile accounting standard there was no charge to the P&L. However, the IndAS requires us to compute a fair value of the ESOP and charge it off over the vesting life of the options. So that cost will now come into the manpower cost.

And the second one is the actuarial losses or gains arising out of employee schemes which will now go to the other comprehensive income which is below the P&L which in the erstwhile accounting standard would have got reflected in the manpower cost. So the impact of both these put together has increased our manpower cost during the quarter by around 50 lakhs; it's not a significant amount, but still we have to take this into account. But on an ongoing basis at least for the rest of this financial year on account of ESOP manpower cost will be higher by around 80 to 90 lakhs per quarter. Now, that is current. But when we restate the financials for the purpose of comparison, this impact on Q4 which was the last quarter was 80 lakhs and Q1 of the last financial year was Rs.2 crores. So this is accordingly reflected in the IndAS results that we have published.

The second item on the IndAS is Forex. Now, under the erstwhile GAAP there were two classifications for currency, one was the reporting currency which was INR and everything else was foreign currency. So when we translated the financials of an integral subsidiary, the gains or losses on account of translation would hit the P&L. So if it was an FX gain, it was reported under other income and on the other hand if it was a loss, then it would be reported under Opex. Now, under IndAS what they've done is there's a concept called Functional Currency which is the currency of the primary economic environment in which an entity or which means a subsidiary operates. Then we have a Presentation Currency which is INR. And thirdly we have foreign currency which is any other currency. Now, under IndAS the issue is not so much with the classification, but it is to do with how these exchange differences are actually treated. The exchange gain or loss arising from translation of functional currency to presentation currency, you know, during the process of consolidation this should be recognized in the other comprehensive income which is below the P&L. Now, if you see how this currency translation operated under the previous GAAP, if we had the Forex loss in the local financials of the subsidiary in a lot of scenarios, we would have a gain on account of translation in the consolidated financials. So net-net it would be offset. But now in such a scenario the loss remains in the P&L and the gain goes out of the P&L into other comprehensive income. There could be a reverse scenario as well but these play out significantly when we have a depreciating or devaluating functional currency. So if you see this quarter, we've taken around 4.3 crores to OCI which is the other comprehensive income as per the IndAS. But if we had accounted this under the previous gap, our other income would have been higher by around 4.3 crores. Now, the impact is much larger in the comparatives of Q4 because a lot of gain got moved into OCI. There is a Forex loss of Rs. 10.9 crores and because it's a Forex loss this has got regrouped under the other Opex line item, but, of course, this is only for the comparatives. Now, with this background let us understand the financials for Q1.

Revenue is down by 5.8% which Rajiv just talked about in terms of the way it got structured. Actually the drop is more like 4.8% for like currency basis and correspondingly gross margin is down by around 5%. Manpower cost is higher by 3.5%, however, we have done well to keep the cost low despite our annual increments coming in for Q1. Other Opex is down by 11 crores on the face of it, however, excluding the FX impact that I just spoke about in Q4 the other Opex is flat at 29.5 crores which is good. As most of the revenue declined directly flows into the EBITDA line item our EBITDA margin now stands at 16%. Depreciation is at 15 crores and hence as we have been talking about this, you can see a huge bump in the operating profit which is at 8%. With this, we end up in a net profit of around 9.3 crores with a margin of 4.9% and an EPS of Rs. 0.84.

Now, on the balance sheet side our cash at the end of the quarter was Rs. 265 crores which come down because of cash deployed in buybacks and Capex was around 4.8 crores during the quarter. With this, we are now happy to take the questions.

Moderator: Thank you very much, sir. So, participants, with this we open it for Q&A interactive session. Should you wish to ask any questions, please press "0" then "1" on your telephone keypad and wait for your name to be announced I would like to repeat. Participants, should you wish to ask any questions, please press "0" then "1" on your telephone keypad. So we have the first question here from Mr. Raj Mohan. He is a professional investor. The line is unmuted. You may please go ahead and ask your question.

Raj Mohan: Yeah. Thanks for taking my call. Congratulations on the Sprint deal. Could you give us details on the present statistics at Sprint in terms of the subscriber base you are going to address, existing RBT penetration in that base and the subscription rate that you are planning, the revenue share and other facts in this ecosystem?

Rajiv Pancholy: Let me give you at least some of the information you've requested. I don't think I can disclose all of it, but let me make an attempt anyway. First of all, the ring-back tone service in North America is extremely modest. We are seeing it, you know, culturally it's not a big part of the system there. But one of the reasons is that it has never been marketed with a lot of aggression and never been positioned in terms of what it can do in the current context of social media. So we see a huge opportunity in North America starting with Sprint to reposition the service, make it much more attractive to more contemporary users, so that is the opportunity and we certainly also expect this to grow beyond Sprint over time. The exact number, I am not sure what it is, maybe Sanjay can talk about that at a later stage. What we are hoping to do in terms of revenue share is if we can just give you some very good benchmarks, I will not talk about the particular agreement with Sprint, but in general for every, let's say, rupee that is spent every 10 rupee spent by the customer in India about 15% goes off in taxes. Of that, then it gets booked by the operator who actually then is responsible for the entire set of lifecycle management and also paying for the content. And the end of that OnMobile gets a share which is typically in the lower double-digits or the higher single-digits of the money that was spent by the consumer. This is our current B2B white paper model.

Now, with the new model that we are striking the situation almost reverses where the bulk of the revenue and it's very, very high numbered as a proportion, high percentage I would say, accrues to OnMobile. Now, we also pick up the cost of content management, but, you know, overall you will see that the financial profile of this business is hugely more than the traditional B2B model.

Raj Mohan: Okay. That was fairly helpful. Generally, when I looked up the Sprint subscriber base on a total basis, it came to about 16 million subscribers. What is OnMobile's strategy in terms of, you said in your initial comments which are going to be initially implemented in certain geographies, what is OnMobile's strategy in terms of geographical and services evolution and the opportunity, that is one? And when this actual work starts and if there have been any sales promotions how has the market received it?

Rajiv Pancholy: I can answer the last part of your question. First of all, we have not come out with a consumer marketing programme yet. As I mentioned, we will unveil the new brand at the AGM which is late at for mid September. The work is now underway with Sprint to essentially replace and modernize the platforms. These are old things that we had in place and to introduce new products we need our platform update. That's going to take few months, I would say, the next 3 to 4 months to achieve that. As soon as that is done, we will be able to launch our new brand and be more aggressive in terms of promoting the service.

In terms of what geographies we are going after without talking about the ring-back tones product particular, let me give you a quick sort of distribution of way the action is in way or not. One of the geographies in which OnMobile has been historically very weak is North America. I think this is a well-known fact. And when we look at this to the prism of all the currency fluctuations and all the currency repatriation issues we have, there's one part of our way which is we must grow our business in those geographies where we don't have these additional problems. So certainly North America from that point of view is fertile ground. It's a geography in which it will put a lot of energy. The average of any per use is higher than any other geography in the world, maybe, apart from Western Europe and we also have this new model, so I think you will see a lot of this action happening in the US and starting, I would say, within 2016 for sure.

Raj Mohan: Okay. Now, coming to the domestic telecom operators what is the story with the discussion that you are having with them? You have indicated in the past it's being discussed at the highest level. Is it a question of only when and not if with both parties agreeing on the larger overall benefits are we more closer to sealing this deal than we were at the end of the last quarter, if you would give us some conservative timelines on finalization of these deals?

Rajiv Pancholy: Yeah. I think, you know, in the Indian marketplace like in Indian geography, I mean, each operator has its own imperatives and priorities. So I cannot tell you that, you know, they will all sort of make a decision one way or another by a certain timeline, as you know, some of them have their own sort of internal preoccupations and there's a lot of disruptive market dynamics that's emerging with the arrival of new operators. But all I can say is that, as and when we actually sign up or change the deal terms with them, we will announce it. Some may happen fast, some may happen little bit later in the thing, but I would say that this is not a situation where we will do a flash cards of all the operators. It wouldn't happen in India, it wouldn't happen in any other geography; it would be on a case-by-case basis.

Raj Mohan: But are we any closer to signing at least to the first operator or do I understand the overall dynamics of not having a flash announcement across operators are we any closer to signing the first operator?

Rajiv Pancholy: If you don't mind, I will not answer that question because that's tantamount to commitment. We will not be talking about this business model if we are not confident about this. But in the midst of negotiations, it would be very unwise of me to basically answer that question.

Raj Mohan: I understand. Now, looking at the marketplace and the competition on your new product adventure the competition seems either docile or non-existent based on your phenomenal planning exercise which has gone over 18 months do you think you are in the cusp of creating a huge opportunity in hitherto sort of one explode space and in this light what has been the input of Brand Union who come with a great breadth of experience in comprehending consumer preferences?

Rajiv Pancholy: The input we have received from Brand Union has been absolutely phenomenal, but let me also state that it is not just from Brand Union. We have received input from the marketing organizations within operators. We have conducted our own independent market research in tier 1, tier 2 and tier 3 markets in different countries, we have had our own historical understanding of market dynamics. So this is a sum total of all this which has come together to shape a product portfolio and strategy.

Raj Mohan: Okay. One final question. In the past you have indicated to the new product business contributing to around half of your entire business in the medium term of, say, around 3 years, as you would have more data points by now, are you more certain on these timelines?

Rajiv Pancholy: I think, you will see us roll out these new products in different geographies over the next 12 months. And, I think, as introduction plan is communicated, you will see the commensurate sort of impact of that and we will certainly keep you updated on that one.

Raj Mohan: Okay. Thank you so much, Rajiv, and wish you the best.

Rajiv Pancholy: Thank you.

Moderator: Thank you very much. Before we move on to further question I would like to repeat, participants, should you wish to ask any question, please press "0" and "1" on your telephone keypad. I repeat it's "0" and "1" on your telephone keypad to ask questions. We have the next person in line Mr. Prakash. He is an individual investor. The line is unmuted. You may please go ahead and ask your question.

Prakash: Good morning to the team and thank you for taking my question. Just two quick questions. Firstly, with the completion of removal of the non-core businesses now are we saying that this is the steady state base that we assume and if you could give us some indication of approximate growth percentages we can take on the historic business, forget about the new product introductions? Secondly, we are seeing EBITDA are about 15-16%, again, is this the new norm or are we saying that there are investments in the new products which are accounted in the EBITDA 15-16% if you could give us indications of how much of that investment number is there so we can take a steady state EBITDA estimation?

Rajiv Pancholy: I think, the pay to basically model are core business is to assume that this is pretty much a steady state. What will happen is, I think, over time as we move energy to the new products, obviously we will lessen the emphasis on the core business or the traditional model. We will still be there in many geographies, but over time we will stay either at the stage or at certain geographies get planted by the new business model, that's one part. In terms of, you know, the impact of future business there are two parts of it. The investment in developing and building out the new product in the brand and that is showing up in Opex line today and that will not significantly change over time. Having said that, that as we actually introduce the product in the marketplace, there's a lot of marketing energy and cost associated with that the goods start to impact the P&L. So at that point in time you will see the impact of the additional incremental as well as incremental cost and that is something we will try to explain as we get closer to the unveiling of the new brand of the new strategy. We will be able to provide some more guidance at that point in time.

Prakash: Apologies, just trying to repeat my question. Are we looking at about 180-190 crores as the base for the historic business or rather possible for the deteriorations and that's probably what I was trying to understand?

Sanjay Bhambri: Sanjay this side. I think, fundamentally we would be in the range of around 180. The numbers what you are looking at in the plus or minus 2, 3% is what will be the range going forward after all the cleanup of the product portfolio. So you are right.

Prakash: Fair enough, sir. And from that steady state we should look at about 5 to 10% growth in that historic business or we should take it as a flat business?

Sanjay Bhambri: At the moment, I would suggest that we should take it as a flat business on the…

Prakash: With all the growth coming from the new products?

Sanjay Bhambri: Yes. That's the whole organization is going to try and focus that side, so I would be more prudent or rather it would be more product from our part to say that we should take this as a steady state and all the growth coming from the new portfolio.

Prakash: Fair enough. Just one more question which again is a repeat question. The 16% approximately EBITDA margin I am taking may take some of the spends of the new product development into account, so approximately how much would that be, so what would be the restated margin I am just trying to understand?

Praveen Kumar: As of now, Prakash, it would be about a percentage point.

Prakash: Okay. So the steady state margin is about 180-190 crores revenue with the 17-18% margin somewhere there?

Praveen Kumar: In business a percentage here or there because the spends keep fluctuating, but, as Rajiv said, a lot of marketing energy and cost will only come in, you know, post our introduction of the brand and the product with commensurate.

Prakash: No. I understand that over the next two years you may see a higher amount of spend and back-ended we may see much higher amount of revenue and higher EBITDA, okay, that I understood. But just for the model we are taking about 180-190 crores at about 17% EBITDA?

Praveen Kumar: Yeah.

Prakash: Fair enough. Okay. Thank you so much, sir. Thank you.

Moderator: Thank you very much, Mr. Prakash. We have the next question from Ms. Sangeeta from Kochita Advisor. The line is unmuted. You may please go ahead and ask your question.

Sangeeta: Yeah. Hi. Good morning. My question actually, I have two questions, one really pertains to the fact that we are now basically seeing a positive PBT and a PAT number which is essentially at this moment optical, right, that our depreciation has basically reduced because of certain changes that you've made and that is what is reflecting, but at the core EBITDA level we are not yet seeing any significant change that will come only when you transition completely into the new model of business that you are trying to follow, would that be a correct interpretation and that's question number one? The second question really is that, you know, could you throw some light on the competitive landscape that you faced, is it a question that, you know, there are very few people like you and you basically need to just go and develop a market or are there comparable or better product and services available also and you need to benchmark against those?

Praveen Kumar: Sangeeta, I will take the first question and Rajiv will answer the question on the competitive landscape. So you are absolutely right on the PBT, PAT number and the core EBITDA, you know, however, while, yes, the depreciation or the amortization has got discontinued in the last quarter, but we are committed to our core product and geographical strategy where we are not going to be investing mindlessly and, you know, loading on the CapEx, I think, that's one thing that we have to keep in mind, but the rest of your assumption is absolutely right.

Sangeeta: Okay. All right. And so you are fundamentally moving to a more asset-light model as compared to what OnMobile used to be in the past, would that be a correct interpretation?

Praveen Kumar: Yes, kind of. Asset-light model, yes, to the extent that we invest in hardware to service our subscribers. That's the only CapEx that we will have, but I think in the past we have also invested in acquiring geographical expansion in terms of customers and things like that which we will not be doing.

Sangeeta: Right. Okay. And, Rajiv, my second question? Yeah.

Rajiv Pancholy: Yeah. Let me try and address your second question. If you go back to the statement I've made which is that we are devolving a new brand, the first thing that typically we don't do in terms of developing a new brand is not start from a position of a domain leadership. So we've been very careful in terms of selecting our domain to make sure that in the domain we can be a leader. So it's a case where we believe there aren't any direct competitors in where we are going. Having said that, you know, this is a fully dynamic situation where that may be the case today but may not be the case tomorrow and I think sometimes, as you know, they are fast-followers who will basically follow us where we are going. I think that sets us apart. I believe, one of our strengths is we have global reach and if we can unleash this brand on a global scale, then we will prevail and then beyond that point I think it's a question of who can actually bring superior customer proposition. All the plannings we have done over the last year-and-a-half has gone into this space to make sure that what we are trying to create is unique and that it can be sustained.

Sangeeta: Okay. Thank you.

Moderator: Thank you very much, ma'am. We have the next question from Mr. Sunil from Nirmal Bang. The line is unmuted. You may please go ahead and ask your question.

Sunil: Yeah. Good morning, sir. I got two questions, one related to your deal in the US with Sprint. See, we are introducing a new product and that too in very costlier area, so are we not taking larger risk as compared to our size?

Rajiv Pancholy: The costs in any geography are to be taken in the context of the revenue potential of the geography. So in absolute terms you are absolutely right that the cost of, let's say, acquiring a customer in the US is more than the cost of acquiring a customer, maybe, in India or Bangladesh. But when you look at the returns for the customer, the average revenue per user it is also commensurately higher. So this is the part of the equation in terms of the where you want to play and from that point of view I think it's a right place for us to basically make an entry.

Sunil: Yeah. But you said that this market is not developed even for the ring-back tone and the old product also, so you have to first nurture the people to come to this platform and then introduce your new offering and all?

Rajiv Pancholy: Not at all. There is an existing service in Sprint, so we are not starting from scratch; there is an existing customer base. Now, the opportunity for us is to give them much superior experience beyond what the old product that they were consuming and then grow that based on that point. So it is not as you were suggesting a case where we are taking a core plunge into a brand new market to the brand new product in an unknown brand.

Sunil: So in post this all launch how much can be a budget for the all advertisement and brand promotion expenses any idea if you can share?

Rajiv Pancholy: At this moment, I will not do it. I think, as we get close to the launch, you will see the price plans being announced and you would be in a better position to model the whole set of opportunity in the US.

Sunil: So will this be linked to revenue or it will be bulky at the front end, you may have a bigger budget and then you may put it on a regular basis?

Rajiv Pancholy: I am not sure I understand your question.

Sunil: I am talking like when you introduce a product, you might have to spend 20-30 crores and then it will be a percentage of revenue as a regular expenses, is that going to be the scenario?

Rajiv Pancholy: No. You know, it is not as simple as that because we are starting with the base of users who are already there. So for them it's more a question of familiarizing them with the new attributes and features of the product which is a different exercise and comes at a different cost point. The second is there's a lot of promotion that is done on a regular basis by the operator, you know, themselves and we do have an agreement where we will piggyback at least in part with that investment that the operator does. So it will not be a direct OnMobile cost, so at least 100% not owned by OnMobile.

The third part is it is not a single product; we are looking at the multiproduct strategy, some of which will go through the traditional channels and some of which will not go through the traditional channels. So as the sequence sink and as the mix of all this gets defined over the next few months, you will have a much more accurate model.

Sunil: So as a part of this deal directly we will be booking some revenues, since they already got some existing customers?

Rajiv Pancholy: Correct. I think, as the customer's transition over to OnMobile, you know, that revenue will then be booked by OnMobile or at least a large percentage of that.

Sunil: Okay. Sir, second thing about this Vivo withdrawal impact so can you highlight how much is the revenue and the profitability impact of this?

Rajiv Pancholy: Yeah. This is actually, you know, must have made a very difficult decision for us, but let me give you a little bit of historical context in terms of why and where we are with Vivo. If you go back several years ago when we first sort of went up for the Latin American market, one of the strategies that OnMobile adopted was to pay very, very large upfront fee to acquire this customer base, to acquire these customers and find the deals. That has haunted us for the last several years, in fact, one of the reasons the depreciation is going down now is finally sort of relief for the written-off that amount that we gave to this LatAm customers as the upfront fee. Now, on top of that over the last few years what has actually happened is because of various uncertainties and, you know, wild currency fluctuations in some of the Latin American countries the amount of money we make at the end of the day is not as much and certainly does not justify those kind of upfront fees. So we actually made a very clear decision that unless the total equation makes sense for OnMobile we will not pursue that kind of a strategy anymore. So when we came to discussions about the renewal of a contract with Vivo, we had to keep that in mind and take a very firm position that we will not play the game of being the lowest bidder in providing large upfront fees to win the business. It is not something we've done likely, but we believe that that's the place OnMobile has to play and I put this in the context of the fact that we have in the last little six months or so one major customer where we have not had to make those concession that at the end of the day do not make business sense for us.

Sunil: So impact on revenue if you can share at least?

Praveen Kumar: Yeah. So on an annual basis the revenue will be impacted by around 35 crores roughly and on the profitability it will be around 20% of this, but in any case that is more theoretical because we had paid the upfront fee and if we continue to pay the upfront fee, then it would really impact the profitability of this account. So net-net we will figure out other ways to make up for the profitability that we have lost from this account.

Sunil: Okay, sir. Great. Thank you.

Moderator: Thank you very much. We have the next question from Mr. Gaurav from Unilever Ventures. The line is unmuted. You may please go ahead and ask your question.

Gaurav: Yeah. Hi. Couple of questions. First of all, just wanted to understand this new contract that we have got from Sprint. So do we intend to get similar more contracts or would the arrangement be similar when we tie up with other plans that you would be taking up the entire lifecycle management of the customer? And, as you mentioned in one of the earlier question responses that the incremental cost would not be pretty high, so in that case do we expect the margins to be phenomenally higher than the current level, if you get that kind of the revenue share that you spoke about?

Rajiv Pancholy: First part of the question that you've asked the answer is very clear, the answer is yes. We are having similar negotiations with other operators on a worldwide basis, so we do intend to pursue business model with others as well. Number two, in terms of profitability you have to look at this over a period of three to five years because what will happen is we pursue this model is, yes, the revenues will grow but initially so will the cost. And after the first few years when the service is well established that you will see a significantly higher level of profitability in terms of a percentage. So you will have to take a multi-year view of what we are about to do.

Gaurav: Okay. So initially the margins could be lower than the base business margins.

Rajiv Pancholy: Yeah. I just cannot answer that question because it depends so much on each geography and, you know, even though at the highest level the business case or the business model is very similar. There are some disparities in terms of which operator is going to do what and what percentage. So where depending on who runs faster in which geography, the overall business dynamics could be quite different. So why don't you wait till we have a few of these contracts signed up and then I think we will be able to provide better guidance on it.

Gaurav: Got it. The second question pertains to the reverse RBT that you have launched in Bangladesh, so can you just explain as to how many – is that Bangladesh the only geography where we didn't have the reverse RBT or is it one of the first geographies where we have got the reverse RBT there?

Sanjay Bhambri: All right. This is Sanjay this side. I think we did the reverse RBT in India few years back. The tractions were not that huge. We were looking at the new product portfolio and evolution of that. We were also looking at seeing live example of how reverse RBT does and what we chose was to do it in Bangladesh and learnings as well as results have been quite encouraging which is what is going to help us to tweak our future offerings in the digital world.

Gaurav: Okay. So if I am not wrong, Maxcess does that in the US, so what has been the response of Maxcess any idea on that and would we be doing the reverse RBT as well with Sprint or any other customer in US?

Sanjay Bhambri: Okay. Maxis is based out of Malaysia, so I don't know which operator you are talking about. But at the moment in most parts of the world there's no reverse RBT in the US at the moment.

Gaurav: Okay. So if I am not wrong, the way we spell it is M-A-X-C-E-S-S, so that's anyway like you can take that offline.

Sanjay Bhambri: Yeah. I can have a chat with you offline.

Gaurav: Sure. And my second question pertaining to the reverse RBT do you intend to do it in other geographies going ahead?

Sanjay Bhambri: Our intent is to have in the new product portfolio which is coming out which is more aligned from digital world. There will be features and product features which will have resemblance to reverse RBT.

Gaurav: Okay. Can you just talk more about the billing platform that you have launched in Telefonica, Spain, so how does that work and what's the revenue model there?

Sanjay Bhambri: Fundamentally, we do a lot of services in Telefonica, Spain, and unfortunately there were multiple platforms earlier where third parties had to build different services of us based on a proven track record globally where we do a lot of billing services, a lot of services of our own plus third party. Telefonica decided to move all the different components of billing platform and moved to us. What it does is it gives us more control over the lifecycle of the product or the consumer because we are able to do from A to Z of the lifecycle. And from a revenue standpoint, obviously, it gives us the billing charges is what we get normally from most of the business. So that's basically this is.

Gaurav: Okay. Got it. Thank you.

Sanjay Bhambri: Yeah.

Moderator: Thank you very much. We have the next question from Mr. Elais from Bopani Securities. The line is unmuted. You may please go ahead and ask your question.

Elais: Hi. Good morning. I wanted to ask what will be the billing cycle for the new products that we have launched?

Sanjay Bhambri: The billing cycle will remain the same. Today, we have in a B2B model where typically the cycle if I can take a simplistic view is 30 days. It remains the same 30 days for the end consumer, so that basically remains the same.

Elais: Okay. Thanks.

Praveen Kumar: We will take one last question, Sourodip.

Moderator: I am sorry. Sir, can you repeat that?

Praveen Kumar: Take one last question.

Moderator: Certainly. Sir, we have the one last question from Mr. Raj Mohan. The line is unmuted. You may please go ahead and ask your question.

Raj Mohan: Yeah. Thanks. I have a couple of follow ups. Can you divulge the existing customer base of RBT at Sprint it being historic data?

Sanjay Bhambri: No. It's basically, as you know, we are going under the NDA. So until and unless we have a permission from them on the base, it becomes a little complicated. So I would restrain from doing that, Raj, at the moment. Hope you understand.

Raj Mohan: Sure. In connection to that, as you earlier stated, Rajiv, in terms of an impact on your financials from the new product, will it be after two quarters that you get to see a material impact of this deal?

Rajiv Pancholy: I don't know at this point in time because, you know, if you look at basically some parts are exactly how we've rolled this out we are still in negotiation; the commercial terms have been agreed upon and on the basis of that we are trying to equip the system; we are deploying a new platform in there. But in terms of the sequencing because now, as I mentioned earlier, we are looking at different products some of which are more in line with the traditional products, some of them are not and depending on the mix we may see a very different trajectory. So I would not give any guidance today, but I think by the time we get to the AGM we will have lot more clarity on our introduction plan and I will be happy to give you much more precise guidance at that point in time.

Raj Mohan: Okay. And in the last call you had indicated that within six weeks an announcements will be made and obviously it would have been related to this Sprint deal. Now, since you are still in a process of formalizing certain agreements and processes, will this announcement take a formal form at the AGM or sometime before that when you have more things sealed?

Rajiv Pancholy: We are going to basically make an announcement where there's much more information and data that we do have at the AGM, so that is final. What we would do is it will probably be a multi-day event in which there certainly will be an opportunity for us to address in detail some of the questions from shareholders and stakeholders, so we will certainly create an opportunity for that and we may even after that launch and introduction do a bit of a road show in other cities to talk about details.

Raj Mohan: Okay. In this light would it be nice to have the AGM in Internet enabled forms so that even others who are not able to attend the AGM or able to access the event?

Rajiv Pancholy: Good input. We will certainly make sure that not so much the AGM because that's more of a procedural event; what I am speaking about will probably precede the AGM. We will make sure it's available to others who are not able to attend in person.

Raj Mohan: Okay. One final question on Vivo. The withdrawal, though, you indicated to a renewal with another large customer without any upfront fee open some questions with respect to the other LatAm contracts, first was that large customer a Telefonica entity, also, is there a possibility of Vivo again coming back or in the light of the new OnMobile consumer engagements through the next gen RBT does the management feel these issues will fall in place in the larger scheme of things?

Rajiv Pancholy: Well, first of all, you know, deals we have in LatAm are largely through one entity which is Telefonica, so many of their operating entities and even Vivo is partly part of that family. So, yes, the upfront fee was linked very much to the acquisition of customers in LatAm.

The second part is, you know, what will happen, how will Vivo react once we kind of unveil the new products I don't know. I think it's we certainly hope that they will see value in what we are doing, but then again I have to be cautious, I mean, in the sense that, you know, these are kind of these because of the network centrality of the implementation that we cannot afford to churn things in and out. So hopefully they and other customers in the future will see the value of what we are doing.

We will certainly keep engaging them and they will see our products in motion very soon.

Raj Mohan: Okay. Thank you so much, Rajiv.

Rajiv Pancholy: My pleasure. That, ladies and gentlemen, brings us at the end of the Q&A session. I thank you very much for joining us. I just want to reiterate these are exciting times in OnMobile and I look forward to meeting many of you, those of you who can attend either in person or digitally in our next event which is going to be a shareholders meeting in September. Thank you very much.

Moderator: Thank you very much, sir. Thank you, participants. With this, we conclude the session for today. Wish you all a great day ahead. You may all disconnect your lines now. Thank you very much.