Third Quarter FY2016

Earnings Conference Call

05 February 2016

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

onmobile™

Moderator: Good afternoon, ladies and gentlemen. I am Harpreet Kapoor, the moderator of this call. Thank you for standing by, and welcome to Q3FY 2016 Investors Conference Call for OnMobile Global Limited. For the duration of presentation, all participants' lines will be in listen-only mode. We will have a Q&A session after the presentation. 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. Before we begin, I would like to mention that some of the statements made in today's call maybe forward-looking in nature and may involve risks and uncertainties. For a list of considerations, please refer to the earnings presentation. OnMobile undertakes no obligation to publically revise any forward-looking statements to reflect future, likely event or circumstances. Please be advised, this conference is being recorded today. I would like now to handover the conference to Mr. Rajiv Pancholy. Thank you and over to you, sir.

Rajiv: Thank you, Harpreet, and good afternoon, ladies and gentlemen. Welcome to our third-quarter conference call. With me today, Praveen Kumar, Chief Financial Officer; and Sanjay Bhambri, Chief Commercial Officer. There are quite a few items to cover today. So, what I have decided to do is to separate them into different categories and offer you my perspective.

First thing and obviously, let me start with the financial results for the third quarter. The situation in which we are operating today in many of the geographies is indeed very challenging. All you have to do is open the newspapers on a daily basis and see the utter unpredictability of what's happening in markets of the world over. It's nothing to do with OnMobile, it's just that that is the reality in which we operate. Legacy business is operating in various geographies where the economic outlook is anything but stable. Currency fluctuations are the norm and consumer behavior is indeed very volatile. For this reason we are seeing more than the usual variability in performance in almost all the geographies in which OnMobile operates. I'm proud to say that despite of this we have achieved revenue stability, have grown our EBITDA margin to 19.4% on a quarter-over-quarter basis and are tracking fully to our projections of our traditional business.

I also want to confirm that this current quarter, which ends in March 31st, is the last quarter in which we will actually have a net loss after tax. Amongst other factors, this will be figured by a sharp reduction in a depreciation line by approximately 15% on a year-over-year basis.

This is a major milestone for OnMobile and we are certainly looking forward to this being a stepping to a much better future in financial terms. My second point is about emphasis on continually evaluating our business and taking the steps to maintain peak efficiency. This is something we do on a routine basis and it is almost now the second nature of the organization to make sure that we're always operating with the best and the most meaningful resources and assets, and also being very quick to make certain calls which are necessary to maintain this efficiency.

We have recently announced the full divestiture of our Telisma speech business unit that was acquired some years ago for the purpose of getting speech recommendation technology. As you might appreciate, our speech recommendation technology was historically the only way in which users of our services could interact to our network systems given that they were basically using the older generation of feature phones.

Today as a set of customer base moves towards users' adoption of smart phones, this technology is no longer critical to our future offerings. This divestiture while not significant in terms of the financial parameters does help to increase the focus within the company and also reduces our footprint in a very expensive geography.

My third point is about customer engagement and forward momentum of the company. We continue to have positive customer engagements. Again, as you may have noticed we simply have renewed our relationship with BSNL for the further terms of three years with an option to renew for a further one year. Most significantly we have been selected by the Reliance Communications to be their partner to offer our RBT service on a national basis. The work to deploy our systems in this vast network is now in full swing and we hope to see the positive impact in other recent wins in approximately two quarters from now.

My fourth point is about the next chapter in the history of OnMobile. And I'm pleased to report that we have indeed made some significant progress in the recent few months towards some of the essential ingredients we need to launch these new offerings. One of these is the work that has been going on to develop our consumer identity which we have been working with one of the leading firms on a worldwide basis called Brand Union based on the United States to help us develop. This is now at a point where this visual identity is pretty close to being ready. And not only that, but it will give us what we believe are those memorable iconic moments that our users would see in our new apps. Having quantified the needs for the launch of new offerings in select geographies in 2016, and given that we continue to generate cash quarter after quarter, we have initiated another stock buy-back process. We believe this is the most equitable way of using a cash reserve while maintaining sufficient amounts for future use and for introducing the new offerings. It also fundamentally underscores our confidence in the future of our company.

With these brief comments, I'm going to hand it over to Praveen for a much more detailed analysis of the financial performance following which we will basically entertain a finite number of questions. So, over to you, Praveen.

Praveen: Thank you, Rajiv. Good afternoon, everyone, I'm summarizing the financial results for you today for the quarter three, first on top line our revenue has remained stable as compared to the last quarter at around 207 crores while the mix between the geographies has slightly changed. LatAm is down because of revenue share change that we had discussed during quarter one, and there is unstable economic outlook and currency fluctuations as we all know.

Europe and India have been stable and we have had growth coming in from Asia which has offset the degrowth in LatAm. And because of the resulting change in the mix; COGS is marginally higher by around 2% and hence the gross margin is marginally lower by 1.4%. Manpower cost has dropped from 55 crores to 52.5 crores while the OpEx has remained flat at around 35 crores, which has resulted in EBITDA improving by around 2% at 19.4% margin as compared to 19% margin in the previous quarter. Depreciation remains almost flat and hence the growth flows into the operating margin as well which was at 1.3% in Quarter 3.
Other income is lower because of lower FX gains as compared to Q2. However, this time we have the impact of devaluation of Argentine Peso, referred to ARS, which has been disclosed as an exceptional item in our results. This was due sometime and it has happened in this quarter. The new Argentinean government led by Mauricio Macri, you may have heard of, so in their effort to boost their economy and attract investments, they announced the move to end their central bank support for Peso and currency control that limited their ability to buy dollars. It was a very strictly controlled currency. And this happened in December 2015 consequent to which the ARS weakened 27% to 13.4 Pesos to a dollar on a decision day from 9.4 Pesos to a dollar a quarter back I think around 30th September.

INR was at 5.11 to a Peso on 31st December as against 7.04 quarter back. And this line item of 6.5 crores has impacted the profit before and after tax during the quarter for us.

Coming to the balance sheet we have a gross cash of about 278 crores and net cash at 251.5 crores. Cash in marginally down because of working capital changes during the quarter, which is more temporary in nature. Typically this happens in quarter 3 because of the Christmas holidays and all that. We have had some collections moved from Q3 to Q4 but this should be back on the growth track in quarter 4. Our head count was at 1087 at the end of Q3. And CapEx spend was around 7 crores, this time typically higher than the other two quarters because of the new deal that we had announced and we have started deploying. Now, with this we are happy to take any questions that you may have.

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. The first question of the day we have from Mr. Prakash, independent investor. Your line is un-muted.

Prakash: Good afternoon, good evening, gentlemen. Thank you so much for taking my question. I just have a few questions around the legacy business on the volatility side, if you could just guide us. What percentage of your turnover do you believe is in currencies which could be subject to high volatility, if you look at the historic trends?

Praveen: Prakash as of now, today we believe LatAm is one region that is prone to the currency fluctuations. And there are one or two high risk countries that we have.

Prakash: So if put the turnover of all that together, approximately how much would that be?

Praveen: It would be roughly about 30% of the overall turnover. This is not only LatAm but it also includes Africa and all that. I'm right now excluding Europe from that because Europe has somewhat recovered from the last one year, a year back when we had that drop, a huge drop. But you know again, it depends. Now, if we say Europe, again, it becomes volatile that what percentage of revenue this will go up significantly, right?

Prakash: I completely understand. We're just trying to get a guidance of if you leave Europe out, the other high volatility countries that you deal in approximately what percentage of the turnover; 30% is a good number, fair enough. But I'm just trying to understand the depreciation amortization change from Q1 2016-17, how much is the drop approximately and what impact does it have on EPS?

Praveen: So, today we have a depreciation of roughly about 38 crores per quarter. And this is going to come down by half; it'll exactly come down by half. So it'll be somewhere around 18 crores per quarter.

Prakash: So, you're going to be saving about 80 crores a year.

Praveen: Yeah, the decrease is about 80 crores in a year, and the entire thing will flow into the EPS.

Praksah: Fair enough, thank you. Because either which way the taxation - you are whatever withholding taxes there, you're accounting for that as tax paid.

Praveen: Yeah, absolutely.

Prakash: Fair enough.

Praveen: The reduction in depreciation will not impact the tax in a significant way.

Prakash: Absolutely, that's the point I was trying to make. Fair enough. One quick third question, Telisma the speaker, the recognition software that you just sold, if you could just guide us on the cost of purchase and the approximate sale value and the plus or minus on that, and perhaps some indication of the impact on ongoing costs because that present a high cost geography.

Praveen: So, Prakash, as you know, we acquired Telisma long time back. It was more of a technology acquisition, and over the last few years it has helped us get into multiple geographies a bit more faster and in easy manner. We acquired this around at 70 crores way back in 2007, and right now we have sold it off for a nominal amount. It is more to do with not really the purchase consideration but the benefit it would give us in terms of releasing the management bandwidth of managing this entity in the high-cost location. And if you remember about two years back we had made a provision, or one year back we had made a provision, for impairment of this asset. We had made a provision of Rs.65 crores which was already provided. So, right now whatever we have sold is equivalent to the book value that we have.

Prakash: Fair enough, there is no further impact?

Praveen: No, not at all.

Prakash: And I just to understand in terms of the high cost geography, you will then have a reduction of cost of some kind in the geography?

Praveen: Yes, that's right.

Prakash: Can you give some guidance, is that quantifiable?

Praveen: Yeah, it will be relatively minor. So at the EBITDA level, we will have probably about 100,000 savings every quarter, $100,000.

Prakash: Okay. It's a relatively minor saving. Fair enough. Thank you for answering my questions. All the very best for the future. I'm very excited it hear about the new products developing, and looking forward to seeing the impact to that in the numbers. Thank you so much.

Moderator: Thanks for your questions. Next we have Omang, individual investor, your line is unmated.

Omang: Yeah, hi and thanks for taking my question. Just one question, I just wanted some idea on the geographic figures that you're providing. So, since like you have stopped providing a classification, my calculated figures show that nine months revenue for develop markets has increased from around 190-odd crores to 250-odd crores. Is this calculation correct for developed markets?

Praveen: For developed markets?

Omang: Yeah.

Praveen: Yeah, I think that'll be right.

Omang: So, that means that your developed markets are showing a strong traction. And if so, then is it from the acceptance of your new products or it's a mainstay RBT, CVAS is it getting tractions in these developed markets?

Praveen: Yeah, CVAS has got a good traction in the developed markets. There is nothing right now from the new products that has come to our revenue streams yet.

Omang: Okay. Do you see that hitting the top line in the next year?

Praveen: Yes, as we implement are new the products strategy as we have been discussing, the revenues should significantly shift from the legacy products to the new products for a period of, say, next three years.

Omang: Okay. Fine, thanks for your answers.

Moderator: Thank you for your question. Next we have Deepak Podar from Sitara Capital. Your line is un-muted.

Deepak: Yeah. Thank you very much, sir, for the opportunity. Sir, my first question is your new product is launch, like I just wanted to have some understanding that the kind of launch we are looking at, is there any other similar product that already exists in the market, or in that same year have you done any kind of survey that what kind of customer base would we be targeting over medium for this new product? Some sense that would be helpful.

Rajiv: Let me give you a kind of a high-level view of all the activities that have gone on which may probably answer some of the questions that you have posed. We have, you know, when you look at the largest space RBT that have given us some idea of where we are coming from in terms of our history and legacy, it's difficult to say that there's nobody else who has exactly the same thing or who doesn't have. There are many, many overlapping offerings out there, some small some big, some from small players, some from dominant players. We believe having said that that our new products will in fact focus on some spaces which have historically not been taken. And to get to the conclusion there are two different paths that we have taken, one is we have done very extensive market research along with prototypes and mock ups in principal markets, one of them being India, which has given us a very, very good understanding of consumer behavior, their reaction to our products, what they want, what they don't want, the kind of business model that they favor, the price plan, the price points and also the demographics. And I think one of the key highlights is there is needed a shift in demographics when we go with the new products. We are looking maybe a different class of users than the historical RBT users. So, yes, many different ways to basically fine tune our offerings. That's all, much of the work has already happened. Some of it is continuing by the way. So, this will be reflected on a new brand, the brand positioning. And all I can say, once again, is, it's being intense, has been going on over the last one year. And I think we are now coming to, I would say, the last lap of this race.

Deepak: Okay. So, we are looking to launch it by June as what we had earlier kind of indicated?

Rajiv: Yeah, but I don't know what's the precise date. It all depends on when the contract gets signed, and they set a lot of variables, but the as a general timeframe, yes.

Deepak: Okay. And any kind of customer base that you are looking to target over the medium term, let's say, the next two to three years kind of timeframe?

Rajiv: You know, I think the best I can do is offer you repeat my comments, which is that basically the target market and the target demographic that we are going after is significantly developed.

Deepak: Significantly developed, okay. I understood. And what would be the revenue model for this product, is it a subscription-based, monthly, yearly, some sense on that?

Rajiv: It'll be a mixture of all because we're not talking of one specific product, there are, you know, a blueprint basically envisages multiple apps, and within those apps there are many different scenarios, there is certainly a subscription-based scenario, there is also a per user scenario, there is a premium scenario. So, there is no one single formula that applies across all the apps.

Deepak: Okay. I understood on the new product. Now, I have a couple of questions on your legacy business as well. Now, if I see last three-four quarters, our revenue has been quite stagnant in a range of about close to 200-210 crores. And in FY 2014-15 and I think we sold Voxmobili in 2QFY15 quarter. But still our revenue this quarter is about 9% on a Y-o-Y basis. So, what is kind of blocking growth for us because of which we have not been able to scale up the revenue?

Rajiv: I think the legacy business as, I think Praveen has mentioned, there are many factors at play. One is year over year the revenue share that we have historically had with operators has gone down, which is the principle set of things. So it is not that the consumption of the service has come down but our revenue share contractually has gone down. Overly on that currency fluctuations and negative impact on that. So the same amount of offering what be record as revenues has also gone down. So, this is the principal reason why and where in fact, I mean this is contra-indicative because when we look at the amount of transactions or the users and the number of places we do on a daily basis, they continue to climb. If you look at the number of paid user base, they continue to climb, and yet the recorded revenue continues to drop, and henceforth the drop that I mentioned.

Deepak: Okay. So, also…

Rajiv: I could basically say that on one hand if you look at the KPI, the business is growing and yet when it comes to reporting revenues you'll see basically the stagnancy.

Deepak: Okay. So, but then is there anything that strategy in place or anything we are doing to increase the growth in our legacy business, any kind of target that we had that we want to achieve 1000 crores of revenue in next one to two years or something on those lines, anything we are thinking?

Rajiv: No, I'm not going to give any guidance in terms of, you know, 1000 of crores or any such thing. I think it's very clear; we are focused right now on a new launch. And I think when we get close to it you will see the full parameters of that.

Deepak: Okay. I understood, sure, thank you very much. That's it from my side.

Moderator: Thanks for your question. Next we have Pretesh from Lucky Management, your line is unmated.

Pretesh: Yes, sir. Just couple of clarifications, I didn't get it. The exceptional item was on account of currency?

Praveen: Yes, that's right.

Pratesh: And second the 100,000 quarter over quarter saving, that is expected on account of?

Praveen: On account of the sale of the Telisma unit, disposal of the unit that we just spoke yesterday and in the call earlier.

Pretesh: Okay. And I've been on your call for quite a few quarters, we are waiting for you to give out some growth outlook, would you like to share one now since post the implementation of the new product line?

Rajiv: I've mentioned this before. We will give it only once and as we are basically on the threshold of the launch, I think prior to that would be unwise.

Pretesh: Okay. And…

Rajiv: Please understand that behind the new launch there is also a significant change in the business model that we actually use and explained that in response to the previous question. And the change in business model is rooted in changes to our contracts and relationships. And, you know, while those negotiations are still going on and everything has not been signed off, I hope you understand my hesitation in giving you guidance because it will be seen as being very presumptuous by the people with whom we are doing these negotiations.

Pretesh: But is it safe to assume that the growth for your company would start beginning next year; the extent is not known, but the growth next year?

Praveen: Yes, it would start in the next financial year, but the impact, the growth may not be very significant in the next financial year because a large part of the year will go in terms of the deployment and learning the new offering and implementing them in the market. But yeah, the year after that is when you would see the real growth.

Rajiv: So, typically what happens in our business is that from the day we actually decide to do something, and I sort of made this comment in my opening remarks. It takes typically two quarters, first to basically just deploy the systems and get them up in running to the point it start to make a financial contribution. So, that is the typical lag between starting something v/s seeing a full financial impact on the P&L.

Pretesh: Okay. Can you lastly just give out the key difference between the existing business model and the new product given model, the key differences, if it is possible?

Rajiv: I think again I'll repeat what I said earlier, you know, the old model we had was very rigid and well-defined model which was basically predicated on a wide label offering to operators. And the key parameters that would basically number one it was a 100% subscription service. I'm taking about RBT at this point in time. And our set of relationship with the operator was based on a revenue share agreement. Now, when you actually talk on the consumers and the research we've done, when you go beyond the traditional RBT service, the subscription-based model is not necessarily the preferred model. What the consumer is saying is that basically in certain cases like to have a pay per use model. In certain cases they prefer premium model where certain basic features are available for free and then people pay. So there's a variety of new models that are coming to play with the new offerings in addition to the traditional subscription model.

Pretesh: Okay. But your relation or your core to the old and the new model would be your relationship with the telecom companies.

Rajiv: You know, our service is actually based on connectivity with the operator's networks. So, that will remain fundamental. And I would say for most of our product offering that is still underpinning aspect of our offerings.

Pratesh: So, can they be called as ondeck apps?

Rajiv: No I don't want to basically put labels on it. I think when a product is released you would see basically what they are. It is pointless putting labels on them.

Pretesh: Okay. And it will start with effect Quarter 1 next year, the monetization?

Rajiv: No, like I said, you know, once the deployments will start in 2016, and we are very firm on that view, I think it's just that if the question was when it will actually start to have a significant impact on the financial performance. And my answer is that two quarters after we do the deployment, we will start to see the numbers change in a very significant way.

Pretesh: Okay. Thank you very much and all the best, sir.

Rajiv: Thank you.

Moderator: Thank you for your question. Next we have Babu Lal Chaudry, individual investor, your line is un-muted.

Babulal: Yeah, good afternoon everyone. Basically I am investor of OnMobile Global from like four to five years. So, you guys are giving like constant quarter results like form top line and bottom line perspective. It means from like if you see from four to six quarter, you are cleaning and close entities, all those things. But again constant revenue, there is no profit at all, and cash is getting down. And again you guys have announced one more buy back. So, we have a very bad history of like buy back offers for this organization, if you see the EX CEOs and all those things. So, what is the main reason behind the buy back, because if you see the circular you have given to say the for that particular Q3 results, you have not highlight this buy back option. But just before the result you have seen, you will be buying back. So, is it the decision you have taken like in a hurry, or was it well planned? If it is well planned, then what is the thing which; if this is a new product which will give multiple revenues? Are you confident on that?

Rajiv: Let me answer the question about the buy back. Ever since I've joined this company, the single most persistent question that I get from shareholders is what we discussed we're going to do with the cash it generates quarter after quarter, why do you maintain a very large amount of cash.

And our position has been very clear, that first of all we're very fortunate that we generate cash quarter after quarter. The second thing is our cash is basically to be used primarily for basically fueling growth and any growth initiative. We've also said to the shareholders that any cash that we do not require for fueling of growth in the future we will basically use in some way, shape, or form to pass back on to the shareholders, that the choice there is if a dividend is a one-time offering, is it a share buyback.

And again, when we actually talk to different shareholders, they have said very clearly that the share buyback or the stock buyback is the most equitable way of basically using cash that you don't think you will need for future growth purposes.

In terms of the timing, the timing is driven by the fact that if you look at the regulations in India, you can only do this once every 12 months, not any faster than this. The last buyback we did was basically end of January. We had just finished the 12-month interval, and therefore now we are eligible to do a second buyback. So if you want the answer behind the so called mystery of the timing of the buyback, it is nothing to do with any other consideration other than the fact that 12 months since the last buyback are over, now the board can entertain doing another buyback.

Babulal: So you are going to bought almost 55 lakhs of shares. So get more hold of the company, you might acquire 80 lakhs of that particular share. So you are going to buy back like remaining 25-20 lakhs of shares in future time, like in next one year?

Rajiv: No, this has nothing to do with share ownership or getting to a finite number of shares. This has to do with the fact that if you're going to have positive earnings for shares, obviously the fewer shares that are outstanding, the higher the EPS.

Babulal: Yeah, EPS will be like higher side from like just because we are just reducing share, but not from like performance point of view, revenue and like from profit point of view, because from past six quarters, profit is just like one crores, two crores, six crores, seven crores, or minus seven crores, minus 14 crores. So we are not adding anything into the cash. We are just taking it out from cash by using buybacks or by sending any of the credits what we are having. Say for example, now we have sold like some 65 lakhs which they have got, like 70 crores in 2007. But again, that product has generated lots of revenue. If we count that, then that will be negligible.

But again, here is like same, because we have a bad history of buybacks from OnMobile perspective, because OnMobile it was like the best innovation done by the Indians, right? If you see the global footprints from 2002-2003 onwards.

Rajiv: I'll hand it over to Praveen to answer your question. I'm not sure what your question is.

Babulal: No, I'm in worried actually. Why I'm asking is like I'm worried about the present…

Rajiv: Praveen will answer the question. Will you please let us finish? I'm going to hand it over to Praveen; he'll answer your question. But all I want to say is you made a statement in there about the fact that we have a bad history. I think would like to recheck that assumption. We actually do generate cash and we continue to add cash to the company's balance sheet quarter after quarter. So please Praveen over to you.

Babulal: Yeah.

Praveen: So, as Rajiv said, look, we don't want to comment on the bad history of buyback or whatever. I think the last buyback has been… there is a record of it being fruitful or yielded to the company's EPS. You'll have to understand where we are coming from in terms of the future strategy, because everything cannot be changed overnight. There is a financial model that is going to be coming out in quarter one. There is going to be a trend on the result that will show up in the next four quarters and eventually we will have an EPS and investors will start tracking the return on equity and return on capital and things like that. So it'll all unfold over a period of time. But then in terms of not being able to generate cash, I don't agree with it, because we have been saying that effectively our EBITDA minus what the taxes what we generate, so we have been generating cash quarter after quarter, you can look at the historical numbers, add the capital payouts like the dividends and all that, and it is very clearly evident. And I don't think this needs more explanation than what I had said.

Babulal: No, actually I do agree. That's why I invested in this company from like past five years. So I will be like holding on the shares for next four-five more years. So I'm just worried about it and clear the answers. So I think you have cleared answer of timing. So I'm happy with that. And any future EPS targets you want to achieve for like five years down the line?

Praveen: No, as Rajiv said, we will not be able to give any guidance at this point in time.

Babulal: Okay. Thank you.

Praveen: Yeah, thank you.

Moderator: Thank you for your question. Next we have Jagdish from Florentry Advisor. Your line is un-muted.

Jagdish: Yeah, hi. So first question, I just missed depreciation number which you mentioned, from 148, if I'm not wrong. Are you expecting to come down to 80 crores? What about 18 crores?

Praveen: No, no, 80. 80 crores is the depreciation that is going to go off.

Jagdish: Okay, alright. And the second thing is you mentioned on the tax as well. So I want to understand what's the tax perspective later on, when you mentioned something about reduction in taxes as well?

Praveen: See, there is a baseline tax that we have to pay in all the geographies today because there are a lot of subsidiaries of ours that make profit and there is going to be a corporate tax, there is also tax implication of money coming in to India and withholding taxes that some geographies we are able to take credit of, some we are not able to take credit of. So there's a baseline tax. Now, because of a very high depreciation and a very less PBT numbers, the profit before tax and the tax numbers does not make any sense. But once the depreciation goes off, you will have a decent kind of PBT number and there will be a meaningful ETR number that we can look at, which is the effective taxes.

Jagdish: Okay. Alright. Another thing I'm looking at are receivables have moved up in this particular quarter. So any specific reason of receivables moving up significantly?

Praveen: Yes, this I covered in my opening note. Q3 typically being end of the quarter is already holiday season and all that. Typically our collections get pushed over to the January. Some of the catch up we have already done in January, but this is as of that point in time, which is as of 31st December. But I think by end of Quarter 4 we should be back on track.

Jagdish: Okay. And I wanted to get some sense if you could put across the new product that is available, if I would have missed throughout the call any mention that you have given in your opening remarks. So could you please put some more light on the products?

Praveen: I don't think at this point I can comment anything more than what Rajiv had already spoken about. And as we said, closer to the launch date, everything will unfold, including the parameters that we'll be giving out.

Jagdish: Okay. And the question is does this new product replace our legacy product over two-three years' time?

Praveen: Yes, partly in FYTS, that is what it will be.

Jagdish: Okay, alright. Thank you. That's it from my end.

Praveen: Yeah, thank you.

Moderator: Thank you for your question. Next we have Kamal from EP Advisors. Your line is un-muted. There's no response. Next we have Amar Morea from India Nivesh. Your line is un-muted.

Amar: Yeah, thanks for the opportunity. Rajiv, my first question is what is the revenue breakup of RBT v/s data and others and CVAS in this quarter? Broad revenue break.

Praveen: Yeah, yeah. Around 50% of revenue comes from RBT. Around 30-35% comes from CVAS, and the rest from the traditional models of infotainment, etc.

Amar: So that is data and others?

Praveen: I mean we don't bifurcate anything called data. It is the legacy infotainment products that we have.

Amar: Okay. So 35% is CVAS, right, or VAS? VAS or CVAS?

Praveen: CVAS. That is CVAS.

Amar: Okay. So 35% is the converged VAS we are talking about, right?

Praveen: Yes.

Amar: So I wanted to understand like out of this three broad breakup, I believe CVAS which is going to grow faster than the other two, is that the right assumption given the current product mix? I'm not talking about any new product.

Rajiv: Yeah, if you look at it purely from a legacy perspective. What has happened is that RBTs have had a much longer history than CVAS.

Amar: Correct.

Rajiv: So in initial phase, RBT was a bigger contributor. But the last year-and-a-half in particular, CVAS has seen some remarkable growth in terms of the weight of growth at this moment. There's no question, CVAs has a higher rate of growth for OnMobile than RBT, to the point it has become a fairly significant chunk of our business.

Amar: So now when we say that the new product, which is going to be launched whenever it is, so what part of our revenue will be cannibalized with the new product? Is that the CVAS part or the RBT part?

Rajiv: Now, look, I think it's a very, very complicated answer. And that's why I'm not going to answer that question. And the reason is that to give you a clear answer, you have to basically constraint the roll out into one country, one geography and say here new product is a legacy product and therefore here is the cannibalization, here is the cross impact. And the second reason is it's a single product that somehow replacing a traditional RBT business either. I talked about the fact that it will be multiple apps.

Amar: Correct.

Rajiv: And in fact there's definitely cross play between all these apps. Second part which makes it complicated is that we go through a period of time where the certain geographies will have new products and certain geographies we will not have the new products. And that's going to be a conscious decision.

Amar: Right.

Rajiv: and these new geographies will be running purely on a legacy model. So I cannot give you a simple answer to your answer to say here is the proportion, here is the percentage of impact between the new and the old.

Amar: I mean just a broad understanding what is going to be cannibalized? Is that the converged VAS or RBT? I believe data is going to die by its own, right?

Rajiv: Simple answer to the question is there will be no cannibalization.

Amar: Okay. So meaning it is going to be completely the new line of business. Okay. And what is our North America percentage of revenue today, just if we have presence?

Praveen: Yeah, it is very small. It is going to be around 3-4%.

Amar: Okay. Thanks a lot. That's all from my side.

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

Moderator: Sure, sir. The last question of the day we have from Prakash, independent investor. Your line is un-muted.

Prakash: Apologies, sir. I was to ask a question, but my question got asked by somebody else. All my questions are answered. Thank you.

Praveen: Okay. Thank you, Prakash.

Moderator: Sir, can we take other questions?

Praveen: We will take one last question, Harpreet.

Moderator: Sure, sir. Next we have Jagdish from Florentry Advisor. Your line is unmuted.

Jagdish: Sir, just to have an understanding, you just mentioned that there would not be a cannibalization, the previous gentleman was asking. So wanted to understand. And I got an answer that the new product will replace partly the existing or the legacy product over two-three years. So could you please clarify on that?

Rajiv: With the clarity, again, these are danger set of answering these questions is that it's going to be a fairly complex situation. Let me give you a few examples of that. Even if the new product has similar functionality but basically targeting a market segment historically not being addressed by us, you can on one hand say it is very similar in terms of the offering and yet you can also make the statement that it does not cannibalize existing market. So that's one way of answering the question.

The second way of answering the question is to say that the new products will be offered in geographies where we historically had no legacy revenues. And that also does not mean that it's fundamentally that much different in terms of its positioning and functionality. But the fact that we had no legacy business, there's no cannibalization. So there is no simple answer to this one. Overall, on a global note, I want to basically mention that there will be no cannibalization of our legacy revenues.

Jagdish: Okay. Alright, thank you.

Moderator: I would now like to hand the floor back to the speaker for the final remarks. Thank you and over to you, sir.

Rajiv: Well, thank you, very much, Harpreet and ladies and gentlemen, thank you for joining us for this call. I do understand that you have a lot of questions about our future business. Once again, I just want to basically reinforce the fact that we are in fact working feverishly towards making this new chapter happen. We are getting closer and closer every day. And certainly very confident we'll come back in a short time and give you a glimpse of our future which has made our team extremely enthusiastic. So thank you once again. And I wish you a very good evening.

Moderator: Thank you so much, sir. Thank you, participants for joining the call. Let us conclude our conference call for today. You may all disconnect your lines now. Thank you and have a pleasant evening.