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Q2 FY 2018 Investor's Conference Call October 30, 2017

SPEAKERS:

François-Charles Sirois, Executive Chairman and Chief Executive Officer
Sanjay Bhambri, President and Chief Operating Officer, India, Asia, Middle East and Africa;
Ignacio Martin Velasco, President & Chief Operating Officer (Europe, NAM & LATAM);
Praveen Kumar, Group Chief Financial Officer.

Moderator:

Very good afternoon, ladies and gentlemen. I am Sourodip, your moderator of this call. Thank you for standing by and welcome to the OnMobile Second Quarter FY 2018 Investor's Conference Call. For the duration of the presentation, all participants' lines will be in listen-only mode. And there will be an introduction to the results followed by a Q&A session. Joining us today on the call are Mr. FC, Chairman and CEO; Mr. Sanjay Bhambri; Mr. Ignacio Martin Velasco; and Mr. Praveen Kumar from the management team.

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 undertakes no obligation to publicly revise any forward-looking statement to reflect future likely events or circumstances. Please be advised that this conference is being recorded today. I would like to now hand over the conference to Mr. François-Charles. Thank you and over to you, sir.

François-Charles:

Thank you. Thank you all for being present. Let me start by saying that it is a steady quarter financially, good results in Europe. I am quite positive with the performance of the team on that side. Although you are seeing steady results, I must say that the sales funnel is really growing. We have opportunities everywhere in the world both on RBT and on Mobile entertainment, which I think is a very good news, very well balanced, concrete deals and negotiations right now. So, I must say, I am quite happy with what is happening everywhere and we have very interesting opportunities. Now, before I go into much detail, I want to let each our two Presidents talk about the regions. So, I will pass the ball to Ignacio and Sanjay to talk about both West and East.

Ignacio:

Hello, hello. Thanks FC. Good afternoon everyone. FC was saying we worked our markets. We had an overall good performance. In the case of Europe, we are really happy with the evolution of CVAS business, not only in Spain but in Italy. We are finding really new nice content that we are monetizing naturally on mergers and increasing things. We are getting the right mix into price points and lifetime values. In the case of LatAm, we have many promising opportunities. We are static there. Maybe, we discussed before to implement the CVAS strategy that is actually functioning really, really well in Europe. We met many of our partners there. They are quite excited of the common proposals. We can work together. And actually, probably in the next quarter we are going to make concrete, really important operations related to mobile entertainment, which is basically the content server management to get good operator and D2C model.

In the case of the US, I just want to remark that, as , we are expending a small amount of money marketing to improve the performance of the ONMO app. Actually, we are getting very positive learnings, that means we really want to, , optimize our marketing mix before starting any big campaign. And we are improving the users experience and the work of the app. So, we are being cautious. I mean, we are rather going to be as lower down track unless we have the right mix that we want. We will have during the next quarters. So, yeah, positive learnings and we will launch bigger campaigns whenever we have clarity on the user experience, the best we can offer to the market and we have the right marketing mix. So, we have great expectations for the future in that too. So, overall, again, it was a fairly good performance. We have really important opportunities for the future. And we are looking forward to be communicated them as soon as they get to be a reality. So, I end up with thanks, Sanjay.

Sanjay:

Thanks, Ignacio. Good evening, everyone. I will just speak few minutes on the East. To start with, India, it is one of the large markets, as you would have seen usually happening in the Indian telecom market. I think, the good trend on this quarter looks like it is stabilizing on KPIs and revenues in the market. All the cacophony is trying to come to a point where we understand as to how the market is shifting. So, that is a good sign this quarter stability on the revenues and KPIs has come.

Second, as you all know, we have been in discussion and negotiation with Indian operators on ONMO. With stability coming into core business, I think the focus is back on discussing new deals and almost there. As we talk, we have reached commercial negotiations with a few of the key operators in India. And, as soon as we have the go ahead, I will update you all guys.

And on the Asia side, we had announced a quarter-and-a-half back that we had won Banglalink, which is one of the last standing operators in Bangladesh, which was not working with us on ringback tone product. I am happy to announce that we have gone live with them a few days back and it is one of our fastest deployments across the world. So, hopefully, it will add more revenues to us in coming quarters.

On the Middle East and Africa, there is marginal growth in the revenues. We have seen some of our solutions tractions coming back, which is a good sign. We have as Ignacio and FC were talking about; there is a large spread we have which obviously adds to a good funnel. We have prospective business, which will add

sufficient amount of dollars in the next financial year. So, in all, stability is coming back, some good traction on new sales and account going live. So, that would be on my part. I would hand over to Praveen to give you a financial update. Thank you.

Praveen:

Thank you, Sanjay. Good evening, everyone. And, welcome to the second quarter FY '18 earnings call. And, I will take you through the summary of the financials. So, revenue was at 165.7 Crores versus 163.7 Crores, which is flat or a very marginal growth. While India revenues are down, we have seen good growth coming in from other geographies: Asia, Middle East, Africa. But, notably, its Europe where we have seen both organic growth as well as the forex rate helped us. And, that is also the reason why COGS is up. We have higher content cost in Europe. And also with the higher rate of Fx the COGS is up. So, net at the gross margin level, we are down by around 4.6% as compared to the last quarter.

On the expenses front, continuing with the trend, both the manpower cost and the other operating expenses are lower this quarter. Manpower cost very marginal but other opex is lower is by 5%. With this, our EBITDA is at 17 Crores at 10% margin as compared to 19.5 Crores last quarter at 12% margin. And, further we had the benefit of lower depreciation this quarter and hence our operating profit remains almost flat at 6 Crores with an operating profit margin of 4%. And, with the tax, the same range of 3 to 4 Crores, we have a net margin or PAT of 1.85 Crores as compared to 2.5 Crores in the last quarter. We did not have any material capex additions during the quarter. So, with this, we will be happy to answer your questions now.

Moderator:

Thank you very much. So, ladies and gentlemen, should you wish to ask any question, please press "0" "1" on your telephone keypad. I would like to repeat. Participants, should you wish to ask any question, please press "0" and "1" on your telephone keypad.

So, we have the first question from Mr. Prakash, who is an individual investor. Your line is un-muted. Please go ahead and ask your questions.

Prakash:

Thank you for taking my question and thank you for giving us an update on the business. My question is directed to FC and to the two Heads of the geographies. Sir, I do understand that there is an upbeatness about the creation of the pipeline, etc. But, if you look clinically at the numbers, the numbers are not revealing a great picture yet of growth. So, if you could just have some flavor of the business as a legacy business and the new business and just get an understanding of what kind of growth can we expect both in top-

line and bottom-line over the next few years? Do we look at a 10% growth, 12% growth, 15% growth? If you could give us some flavor, please!

François-Charles:

Thanks for your question. The first point, as, in the reason why, we put so much effort on the sales is to increase the base business. And the first important point is growing although we have steady numbers right now. I can tell you this business is growing. And it is growing in both mobile entertainment and RBT. So, it is just not like one end of the business not growing. So, the first priority of this team here is to make sure that we grow our revenues.

Now, as, some contracts can generate, a great. It can be sizable and some others can take a bit more time to grow. So, to give you exactly what is our forecast for next year, , one of the things that we know is, by the time we sign the agreement, implement the agreement and this case it takes six to nine months and some cases 12 months. So, we always communicate that the impact would be on the next financial year starting April first, we...so that is to keep in mind. To be fair, I do not want to commit on the exact. Like when we commit a number... I do not want to give you a number that you say, "Okay, I'm writing this down." But, I am expecting, a reasonable growth. So, in some cases, depending on what we are negotiating right now, this reasonable growth can be bigger. In some other cases, it can take a bit more time to materialize in terms of investment that needs to be done. They are all positive accounts. I do not know if Ignacio and Sanjay wanted to add something.

Ignacio:

Not really. Not being in CVAS, that I say that the foundation of these hope and reality, we are seeing in terms of traction in the pipeline that are now we are now selling new solutions that we've been not doing before in previous years. Mobile entertainment market, we already manage. So, we have an important to bring people around and now we are trying to monetize on half of our portfolios and other business lines. So, that is why it makes us think that we are seeing that the pipeline is growing a lot. We have a lot of traction. Obviously, we need to close those opportunities and as FC said, we will have employment line after that. So, rather than committing figures I would say that we are quite happy with the response of our partners to our new solutions.

Prakash:

If I look clinically as a financial investor, you are very close to break-even over the last few quarters. Growth in revenue would add to a substantial growth in your operating profits. But we have not got to that point for some time. Which is why I am asking the question. So, if you grow the top line by 20 or 30%, the impact on the EPS is quite high.

Praveen Kumar: Yeah, I understand Prakash. I think as FC told you, we are very much focused on growing the business. There are various opportunities we have identified with different customers in the last six to nine months. And as you said, that is our endeavor.

Prakash: Okay. If I might just briefly ask about the new business as well. You were looking to do a million subscribers with Sprint over a period of time. So, can you give a flavor on the plan there?

Ignacio: Thanks for the questions. I would say that we strongly believe in future and the evolution of our business in US, ONMO business. We want to do things well. We have been changing during the last week and improving the user experience. We want to have a really great value proposal for the user. We are now in a thoroughly testing mode. We are investing money but really small amounts, to optimize the marketing mix and improve the user experience. As of now, we have not changed. We are long-term partners for this to be a great service in the US. But, we are working to have the better response to the market in terms of value proposal and we are working on that.

François-Charles: It is very important for me that we invest on the marketing at the best timing. And, we have always said that if we put too fast in the marketing, we are still adapting, on the value prop and acquisition funnel where ending up wasting marketing dollars. So, it is very important that we do spend at the right moment to acquire the subscriber base we are looking for. What I am really happy about on this side is that, we have a very good customer feedback and we really have a very good ring-back tone service in the US. So now, we have to have the right matrix to make sure that we can invest the marketing dollars to get that base.

Prakash: Thank you so much for the feedback and all the very best.

François-Charles: Thank you.

Moderator: Thank you very much. Participants, I would like to repeat, should you wish to ask any question, please press "0" "1" on your telephone keypad. I repeat "0" and "1" on your telephone keypad to ask any questions.

So, the next question is from Mr. Mahesh, who is an individual investor. Your line is un-muted. Please go ahead.

Mahesh: Hi, FC. Last time in the AGM when we met you talked about ONMO and you also talked of a lot of marketing spend that you might have

over the next two quarters. And that would push up your subscription revenues. Would you give me a flavor of, how you have done based on your plans or your own projections in this quarter in terms of how much of your marketing spend is a part of the opex and revenues in that sense?

François-Charles:

So, I will give you the number of how much we spent in the last month. To give you an indication, we spent 1,01,000 dollars. From my point of view, it is a test, so, obviously, you need to spend enough to see if it scales up because sometimes if you just spend 5,000 or 10,000 dollars, it does not react the same way as when you increase the spending. So, we have done various mixes of testing. So, on one hand, you can say it's an expensive test as 100,000 dollars. On the other hand, you say, what we have done enough testing to know, exactly what needs to be corrected so that we can start real spending. As we always say, to grow the base that we wanted, we will have to spend important dollars. What I cannot tell you is that exactly, within the next three months exactly how much marketing we will be putting on, as these variables change every day; so, we have a very pro-active team. I must say that, the expertise we have in Europe also have because everything we do is digital acquisition in Europe with the mobile entertainment. So, that expertise we are planning to leverage on in the US also. But, as, it is not the same markets either. So, it is the big spending that will come at this quarter or fourth quarter, I will have to get back to you on this one.

Mahesh:

Okay. Thank you so much.

Moderator:

Thank you very much. We have the next question from Mr. Giriraj Daga from KM Visaria. Your line is unmuted. Please go ahead and ask your question.

Giriraj Daga:

Yeah. Hello, team. Couple of questions, like, I have been attending call for the first time, so they may be some basic questions. So, what is our base business as a total contribution of revenues as of now which is Mobile Entertainment, RBT?

Praveen Kumar:

Yeah. So, our base business, as you said, splits into mobile entertainment and RBT. RBT is around 40, 45% of our overall revenues and the rest is mobile entertainment. It's some 45, 50, that's the range it keeps shifting but fairly half-half is what you can say.

Giriraj Daga:

And when you talk about the new segment, that has not picked up materially as of now.

- Praveen Kumar:** That is right.
- Giriraj Daga:** Okay, okay, understood. My second question is related to like our capex number like what kind of CAPEX we are guiding for FY'18 and FY'19?
- Praveen Kumar:** So, last year we did around 17-18 Crores of capex. And capex is directly related to the number of deployment that we have. So, Q1 we did some capex because we had a deployment. And in Q2, we did not do much of capex. My sense is over the next, maybe you can say for second half, we will not have more than maybe 5 to 8 Crores of capex unless we get a large deployment. The other thing to note is for the new initiatives that we have, there is no capex that is required because most of it is already deployed and invested and that is also a very small component.
- Giriraj Daga:** Okay. But we will have to do the A&P for that right?
- Praveen Kumar:** Yes, of course. So, AMC is already a part of what is there in our opex. AMC, the way it works is... Of course, I mean...
- Giriraj Daga:** I said A&P, sir, advertisement and promotion.
- Praveen Kumar:** Advertisement and promotion?
- Giriraj Daga:** Yeah, I said A&P for the new business, which we are developing; we will have to do that A&P. And maybe, we might want to capitalize that part of it or we will take it complete to the opex?
- Sanjay:** No. We charge of everything to the P&L through opex. We do not capitalize any of these expenses.
- Giriraj Daga:** Okay, okay. Next question is related to growth, sir. Like the first participant also asked. So, would you like to give us some ball park number based on what effort you have put in so far and based on let's say remaining next five months, what kind of growth estimate should we earn, not to...maybe not a number, but let's say a single digit, high double digit kind of a revenue growth in FY '19 we can think of?
- Praveen Kumar:** We would like to say we will have a double digit input but if you have seen how the industry has evolved over the last couple of quarters, there are pockets where there is growth. Even as a company, we have done many things in the last six to nine months as I said to identify lots of opportunities. Now, when will these opportunities actually fructify and, the deals and start deploying them, definitely

we are very positive but when it comes to putting a number, we probably may want to ask for some more time.

Giriraj Daga:

Okay. Last question is related to our balance sheet. Like, when we look at Trade payable, sir, it is about 200 Crores. So, does it include any of the outstanding for expenses or employee cost?

Praveen Kumar:

The payables will not include employee cost but it includes payables for expenses for all our vendors and most importantly the content partners and all that.

Giriraj Daga:

The reason for asking is that if I look at the total payables like as of last year we had about 212 Crores and when I look at our cost of sales, it is about like 298 Crores and if I look at the total other expenses, it is about 115. So, on a base of 400 Crores, it is about like about 50%, nearly six months. So, are we taking so much of credit from the suppliers nearly six months of supply credit we are taking? And the other expenses will not be all six months credit, some would be rent and other electricity expenses would be payable or actually monthly. So, overall payables comes to about...if I do the blend, it is about eight to nine months.

Praveen Kumar:

Yeah. So, it is not entirely content; it will also have certain contracts for, IT Services and things like that, but, of course, not definitely the month-on-month recurring expenses like rent and stuff. But the reason it is high is, it is very typical to this industry because we work on a revenue share model and all the CPs that work with us also work on a revenue share model. So, most of the contracts, the way we structure is, we agree to pay the content partners only after receiving money from our operators. So, if you see a DSO between billed and unbilled, if I add up it is approximately about four months, about 120 and 130 days. And that is our collection period. So, it is an understanding that we have with the CPs that we pay that money only after we collect in most of the cases. So, that is why it is high.

Giriraj Daga:

Understood. Thanks a lot, sir, and all the best.

Praveen Kumar:

Okay, thank you.

Moderator:

Thank you very much. Moving to the next question, we have Sreedhar from Versatile. Your line is unmuted. Please go ahead and ask your question.

Sreedhar:

Yeah, good evening. I think it is yet another frustrating quarter. The revenue have remained almost flattish. And every time when we keep asking this question this – I think, I'm participating for the fourth time in this call – every time when we ask for some sort of

revenue guidance, the management team doesn't want to commit to any numbers which in a way gives no understanding of whether they want to or whether they don't want to, it's actually they are not very confident. Right? So, that is a headline comment, a very frustrating quarter again.

Couple of questions, one, in the past conference call, it was mentioned that the ONMO Express is being released somewhere, four months back. So, we said, we will come back with certain matrix. And, we will also start sharing those matrixes in terms of users, paid users and unpaid users, etc. Is that something, which we can have because I do not think the presentation put out on the website does not carry any of that? That is one.

Number two, in terms of expense, I heard CFO saying that we do not capitalize any expense, we expense out everything. So, I really like to understand on ONMO Express and all of the future development efforts, what is the kind of a spend we have, and how much of that is expensed? And third and final question, in the AGM it was mentioned, you are also evaluating in terms of what is available as a cash reserve and therefore would you be contemplating some kind of a buyback or a higher dividend, etc. So, really need to understand, what is your thought process on this thing. Thank you.

François-Charles:

First of all, I agree with some of your comments on the, I will be addressing on the ONMO. I really believe in this. Before we spend on marketing, we need to make sure that we have the right matrix and then take more time to have the right matrix. So, one matrix that I am giving out to you today which is new, which will be giving out the next quarter, so which is very important is how much are we investing in marketing. And that one is the 101,000 in marketing. So, obviously, right now, it's only test. So, in the coming quarters, if they will pass from the test mode to production mode, we will be able to share with you more interesting data. So, that is my first point.

Second one, on growth of the business, for the last six months, we have been pushing the funnel and I must say that we have really interesting guidelines. Now, as, in any business, in some cases, you win some and in some cases you lose some and the main focus of this whole company is to not lose any account or not lose any business and increase the most we can in the funnel. And, although again, as Praveen said, although I like to give you a very precise like growth number on the double digit, which is obviously what we are targeting, I don't want to say a number that we will see next month is achieving because we didn't have it. So, my goal is to have, a real growing company, not the flat line, as a result as you have been

seeing there, On one hand, you can say at least the results are steady or at least they are steady. And, we knew it would be steady any ways in the past quarters because it takes nine months to activate a subscriber. So, the real question is, , when we start our new year, next April, I know how much growth we will have and I don't want to give you guidance right now but we will have guidance in the coming quarter on, , what are our expectations. We have to and I agree with you, we have to commit to something and to be clear on what the commitment is. Just to be clear, I see lots of opportunities in the market, depending on some opportunities that is... they can have quite an impact on this growth. Now, we know again, you can win your opportunities or you cannot have it. So, that is why it is so difficult.

The cash position, for me again, it is very important. You keep in mind that the ONMO deployment will need some cash in marketing. That is why we have important cash reserve. The opportunities that we are looking at also, could use some cash in some cases but, I have always said it, we had better resend dividend, we did not use the cash for a buyback this year wanting to wait a bit. So, I am sorry to postpone this question to the next quarter. But, I know, as the main shoulder of the company, I do not want to give that with the unnecessary cash on the balance sheet either. So, if we are not going to use it, we will distribute it. That is the way you see it.

Praveen:

And Sreedhar, on the capitalization of expenses front, we don't capitalize any expenses. The expense on development of new product is essentially the manpower cost that we spent on the teams who actually developed these products. Beyond the manpower cost, there is no spend that is there for investment on new product unless it is in the deployment mode like in Express where we have to spend on marketing and things like that.

With regards to how much we spend, typically about 3 to 4% of our manpower cost, if I can say, is the cost that we spend on engineers who actually sit there and churn out new ideas and products. It may vary from a quarter, say, six-monthly perspective depending on the kind of project they are working on but that is the broad number.

Sreedhar:

Yeah. FC, thank you for the answers and thanks Praveen too. My point has been FC, you are also the largest shareholder and as someone who is also the largest shareholder, I am sure you will also share similar frustration as much as I have in terms of holding the shares and seeing the company, forget about what is happening in the market, but the performance remaining almost static. And that is where this whole issue is what are we signing up to? Are we signing

up to growth or are we signing up to, something where we can put ourselves. The management team has to be held responsible for delivering some numbers. That has never happened. And as you rightly said, the only thing, which keeps moving is the date. Last time also, I had specifically asked this question around matrix of ONMO Express downloads, for example. That could be a fairly simple matrix to say, how much customers downloaded ONMO Express. That is not forthcoming. So, I really do not know whether that product is working, not working. Yes, I would still go by FC. Your believe is that the product is a great product but let me wait again one more quarter, is what you are saying? Good luck to you.

François-Charles:

Let me address, the stock price performance, and I just want to add something, and obviously I am frustrated about stock price and you are too. Now, I want to say something, this company. We are managing right now a growing company. We are not managing a company that is in crisis mode. , quarter-to-quarter. Yes, we have been seeing in the past quarters, some revenue decline, not steady. But, I can assure you that what this company is growing which is an important point. And right now, if I qualify the value of the stock, I will more perceive it as a company in trouble than a company growing. So, that as, I do not control the stock price and I will never control the stock price and I do not want to do that. But, when I look at the evaluation, I do not quite understand why we are at this turn, I wish in for a growing company. And, we can debate, is it growing 5%, 10%, 15%. But, it is a growing company. So, that is my view.

For ONMO, again I assure, we have so many data right now that I just want to make sure that if we are about to be tracked on matrix, we have to have the right matrix. I think the most important matrix for now is the amount of money in marketing that will impact the P&L. The next one will be how much revenue do we generate on that side. So, let us figure out at least how much marketing we are willing to invest in that. Once we have got discovered, we will make sure that, we show more data that will be more appreciative of the quality of the service. And in quality service, actually we have great data I am saying. Now the quality of the red news, let us put it this way. So, that's a.

Sreedhar:

I had on that, do we at least know how many downloads happened? Forget about anything because it may be there, like what you said revenue is a function which will work or later. At least if we will have to target our million customers. So, even if those 100,000 customers downloaded it, it will be nice to hear at least so many of them have downloaded. How many of them then translate into paying customers? That is the next matrix but at least, so many are

interested in this product is something we need to know. So, that is what I was questioning.

François-Charles:

I went through in one way; we always qualify the service as an application in the US. But keep in mind that everywhere in the world, the ring-back tone service is not an application. ONMO service includes an application but includes also what we are working on right now is the mobile web which is another way to activate the service. So, , every data that I would give you now will not be the same data in the future quarters because we will treat ONMO as a complete service rather than just having one interface which is the application. So, that's a piece of data I'm giving you and, That's why, unfortunately it's taking a bit more time for me to very clear on the matrix. But, trust that, we will have something that makes sense in the coming quarter.

Sreedhar:

And one question for Praveen. We have 25 Crores amortization, if I am right, I do not exactly recollect the number. But overall, on your depreciation and amortization, there was a big number, which I think, is getting over by the end of the current year? Is that correct? Is my understanding correct?

Praveen:

Yeah. The other way to look at is the large parts of the chunks of the depreciation on the UFF or the marketing development fee that we have paid is all gotten over. There is only one depreciation that is left which is the Live acquisition cost, which will get over in the next financial year.

Sreedhar:

Yeah. So, I'm assuming from a 55-odd Crores which is a depreciation currently you are showing, maybe this quarter is about 12 or 13 crores assuming, , sort of annualizing it, that's about 48 to 50 Crores. That 50 Crores will possibly get down to some 25, 30 Crores. Is that correct? That is my question.

Praveen:

Yeah, 25 to 30 is too low, maybe to around 40 Crores because we will also have some other capex that we will deploy by the time this gets over.

Sreedhar:

So, you will not show the impact on profits?

Praveen:

No. Only if you deploy can you start generating revenue, right? But as I said, I will stick to my earlier word that the regular deployment, will not be as high as we have seen in the past on the any kind of the customer's contracts or marketing development fees that we had in the past.

Moderator: Thank you very much. Moving to the next person, Mr. Ronak Jain from Hybrid Securities. Your line is unmuted. Please go ahead and ask your question.

Ronak Jain: Good evening, sir. I had some fundamental questions on the business model of our company. You said that our revenues are split equally between RBT and mobile entertainment. I want to know what is the value that you bring on the table for the customers. Is it just the technology or is it more like a non-core operation for a telco, which is outsourced to Onmobile?

Sanjay: If you look at our existing business, what we do is, we do white labeling services. A large chunk of our revenues comes from white labeling services, which means that we run services on ring-back tone and some elements of mobile entertainment services for operators under the operators brand across different parts of the world.

Ronak Jain: Okay.

Sanjay: Also, a big amount of business comes from the launching... that is primary on the mobile entertainment side where we have some normal brand shops, which we run, and put marketing dollars on it and try and make money. Now, we also are looking at ONMO services. There we will brand our own services and market them in place of the operators or without the operators and that is the third new services element, which is there. So, these are the three different business models, which we have. Primarily, first and second are what we have today. And, the third one is what is similar one.

François-Charles: Okay. If I may add one important point. Sorry, I am just going to add one point. Everything we do is about selling subscriptions whether this is mobile entertainment or ring-back tone or eventually, ONMO. It's all about selling subscription and our expertise is that. So, we have paid subscribers on a monthly basis on every of this service.

Ronak Jain: Got it. So, if I may ask what has fundamentally changed over the last five years that, the ability of our business has deteriorated so sharply in terms of margin? So, is it like, our competition or a structural shift in the market happening, if you can throw some light on that?

Sanjay: Fundamentally, if you look over the years, what has happened is, on a white label service, there is a large dependency on the marketing channels and spend which is done by the operators. As operators

are engaged in bigger battles on different things, for example, if you take example of India, there are newer destructive models, which have come in India on core telecom business. Operators focus on the marketing channels for the other services, sometimes waivers. And then, that happens. Since we are dependent on them, our revenues would have an impact on that.

Secondly, markets have newer regulations coming as to how you can touch the consumer, which is more from a regulatory standpoint. As and when that happens, sometimes there are positive impacts but largely there is a negative impact. So, those are the kind of two major pillars, I would say, that would have an impact on our revenues / business point of view.

Ronak Jain:

So, from what I understand, you mean to say that a big part of the subscription in the business of ours depends on the priority of the telco?

Sanjay:

I would not say that is the priority of the telco. It is fundamentally two elements. One is the regulatory, which I think... I made the second point. And, the first point is the marketing support, which is the telco.

Ronak Jain:

Okay. So, customers are actually owned by them, correct, obviously?

Sanjay:

So, in the first model...when you ask the first question, there were three models that I explained. In the first model, customers are owned by the telco. In the second one, which we have been, doing little now is what is kind of owned jointly. And the third, which is the new model we are trying to work on now, will be there the customers are owned by us.

Ronak Jain:

Understood. So, one question on the future... In terms of mobile entertainment, mobile gaming, a lot of things are happening and it's under penetrated market at least in India which OnMobile can do in this segment or are we trying to explore something in this: mobile gaming, mobile entertainment?

Sanjay:

Yes. Just to answer that, our current revenues of the company, 50% or a little more than 50% of the revenues comes from these kinds of things, not specific towards gaming or this. What we call mobile entertainment has always which is gratification contest, gaming and different verticals. And, that is our focus area which FC and Ignacio were talking earlier about. And, we will continue to expand our scope as well as spread in different parts of the world.

Ronak Jain: Okay. In terms of cash, you mentioned that you might give it back or, I have seen that any good acquisition would it be a good way to enter a new segment or crack a new market or new M&A basically?

François-Charles: All right. First of all, honestly, I think we have a lot in our plate. So, when you are sent to a new market, we are already a global company, we are already active almost everywhere in the world. And, in terms of product line-up, when I am looking at what we have today, I believe we have enough to grow worldwide. Would we, ever consider an acquisition? If ever we would, it has to be very accretive. So, that would mean really operationally being totally absorbable, so, that is something, right. Maybe, if the opportunity gets there great, but right now just on the organic growth that we are seeing, that is really the focus now.

Ronak Jain: One last question. What is the vision of the company, say, in the next five years? Where do we want to take this company? I mean, if you can share something on that.

François-Charles: The next five years, if you look, every study shows that mobile entertainment is booming and, as I was saying earlier, the first thing people do when they have a smart phone is consume mobile entertainment for about 45% of their time in spending. So, there is a huge opportunity in the next five years. And, the more and more inputs we have in our stuff, I like to think that we can really be the leader in mobile entertainment. So, considering that growth, if we are the leader, hopefully we will have, interesting percentage, to share with you.

Ronak Jain: That is true. But, unfortunately, the numbers are not reflecting that, potential in the market. So, that's something which may be we are missing out or is it just the time investment required to scale up or , as one of the guys on the call said that execution is something which seems to be taking a bit longer? Do you agree with that?

François-Charles: Yes. But, let us keep in mind one thing; our focus is mobile entertainment with paying subscription on mobile phones. And, when we say mobile phones, we use carrier billing for doing that mobile subscription, which is very unique, Advantage of carrier billing as is that you do not need a credit card, you do not waste time, its one or two clicks and you subscribe. And, that is our specialty. So, we do not do advertising. We do very less app store billing or stuff like this. We are really carrier based. So, to do this, you need to be integrated with the carrier billing in a specific country and we do our marketing around these mobile apps. The reason why sometimes it takes time to get new market is because

we need that carrier integration. We need to be there. We need to partner with the operator. Now, keep in mind also, the time to sign up the customer is the time, it makes it more sticky for us also to stay there. So, it is not something that we lose business. Two days later, you have no more business. You have seen a lot of mobile entertainment companies going just with advertising losing all their business very rapidly and it's a very different case in our case here. So, that is why with all the developing economies growing with smart phone, carrier billing, most of them do not have credit card. Carrier billing can be really a good way to get these subscriptions. So, my vision is that the next five years will be very beneficial for us. But to do that, you need to have the carrier integration. So, to get new markets, you need to integrate into new carriers.

Ronak Jain: Okay. Thank you. Thanks a lot and all the best.

François-Charles: Thank you.

Praveen: Will take one last question, Sourodip.

Moderator: Sure. So, we have Mr. Kamal Suri from KPI Partners. Your line is unmuted. Please go ahead.

Kamal Suri: Hi, good evening. I remember in the last call, you promised us that you would talk about buybacks etc. at the AGM, but that did not happen. Another quarter gone by, we have seen a dip in revenues; we have seen a dip in EBITDA. You have been the Chairman now for close to three plus years and now with Rajeev who also got some additional roles. The way I look at it is you have pretty hands on in the company for the last three, four years. So, my question to you is very direct and very simple. Despite all the evasive answers that we have been getting for now close to fifteen quarters, we have seen a consistent drop in revenue, we have seen consistency in not meeting deadline, we have seen consistency in the last two, three quarters in you holding road shows to woo various investors at the cost of the existing ones. We do not seem to get a single step in the direction where existing shareholders have a sense of confidence in you or your team. And the least we expect is, maintaining EBITDA's level growth. And, that has been promised. If you go to the previous conference calls five, six quarters ago by Rajeev saying that come what may this EBITDA percentage margin will not drop because various things happening on forex management, we can understand that. But, what we really cannot understand is why is it so difficult fiscal year. Your capex is, I do not know, all-time low. Second half, capex is going to be low. Depreciation and amortization is practically taking care of last fiscal year. You have shied away from giving guidance consistently for the past three, four years. Not that

earlier too it was great consistently. What step do you believe your shareholder should have to reinforce their faith in you? And trust me this is something very short. I am saying but my emotions are pretty much out there. And, I realize that this is a public forum and I need to reign myself in and I am doing that very consciously. And these are kind of times when we really go between something, which we have been promised time and again. And instead of direct answers, we get very evasive answers now. So, how do you propose to handle something which is completely within the control of Chairman, the Managing Director and the Board with special dividends or a buyback which again is the, How should we put it? The shareholders taking for a spin go-round the wheel kind of a thing. So, sir, I would really like to hear your firm steps that you want to take and convince us, and, let us hold back our confidence in you. Go ahead, sir.

François-Charles:

Sorry, the line was a bit scrumpy, so I got a part of the question and hopefully I will answer in the right way. I agree with the frustration that you feel we are not giving very clear answer. And the reason for this is that right now we have many opportunities on the table that can take us, in different directions revenue wise. And one of them includes using cash. And although I say we are convinced that I would not need the cash, I would do a buyback of 40 million dollars and that is all, there are many companies that operate actually, they do not need cash on the balance sheet. They could go with even at that. My companies in Canada, they have debt on the balance sheet. So, right now, we are looking at many opportunities and depending on the strategic direction, they can have impact on the cash. So, that is why, for now, and I realize that in the last quarters, I have been saying the same thing but that is why for now we have this cash spending. And, I do not want to actually distribute the cash and then realize that we cannot capitalize on an opportunity because we have done so. So, that's why, so far, we have not done that move and that's why I'm not telling you right away that you are right, we should do a buyback again or special dividend or whatever we judge that we should distribute the cash and also that's the current situation. And hopefully I will be more clear in the coming quarters.

Kamal Suri:

We have been living on hope for the last fifteen conference calls and we hear this "I hope, I hope, we hope, I hope," etc. This has been going on for a very long time and the only thing consistent is we have seen revenue dips either standalone and a consolidated level. Tell me one parameter that you are absolutely certain on that we will see growth, just one parameter. You have your topline and I hope you do not pick other income. So, you have the topline, you have EBITDA, you have PAT. If you have to choose between one of the

three levels, which you promised us that you can see a double-digit growth next quarter, what would you pick? Just to instill some confidence in us.

François-Charles:

Yeah, I understand your question and I wish I can give you an answer. What I can say is that, at least, we have a baseline that is steady again, so, you have that baseline. My target is to maintain that baseline at the minimum and to increase to the maximum with what we have. So, I know it is not at all the answer that you want. I know, you would like me to..

Kamal Suri:

Please don't misunderstand me. And, I am sorry for interrupting you because this is not an answer that I as an individual seek. Practically, every shareholder has this on their mind. I am not alone here. And I am not talking about from my own personal interest because, as much as it pains you – this is your baby too and my baby too and everyone on this call, we own this baby. Unfortunately, we have seen our baby not growing the way you promised us it would grow. All I am requesting you is that we feel de-growth from 200 to 165 this quarter over the period of four years, right? And these are numbers, Praveen, I am sure would say I am right. So, all I am asking for if you have to pick one parameter and put your name on the line, what would be that one parameter? Is it that difficult?

Praveen Kumar:

I know, Kamal, the question that you are asking. We all would like to. The one parameter that we would like to track and grow is revenue, right? And I do understand that over the last many quarters, revenue has come down and that is where...

Kamal Suri:

Is it difficult to give me a direct answer? Say, okay, this is the number and this is the two-digit growth that we are looking at in terms percentage.

Praveen Kumar:

It is difficult to put a number and say this is how we will grow. But, we are saying that we will grow. And we have many plans on our hands. But if you say, revenue will grow by 10...

Kamal Suri:

Tell me which quarter in the last fifteen quarters this "we will grow" has not been stated.

Praveen Kumar:

Yeah, but, I mean, you do understand the...

Kamal:

No, I do not. I really do not and I wish I could understand which is why I am asking this very simple question. What is my key takeaway to instill confidence?

François-Charles:

Kamal, I give you a very clear answer, okay. The market studies and mobile entertainment for the next five years is going to grow by multiple. Its way more than double-digits. Every study shows that the growth is there and it should be there. So, we should be able to capture that growth, and there is no reason with all the other opportunities like ONMO and all the others that this revenue percentage should not grow by a lot. Now, as, even if I give a very specific number, I was very specific, I will come back on the one million for a spend. That is a very specific number. The frustration is okay. When do we get that one million? We are working on it. How much marketing money. You see, so that is the problem of being very specific also. So, I just want to be fair also and exactly, what, we are doing our best to deliver the business and trust me if we do not deliver the business, we will do changes. But, I just want you to keep one thing in mind; you have seen the revenue de-growing this year. And the objective of this team right now is to be steady with growth. It is not de-growing. If it keeps on de-growing in the coming years, then we have the big issue. And in my view, that is not what we have. We have a growing business. And for me, it is a very good news. It is a total different situation to manage growth than to manage de-growth.

Moderator:

Sorry, he got disconnected.

Praveen Kumar:

Okay. So, that was the last question, Sourodip.

François-Charles:

So, just as a wrapping comment and all I want to say, Kamal, thank you for your question and all the other shareholders, . I share a lot of the points that you have been saying, and, there are many points. As, running a private company and a public company is two different things, We would be all around the table with all your opportunities, you could actually see and understand why we can share some stuff and why it is taking more time. But I 100% agree with you that it does not excuse ourselves having clear targets and tracking them for quarter-to-quarter. And, that is something that we have to fix over time rapidly. Hopefully, what, we can have a, more stable situation where everybody is happy with the results and, what we say and what we give in terms of numbers. So, I thank you very much for your support in the company and your question, and I look forward to giving you an update next quarter. Thank you.

Moderator:

Thank you very much. I would like to thank all the panel members and the participants who joined us today. Hope you all spent a useful time. With this, we conclude the session. Wish you all a great day ahead. Thank you everyone for joining.