



**“Pelatro Limited
H2 FY 24-'25 Results Conference call”
May 09,2025**

MANAGEMENT:

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MODERATOR:

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Confideleap Partners- Ventura Securities

Moderator

Ladies and gentlemen, good day and welcome to Pelatro Limited H2 FY '25 Results Conference Call hosted by Ventura Securities Limited. As a reminder all participants will be in listen only mode. And there will be an opportunity for you to ask a question after the presentation concludes. Should you need assistance during the conference call please signal a Moderator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to point out that this conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements do not guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict. I would now like to hand over the floor to Rajnish Mishra from Confideleap Partners. Thank you and over to you sir.

Rajnish Mishra

Thank you, and good day ladies and gentlemen. Rajnish here from Confideleap Partners. On behalf of Ventura Securities and Confideleap Partners, I warmly welcome you all to Pelatro Limited H2 FY '25 earnings conference call.

The company is today represented by Mr. Subash Menon, Chairman and Managing Director and Mr. Sharat Hegde, Chief Financial Officer. I would now like to hand over the call to Mr. Subash Menon for his quick opening remarks and brief introduction about Pelatro Limited. Thank you and over to you, sir.

Subash Menon

Thank you very much. Good afternoon, everybody. Thanks for joining the call. We will take you through the business of the company, some financial details and other relevant aspects over the next 15 minutes or so. And then we will throw the floor open for questions.

We have uploaded a presentation on our website and it has also been put up on the NSE website. Hopefully, you all have had an opportunity to download and check that. But in any case, even if you don't have that in front of you, it doesn't matter. I will be discussing and explaining those points in detail. I'm joined by my colleague, Sharat, who is the CFO of the company.

So with that, let me start. Since this is the first call, I would like to explain a little bit about our business so that you all understand what that is. We work very closely with telcos. Those are our enterprise customers. And at this point in time, Pelatro works only with telcos. We help them in a particular area called customer engagement. For that, we have got a platform, which has a few products on it. So, it's a suite of products. It is not necessary for the telcos to buy all the products from us. They can buy one or two or so on. Currently, we have five products, which form the suite. But all the products are focused on two end objectives, and that is to increase revenue and reduce churn. They do it from different angles, but the objective is the same, reduce churn and increase revenue.

Now the way we do that is by using technologies which you must be familiar with, like Gen AI, artificial intelligence, machine learning and these days, agentic AI and a lot of analytics,

different algorithms. So, we use all these technologies, a variety of them, to process all the data that we collect. Essentially, our solution, our software, sits within the network of the telco. Sharat, are you able to hear me properly? I'm just checking.

Sharat Hegde

Yes, I'm able to hear.

Subash Menon

Okay, fine. So we collect all the data that flows through a telecom network. And if you want to understand what data I'm referring to, just think about all that you do with your phone. You buy things, you make phone calls, you send messages, you download, you browse. All of that that you do on the telco with your phone, we call all of them as transactions. So a call for you is a transaction for us. A message you send is a transaction for us. It's not just monetary transaction, it's any activity.

We collect all the data, which is a huge amount of data, then we process all, so you can imagine millions of subscribers doing all that every minute, every second. That's why the volume is very high. We process all of that, so we use big data technology. And then we analyze all of that using the technologies I mentioned earlier.

Then we come up with insights, we come up with findings. Then we help the telcos to actually go after these subscribers and trying to upsell, cross sell, make them happy, so that churn is lower, et cetera, et cetera. We don't have any privacy issue or data security issue and all that is because all the data that we use belongs to the telco who is our customer.

It's first party data. Our solution stays within the telco ecosystem, environment, network, so there is no security issue or privacy issue there. And the telco uses our platform to actually understand to get these insights, then send appropriate campaigns and all that. At this point in time, we've got almost 40 networks across about 34 odd countries. Some of our technology is patented and that brings about significant differentiation in what we do.

I would like to now pause. I can explain more about the business. It's called customer engagement. It's fundamentally helping telcos to engage very deeply with their subscribers with the objective of cross selling and upselling and keeping them happy, so that the revenue of the telco increases and the churn reduces. And we work on telco data, first party data for this purpose.

I would like to now request Sharat to give us a quick overview of some of the financials, and then we'll get on with the rest of the business.

Sharat Hegde

Yes. Thank you, SM. Hello all, this is Sharat, working with Pelatro as the CFO. I would like to take you all through some of the key numbers that we have reported for the year. Pelatro has achieved a total consolidated revenue of INR 85.77 crores for the financial year 2024-2025, resulting in an EBITDA of INR 19.82 crores at 23% of revenue and a PAT of INR 11.89 crores at almost 14% of revenue. The year-on-year growth in revenue was around 56%. Out of the total

revenue, INR 38.44 crore was achieved during the first half that ended on September 30, which we had reported.

The revenue for the second half was INR 47.33 crores, which is a 23% growth over the H1 revenue number. The corresponding EBITDA and tax numbers were INR 8.67 crores and INR 5.03 crores for H1 and INR 11.14 crores and INR 6.86 crores for H2, respectively. While the half year sequential growth of revenue was at around 23%, the EBITDA grew at 28 % and PAT at 36% during the second half over the first half. This higher growth in profit as compared to the growth in revenue brings up the fact that Pelatro has achieved a nonlinearity in growth.

In other words, the company has now reached a stage where, to achieve a higher revenue, we need not incur a proportionate incremental cost. A nonlinearity of this kind is something that every product company desires to achieve and we are happy to highlight that we are currently seeing this in our company. Our endeavor is to keep on growing this nonlinearity until we are at the optimal level of EBITDA.

These are a few points that I wanted to highlight from the financial side. Over to you.

Subash Menon

Okay. Thanks, Sharat. So now that you understand our products what I would like to touch upon a little bit is the services business. We provide managed services around our products. We are a pure software product company. That means we don't do bespoke services. But we do help the telcos to use our products better. And that essentially means that the telcos will be able to take our support in configuring, in running the product properly, in essentially taking better results out of the products. So we help them in these kinds of aspects. That's what we do in managed services. Fundamentally ensuring that the product is working at its optimal level within a telco and that they're getting the best out of that. This is what we do by way of services.

So those are the products and the services that I just explained. We've been growing very nicely with respect to the number of customers. I already told you how many customers we have at this point in time. We believe that Pelatro will grow quite significantly in the years to come and the reason is very simple. We've got some products that are very critical for our customers. As I told you initially, it helps them to increase revenue and reduce churn. Both are very, very critical objectives of a telco. So given that we are in the revenue stream of any telco that we work with, there is a very high level of relevance for what we do within the telecom industry.

We are a thought leader in this space. Over the past few years, we have replaced a lot of our competition and we have built up a very good client base of some very, very large telcos. In India, we work with Vodafone Idea, then we work with Singapore Telecom Group, with Axiata Group, with Ooredoo Group, with a variety of telcos within the Telenor group etc. We're currently working in multiple continents as well. We have a very end to end platform. The products are very advanced and they use advanced technology.

So with all that, the kind of strength we have with respect to the product, the kind of leadership we have, we ensure that our customers are happy with the products and we keep growing.

I would like to touch upon the kind of growth strategy that we have. We have got a three-pillar strategy. One is geographic expansion. We'll keep looking at new countries to go into. So that's one way of growing. You go into new countries, which means you sell to new telcos.

The second is we expand more and more within one customer by selling more. Once you get into a customer by selling the first product, you can always try and sell a second product, a third product, a fourth product, and the services that we have, all that. So we've deepened the relationship within every telco and that helps us to increase the ticket size within every telco. That is the second pillar of growth.

The third pillar of growth is acquisitions. And this basically, we believe, will help us to expand our product base and also to further deepen the relationship we have with our telco customers. We have currently identified one acquisition, that of the business of a company called Estel Technologies. We are in the process of completing that transaction. Hopefully, in the next one month or so, we should be able to conclude that. Once that is done, the product offering of Pelatro will expand quite significantly because they come in with three or four products of their own. They also serve the telco industry, so exactly the same sort of client base. We will then have more products for the same client base, which means our relationship will deepen and we can cross sell more products to the same customers.

Our second strategy of getting higher ticket revenue from each customer will be further enhanced by the acquisition strategy. So that's the overall strategy. I would request my colleague, Sharat, to touch a little bit upon our revenue model and then hand you over for questions.

Sharat Hegde

Yes. Our revenue model can be basically split into two major parts, one being Repeat Revenue and then Onetime Revenue. Repeat revenue can further be split into recurring revenue and reoccurring revenue. When we say recurring revenue, these are the monthly or quarterly recurring fees that we charge to customers, which could be a monthly or a quarterly license subscription fee, AMC, managed services or even revenue gain share.

When it comes to reoccurring, it is mainly change request, which is nothing but customization request from customers. The difference between recurring and reoccurring revenue is that recurring revenue is mostly fixed and the same is contracted, whereas reoccurring are ad hoc requests from the same customers. When we come to onetime revenue, it's mostly our perpetual license subscription and the implementation fee that goes along with that. So that's broadly the revenue model that we have.

Subash Menon

Okay. So with that, we have told you about the business, about what we're doing, our strategy, our revenue model, some bits of our financials and stuff like that. We can throw the floor open to questions at this point in time without further ado.

Questions & Answers

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question please press * and 1 on your telephone keypad and wait for your name

to be announced. If you would like to withdraw your request you may do so by pressing * and 1 again.

The first question comes from Samarth Pachchigar from Krijuna. Please go ahead.

Samarth Pachchigar

Thank you for the opportunity. Sir, my first question is regarding what our relationship is with the Subex, because the current set of promoter was also the promoter in Subex. So what sort of relation do we have with Subex and why, there is a separate company serving the same client base which the Subex had. So what's the reason behind that? Can you highlight me?

Subash Menon

Okay, yes, I founded Subex several years ago, but I actually sold my stake and exited from Subex in 2012. That's like 12 years ago. I co-founded Pelatro, and I've been building it. I have no relationship with Subex any longer, neither has Pelatro. And we actually sell very different products. We don't compete with Subex and Subex does not compete with us. So that's why we've got nothing to do with Subex.

Samarth Pachchigar

Okay. Got it. Now secondly, sales, then on the balance sheet, then I see there's a goodwill on consolidation of around INR 18 crores. So what that amount is? It is for the development that we have kind of paid in this year or it is for that?

Sharat Hegde

Yes. Let me answer that. Yes, goodwill on consolidation, it's basically coming from our subsidiary in Singapore. It is basically the accumulated debit balance in P&L as on the date of acquisition. The acquisition happened on 8 Jan 2024. The debit balance mainly represents the expenses incurred towards development of our product. So that has been accounted as goodwill as on the date of acquisition.

Moderator

Thank you. The next question comes from Surya Kalagarla from PhillipCapital PCG. Please go ahead.

Surya Kalagarla

Hi, Sir. Just for your congratulations for publishing very good set of numbers. I wanted to understand like why we are restricting ourselves to only telco companies, why we can't focus on any other segment or sector, and any or do you have any plans to diversify to any other sectors?

Subash Menon

Okay. Actually, it is for traditional reasons that we are in the telco sector. I have always worked in the telco sector, so I naturally started there and got going there. There's tremendous

opportunity in the telco sector at this point in time. There's a very long way for us to grow, a lot of growth possibility. That's why we're focusing. Now we can, of course, look at new sectors, but then that would also mean domain expertise to be built. Now one of the key reasons why Pelatro is very successful in the domain expertise we have in the telecom sector. Now we have to build a similar thing in other sectors. And so we had rather be a specialist than be a generalist, that's why.

This is why telcos love us as well because we speak exactly their language when we go there, and that helps us to win customers. So we don't have a plan at this point in time to look at any other sector because we believe there is tremendous opportunity in the sector itself.

Surya Kalagarla

Got it, sir. But can you touch upon the adjacent market in telco segment and what are some about the peers in the segment?

Subash Menon

Sorry, I didn't get you. You want me to talk about the adjacent market?

Surya Kalagarla

Addressable market, like what's the total scope and how much market share we have, something like that.

Subash Menon

Oh, the addressable market, okay. Sorry, I was hearing adjacent. Okay. The way I would like to look at it, I mean, there are, of course, consultants who have come out with the size of the market, which runs into fairly large numbers. I don't like to look at it from that perspective. I rather look at it from our perspective of what we believe is the addressable market.

At this point in time, there are about 400 odd telcos out there to whom we can sell. Now this means that the amount of whatever products that we can sell, whatever ticket size that we can have, that is what is going to define the actual opportunity size or market size or addressable opportunity. That's how we look at it.

Now at this point in time, we believe that, that size is probably I mean, currently, our average ticket size is about INR 2.5 crores to INR 3 crores per telco. I would think that we can easily go to INR 4 crores or maybe with the addition of multiple products, maybe it will go to INR 5 crores. So at this point in time, I would think that our addressable market size a little lower than 4 crores. But since the last time we checked, we've added a new product, so maybe I can factor that in.

Maybe we can say INR 5 crores per year per telco is probably what we would look at. So if that is the case, then it's about 2,000 plus crores of market opportunity. We have a long way to go from that perspective.

Moderator

Thank you. The next question comes from Shridhar Jadhav from JM Financial. Please go ahead.

Shridhar Jadhav

So congrats on good set of numbers. I just have a couple of quick questions. So on standalone basis, the numbers are flattish. So, on revenue and PBT on standalone basis, the growth is not significant growth is not there. So, the quantity of....

Subash Menon

I didn't understand. On what is the growth not there, you say?

Shridhar Jadhav

Standalone numbers.

Subash Menon

Oh, standalone. Okay, okay, okay. All right. Sharat, do you want to take because that is actually a business call, so do you want me to answer that, Sharat?

Sharat Hegde

Yes.

Subash Menon

Yes, okay. So let me address that, although it's a financial question. See, we have got this parent and subsidiary, the parent in India and the subsidiary in Singapore, and we may have more subsidiaries in the future as well. We do not really look at this with respect to standalone company and the subsidiary and the group and all that. We simply go by where the customer is happy to contract. If the customer says that they prefer Singapore and we also prefer that in many cases because foreign exchange transactions is much easier and our IP is well will be well protected there and all that. So we may have more and more customers signing up with that subsidiary.

It really doesn't matter whether it comes in whether India invoices or subsidiary does. The business is the same, the salespeople and the people who run the business, it's all same. It's like one group. So we don't have a differentiation like that, and we honestly do not care whether it comes in standalone or in consolidated.

So our request to all of you is to actually disregard standalone. Standalone really, for us, only matters to the extent of, if dividend has to be declared, then there has to be profits in standalone. That's about it. But beyond that, we truly don't care about standalone. You should measure us from a consolidated standpoint only because that's how we look at us.

Shridhar Jadhav

So my next question is on console numbers. So if I compare console versus standalone, standalone was INR 60 crores, console is almost INR 85 crores and PBT in console is INR 15 crores versus standalone INR 8 crores. So that incremental INR 25 crore revenue from

standalone to console is driving INR 7 crore PBT. That's like almost 28% PBT margins. So is it safe to assume that your, whatever revenues that you're booking for overseas client comes up with very high EBITDA margins compared to domestic business?

Sharat Hegde

Let me try and answer this. Standalone revenue also includes intercompany revenue between the holding and the subsidiary company.

So, it will not be an apple-to-apple comparison when we compare the standalone EBITDA and consolidated EBITDA. As Mr. Menon mentioned, we'll have to look at the consolidated numbers, which actually give out the actual picture.

Shridhar Jadhav

Understood. And sir, what is the value for?

Subash Menon

It is not just that -- it is not that the overseas company as a subsidiary caters to overseas customers and standalone, the Indian company caters to Indian customers. It's not like that. The Indian company also has overseas customers. It all purely depends upon where it makes better sense to contract, the customer's preference and all that. So I repeat, please disregard every aspect about standalone. Just focus on consolidated if you want to understand the business.

Shridhar Jadhav

Understood. Fair enough. I understood the intersegment, which is masking the numbers. And sir, one more question. So what would be the tentative guidance for next two years?

Subash Menon

We are not giving a guidance. What we can tell you is that we will have very healthy growth and nonlinearity will continue, which means profitability will grow faster than revenue growth.

Shridhar Jadhav

Understood, understood. And sir, how is the financial help of the Singapore subsidiary initially it was making losses? So any color on that front?

Subash Menon

Yes, it is yes, go ahead, Shridhar.

Shridhar Jadhav

Yes. So subsidiary on a standalone basis as well is profitable now with additional customers, et cetera. So yes, I mean, we expect it to be healthy from here.

Subash Menon

We expect more customers to get added to Singapore than to India, so that will continue to improve.

Shridhar Jadhav

And so what are the plans for this new fresh acquisition of Eksil subsidiary? So you'll merge it or you'll let it continue as a stand you'll let it continue as your subsidiary and you see any cross-sell opportunities there. So what's the plan with this Eksil Technologies?

Subash Menon

Okay. In India, we are not buying the company Estel Technologies Private Limited. We are only buying the assets in India. They have a subsidiary actually a sister concern in the UAE. That one we are acquiring as a company. So there is a business asset transfer happening on a slump sale basis in India, and there's a share acquisition happening in the UAE. But of course, vast majority of the business is coming out of India, so a large chunk of the revenue will come out of India. Now that business asset, once we buy, will become a division of Pelatro.

It will not be a subsidiary because it's an asset acquisition. It will become a division of Pelatro. And we will have a new subsidiary in UAE. So that will be there. But most of the business, as I told you, is out of the Indian entity of Estel, and that will come as a slump sale to us, and that will continue as a division of Pelatro.

There is tremendous opportunity to cross sell because the customer base is the same telco space. There are some common customers, but there are customers who are not common at this point in time. So we will be able to sell Estel products into the current Pelatro customer base and Pelatro products into the current Estel customer base. That will increase our business on both sides.

Shridhar Jadhav

And so what about that?

Subash Menon

Going forward and winning more and more telcos on this side or that side, every time we win a new telco on either of the two sides, it becomes a cross-sell opportunity for the other side.

Shridhar Jadhav

Sounds great, sir. And sir, the last question at that time....

Moderator

Sir, can you join back the queue, please?

Shridhar Jadhav

Sure. Okay. I'll come back in the queue.

Moderator

Thank you, sir. I request the participants to restrict with two questions in the initial round and join back the queue for more questions.

The next question comes from Keshav Kumar from MAPL Value Investing Fund. Please go ahead.

Keshav Kumar

Before going to the business and standalone questions, I had a few questions on the balance sheet. In H2 FY '25, I can see a write in the private property and equipment as well as the right to use assets. So if you could explain what is done.

Sharat Hegde

Okay. So the reason in increase in property, plant and equipment is that we have invested in some new servers, new laptops as well as we have acquired an IP for the purpose of revenue generation. That is the reason for increase in property, plant and equipment. The increase in right to use asset is basically because we have taken up a new lease for office, which is an 8 year lease and the office space that we have currently taken is larger than the one that we were previously occupying. So, as a result of the new lease period and a higher monthly lease payments, a right to use asset as well as a lease liability have been created under Ind-AS.

Keshav Kumar

I understand. So previously how many fees would we be having and what is the number now?

Sharat Hegde

Our previous office space was having around 150 seats. Currently we have doubled the capacity. It's around 300 now.

Keshav Kumar

Understood. Perfect. So now coming to the business understanding question, the number you provided of INR 5 crores approximately the telco subsidiary, that is possible annually. That seems a small number compared to the size of the telcos as well as the kind of charges we are providing. So if you can please explain this?

Subash Menon

You are referring to the addressable market size that was given, right?

Keshav Kumar

You said total customer for us can do 5.5.....

Subash Menon

I understand. Now see, if you go and check some analyst reports on the business that we have, you will see that the market opportunity is a few billion dollars, very large. I can easily give you such a number and justify it as well. That's never been my approach. That doesn't make sense to me. What really matters is what we are able to do. And I would like to go by the historical evidence for that. Now I can say that I will sell INR 20 crores per year per telco. But what does the history say? If you look at over the past few years, what have we built it to? We started with zero per telco. We are now at about INR 2.5 to INR 3 crores per telco.

So when I give you the market size and opportunity, I'm not telling you what could be the potential opportunity 15 years from now. I'm telling you what is the addressable market as we sit here today. And this will keep growing for two reasons. One is that we will have more and more products, which means the addressable market will increase, plus our own pricing will increase and things like that will happen. So because of that, there will be a double benefit, which will increase the market size.

So what I was trying to give you is a very realistic number that we can look at, at this point in time for you to understand where we stand. So do we have enough runway is the question. We have got a very long runway. Over the next five years, I can grow at 25%, 30% or 40% every year and still be nowhere near that saturation point. And that's all I'm looking at. I'm not looking at the next 10 years. I'm not saying that's going to be the growth rate. I'm just telling you that for a growth rate of that nature also, I've got enough market opportunity. Then why should I bother whether it's 2,000 or 10,000 crores?

Keshav Kumar

Of course. No, it's only a question. And I believe portfolio of services we have right now, those things are not 5.5 crores. So if you can explain where are the in terms of that number? Are we high target, interface for customer or are we already at 4 to 5 crores on media package?

Subash Menon

I'm having a bit of difficulty hearing you. That's why I'm requesting you to repeat. Are you asking about number of telcos we are with what is that what you're asking?

Keshav Kumar

Sir I'm trying to understand if I look at our current portfolio of services, I believe you provided the INR 5.5 crores number for that. So if you can please -- if you can explain across our customers, where are we in that range right now? Are we already able to 2 to 3 crores per customer? Is it much lower or are we already at 4 to 5 crores per customer?

Subash Menon

Okay. So I said 5 crores is the potential. We are currently at 2.5 crores to 3 crores per customer.

Keshav Kumar

Understood. But we have the services already to reach that number of 5.5...

Subash Menon

Yes, we have the solutions at this point in time to reach five, absolutely. When we will reach 5 is a different question, but we have the ability to reach 5 and that is why that's how I calculate.

Because I really don't believe in throwing all these analyst numbers and all that, which they have got these reports and they say it is a \$20 billion market and all that. It really doesn't make sense when you look at it like that.

Keshav Kumar

It's very understandable, Sir, now coming more to the domestic customers, I see that we are only serving Vodafone right now. So what is stopping response from serving Airtel and Gio?

Subash Menon

Well, it's merely their readiness and what they are looking for because everybody has some product or the other of this nature, okay. We don't have greenfield opportunities; we only have brownfield opportunities. So they should be ready to replace their existing product. We should be interested in the price points that they are talking about. So various things have to align.

Keshav Kumar

The Airtel is already be having the engagement product. So is it like they are -- servicing it in house or is there some other vendor they are using?

Subash Menon

Some telcos do have in house, but that's very few and far between. So I'm not quite sure about these two telcos in India. We're not quite focused on them at this point. See, we don't look at this from a country perspective at all. We look at it from a global perspective and the opportunities are plenty all over the world.

Keshav Kumar

I understood. And Sir, my last question will be in terms of the product development expenses. If you can just explain me what would that number be for the last one or two years and it seems if I'm not wrong, we are extending it, right?

Subash Menon

So Sharat, do you want to take that? I mean, we are a software development expense you're talking about, right?

Keshav Kumar

Yes.

Subash Menon

Yes. Sharat, go ahead.

Sharat Hegde

Sorry, I couldn't hear the question clearly.

Subash Menon

No. His question is what is our software development expense on an annual basis and are we expensing it?

Sharat Hegde

Okay. So yes, we are definitely expensing our software development expenses. The software development expense is around 75% of our total expenses.

Keshav Kumar

I couldn't hear clearly, you said 75% off.

Sharat Hegde

75% of our total expense.

Keshav Kumar

Okay, operating expense understood. And Sir my last question is. How much of a revenue is the one-time sales versus the revenue rate?

Subash Menon

Maybe you could please download that deck and see. It's given very clearly there. You will find that in our website.

Moderator

Thank you. The next question comes from Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar

So first up, just wanted to understand on your leverage part, I mean, the nonlinearity in your revenue that you are seeing. So can you throw some more light? I mean, so what sort of leverage we are talking about here? I mean, when revenue grows by some percentage, your cost will grow at a lower percentage that will kind of drive your EBITDA margin. So what sort of optimal level of EBITDA margin that we are looking at? I mean, that's what you mentioned that we are looking to reach optimal level of, and I mean, how many years we can reach that level?

Subash Menon

I can I mean, I'll address this in a rather qualitative manner. So really, this is the balancing act here with respect to how much we want to invest in the business, how much we want to save on that front end, things like that, and the natural gap between increasing revenue and increasing cost. So between all of that, we will get to the optimal level at some point in time. In my mind, an optimal EBITDA will probably be somewhere between 30% and 35%. And by when would we reach? Well, that becomes a guidance, right? So just please wait and watch it.

Deepak Poddar

Okay. I mean what -- I mean next 5 years is what we want to reach, not a guidance as such.

Subash Menon

You're asking whether next five years 30% to 35%, right?

Deepak Poddar

Yes, that's what.

Subash Menon

I would say eminently doable.

Deepak Poddar

Doable, right, I mean, in next five years. And in terms of growth, I mean, qualitatively, if you can just throw some light, I mean, currently, what the rate we are growing, I mean, we can grow at the same rate going forward, excluding...

Subash Menon

No, no. We don't want to get to growth numbers and stuff like that. And historically, we have grown faster, but I don't want to be commenting on that at this point in time.

Deepak Poddar

Okay, okay. And in terms of your revenue mix, I think your onetime revenue is currently 13% and whereas recurring and reoccurring revenue is close to 87%. So how do you see that mix going forward?

Subash Menon

Sharat, you want to address that?

Sharat Hegde

Okay. So our focus will be in increasing the recurring revenue because that will give better predictability on the revenue front. However, if there are opportunities where we get onetime revenue, we will take those up as well. So, I mean, as I said, the focus will be to increase the

recurring revenue, but it is very difficult to give a prediction on that, because large one time license revenues could change the mix.

Deepak Poddar

Understood. And that's right. And just one last small thing. What's the -- who would be fair for us? I mean, competitor? Who would be operating in the same field?

Subash Menon

There are about a dozen players who are competition. Some are small players and some are large players. The smaller ones are the likes of Comviva, Flytxt, Exacaster, Evolving Systems, et cetera. Now the large ones are Adobe, Pega, Salesforce, SAS, those. So overall, about a dozen players. But some of them do many other things as well. I mean, it's not just this that they do. They do other things as well.

Deepak Poddar

And none in listed space, right, I mean, in India?

Subash Menon

None. I mean, some are listed. Like if you look at a Pega, they are definitely listed, but then they do 100 other things. Who does only our products, none in listed space.

Deepak Poddar

None in listed space. Okay, I got to take out. That's very clear. I think that's very helpful also. All the interest in it. Thank you so much.

Moderator

Thank you. The next question comes from Ankur Gulati from Genuity Capital. Please go ahead.

Ankur Gulati

Can you just give us more example of your product? How exactly are telcos using it? So that as a layman, we can understand. Unfortunately, I'm struggling to contextualize it right now.

Subash Menon

Okay. Let me give you some more details. So our flagship product is called Campaign management solution. What it does is, it collects all data, I mean the data is the same for all our products because it's all the transactions that go through the telco network. So the campaign Management Solution collects all the data, processes all of that and creates the profile of each subscriber. Now the profile will show whether this person makes international calls or domestic calls, whether this person downloads music or movies, whether this person purchases something using their phone or not, a variety of things. Whatever the behavior of the person is, using the phone, that becomes a profile of the person.

Now based on the profile, the telco will decide as to what products they should promote to these subscribers, what should they try to cross sell, what should they try to upsell. If they see a particular person has a 5 gigabytes pack and if they see that in the first 20 days of every month, these 5 gigabytes is getting exhausted, now they can go and try and push a 10 gigabytes pack to them, so that or an 8 gigabytes pack, something like that. This is just a simple example. So that's campaign management.

Now loyalty management is the next product. You all know what loyalty management is, where people when they use based on usage, they get loyalty points, then they can redeem the loyalty points, et cetera, et cetera. Then we have got what's called a CDP, that is a customer data platform, which helps them to actually collect all the data and stitch the data so that identities can be confirmed. So a particular subscriber may come in through a particular device and perform an action. They may come in through another device and perform a different action. Maybe they'll go to the website of the telco and perform an action.

Now all those things need to be stitched and connected so that they can then realize who that individual subscriber is and then pitch accordingly. So that's what that is. Everything is about collecting the data, processing the data, analyzing that, understanding that, coming up with the profile, rewarding them for their action by way of loyalty points or sending them campaigns to promote different products. That's what we do.

Ankur Gulati

I have all these Quick Commerce apps. Do you guys get data of Quick Commerce users app and that helps you profile the subscriber better or you only get data which the telco gets?

Subash Menon

Currently, we work with first party data, which is just the telco data. We can work with other data as well if we have access to that, but right now it's only first party data.

Ankur Gulati

So help me understand how are you, I mean, the telco at the end of the day can only sell their products, right? They are not able to push non.

Subash Menon

They can sell non telco products if they have got relationships with them, to whatever extent they can. I mean, maybe they can sell insurance to their customers, if they want to.

Ankur Gulati

Or they can share that data profile with the insurance company, right?

Subash Menon

That is what we do with respect to data monetization solution. So we have got something called the data monetization solution. There what happens is the telco has the data. Let's say Vodafone, Idea, they have got 250 million subscribers in India. So they have got the data, they have got the profiles of these people. Now if a bank wants to target those people, if Reebok

wants to or Nike wants to target or Shoppers Stop wants to target those people, the telco can actually provide access to those people to send those campaigns. However, that will be done in an anonymized manner.

Ankur Gulati

Yes, that's fine. So hypothetically, just on the -- if my SMS shows that I have a negative bank balance, you guys can share that data with any of these lenders and they can approach me for a loan?

Subash Menon

Yes, it will be in a very anonymized manner, they can get any of these vendors to use the telco data.

Ankur Gulati

Okay, perfect. Now second part, can you give us more details on the contract terms? What is the typical telco payment and incentives, if at all?

Subash Menon

Typically, we have three-to-five-year contracts, and we get paid every at the end of every month or at the end of every quarter.

Ankur Gulati

But do you have four, five years long contract or is it N1?

Subash Menon

Yes, three to five years. It's generally either three or five, mostly five.

Ankur Gulati

And if there are other incentives, I mean, if you hit certain milestones, then you get more share of whatever....

Subash Menon

We have some contracts where we have a revenue share. So based on how much incremental revenue we generate for them, we get a percentage of that.

Ankur Gulati

Okay. Third, if I look at your onetime revenue, is it fair to assume that if you make, let's say, INR 5 crores of onetime revenue in one year, that gives you [Inaudible] If I look at your onetime revenue, that's basically the revenue on onboarding, right? So if you make 1 rupee of recurring revenue.

Subash Menon

Onetime revenue is not onboarding revenue. Onetime revenue is a perpetual license revenue or an implementation revenue like that.

Ankur Gulati

And is there a longer tail or a multiple to that? I mean, if you make INR 1 in this year of onetime, does that usually give you 5x over next 5 years or something of that sort?

Subash Menon

Okay. You're looking as to how much we will get as 5-year revenue from customer. That is very difficult to say. Definitely, every new customer will generate more revenue in the long term, but we can't put a number like that to it.

Ankur Gulati

Just can't apply a multiple, right? Because at least for the last two years in the back of this one.

Subash Menon

That's very difficult to apply a multiple like that.

Ankur Gulati

Yes. Last thing, I mean, what you're doing for telcos, you can do it for all these e-commerce guys or B2C brands, but you are saying we don't want to get into that right now.

Subash Menon

At this point in time, we are very focused on telcos. We've got enough business there, tremendous opportunity and growth and all there. And we are a specialist in telco. So we are rather, say, focused on that. See, I told you in response to my earlier question, we compete with some very large companies like Salesforce, SAS, Pega, Adobe. How do we compete with these guys? They're very large. They've got a lot of wherewithal and marketing and name and fame and all that. The single most important element or USP that we have against all of them is that we are very telco specific. They are not. They are very general. They are generic players. And they can never ever hold a candle to what we can offer by way of products.

Moderator

Thank you. The next question comes from Manoj Sharma from Fin Avenue Growth Fund. Please go ahead.

Manoj Sharma

So to let's add few questions. My first question is on the November, investor PPT, I can see Airtel as a client in lot of, geography. But today, I can't see Airtel as a client on the geography side. Can you throw some light on that?

Subash Menon

Yes. This was a trial that we were running with Airtel at that point in time. And right now, we are waiting for some contract confirmation and supply from them. So that's why we have not kept them there.

Manoj Sharma

Okay. And secondly, in U.S., do we have clients from the European side?

Subash Menon

In Europe, we have one customer in Bulgaria, that's what we have.

Manoj Sharma

So there is no further plans, yes?

Subash Menon

Not at all. Europe is not a market that we are focusing on today. We don't even have sales presence there.

Manoj Sharma

Okay. And my question is regarding the acquisition part. So, we are acquired Estel because I think it operates in financial service sector as well. Right? So we are planning to serve banking sector in future or how we are looking for the Estel company?

Subash Menon

No. Estel has a mobile financial services business that we are buying. That is for the telcos. It's not for the banking sector.

Manoj Sharma

Okay. So you're buying for the telcos sector only?

Subash Menon

Yes. That's right. Yes.

Manoj Sharma

Okay. And my final question, so I think company, like Jio in India has in house platforms. So how do we can capture the big clients and scale up gradually?

Subash Menon

I'm not understanding the question. I mean, are you asking about the regular sales process. What is the question? How do we capture big clients? I mean, we have some very large customers outside as well now.

Manoj Sharma

So, can we offer Jio? Because I think Jio has in house platform. Right? So can we give, Jio as a service, you know, because I think we are we have product that we can cross sell to them. So we have tried to do that for Airtel or Jio?

Subash Menon

No. We have not tried much with Airtel or Jio here, in India. Honestly, the price point that a company like Jio will expect is very low, that's after 25 years of experience in the telecom industry. So I'm not even sure whether we would like to go to Jio at this point in time or not or in India.

Moderator

Thank you. The next question comes from Avinash from Profit Mart Securities. Please go ahead. I repeat, question comes from Avinash from Profit Mart Securities. Please go ahead.

Avinash

Congratulations on a very good set of numbers. In fact, I had the pleasure to talk to you during the IPO time, if you could remember me.

Subash Menon

Yes, Thank you.

Avinash

Yes. Now one thing I wanted to understand, I was just seeing that your operating cash flow, I mean, very strong operating cash flow. So I just wanted to understand is our business a 3% business? Like when do we get our payments from the customer? Do we take some of it upfront or business is so complicated? And secondly, can you confirm that normally how much time does it take for you to implement like typically a new company comes in? How long does your team take to actually commission that with your canopy service which you said, where you analyze the data, the customers, how much time will it take for you to operate and tell them that these results will have to?

Subash Menon

Okay. I will handle one part of the question. It takes us about four to six months to implement a solution in a telco and operationalize it. The question on the financial side of it, I would request Sharat to answer.

Sharat Hegde

Yes. On the collection side, the billing depends on the contract. There are monthly billings, there are quarterly billings, etc. And the DSO that for FY 24-25 was around 85 days. The comparative number for the previous year was around 145 days. That shows that the sales outstanding days has been improving constantly.

While 85 days may or may not be consistently achieved, we expect to achieve at around 100 to 110 days or 100 to 120 days in the longer term, which is very healthy for a business like ours.

Avinash

[Voice Inaudible]

Moderator

Mr. Avinash your voice is not clear sir. Mr. Avinash? There is no response.

Next question comes from Jimmy Kagathara from SBKS MI RC. Please go ahead.

Jimmy Kagathara

Actually, one small question regarding the exponential growth which you are talking about. Will we require any fundraising in the near to medium term for the sale or our working capital will be stressed for that?

Subash Menon

I would like to answer that. First of all, I don't think I used the term exponential. I said there will be significant growth.

Jimmy Kagathara

Yes, Significant, yes.

Subash Menon

Yes, Exponential is a completely different thing.

Jimmy Kagathara

Okay, no problem. Significantly.

Subash Menon

Just clarifying. Now we know for our organic growth, we don't need to raise money. We are quite profitable. We'll continue to be quite profitable and our cash flow will be adequate for organic growth. If at all we need to raise money, that will be for inorganic growth.

Jimmy Kagathara

Okay, okay. And one small query regarding margins, it was in the 28% to 35% range if I'm not mistaken. What was the operating profit margin which was asking some past question but I wasn't able to hear clearly?

Subash Menon

Okay. Sharat, can you give the finance full year EBITDA and profit percentage?

Sharat Hegde

Full year EBITDA margin was around INR 19.82 crores, that was around 23%. So that was our EBITDA margin. Our PAT margin was around 14%.

Jimmy Kagathara

Okay. And so, how much margins can we expect going ahead? How much operating leverage can be kicked in?

Subash Menon

We had answered this question earlier.

Jimmy Kagathara

Yes, I wasn't able to hear that.

Subash Menon

I will repeat that. No problem. So we think that an optimal EBITDA level will be somewhere between 30% to 35% at some point in time.

Moderator

Thank you. The next question comes from Prafull Rai from Arjav Partners. Please go ahead.

Prafull Rai

I have just three questions. The first one is you said you have 40 customers and the addressable approach needs to reach out to 400, and most of the expansion will happen in a long period. Just wanted to get a handle that how many people or customers are we engaged with as we speak for business growth? That is one.

Second is, what is our right to win? You said that you are a telecom focused company, but I'm sure others are also offering similar services. So when a customer evaluates you, what merit does do you offer vis-a-vis others? These are two big questions.

Subash Menon

Okay. So your first question is with respect to, sorry, I forgot the first question already.

Prafull Rai

I said how many customers are we reaching out to? We have each the addressable market is not there....

Subash Menon

Yes, now I remember. At any point in time, we will have a strong pipeline of at least about 35 to 40 potential customers. So that's the number. Now the next the second question that you asked was with respect to...

Prafull Rai

Was it right to win? Suppose you reach out to customers, what is the VAT versus the competition?

Subash Menon

Yes, I mean, yes, so the USP. Basically the first and foremost thing is the quality of the product or the features and functionalities that we bring to the table. So this is where we invest very heavily in R&D and keep improving our products. That's the most important thing. So when we put our product in front of a customer, they should see that it is much better than what the competition has to offer. That's one thing.

The second thing is the very deep domain expert. I'm not prioritizing anything. All of them are important, but maybe the first thing is slightly more important than the rest. So the next thing is the domain expertise that we bring to the table. And the third thing is the reputation we have in the market by way of what kind of support we extend, what kind of reference our customers will provide. So these are primarily the things that a customer looks at. So when they see that the product is really fantastic, very good, all the capabilities are there and that we are a very reliable partner with very deep domain knowledge, well, that's it. Those are the USPs that they look for.

Prafull Rai

Just extending these questions. When a customer replaces a vendor to you, what is the time or what is the description time for that because you will get into their ecosystem and somebody has to move out? How much time does it take for the transition to happen?

Subash Menon

That transition is pretty much the same as our implementation period of four to six months plus maybe another couple of months.

Prafull Rai

Okay. And the last question is out of the 40 new customers you're reaching out to, what is the historical rate of conversion has been fixed?

Subash Menon

Conversion. Well, I mean, we have a very focused sales approach. We don't have 25 sales guys running all around town and all that. We have got just a handful of sales guys because we believe that is the most successful model in this industry. So typically, I would say we win about 3 out of 10 contracts that we run after.

Prafull Rai

30%, sort of, give or take?

Subash Menon

Yes, 30%, yes.

Prafull Rai

And how much time it takes for you to get the customer to get the....

Subash Menon

Oh, the sales cycle is about 10 to 12 months. And with some telcos, what happens is we may lose them now and after three years, we may win them again, that's possible as well.

Prafull Rai

And what are the instances of customers leaving us out of that 40? What is the customer done some customers will be obviously moving out of us to other vendors? What that number would be like?

Subash Menon

As of now, we have not lost any customer. This is not to say that we may not lose anybody in the future. I just want to clarify that. That's the disclaimer I would like to give. At this point in time, that's what it is. Yes, please go ahead. The next question.

Moderator

Thank you, sir. The next question comes from Sanket Sadh from Aarth AIF. Please go ahead.

Sanket Sadh

So I just have a few questions. Most of my questions have been answered. So first, what is that is there going to be any strategic acquisition that you are planning for the coming 12 months?

Subash Menon

Okay. We have identified one acquisition and the details of that business acquisition is in the deck that's on our website, the investor deck. So kindly go through that. This is the business of a company called Estel. We hope to conclude that in the next one month.

Sanket Sadh

Yes, yes. So yes, apart from that, actually, I had already gone through that. I realized that.

Subash Menon

Apart from that, it is difficult to say, right? We keep talking to a lot of companies. It depends upon whether something comes to our liking and they should like us as well. So it's very difficult to predict when the next one will happen. Are we constantly on the lookout? Answer is yes.

Sanket Sadh

Okay. All right. And one more question which I had was, so in India, we are focusing primarily on Vodafone. So two small questions regarding this. How much of the total revenue comes from Vodafone in our consolidated statement? And through Vodafone users have been falling, as what I could read from the news. So has that impacted our revenue in any sense? Or do we get like some sort of fixed revenue from Vodafone?

Subash Menon

Okay. We have a fixed monthly revenue from Vodafone, so no impact. And the percentage at this point in time is probably about 13% to 14%.

Sanket Sadh

Okay. All right. So are there any if you could just name a few clients, which are probably in your bidding pipeline, so to say, who you are trying to acquire in the coming 12 months?

Subash Menon

Pipeline is confidential. I'm sorry, I won't be able to share that. We certainly don't want a competition of ours to get to the transcript of this and have that information, right?

Sanket Sadh

Fair enough. And on the deck, it said that there were 36 customers in 2024. Could you comment on how many there were in the closing of 2025 financial year?

Subash Menon

Kindly look at our deck on our website and you will see the progression over the past few years.

Sanket Sadh

Okay. I wasn't able to find the 2025 clients, but I'll go through it again. So you're asking me to get my results.

Subash Menon

2025 is not over. That's actually calendar 2024 we have given.

Sanket Sadh

Okay, all right. Got it. Yes, correct. All right. Perfect.

Moderator

Thank you. We have a follow-up question from Shridhar Jadhav from JM Financial. Please go ahead.

Shridhar Jadhav

Sir, at the time of IPO, we had mentioned that we also plan to look at banking sector along with telecom, but now we have again pivoted the path to our focus only on telecom. So any views on that because banking is also much relevant with lots of customer data, credit cards, other banking products, so.

Subash Menon

Yes, we had indeed thought about it at that point in time as a potential sector to look at. But at this point in time, we are seeing tremendous opportunities in the telecom space itself. And over the past one year, things have really moved up quite a bit for us in the telecom side. So we thought we'll take it a bit slow on that side and continue to focus on telecom.

Shridhar Jadhav

And sir, what would be the customer concentration, so top five customers would be contributing to how much revenue?

Subash Menon

Sharat, would you have that number?

Sharat Hegde

I don't have that readily available.

Shridhar Jadhav

Ballpark as a percentage, like top Q would be 50%, 60%?

Subash Menon

No, no. The top five, if you ask me, I mean, I'll hazard a guess here. It is probably in the region of about 30% to 35%, not more than that.

Shridhar Jadhav

Understood. And so I am aware we are declaring dividend. However, having said that, we are sitting on a cash of INR 30 crore, INR 35 crores. So the idea is to go for an acquisition in near future? Or how are we looking at it? Or will we already have a business as...

Subash Menon

We have announced an acquisition, right? We still have to pay for it. We have not paid.

Shridhar Jadhav

Okay, okay. You will close and, yes, that's all from my side.

Moderator

Thank you. That was the last question. I now hand over the floor to management for closing comments.

Subash Menon

Okay. Thanks, everybody. Thank you very much for your active participation. If you have more questions, feel free to contact us. I mean, if you want to set up meetings or something like that, we can have independent separate calls, if you would like to have that. We are available at all points in time. Thank you very much for your support and for the participation in the call. Thank you.

Sharat Hegde

Thank you, everybody.

Moderator

Thank you. On behalf of Ventura Securities, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Note:

1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.