Second Quarter FY2017 Earnings Conference Call

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

Moderator: Good morning, everyone. I'm Harpreet Kapoor, the moderator of this call. Thank you for standing by and welcome to Quarter 2 Financial Year 2017 Investors Conference Call for OnMobile Global Limited. For the duration of the presentation, all participants' lines will be in listen-only mode. There will be an introduction to the results followed by a Q&A session. Joining us today on the call, Mr. Rajiv Pancholy, Managing Director and CEO; Mr. Sanjay Bhambri, Chief Commercial Officer; and Mr. Praveen Kumar, Chief Financial Officer.

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 considerations, please refer to the earnings presentation. OnMobile Global Limited undertakes no obligation to publicly revise any forward-looking statement to reflect future and likely events or circumstances. Please be advised that this conference is being recorded today. I would like to now hand over the proceedings to Mr. Rajiv Pancholy. Thank you, and over to you, sir.

Rajiv: Well, thank you very much, Harpreet, and good morning, everyone. I'd like to welcome you to our second quarter investor call. As in the past, I'm accompanied by my colleagues, Praveen Kumar and Sanjay Bhambri. Today, instead of speaking about the usual highlights of the quarter, I want to start with more clarity about our forward direction and what that means for OnMobile. On October 19th, OnMobile unveiled its new consumer brand which is comprised of a new visual identity and also a new sonic identity, with a new name "ONMO" and a tag line that is "Sound Unbound". We have laid out a clear path for the future and finally publicly articulated the focus of the company. We have also unveiled three new products which our consumers will experience through three very engaging apps. These are ONMO Express, ONMO Discover and ONMO Create. To get some more information on this, I would urge you to visit the new website www.onmo.com to get a feel of our new and exciting products as well as our new and exciting and more vibrant look. Even though we have been working with some of the world's top agencies to define all this, the feedback that we have actually received has been overwhelmingly positive and we are extremely enthused by the comments we received from all quarters, from all constituencies, be they are employees or stakeholders, customers or participants and partners in this venture. This is very, very, encouraging indeed. One of the points that need clarification in the stated new direction which has been read as a new D2C direction for the company is the nature of the D2C engagement we envisage given the understanding that there are in fact many different sub-flavours of this model.

So, let me first talk about one of the first instances which is the ONMO Express service which in many ways has been designed to obviate the old ring back tone service offered by the operators. In very specific instances, when we signed an agreement with the operator for the implementation of this new service, the partnership between OnMobile and the operator will continue based on a revenue share model. And this is important to understand, even though such a service will be offered under the new OnMobile. Secondly, and I think even more importantly, this will be accompanied by a transition of existing subscribers to the new brand. So, all those customers for that operator, they were basically using the service, the old ring back tone service under the old B2B model, will transition to the new brand and be part of the new service. And therefore we will not be building up a consumer-based subscription but rather building up on an existing base of consumers. This is a very important clarification about our forward D2C model. And as a consequence, our spending on marketing will be very tightly controlled, very highly focused. We absolutely intend to spend money on this very cautiously and extremely prudently.

The first instance of the introduction of the ONMO Express and ONMO Discover services will be with Sprint in the US. The projected timeframe is now February to March 2017, and we will announce roll out plans and other geographies between now and the end of this calendar year. These are under development. For those operators where the existing B2B model remains in force, we will continue to wholeheartedly support the service and also continue to look for ways to grow it. And what I'm saying here is that therefore in the next few years you will see the duality within OnMobile where we will have certain customers that continue on the old B2B model with full support and full aggressive behaviour from us as well as at the same time a new D2C model being rolled out in specific geographies and with specific operators.

Now, given that the US is one of our focused geographies and we've gone on record with this on many occasions, we have in the last little while received many questions about recent political developments in that country. In particular, we have been asked whether in fact any change in the Visa regime in the US will have any impact on OnMobile's plans for the US market place. To that, I want to give a categorical answer, we do not depend on H1 Visas to carry out activities in the US. We have a subsidiary in the US that is largely staffed by US residents and therefore our operations in the US are quite insulated from any such development and change.

Now, going forward in the weeks and months to come, we will provide more information about the new products and other related developments. So, now, let me turn this over to Praveen for an overview for our Q2 financial performance, and then with that, we will come back to ur Q&A session where I'm sure you will have more questions on both these topics. Praveen, over to you.

Praveen: Thank you, Rajiv. Good morning, everyone. Welcome to the second quarter earnings call. Like in the last quarter, this time around we have explained the financial performance both under the IndAS as well as the old GAAP. Our revenue and gross margin remained flat at 187 crores and 110 crores respectively as compared to the last quarter. Manpower cost was at 52.8 crores including the IndAS impact of 50 lakhs arising out of treatment of stock options, or ESOPS. This was elaborated in the earlier quarter. Other OpEx was 32.3 crores including a ForEx loss of 1.3 crores. Now, that leaves us with an EBITDA of 25.5 crores at 14% margin. Now, without the IndAS and the FX loss, EBITDA was over 27 crores and the margin closer to 15%. This marginal decline is only because of Vivo Brazil impact for two months in this quarter. And we talked about the Vivo Brazil in the last earnings call. Next we had an operating profit of 11.3 crores at 6% margin, which would have been more like 7% on a like-for-like basis without the items that I just spoke about. It may be slightly tricky to understand the FX space in the other income line. However, the summary is that for this quarter we would have had an FX loss of around 3 crores under the old GAAP, which is not there now because of the IndAS, which is good. That's not really relevant as such. With that, we have a net profit of Rs. 4 crores.

Now, moving over to some of the other key metrics that we track. On the cash front, we continue to generate a healthy amount of cash, and we had a cash of around 252 crores at the end of Quarter 2 after paying out a dividend of 16 crores. We have also now completely paid off the term loan that we had on our balance sheet. So, we are now completely debt free. Our headcount stood at 1048 at the end of the last quarter. And coming to CapEx, we did a CapEx of around 2 crores in Q2. This time around, we would also want to talk about Q3 outlook considering a key development post the quarter closure that was beyond 30th September. As you may have seen, Egypt has unpacked its currency in October leading to a massive 50% devaluation of Egyptian pound till date.

This will lead to two things. A, our revenue from Egypt for the next quarter being translated will be at lower rates and so the revenue will be lower and the net assets of our Egyptian entity being revalued at lower rates will lead to a ForEx loss. And this ForEx loss could be in the range of 1 to 1.5 million dollars. This is considering the conversion rate as of now. This combined with the impact of Vivo Brazil expected in December quarter will put downward pressure on our revenue and profits for Quarter 3. However, despite these factors, we do expect to remain earnings positive in the quarter, normalising for the ForEx. I want to emphasise that these are transient events and do not indicate any long term trend. What is more important for us is the long term growth strategy driven by our new products in the sonic space and our new consumer brand. And these events, this is what in terms of vision that Rajiv emphasised earlier.

That's the summary. But I'm sure there would be more questions and we will take it as it comes. We are open to Q&A now.

Moderator: Thank you so much, sir. With this, we will open the floor for a Q&A interactive session. Participants, if you wish to ask a question, you may please press "0" and "1" on your telephone keypad and wait for your name to be announced. First question of the day we have from Prakash, independent investor. Your line is unmuted.

Prakash: Good morning, gentlemen. Thank you for the update from the company and many congratulations in the launch of the new brand and the new initiatives. Just a few specific questions on the financials. If I look at the standalone financials, your EPS is close to Rs. 4 for the half year, which is what we expected, because those were really are the depreciation plough back which are coming into the accounts since the amortisation stopped from June. On a consolidated basis, the numbers are much lower. So, just trying to understand are there one-off issues in the consolidated which are creating the drag? If you could just give us some light on that? And secondly on the new products, if it’s possible to give us a slightly futuristic view, maybe a three-four-year view of... without cannibalising on the existing revenues of about 700 crores per year, what kind of revenues do you expect from the new products? It could even be a percentage of the current revenues. I mean it’s only indicative. Thank you.

Praveen: Okay, Prakash. I’ll take the first question on the standalone and consolidated numbers and then I’ll hand over to Rajiv for the new products. So, standalone financials represent largely the operations in Indian entity. And all those subsidiaries, our branches via the transfer pricing arrangements with India. We also know that historically if you see our margins on domestic businesses, it is slightly higher than the international subsidiaries. And the host of subsidiaries that we have, end of day if you add all of them together, will be lesser than our consolidated margin. So, structurally this is how always it will be that our standalone financials will show higher margin as compared to the consolidated financials. But the other aspect is also that we’ll have to look at... if you’re looking from an operational point of view, if you look probably at EBITDA or an operating profit, then the net margin to compare the standalone and consolidated financials because the ForEx can play differently in these two different set of financials.

Prakash: Okay. Are you using ForEx as the big part of the impact?

Praveen: ForEx, yes, this quarter, I mean it is not really a big impact but what happens is sometimes you could have a negative of... a couple of crores here and a positive of a couple of crores, but when next stop you’ll have like a plus and plus impact. So, that could really change the numbers. But from an operating point of view, we should always look at the consolidated financials that will be the true reflective of our financial performance.

Prakash: Of course, I was just trying to understand that between the standalone, the consolidation, there's a big difference, what are the big components of the difference? Basically you're saying that the margins are a component and FX is a component?

Praveen: Yeah, absolutely.

Prakash: Okay. Fine.

Rajiv: Prakash, let me give you some more colour on the second part of your question. First of all, I want to emphasise that when we talk about the future, when we are thinking about rolling out three products that we have introduced right now and possibly more across multiple geographies. This is not a short term plan. This is a multi-year plan. So, I can probably paint a picture for you which is a multiyear picture in terms of what's going to happen to the company. It is a vision that we have internally, and we're calling it a five-year vision. At the end of the period, we expect OnMobile to have, I would say, a vast majority of its revenues coming from the new model and a smaller percentage from basically the legacy business.

The same part of the question is in terms of the total magnitude. And I want to give you again a very rough view of where we are taking the company by the end of the same transition period, several years, we're looking at an OnMobile that's going to be several times the current size, many times the current size from a revenue perspective. So, it is a ball plan, we do have aggressive plans for growth. And that's what this is all about.

Prakash: And just to ask a question related to that. Sir, we're speaking about current or better EBITDA with the manifold increase in revenue?

Rajiv: Correct. Again, you look at the EBITDA, whether it is in percentage or absolute numbers, I would say in absolute numbers, your statement is absolutely right. In terms of percentage, depend on how much we basically decide to invest in the market and promotion aspect. And that is yet to be decided. It'll depend on which markets get prioritized.

Prakash: And if I might ask the question, sir, the product development expenses have been absorbed over the past two or three years, which have been basically about 2% of revenue. As those expenses fall off, the marketing expenses increase. So, could we assume just thumb rule it will be more or less in that 1-2% of that revenue range product development plus marketing?

Rajiv: No, the marketing I would like to separate out. So, the product development part has actually been, as you know, included in our quarterly numbers for the last two years, right?

Praveen: Yes.

Rajiv: And it’s approximately 2 percent of revenues. Now, in the business that we’re getting into, there’s no such thing as having to design the product you basically don’t continue to upgrade and evolve it. It’s a very fast-pace market we’re getting into. So, it’s not that the product development revenues will suddenly stop or sort of go off in a big way, they will come down a little bit. But I would say that it is going to continue. So, the marketing expenses will be partly take the place of the product development revenue. That will come down a little bit. It will also be in addition to what you’re spending on the product development.

Prakash: Fair enough. So, finally on an overall EBITDA level, it will compensate only when the revenues kick in from the new products?

Rajiv: That’s correct, yes. I want to reiterate something I said in my opening comments that even though we are basing a D2C model, it is a model of a particular flavour. And in this particular flavour, the marketing expenses that we undertake will not be one of just opening the wallet and throwing a lot of money at the market. It’s going to be very focused. And we’re going to be extremely cautious in terms of where we spend the marketing money. So, that’s the one message which I think is very important for me to communicate.

Prakash: Very well, sir. Thank you so much and all the very best.

Rajiv: Thank you.

Moderator: Thank you for your question. Next we have Rajmohan, professional investor. Your line is unmuted.

Rajmohan: Yeah, thanks for taking my call and congratulations on the ONMO launch. Though you have indicated to February-March launch in Sprint, could you give some update on the progress till date? You stated in the previous call that the initial work would involve replacing and modernising the older platforms which could take three to four months. Can you give an update on that?

Rajiv: I will turn to my colleague Sanjay. He can know more about this.

Sanjay: Hi, morning. Sanjay this side. So, as we said last time, we are engaged with Sprint and we have reached a point where we have... So, I would say we're putting in two phases. The first phase was to put 33% of the capacity there, ballpark I can give you on a guidance level, on a desk to move it to the new system and start to test it, we have reached that point. So, we are on track, as Rajiv said, to be going live between Feb to March. And as the testing finishes, which will be over the next two weeks, we would go back and shift the whole capacity to the new platform. So, that's basically where we are on the transition point.

Rajmohan: Okay. That was quite helpful. It would also be helpful if you could give the subscriber base at Sprint you're currently targeting, and probably your timelines over the next three years in terms of penetration.

Sanjay: That would be a little challenging, obviously forward-looking because it involves Sprint and we are on the Indian. So, as a holistic, as a company, Rajiv has given some directions. Specific to customers and accounts, it will be a little challenging for us to give any forward-looking at the moment.

Rajmohan: At what point would you be in a position to divulge this information?

Sanjay: As I said, typically we do not give account-specific information and I don't think so we're going to change that at the moment. But as you move forward, if there's any change directionally, we'll update. But at the moment, we are more on the organisation level that we give... organisation means OnMobile level, we are giving information.

Rajmohan: Okay. Any updates on talks with telecom operators in India?

Rajiv: Yes, we have multiple engagements going on the new model including in India. All I can say is that as soon as any of those agreements are basically at the same level as we have at Sprint, we will basically let you know. But yes, the discussions are continuing, and the discussions are going on in at least three continents. I would say India being of course the key market of ours, as well as Europe and certain North American.

Rajmohan: Okay. Coming to the Identity subs in Vodafone Spain, your achievement of 250,000 subs seems quite positive. Based on this success, has Vodafone's other regions shown interest on embracing this product? And are you seeing Vodafone being more open to allowing you full lifecycle management after the Identity experience?

Rajiv: So, let me talk you back to the time when we talked about the Identity app and the purpose of that, if you remember, we can turn the clock back about a year and a half. The whole reason for basically doing this in the European market and in the Spanish market, I think we had positioned this as an important part of learning both from a product perspective but also from a positioning and targeting perspective. So, when Identity was launched in Vodafone Spain, the initial phase of what we witnessed in terms of the efficacy of our marketing was actually not as encouraging. In the second phase, we tried to change our style a little bit and targeted our customers in a very different way. And you can see that very quickly after that, the penetration level went up quite significantly. So, this has been basically, I would say, a learning exercise for us. We have not yet taken this to a point where we are saying that this is actually the standard model, because in many ways it is not. It is still something that is owned by the operator, it is not under the OnMobile consumer brand, and I think that's a different discussion that needs to take place beyond this point. But the learnings on this one are indeed very key, and has given us a lot of confidence in what we are doing.

Rajmohan: Okay. But based on this experience, does this sort of give a chance for other Vodafone operators, other region Vodafone companies to sort of understand what's happening at Vodafone Spain and probably be more interested in this?

Rajiv: Absolutely. Every time I think we have a key learning, we do tend to share with pretty much all our customers in the spirit of sharing best practices. But in terms of whether you can take this and expand that to all the territories in which Vodafone operates, the answer is, it is not very practical. And the reason is that for us to basically launch a consumer brand in a country, we must have a critical mass of operators in that country who are subscribing to the consumer model. Otherwise the efficiency and targeting of our marketing dollars is actually quite poor. So, if as an extension we are looking at a country where only one of the operators is interested in pursuing this model, it may not be the right time for us to pursue that. So, we do look at basically our ability to maximize the marketing dollars and marketing energy in a country before we take this thing forward.

Rajmohan: Understand. And broadly on a broader scale, based on your current sub-base of about 1.5 billion, what are low-hanging fruits for ONMO? And basically currently we have a 5% penetration in the, if we take 72-odd million RBT subs, but broadly on the ONMO platform, what are low-hanging fruits that you currently see?

Rajiv: There are very roughly these sort of I would call axis of optimism, if I can use that expression. One is that if you look at the service that's being offered, the Legacy ring back tone service as you know it, it hasn't really been refreshed for many years, for all kinds of reasons. So, the fact that we have on an average, let's say, 5% penetration with a service that is in many ways somewhat dated sort of tells you that with a refreshed service and a brand new customer experience, you can expect to do better than that. So, that's obviously one axis of optimism. The second one is that within the existing base of 70-plus million paying subscribers that we have, even if we don't look at basically an increase in these numbers, but if we look at this base eventually migrating under consumer brand, that itself is a huge opportunity of growth for OnMobile.

So, we are looking at the future on both these actions. On one hand transitioning this existing user base to a brand. And even if it's apples for apples, which probably it will not be exactly that number, but assuming we achieve even that, that itself would be a huge thing for us.

Rajmohan: Okay. One final question. Though you're just embarking on your product launch targeting telecom operators, have you thought about and discussed the opportunity threats from the OTT players like WhatsApp at your strategic level discussions? Is that a potential to sort of technologically sync in your product ONMO with these OTT player's platforms?

Rajiv: So, the answer is yes. But maybe not the same way as you conceive of our services. At the outset I listed three services. One is, of course, the ONMO Express which is, I would say, fairly dramatic evolution of evolving backtone service. The other two basically are non-operator-dependent, they do not require a relationship with the operator, they themselves are sort of purely app-based plays. And one of them in particular when we unveiled this on the 19th of October, we actually showed how this can be integrated into some of the messaging apps that do exist and extremely popular out there. So, that is something we're absolutely looking forward to and driving towards.

Rajmohan: Okay. That was quite helpful and thanks so much for taking my question. And wish you the very best.

Rajiv: Thank you.

Moderator: The next question we have from Mr. Niten Lathia, HDFC Mutual Funds, your line is unmuted.

Niten Lathia: Good morning. You mentioned that you really planned to have a multi-fold revenue size over a five, seven-year period. Is the plant primarily resting on these three products that have been launched or is there something in the pipeline that you are sort of looking at contributing in a very big way going ahead?

Rajiv: The estimates I gave you are based purely on what we know and what we have in the works today. So, it is not counting any sort of future developments or future products that we're currently not working on or any other activities on a corporate level.

Niten Lathia: Okay. So, essentially one bit is that the way revenue itself would get accounted would be that when it was the Telecom customer, you're probably booking only your share of revenues, whereas when it becomes your customer, you will book the whole revenue and then pass on the Telecom share to them. If you take that out of the equation in a meaningful sense as a share of the customer's wallet, which means either the same customer that is today there in the 70-million base or a new one that you are planning to get in. What would that revenue sort of potentially be in your opinion relative to what we are today? So, I'm saying without getting into the accounting of how you're doing it, the product that you're serving should get to what revenue numbers?

Praveen: So, Niten, quickly on the revenue side, in the vision that we gave out, I don't think we have included 100% of the operator's revenue and then subtracted their payout from there. We have taken only our share of revenue in the workings. But if you see the growth, which is dramatic from what we are at the current levels, the revenue from the current base will be only a smaller portion of the overall revenues that we are going to be ending up in a few years.

Niten Lathia: So, we are primarily saying that adoption as it stands today, with a slightly more Legacy service, should be multi-fold once you have a new offering. Is that the primary hypothesis?

Sanjay: Yes. That's the hypothesis.

Niten Nathia: Okay. Thank you very much.

Moderator: Thanks for your question. I'll repeat, participants, if you wish to ask a question, you may please press "0" and "1". We have a question from Kamal Sodi, individual investor. Your line is unmuted.

Kamal Sodi: Rajiv, good morning. This is Kamal here. And congratulations on the three products. I personally had the privilege of looking at them at the demo that was conducted by ONMO, and I am personally highly, highly enthused by it. The statement coming forward from your end is that you're looking at as an organisation on a consolidated basis not just a bump up in the earnings in the future but you're looking at substantial multiplication of revenue over the years. So, my request is, and this is something that we have discussed on a call, I believe, two years ago, where, you know, so far it disheartens me that we've not really looked at the ability of OnMobile collectively to come together to give a forecast either on a quarterly or a half-yearly or an annual basis. Though there has been a minor progress in terms of EBITDA margins forecast that was made from time to time with the currency fluctuations that did come about, but now with this product and the possible revenue share which we're looking at and targeting ourselves with the developed economies, is it not possible for ONMO to come up with, say, possibly an annual or a half-yearly or a quarterly projection on a consolidated basis? I think that would, A, assure us in terms of your ability to handle ForEx gains or mark-to-market gains, etc. It would also possibly sharpen some claws internally in terms of some sales numbers that today to me, as somebody who's been associated with the company now for three years, look a little loose-end. So, this is a request. If this can be done internally, I think it will help all of us in terms of looking at growth with a lot more confidence than we do today, especially because now that your armoury has some very good weapons and we very would want to see that growth coming.

Rajiv: First of all, thank you very much for your vote of confidence, I appreciate that. I'm glad you enjoyed the demos of the products and also the new brand. In terms of giving guidance, the pre-requisite for giving guidance is having your own ability and stability in the particular markets, but this only affects perspective over... a timing perspective is essential, because I've said many times before, one thing we do not want to do is give guidance when in fact we're not confident of meeting it. Right now if you look just as an example what's happened in the US market itself, the capital markets and the public sentiment for the last two to three months, you can imagine how difficult it is under these situations and circumstances to be able to say precisely what's going to happen, which week it's going to happen, what the consumer behaviour is going to be like, what the consumer mood is going to be like. So, we are indeed going through the spirits in many of these markets. And I think Praveen mentioned just the way in Egypt and before that in other geographies and things like this. Your point is taken, and I think any time we are able to give and we feel confident, we will, but please do not read anything other than the fact that it is our inability to come to a certain level of certainty that prevents us from giving forward guidance. So, whenever we are able to do so, we certainly will do so in the future.

Kamal Sodi: Well, I do completely acknowledge some of the challenges as an organisation given the geography and the currency fluctuations, etc., but what really enthuses me about the environment at ONMO today is the products are really, really fantastic. That's super-fantastic. In fact, I really like Discover at a personal level as a product much more than the other two.

Rajiv: It looks like we have our first customer.

Kamal Sodi: And I really hope you'd allow us to all become customers to clean the country. So, I feel just a little impatient given the fact that I'm been waiting patiently for the product to come out for a very long time, and we've all been very enthused by the manner in which the current management team headed by you has turned around the company so fantastically. It's just *dil mange more*. So, we just want you to do a little better. And I think we're coming from that. So, I appreciate your response, Rajiv, and I'm highly enthused, and I continue to remain a loyal investor and I hope that perhaps through the next call we'll be able to see much more success stories emerging out of OnMobile.

Rajiv: I just want to say again thank you so much for your comments. Regarding patience, I may just add my personal perspective that nobody is being more impatient about getting to this point and beyond than I have been since I have joined the company. So, I think all of us, including my colleagues, we've been sort of waiting for this day and finally we have launched the products and we expect them to do very well in the market place.

Kamal Sodi: Thank you, Rajiv, thank you all.

Moderator: Thanks for your question, sir. Next we have Sunil Jain from Nirmal Bank Securities. Your line is unmuted.

Sunil: Yeah, good morning, sir, and congratulations on the ONMO launch. My questions relate to more of a process, in the sense you are first launching it in US. And whether the next region or operator you will wait for some positive response from the US market or it's lined up and waiting for approvals from next Telcos and all?

Rajiv: First of all, it is not at all dependent on the US market. We do have a strategic plan where we will be actually launching in multiple markets, pretty much in parallel. It just so happens that US is the first one to basically be crystalised as an agreement. And also it's an important focus territory for us. But once again, to answer your question, we will go after multiple markets at the same time.

Sunil: So, what is taking time for other telecom operators to approve it or go along with you?

Rajiv: Well, there are many, many local factors, not the least of which is the regulatory environment in each country is different. So, when you talk about moving a customer that is an existing B2B customer of an operator and we say we're going to move you to a new brand, some jurisdictions see that as a non-event, you just need to notify the customer; in other countries, the regulatory authorities see that very different. It's seen as much more complicated transaction. So, all these issues have to be worked through, there are multiple parties involved to basically agree on the exact strategy. So, all that has to be done. So, each country is indeed very different from that point of view.

Sunil: So, are we near to any other sign up or confirmation in near term?

Rajiv: I think as I mentioned in my opening comments, I think between now and end of the calendar year, we do expect to have more news about new more customers. So, all I can say is stay tuned. There are many such engagements going on.

Sunil: Okay. And, sir, about the marketing expenses, any percentage you can define or any absolute amount which you may be spending as compared to revenue from that particular region?

Rajiv: No. Again, the marketing expense in each country is going to be very different, A, because of absolute numbers to get the same thing at different... take the case of what it takes in the US market versus what it may take in some other country to reach a particular customer. But also the base from which we are starting in each of the countries is different. And so are the details of the partnership model in terms of who's going to do what. But I just want to say one thing to you, we are not looking at a D2C model where we just go and just spend a lot of money in a market just in the hope of getting something done. We have learned through the trials that we have done to be highly focused. We know what works and what doesn't work and we're going to be cautious. It'll be very, very targeted and very focused spending.

Sunil: Okay. Thank you. And about Egypt operations, sir, how much revenues we get from the Egypt?

Praveen: Hi, Sunil, we roughly do about anywhere between 5 to 7 crores a quarter from Egypt.

Sunil: Okay. That is in Rupee terms?

Praveen: Yeah, that's right.

Sunil: Okay. Great. Thank you.

Praveen: Now, that was pre-devaluation of the currency. Now in this quarter it may be worth much more, but we are waiting for stability on Rupee to happen, on the Egyptian Pound to Rupee to happen.

Sunil: Okay. Thank you.

Praveen: Okay. Thanks, Sunil. Harpreet, we will take one last question, please.

Moderator: Sure, sir. We have a question from Ravi, individual investor. Your line is unmuted.

Ravi: Hello, everyone. So, I love your brand, it's awesome. The question is on the pricing part. So, in the long term, based on what we have seen, we tried to charge the consumer and then someone comes in gives it as a freebee in terms of WhatsApp and the big multiple companies, right? So, are we forward-looking or are we still on the old model? So, basically what I'm asking is should we measure our success on the number of consumers we add in the long term or should we go for the pricing model where eventually after a point we're not making a lot of money. And even if you see a company valuation going up, right, it's more about the subscriber base, someone like an Apple or another company…. So, why don't we think about just adding consumers and forget about everything related to price?

Rajiv: I'm not sure what your question is, but let me try and first of all...

Ravi: So, I'll give you an example, so, WhatsApp could have been priced, Google could have charged a dollar for its subscription, but Google doesn't charge because they want that their consumer base increases. So, why are we charging the consumers if we can't make say 500, 1000, a billion dollars, say, ten years down the line? So, do you think you have a market of billion dollars adjustable after say ten years down the line?

Rajiv: So, let me first of all play back what I think your question is. What you're saying is should OnMobile be playing the game of trying to be a profitable company and should the primary metric be profitability, or should we be playing the game of many other startups where they don't care really about profitability but hoping that they actually have a huge user base even though they're not profitable after several years. Is that your question?

Ravi: Yeah. So, basically if you see Google is not profitable. But do you think it's really not profitable?

Rajiv: Our approach is not to basically have this lots of users without having profitability. We are not going down that path. We believe we can actually have lots of users while putting up with financial performance.

Ravi: Okay. Fair enough, thank you.

Rajiv: Yeah.

Moderator: So, I would now like to hand over the proceedings back to you. Over to you.

Rajiv: Thank you, Harpreet. Once again thank you for being with us on the call today. And in case you didn't catch up in the first instance, please do take a moment and go to our new website onmo.com, and please do get a flavour of our future. I hope you'll enjoy that. Thank you very much. Have a nice day.

Moderator: Thank you so much, speakers. Thank you, participants for joining the session. That does conclude our conference call for today. You may all disconnect now. Thank you and have a pleasant day.