

# **OnMobile Global Limited**

**Investor Conference Call Q1 11-12**

**Aug 5, 2011**

Operator:

Thank you for standing by and welcome to the OnMobile Investors Conference Call for Q1 2011-12 presented by Mr. Arvind Rao, the CEO. At this time, all participants are in a listen-only mode. There will be presentation followed by a question-and-answer session. [Operator Instructions]. Please be advised this conference is being recorded today. I would like to hand over the conference to Mr. Rao.

Over to you, sir.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Yeah. Thank you very much. And good morning to everyone and welcome to the OnMobile first quarter results earnings call. I wanted to start the circulate the talking points. So, we'll go in order and to give you a quick update on the business and then get on the financials. So point number one, as you know today roughly about 60% of our revenue today is coming from the Indian market.

So clearly anything that happens in the Indian market - has significant impact on our numbers both historical as well as going forward. Now as you know - requesting the results from operators like Airtel, Idea, Reliance and we know what's going on in the telecom sector, several of the volume factors that are effecting telecom sector it really don't apply to us. But on the other hand there are issues one of which is the multiple segment low quality of the subscribers. Those issues are issues which affect both telecom operator as well as us. The other point I wanted to make on that is this whole 3G, while there has been a lot of attention given to the 3G launches, the reality is that the 3G networks today are far from ready in terms of being able to handle both high volume 3G calls even on 3G VAS services. So while we have implemented our 3G infrastructure video gateways in most all of the Indian operators.

The service uptake today is quite small. And that's only to be expected we did not have any very large expectations of the 3G service revenue contribution to our top-line. But I wanted to just give an update that the number of users and the usage on - on 3G share and upload, video upload, those numbers are very small today and in our frame of mind we do not see that contributing a material revenue impact to us in our business estimates in the next one to two years in a material manner. So that is on track we don't see any sort of major impacts on that 3G slow down or 3G slow growth. The thing that is more important is the TRAI consultation paper which many of you have seen and many of you have spoken to us about. On that front we updated that we are in discussion with the TRAI and is the rest of the - industry as well as all the telecom operator.

Some of the major that have been recommended in that TRAI paper are frankly impractical and decided to implement that best. So, what we gone back to TRAI saying that we understand the objective, we respect the objective and therefore we want to work with you but we have alternative ways to achieve the same objective without trying for techniques that are not are going to be impossible to achieve. So, they are working with us, we are working with them and the reason we do this, is because if implemented in the manner, it is written in the paper, there will be a material impact for everyone, for every company in the value-added services space and more importantly for the telcos, because depending on the revenue share, for every Rs. 1 that we make,

the telcos are making anywhere for 5 to Rs. 6. So, as the impact on the embadded company X the impact on the telcos is going to be huge, so we have the entire efforts of COAI and the telecom operator as well.

So, making a clearance to TRAI along with us saying that let's achieve the same objective via a ways which are really smoother, easier to implement, which are user friendly and which do not slowdown our material impact in the pace of growth in the VAS industry which is a sunrise industry in India. So, what's the update I have on the Indian sector trends and we can discuss more on the Q&A at the end of the call. The second point, which we wanted to raise is give you guys an update on the Telefonica Latin Americas deployment that we have. Now, as we have been working on this project for almost one and a half to two years and it has been a material dried on our earnings and our margins. And I'm happy that many of you have stayed a long with us on the journey because the results are beginning to kick in, in a very, very material manner. So, for example, today we are relying on seven countries covering 85% of the total subscriber base, at the end of the last quarter we add 4.5 million active users in Telefonica, Latin America, where it has dropped 50% from the previous quarter.

The ARPU that continues to be two to three times that of India. So we're not seeing any decline in RBT ARPU along with increased penetration, and I'm happy to say that, as of today we are roughly - Latin America roughly is contributing about 4 crores a month in revenue to OnMobile, which is a 50 crore a year run-rate today, which is less than the first year of our six-year deployment. Based on internal forecast and internal estimates that we have which are jointly developed by the operator and by us. We see this run rate going up to about 140 to 150 crores a year in revenue run rate to OnMobile within the next two years. So, in other words the conviction and the assumptions that we had made when getting into this big project are completely panning out and are beginning to show fruit in terms of actual higher financial contributions. The other thing I'm happy to say is that in the next quarter on a cash basis, our entire Latin American project and project teams is going to breakeven.

Again which is within one year of our six-year project. So what -- the entire project has worked out extremely well, and it's showing very good fruit for us. The corollary to this project which, we have not written up here in writing is that, as a result of the all year results, Telefonica which is the number three operator in the world has given us the entire same RBT project to take over, that was being done in house. We recognized that they didn't have the capability of the technology or the expertise that we have and hence they are turned over to us. So in this quarter, we actually took over 1 million RBT users in Telefonica Spain, we migrated them on to the OnMobile platform, that entire project which took us six months to deploy. And these are six months in which we incurred expenses, hardware, software, which affected our earnings, show.

No revenue that has gone on stream in the last quarter and in beginning to show good revenues and good contribution starting in this quarter and the next. The last update I will give you on the customer thing is in addition to what's written out here. We have signed two large customer in North America. And this is for our new suite of connected applications and mobile social networking products. So, it's not the legacy, RBT, and voice products that we have build this company on, but it's a new ways of products that happening in

the internet world which is filling over into the mobile. You have seen the success that is there with Facebook, with -, with Group on, where moving into the same space and these two large customer wins in the large North American market.

The deployments have started and within the next year, again I say this, because of our large operator like the Telefonica or Latin American project, these projects take time to deploy and to start generating revenue, but once they come on stream they are very large and start picking in and get the cash flow breakeven within a very short order. So, I am very happy with these two wins as well because it opens up the complete new North American market which is extremely large. The operators have huge business of around 80 to 90 million subscribers. After -there is extremely high in the range of 50 to \$60 per month. So, we are looking forward to opening up the whole North American market with these two deployments. Coming to point number three in term of for that customer and product developments.

We have -our whole OnMobile OnCloud product, which is a SaaS based platform, which is--we have our IP based products but we operate them as a service. So, the SaaS based platform converts content, communications, and commerce application. We have launched in a couple of operators and hence we are entering the whole cloud base services space via this formal launch. I have already mentioned in the second point doing RBT in Telefonica. That's also being done on a SaaS model and as we expand our presence in Europe we are going to connect all our operators in Europe via those OnMobile on cloud in the European continent. The third point is we've also made a lot of progress in Africa.

We have launched Ring Back Tones and M-Radio services in one of our very large countries in Africa and the initial results was stunning, we achieved more than 100, 200% growth between the first two months. And the customer is extremely happy. So, that is validated our legacy products in the African market as well. And finally in Bangladesh we've surpassed 1 million users on our Mobile Radio service. And with this we are the leading VAS company in Bangladesh for most all operators in that market. I will skip point number four, because we also read all that.

In point number five which is the non-financial KPIs I'm happy to say that our result of all our new customer launches as of today reached across the world, has surpassed to 1.5 billion subscribers. And in terms of unique users are active paying unique user who use our services every month. Again we've shown a very good increase from 100 to 114 million over the last quarter. The number of RBT active user has also gone up. And the country is that we're is now today it stands an account of 52. So with that I'll turn it over to Rajesh who'll walk you through our financials, talking with our rolling four quarters.

And the reason we've decided to stay with this format for is because what we have maintained is that the right way to look at this company, it is on our rolling four quarter basis and the reason for that is because in the telecom phase, the sales cycles are long, the deployment cycles are long, the investment is pretty large. And once the project comes on stream, it start generating a lot of cash but we need to look at it over our broader horizon then just a quarter-to-quarter basis. So for example I have. That with Telefonica, where we have shown you that overall period of one and a half year, we are already at a run rate of 50 crores a year in revenue and we're

looking to pull that within the next one or two years. So, it will then validated this model and with that, I will turn it over to Rajesh.

Rajesh Moorti, Chief Financial Officer:

Thanks, Arvind and good morning, everyone. So, again if you look at point number six in terms of financial, whatever we have set out into and these numbers here really reflect what our internal growth projections are. So, the net revenue in that period has grown by around 17%, this is the core and investment businesses put together. EBITDA line, which also indicates the profitable revenue growth, EBITDA line has grown by 37%. So, over the rolling four quarters period, we have been able to improve our EBITDA margins from 18% to 22%. If I turn over to page, the next page and point number seven, this talks about the successive quarter.

Again, as Arvind mentioned earlier, you need to look at this company more on a full year basis, rolling four quarters other than quarter-to-quarter. In this particular quarter as compared to the same quarter last year, our revenue grew by 10%. So, our revenue for this quarter was 136 crores with a EBITDA margin was about 20% and a PAT of around 9%. We delivered a profit after tax of 12.8 crores in the last quarter. As we have communicated to you in the past eight or 10 quarters, we have also given the solid in point number eight, which is the sequential core versus investment. The intention here is to make people understand as to how we monitor this internally. If you look at the core business, our revenue is more or less flat this quarter and this is essentially because of the software that we're seeing in some of the developed countries and some countries and some countries are on the globe. But we do not expect this to last too long and we have taken measures to ensure that we deliver revenue growth even in this space. On the other hand if you look at the investment side and this is was Arvind was alluding to earlier, if you look at our investment that we've made in Africa, in the Middle East and in Latin America, it can be seen from that column. So the revenue has grown from 10 crores to 16 crores and the operating losses that we had in that markets, in those markets have actually come down, what it clearly shows is that we have had to take the initial hits in terms of cost, but once the revenue starts picking in, it actually becomes very profitable and we expect to breakeven within 12 months of launching in the country. The another point that to note is that the previous quarter we had a one time order income from sale of uptake in associate company, this quarter we don't have any one time. Some other data points for people on the call. So the CapEx in this quarter was roughly around 15 crores, our tax rate is around 22% that is inline what we have said in the beginning of the year and we have roughly 100 crores of cash in that. With that, I'll just pass you back to you Arvind.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Yeah. Now one another question that people have asked us, which we have faced from many people is, can you give guidance? Given the fact that there is a lot of volatility on a quarter-to-quarter basis which we understand. Because as we have said, if one large customer hiccup or if one new customer comes on stream the quarterly results can be strong quite a bit. And in order to avoid that what we said is that we can give guidance, but we would like to sort of get some, it's not guidance so much as it's a full year estimate. And as of

this time, what we are saying is that we believe that on a full year basis this year compared to last year we should be able to meet or exceed revenue growth of around 20% with the margins on a percentage basis being the same or better than last year. That's the estimate and the forecast that we are giving to all investors based on the current outlook.

And this consists of two things. One is it consists of a, bit of a guarded estimate based on what's going to happen to the Indian business, because over there, there are somewhat, what we call as warning indicators. And they are very cautious about it and we are careful and we are planning in advance for that, which includes both low quality of subscribers as well as the whole TRAI issue. On the other hand, we are seeing, as we have said before, almost unlimited growth potential in our international markets. And it's entirely a function of how fast we can hunt and close new customer deals and how fast we can form the customers that we have already signed and deployed and get those revenue ramped up. So over a period of time, you are going to see the revenue mix which today is on a run-rate basis is roughly 60-40.

Which is another actual positively good sign in OnMobile is that the ratio of Indian revenues to overall revenues, today on a run-rate basis is down to 60%. And if we continue at the rate where we are doing and executing, we expect that within a year or two, it should be down to almost 45 or may be even 40%. And from a deal scheme stand point as well as a stand point of higher profitability and a higher growth rate, we see far greater potential in the international markets. And hence we are executing against both these two opportunities with parallel teams. So that we don't compromise the international opportunity. So, with that, I think I'm going to open it up to question-and-answers.

Over to you.

## Questions And Answers

Operator:

Thank you. Participants, we now start with question-and-answer session.

[Operator Instructions]... The first question is from Naveen Kulkarni.

Naveen, your line is unmuted. Please go ahead.

Naveen Kulkarni:

Thanks for taking my question. I have couple of questions. First is the revenues in the investment segment are up in case by roughly six crores. Could you quantify what is the contribution of Telefonica from this? And second is what is the equation of Dilithium Networks. How has the deployments of Dilithium have progress in the last six months odd and what is the progress especially in India with regards to deployments with operators on 3G? And do you expect any revenue potential from that segment this year?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Okay. So first of all on the six crore increase on the investment part. Not much of that is from Telefonica. The bulk of that is coming out of Africa, Bangladesh and emerging markets. Telefonica is actually a low component because it's ramping-up rapidly. So its grown almost 50-60% on a month-to-month basis, but on a cumulative basis, if I look at April, May, June the impact is not very material out of the six crores.

Naveen Kulkarni:

Okay. And update on deployments of Dilithium Networks.

Corporate Participant:

Navin just to clarify, here actually a lot of this I mean just to correct something that Arvind said. A lot of this is actually from Telefonica. So, because Telefonica, Telefonica is still part of the investment bucket till the end of September quarter. Till the end of September quarter, Telefonica will continue to be investment bucket and uptake move in to the quarter bucket.

Naveen Kulkarni:

Okay.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Your second question was on the Dilithium.

Naveen Kulkarni:

Dilithium it - deployments - How that has progressed and how that has worked in India as have you signed up any operator, if you could give any kind of indications on that that will really helpful?

Sanjay Uppal:

Yeah. So on Dilithium as Arvind was saying that sort of this 3G services that are rolling out in India, we have got the four out of, four of the large operators in India to sign up for our 3G deployments with video, but as Arvind was saying the revenue impact of that this year is not going to be material because of several reasons, one is the number of people with compatible handsets, secondly the roll out of 3G services themselves for the operators. But the other part of Dilithium was the roll out of the infrastructure. So video gateways, content adapter which we are doing on a worldwide basis. And that is actually going fairly well because the roll out of video, mobile video in particular is picking up in the advanced market. So those two parts as the revenue share build as 3G as the good successive four operators will an infrastructure roll outs in a worldwide basis. So it's in the according to plan.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

So in other words what Sanjay is saying is the way we look at it is like this. That Dilithium video platforms it's like a it's basically like a real estate slots. So, the key things is to get the operator, convince them that our technology is the best and get them deployed such that when and whenever the market demand materializes for the 3G services, whether it takes six months, one year or even two years, no matter when it happens, it's going to happen soon. Okay. We'll take the next question.

Operator:

Thank you. The next question is from Dimple -- Dimple your line is unmuted.

Analyst:

Thank you for taking my question sir. Sir, you said that the revenues are down because of surplus in some countries going to take some measures. What kind of measures are you going to take, so better -- increasing the turnover ?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
So here it won't happen, this is why we look at our

Analyst:  
Sorry?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
This is why we look at our company on our rolling four quarter basis. Okay. One is, on our revenues are sensitive to the promotions that are done by our local operator in any particular market because we are white labeled and we go under the operator brand name services, right. So, now you select, take a country, suppose we align with the country name Austria.

Analyst:  
Yeah.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
In that month, if the operator decides to launch some other services, like mobile, video or something and hence they divert promotion bandwidth in that month or in that quarter away from our services towards this new service, obviously, there's going to have dip in that customers revenue for that particular month or that quarter. Now, when we launch, one of the things we were doing is, by diversifying into multiple customers, such that no customer is really a material contributor to our revenue line. We can -this because it's happening all the time. So, across the world in 52 countries there is always going to be some operator who is pushing our services harder, some person is doing something else and then comes back next month. So, on a month-to-month, quarter-to-quarter basis, it's not really relevant, which is why when you look at it on a rolling four quarter basis, all these small ups and downs are leveled out and taken care of. And answering your question, we have a very clear de-risking plan which we execute again, which is to make to go into more countries, into more customers with the more products.

Analyst:  
Okay, sir. And sir, the two large customers which you have got in North America, what kind of investment you are planning there and when do this deployment starting?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
Sorry, what the two customers in North America...

Analyst:  
The two large customers in --yeah.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
So, the two customers I think the deployments will start in the second half



of this year, which is next one or two quarters. The investment and the deployment resources required will be in the normal course of our business. So it will not be anywhere like the Telefonica Latin American project. So, I want to be very clear about one thing, over the last three years, all the investments that we have made in launching new customers in new geographies, falls into two types of buckets. One is a regular business as usual, which is relatively small in terms of CapEx and investments. And we can recover that very quickly. Mostly within six to 12 months of launching the projects.

Analyst:  
Okay.

Corporate Participant:  
The second category is the Telefonica, Latin American project which was unique one-off, where we had to put in a large amount of CapEx, very large amount, very large - in fact more than 10 to 20 times what a typical deployment would be. And in that case, the breakeven would have been more in like two to 2.5 to three years. Okay? So the North American deployment will fall into the business as usual investment category. And hence they will not be a very larger drag on our margins and on our earnings.

Analyst:  
Okay sir. And sir one last question was that, in the Latin America -- I mean in Telefonica deal, you were live in seven countries. By when you are planning to deploy in all the countries?

Corporate Participant:  
So, we are working on it. It's a complicated technology infrastructure backhaul issue which actually Telefonica is working on, because they have to provide the pipes. We don't know but it's probably in the next six to nine months, for sure.

Analyst:  
Okay sir, that's it from my side.

Corporate Participant:  
Okay. Yeah, but there is a point I want to make is, that all those six countries, they are Central American countries, which are very small and sub-scale. So the revenue impact on those six is not going to be very material.

Analyst:  
Okay. Okay.

Operator:  
Thank you, Dimple. The next question is from Vinay Jaising. Vinay, your line is unmuted.

Vinay Jaising:  
Thank you so much sir. I have a couple of questions. First, just to start

with the comment you made, you are looking at the year fiscal '12 having a 20% revenue growth and EBITDA margin same as was in fiscal '11, is that right sir?

Corporate Participant:

That's what we are - that's the estimate we are giving out.

Vinay Jaising:

So, put the other way round, what you are saying is that the first quarter. What you are saying is that the first quarter of this year would account for approximately 20% of your entire fiscal 2012 number?

Rajesh Moorti, Chief Financial Officer:

Nilesh, it's very difficult to really predict, but if you look at the historical trend for last three to four years, the first quarter has been like 18 to 24%. So, if you really do a simple maths based on what they estimate that Arvind talked about, I look at the actual number, yes it will come to close to that number.

Analyst:

The reason I asked this question is two fold. One on the top-line, what this basically means as you're probably expecting, A, the domestic business to come back to growth decline phase in the last quarter; B, you also expecting - growth in the core international business, apart from what Telefonica sales, because I assume Telefonica will add to a significant growth only in 2013 in absolute numbers than 2012 based on the 4 crore run rate which you mentioned. And the second part of the question is the EBITDA margin if you expect that to sustain, the average for fiscal year 2012 or fiscal year 2011, you are talking about a 2% or 200 basis point improvement from the current quarter. Is that right?

Rajesh Moorti, Chief Financial Officer:

Yeah, roughly. First quarter, we showed a revenue growth of 10%. So, you can achieve revenue growth of 20%. On a full year basis obviously the outer quarters are much stronger. And we have a 20% EBITDA margin on a full year basis. If the overall average is 22% plus than obviously the outer quarter. And again this is a function of revenue because our cost structure does not dramatically change and in all the markets where we've already made investment and we had operating losses and when the revenue start coming in than those losses actually come down as you are seeing from the investment bucket. So, that certainly helps to improve the overall EBITDA margin.

Analyst:

That's obviously a great deal. Sir, just one last question, if I may. Arvind did mentioned that cash cost breakeven in the next quarter in the investment business. So, the EBITDA margin which has been shown in the investment businesses negative 60% or whatever the EBITDA margin is, and that number would go to zero in the next quarter or is it just for Telefonica?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

No, no, Vinay it's just for Telefonica. Okay.

Vinay Jaising:

So, assuming even if it is just for Telefonica that number of 58 should come down, negative 58 should come down significantly, right?

Corporate Participant:

Yeah. So, Vinay in what we are seeing right now is that Telefonica has the run rate of 50 crores per annum. So on an average the four crores per month which was half of that in the previous quarter so to that extent obviously the losses will come down. But as we said that there is always other investment opportunity that we keep working that is a moving bucket. So what we'll do is that once the Telefonica business moves out of the investment bucket into the core bucket - just highlight when and that is from quarter three of this fiscal year. So you can really see what impact but there will be on going investment projects.

Vinay Jaising:

Is it fair in saying that your 100 crores loss in, sorry your loss in your EBITDA and investments this quarter is your peak and incrementally though your revenues will grow at least that number would come down reasonably well for the next three quarters?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

It will come down certainly for the next quarter and thereafter it moves into core, right? So

Vinay Jaising:

So, then you don't know. Right.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

So, at that stage - it's not that we don't know but we are investing in North American market. We're investing in African market. So it is a, it's a may be we can discuss this offline I can give you more clarity.

Vinay Jaising:

Sure. I appreciate that. Thank you so much.

Operator:

Thank you, Vinay. The next question is from, Mayur. Mayur your line is unmuted. Thank You.

Analyst:

Hi, good Morning everyone. Sir I wanted to know what is the status that Vodafone deal that we had I mean how is the progress been we've few countries with them and the new countries in Africa that you're adding is through Vodafone or is it on our own, sir?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

So. the countries that we are adding in Africa include both Vodafone as well as Airtel as well. Okay.

Analyst:  
Okay.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
And, you know. In the case of, we announces saying that it's been because investors have asked this question in previous earnings call as well, saying that Airtel has made all the big announcement into Africa and will you be getting any business from that. And we've stated before saying that Airtel has made a statement to all of all their VAS partners in India saying that they are looking to carry their people who have been working with them, being loyal who have generated big results for carrying them forward into other countries. So, for example both in Bangladesh as well as in Africa we are live with Airtel along with other players who are also giving services to them in India. So, Airtel is definitely one large customer and then Vodafone in many countries is also another large customer. And then you have smaller operators who are on a standalone one-by-one basis as well.

Analyst:  
Okay. And sir, what is Dilithium contribution that the top-line currently, I mean if any significant?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
Dilithium contribution to the top-line?

Rajesh Moorti, Chief Financial Officer:  
Yeah. It is still very small because most of the business is coming from outside India and as in India 3G picks up then actually it will be

Analyst:  
Okay. And sir recent hike in prices by telecom operators, I mean so it's give a bullish sign, what is your take on that sir?  
Sorry what is that again?

Analyst:  
Recent tariff hikes by telecom operators,

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
Yeah.

Analyst:  
Is that kind of the bullish sign in telecom scenario, what is your take on that, I mean should help us as well?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
Actually in reality I must take a over here and say that it really does not have any impact on us materially other than the fact that the telcos we hope will be stronger as a result of this hike, which mean their margins go up, their cash reserve go up, and their willingness to invest in marketing and promoting of VAS services goes up. Okay, to that extent it's going to have an indirect contribution. So, the. The real effect is if you really look at the last, literally seven or eight years in India, the person-to-person call rate

and the person-to-person SMS rate have dropped through the floor, literally, whereas the VAS rate have more or less stayed flat over a same period of time. It's the most shocking sort of price indicator that I can see. And it is a testament to the price in elasticity as well as the market demand for VAS services.

So, in other words, the operators while they have to drop person-to-person voice rates, person-to-person SMS rates have not drop VAS rates. Okay. Now, so to that extent, I'm very happy about that. Now, we've been saying they should drop the rates in a segmented manner in order to penetrate the market larger. So, for example, if I look at RBT ARPU, and if I say listen, on an average our customer is paying an operator a -number 20 to Rs.25, at that price point, you cannot go from 25% market adoption to 50% market adoption. So, what we have done with the couple of operators is we have launched a new type of product which is called RBT-Light, which is a lower version, which is a much cheaper version at half the price point but it does not have all the bells and -of a full RBT service.

And with that, we are hoping that we should be able to pay RBT penetration significantly up from current levels.

Analyst:

Okay. And the content fee is in the range of 10-11% in the last two quarters. So, going forward, we expect that it will remain like that or we can see some moments there?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

No, it will be broadly in that range.

Analyst:

Broadly in that range. And how is Egypt market recovered, sir?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Yeah, the Egypt market, after the turmoil internally Egypt market has recovered. What it has done there is that all the features, the additional thing that we are planning to launch in the earlier quarter, they have got pushed back, but we have - business as usual and we should see that impact of that in the coming quarters.. Yeah. So just to amplify on that. The current performance on a monthly basis in revenues in Egypt is back to the levels that it was before all the turmoil. So that's a very good indicator for us.

Analyst:

Okay. And sir coming back to the Vodafone question. How many countries you would be live in Vodafone, currently?

Corporate Participant:

So we are live in about six countries right now, with them around the world.

Analyst:

Around the world recently. Okay, fine. Thank you and all the best sir.

Corporate Participant:

Sure. Thank you.

Operator:

Thank you Mayur. The next question is from Nikhil Pahwa. Nikhil, your line is unmuted. Please go ahead.

Nikhil Pahwa:

Hi, thanks. I was just curious about whether you were talking about dealers earlier. Whether you would be looking beyond your dependency on mobile operators as such, you mentioned moving services to the cloud and have asked us before, would you be looking to go uptick and focusing on the mobile Internet space, instead one of your peers size that has announced that it's going to focus on being a mobile Internet company. Just wondering about what your views are on that?

Corporate Participant:

So, here's a view, and I'll let Sanjay to also expand on this.

Sanjay Uppal:

Our core bread and butter is the telecom operators worldwide, okay? Now what - we don't like that, a big debate in the world as to whether telecom operator are dying and whether they going to survive 25 years from now, et cetera, et cetera. But we believe that there is - they have extremely strong last line advantages, very strong customer bases, networks, et cetera, which we need to capitalize on. They are missing few things like innovation and managed services by like which is very common. So they will continue to be the core bread and butter and we will focus on them significantly going forward. On the other hand, because of acquisitions like our DTM. Where DTM is, the product is being used by Yahoo! in a major manner for the - streaming on to the mobile screen and as well as they are doing a lot of work with a couple of other cable companies in the North America, North American market and we are doing a lot of work for media companies as well.

So, all these revenues put together, are they a material part of our business today compared to the telco business, the answer is no. If they are sitting here say five years from now, would that be a material part of a 5, 10%, more than likely the answer would be yes. But the core bread and butter still remain maintained is with the telco. Finally, the other point I want to say is as of today while we have debated a lot internally, we are still chosen to stick to our core business strategy of being a white labeled service provider rather than going a -approach with our own branded service. Sanjay, you want to add anything more?

Sanjay Uppal:

Basically, -what Arvind was saying, our technology and infrastructure is use for the mobile internet today. Both in the video space as well as in other spaces, for example and our cloud offering there are providers who use our technology to provide the multi-screen offering, that multi-screen would cross the mobile screen, the tablet screen and in some cases also the television screen. So from that perspective, they are actually in the mobile internet. If you are looking at it more from a branding standpoint, is it a OnMobile branded service which has Arvind just pointed out, our strategy right now is to be a white-labeled provider, the strong provider that we use

is not just mobile operator. So it could be a mobile operator, cable company and it could be also value added content provider, someone likes a Yahoo!, on our like basis. So, it's too fast to the answer, number one where in the mobile internet today from a products standpoint, but from go-to-market standpoint, we're still a white-labeled company.

Analyst:

That's great. And sir, Arvind could you elaborate on what will be impact the safety -guidelines on consumer - services it is not the consolidation data but the subscription that is supposed to implemented by now the BSNL has issued a note on that

Mouli Raman:

So, Nikhil. This is Mouli, here. So, right now the discussions are still going on the operators have short time. In the mean time operators and all the large players are working with - to modify the -. So that's the current status there. So right now it's not been implemented operators ask time

Nikhil Pahwa:

Okay. And sir operators like Airtel and Tata DOCOMO has also issued fresh guidelines on the services

Mouli Raman:

Yeah.

Nikhil Pahwa:

Specifically there is also negative billing - for customers with the zero balance does that have any impact on the specifically

Mouli Raman:

There has been a marginal impact but we have, I mean that has been countered with promotions and newer features launched. It does not have significant investment for us.

Nikhil Pahwa:

Okay. Looking at your standalone results I was just wondering about growth in total revenue but the net profit year-on-year seems has gone down. I noticed that your cost have gone up significantly in the last I mean if you compare year-on-year. But revenue hasn't gone up as much could you just talk about that?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Nikhil, I would really suggest to everyone that don't look at standalone. Standalone, does not really reflect the only Indian business. Because we have different structure on the globe through subsidies and branches. So please look at only the consolidate numbers. There are lot of inter-company transactions where - to put in standalone which are not necessarily Indian cost. So, look at the total consolidated P&L.

Analyst:

Okay, great. That helped. Thank You for the clarification. Thanks.

Operator:

Thank you Nikhil. The next question is from Victor Fernandez. Victor your line is unmuted.

Analyst:

Hi, Arvind this question is directed to you, I think Nikhil has covered part of the questions where it is basically related to strategy. I just felt the way the company is structured in terms of a services offered to the customers, too much of the revenues finally get taken over by the telecom operator. And I think probably the biggest gap in strategy is that you are a white labeled service provider. Even that platforms are now emerging which enable you to access the customers directly, don't you think that if you probably re-look your strategy on that, there might be a greater upsides for the company?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

No, here there is the issue I mean, one of the things we have done as we have focused lot of our platforms I don't know if there are call or may be to cubic

Analyst:

Okay.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Most of the platforms where we have focused on in particular Ring Back Tones and our core IVR platforms, Video Gateways and our Network Address Books Social Address Book, these are platforms which are inside the operators network, and there is no other way technically of providing this service and going direct to the consumer. So, unless there is completely new redefinition of the telecom industry, and I agree that with voice variety and all that that are new ways emerging, but other than that there is no way that an Apple or Nokia Ovi or a Google can actually offer a service like ring back tones, I'm just using that as an example. There is no way. So we are trying to focus a lot on that. And the same time, like Sanjay said, we are also working with many of the OTT players, and players, internet portals as well as the cable companies on powering their services as well. I think the critical question you are asking is whether we should be white-labeled to anybody or whether we should go B2C, what's the critical question? And so far, we have chosen a strategy of being white-labeled.

The B2C there are two things, one is B2C requires a completely different set of skills, A. B is, it requires a significant amount of capital to build out the brand and the marketing required there-off. And C is that, it's not clear to me today that the leverage that we get from an operator installed base, their ability to promote, can actually be replicated with a B2C strategy with a company like us. I mean, if you have a company like Microsoft or Google with the capital and the cash reserves that they have, could B2C be a good idea? Yes. But it takes a huge amount of capital.

Analyst:

Okay. I guess that answers that question. My second question, Arvind, was



related to the TRAI consultation paper. I'm not exactly aware of the details of it but your guidance in terms of the kind of revenues and margins we are expecting, are they had risk based on the outcome of this status?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Yeah. If TRAI implements what they are saying, to the paper, to the world.

Okay? Will there be an impact on the estimates and all that we have given out? Absolutely yes. And will that be true for all of our vast companies in India? Absolutely yes. In many cases, it will be found most with us, because we've been seeing this coming for the last 1.5, two years. And we have already de-risk a big chunk of that.

And will it be much more impactful, like I said for every Rs 1 that it has on effect amount, there is a 5 to Rs 6 effect on the telco operators. So large players like Airtel and Reliance and Idea and Vodafone are going to take much bigger rate than we are.

Analyst:

Thanks, Arvind.

Operator:

Thank you, Victor. The next question is from Himanshu Shah. Himanshu, your line is unmuted. Please go ahead.

Analyst:

Thanks for the opportunity. Sorry, my question is also related to TRE consultation paper. Sir, I just want to know, if this paper is implemented in the way it has been given, will it impact all the VAS services or there would be some few services that will form part of this?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

No, this is targeted at all VAS services.

Analyst:

Okay. So...

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

It is across the Board, yeah.

Analyst:

Across the Board.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Yeah.

Analyst:

Okay. Something not like two years back when it was only for -start to copy or some of that nature?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

No, this is for across all services in terms of information back from the user, and in terms of ongoing renewals. So, it is across all the services.

Analyst:

Okay. And sir, in case of renewals, if subscriber is having sufficient balance we can only send an SMS, but if it's not having sufficient balance then we will need mandatory confirmation from the subscriber. So, I just want to know what percentage of serves who would be subscribing to our services generally would be having lower balance and then we subsequently DEBIT the customer, especially in case of prepaid?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

That varies - it varies by operator, by circle, by service and the exact policy has to what is being done is actually determined at a local circle level might be operator. It is not really under OnMobile sort of control. Because, after all like I said, we are only white labeled and we are powering the technology, the service is actually going on one of the operators brand name and actual how many people to subscribe, how many people to put in to put into ? How long you allowed the to go on, those are calls that are made by the operator, not by us.

Himanshu Shah:

Okay. Okay, fine sir. Sir, third question is what is driving basically TRAI to take such stringent - basically either the telecom operators or we or of VAS industry as such is going about too much on the customer side and probably the pushing the services very hard. So what is driving TRAI for this kind of norms. Because it's again back in almost I think so two years time.

Nikhil Pahwa:

So year is the thing, I mean. First of all you have to put it in perspective, okay. You have to look at the scale at which the VAS industry is operating in terms of the number of users, in terms of the number of services being consumed in the month. In terms of the number of customer contacts. When I say customer contact, what it means is an SMS or a outbound call going out from an operator to one of their subscribers. As we multiply all that, it's a huge amount of customer interactions happening every month, huge I mean in the billions

Himanshu Shah:

Okay.

Nikhil Pahwa:

Now, out of all those billions, if there are some that has result in a wrong sort of mishap. So for example, let me give an extreme case if there is religious, let's say a sadhu or a Hindu who get's by mistake a Muslim ring back tone given to him as a default, on a try and buy basis. Now out of billion such things that are happening one or two of them needle size thing are bound to happen.

Himanshu Shah:

Okay.

Nikhil Pahwa:

I mean nobody, no amount of control, nothing can sort of prevent that thing from happening. Now the question is do you implement rules and policies to protect the - or to isolate even though one or two incident. If you do isolating the one or two incidence, the laws are going to be extremely stringent. I mean just imagine the thing we applied to India whether it is corruption or the fact that there are potholes in Bombay I mean if you apply the same. I mean we applied the same stringent laws to that, half the people should be in jail.

Analyst:

Okay, fine sir. Got your point. Sir my last question basically I think so, on the HR front you have appointed someone Mr. Atul for Head of Content Licensing and Partnership, so basically does it imply the fundamental shift in our business strategy, basically means we had generally remained away from buying of contents, so that front does it imply any shift in that strategy?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

No, there is no shift in the strategy of the company at all. The point is in many of our services particularly in emerging markets several of the services are based on content. Whether it is sourced by the operator, whether it is paid by the operator or it whether it is sourced and paid by us. The service is still to a large extent using some sort of content. Whether it is music coming from the four labels or it is content from a local player or regional disc jokey, so to manage that entire sourcing thinking it through how to get it, where are the best players and how to increase the partnership between content companies and OnMobile that is what thing for us. So, for example if you look in India, where we are sort of a dominant player in value added services and if you look at even in emerging markets where we are very strong, we could actually substantially improve the revenues for any content company.

So, if you take a music company, we could basically increase the revenues multiple times through our digital distribution channels. And to initiate the contact with the music company, sign the contracts on mutually good terms, acceptable terms create a partnership approach rather than a licensing approach that holds strategy and approach, we want Atul who's being brought into ahead up and do. In the past our approach was always to deal with it on a licensing -basis. Now we are looking to change that into much more of a mutual win-win partnership basis working closely with these content companies.

Analyst:

Okay. Fine, sir. That's it. Thanks. Thank you sir.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Thank you.

Operator:

Thank you Himanshu. The next question is from Surabhi. Surabhi your line is unmuted. Please go ahead.

Surabhi Chandna:

Thanks for the opportunity. I have three small questions. One is we saw international core revenues go down this quarter, any thoughts on why that happened? and what do you expect in the future, this 27, 28 run rate is sustainable or you expect up a change? Second is you have mentioned in your notes that depreciation is largely due to the Telefonica deal, do you expect it to significantly increase during the next three quarters for the year? And the third one, Arvind, is for you is to understand, the - business. What are we seeing I know it's difficult to predict one year or two year follow up but will you think as a real -growth rates for domestic business for the longer term, given the without -any -that would be helpful? Thanks.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

So, year word is if I look at revenues from international on the core business, okay, on our quarter-to-quarter basis, which is Q4 to Q1, which is the number that have been circulated in our talking points that decline from 324 million to 277 million. If I re-ran the numbers on core business, on our rolling fourth quarter basis, the numbers are 1,116 to 1,177. So there is actually been growth on a four quarter basis. On a sequential basis or on quarter four or one, there was a dip because like I said in many cases one customer here, there is a slowdown for some reason or the other, anyway, classic example would have been like say, Vodafone Egypt, which took off extremely well, then in your January, Feb, it had -- for various macroeconomic reasons and then it's back to normal. So these trends on a quarter-to-quarter basis do not bother me, do not bother us and we don't look at it. What we track is on a four quarter basis, is there a sustained growth? And if I look at that on a core business, I am happy to share this we'll send this table to you after this call.

On a core business international, four quarter basis, we've actually shown growth. So, quarter-to-quarter basis, one customer goes down here, one customer goes down there. These are temporary phenomenon which we don't really look at. In this case, it was a slowdown in a couple of economies. As you know, there are some economies in the world which are going through ups and downs in particular Europe so in some cases, we've been able to get traction, in some cases, then traction has come largely from ramping up or launching a new customer, okay? But, in some cases on the core business, there is a slow down for macroeconomic reasons.

Analyst:

Sure. As in they can't forming up in this, these are the core international, I presume that the bulk of it was Asia-Pac, is there any concern there? And second, in historically, we've seen this lumpiness in this section. So my question is actually more from the longer term that, do we expect this 28 or 30 crore kind of a guideline, is that a good number or do we expect it to count very significantly in the future?

Corporate Participant:

I don't - again, we'll have to walk - we'll sit down with you and walk on the numbers. But again, as I've said on -- if I was to look at on a full-year basis, on the core business in terms of international, I continue it to see that growing, I don't see a dip in that on a sequential - on a year-to-year basis, I don't see a dip in that.

Analyst:  
Okay.

Corporate Participant:  
And so, this quarter dip, if you want to really think about it, 324 to 277 and your question is that - is that dip going to continue or is that on a sustained basis, my answer for that would be no.

Analyst:  
Okay.

Corporate Participant:  
Okay. You had a couple of other questions right, Avneesh?

Corporate Participant:  
Yes. Can you repeat the second one?

Analyst:  
On the depreciation the amortization, depreciation while it has increased this quarter slightly higher numbers, are you saying that probably for the next three quarters that the depreciation will be significantly higher because we expect Telefonica to kick in significantly, the overall trend

Rajesh Moorti, Chief Financial Officer:  
So, as Arvind mentioned earlier in the call that Telefonica LatAm we were the only one there, we made a significantly higher investment. So we have started amortizing that cost and given that the whole project is on the revenue share basis, so the amortization of that upfront significant investment that we've made is getting amortized on a progressive basis. So, the first quarter would have a higher charge, second quarter will be even higher, third is even higher. So, as the revenue increases which we also said increasing very rapidly now amortization cost will increase. And on a full year basis, that amortization is roughly around between 20 and 25 crores. That is over and above the normal depreciation of the fixed asset that we have

Analyst:  
Sure. Thanks.

Rajesh Moorti, Chief Financial Officer:  
Thank you.

Operator:  
Thank you Surbhi. The next question is from - chatterjeeyour. your line is unmuted.

Analyst:  
Yeah. Good morning, gentlemen and thanks for taking my question. Rajesh if I recall in last quarter there was an adjustment of around 16 crores which was due to changes in the contractual agreement with one of the telcos, 6 crores of that was a permanent impact whereas 10 crores would have been recovered

this quarter. It's my conclusion right, what I recollect?

Rajesh Moorti, Chief Financial Officer:

What we had said is that your number of 16 crores is right. We said the 10 crores of that in the recurring hit and 6 crores on a one time, correction, you are relating to earlier quarters of that fiscal year.

Analyst:

Okay, okay. So right now what you are reporting 92 crores does not include the recurring hit is included in that, I mean just want to confirm that?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

From this quarter onwards obviously whatever is the new part or new contractual term that effective and fully taken on Board, because this is the base that will continue.

Analyst:

It is the base. Okay. That's fine. Second you have mentioned that it's a 4 crore Telefonica run rate per month, I mean whether this 4 crore was throughout the last quarter, that is April, May, June or this 4 crore is what you are seeing right now and how is it going to happen?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

No, no. You want understand all thing. In the early phases of our project, okay, it is literally a huge jump. So, the 4 crore a month is what I'm telling you is the revenue that we are going to making from Telefonica, Latin America in this month, in August.

Analyst:

Okay.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

That's what it was roughly about 3.6 crores.

Analyst:

Okay.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

So, what I'm saying is that we are seeing a month-on-month, literally month-on-month huge jump, because that's the where projects are. When you launch a very, very large project on the month-to-month basis the percentage growth is huge. So, we don't want to give that all because it sustained a wrong signal.

Analyst:

Okay.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

So, in reality and somebody ask this question before on the investment bucket, we've said that quarter four to quarter one, there was 6 crores of new revenue on the investment bucket. And somebody ask the question how much

of that was from Telefonica, it's almost 50% of that is from Telefonica.  
Okay. So we've booked lot of --in the last quarter, we've booked about 3.5 crores of revenue from Telefonica. So what I'm telling you is today at the run rate in one month we are booking the same amount.

Analyst:

Okay. I got it. And...

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Okay.

Analyst:

Yeah. And...

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

That's the optimistic growth.

Analyst:

Yeah, I got.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

And we want to continue.

Analyst:

And another question was in the guidance, I mean, you are saying 20% growth which means around 650 crores of revenue in FY12, which practically means about 11.25% compounded growth over the next three quarters and almost 20% growth in EBITDA over the next three quarters. I mean, are you factoring it what I mean, what kind of estimates you are factoring it in your domestic business, why did international business didn't grow well. But about the domestic business it is still about 60%, what kind of growth you're factoring over there to arrive at this 20% number.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

See, on the domestic growth we are being extremely conservative because of all these uncertainty with TRAI and operators behavior as a result of that. So we have taken extremely conservative estimates around the India thing, for now and we are actually monitoring that on a month-to-month basis that's one. The second thing is, there is a key variable is how fast we can change the mix between India and international that's extremely key. And we are focusing on that with huge effort. We have got very large teams going into international foray and we are expanding that even more. And the reason we are doing this is largely because while we still continue, while we continue to believe in the Indian market.

I also want to from a de-risking standpoint I want to get to a stage where the Indian market is not more than pick a number 33% and so of OnMobile revenue and I want to get that faster rather than later.

Soumitra Chatterjee:

Okay. And then just to confirm again last quarter revenue from Telefonica was 3 crores, this quarter it was 3.5 crores and now you are booking 4 crores per

month, is this right?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
No.

Soumitra Chatterjee:  
It was 3.5 crores per month.

Rajesh Moorti, Chief Financial Officer:  
Yes. Just to clarify on that. So the revenue that we had in March quarter it was around three crores June quarter what Arvind was saying is that last month of June was three crores and we can share that in July and in a run rate of four crores in August.

Soumitra Chatterjee:  
Okay.

Rajesh Moorti, Chief Financial Officer:  
That's what he was saying.

Soumitra Chatterjee:  
Okay, that, that is fine. That's helpful. Okay and one last small thing, you are right now live in seven countries in LATAM. Is that right?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
Yeah, but seven countries is covering 85% of the market.

Soumitra Chatterjee:  
Yes. So, what is the plan regarding the other country, other six countries that you have for Telefonica when are going to go live on those countries?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
We covered this on the call. What we said is we have been working on this for the last 6 to 12 months, with Telefonica it's a function of when they could. So, it's a function of when they put in the infrastructure and all that, such that we can go can live. So, initially we have estimated to be live by March at all countries, that's what we have indicated.

Analyst:  
Yeah.

Corporate Participant:  
And we - from Telefonica standpoint, basically they had some infrastructure issues in the Central American market, okay?

Analyst:  
Okay.

Corporate Participant:  
And we could not get infrastructure required from Telefonica side. And hence, we got delayed basically. So -- and we expect that basically within next six



months, basically we should be live there or based on when Telefonica gives it, I mean as Arvind - as Arvind said before, since, these are small countries, it has an impact of about 15%, which is not all that material, but we are waiting for Telefonica to get infrastructure.

Analyst:

Okay. Okay, thank you gentlemen. That's it from my side.

Corporate Participant:

Thanks a lot.

Operator:

Thank you, --. The next question is from -- Chatterjee. --, your line is unmuted.

Analyst:

Yeah. Thank you. Morning to you all. OnMobile has this great voice recognition platform and especially after the acquisition of Telesma. The system is obviously pretty good and robust. And one place you guys are missing in, is the mobile commerce space.

So I just wanted to ask you that, why don't you all think of a product where you will actually put up a flip cart on voice recognition, where I can come and ask for a book or whatever and the system recognizes and you allow him to make a transaction and get the book delivered?

Corporate Participant:

Yeah. Actually, --, that is a great idea and we'll take it up seriously. We have launched -- as you know, after acquiring Telesma, we launched something called music search, where basically what we said is, what is the biggest category of things that people are buying on cell phones today, it is music. So, we started off by saying, let's use our speech technology to help people by music via searching. So you can just say the name of a. So, you can just say the name of a song or the name of a artist or the name of a movie and you get the song set for you.

So, I am happy to say that today, we are the largest deployer and company with the music search in India today. In fact even Google voice search and as we have read in the press, Google has shutdown their voice search in India, whereas we continue to invest in the same, because we think it's large and we are the leaders in this space. And the game plan is exactly this as we start first with music and then we move to the next category. So, shopping for products and purchasing all that is definitely on our data screen and I'll be happy to make one of the first -to test our the service when we launch it.

Analyst:

Sure, sir. Pleasure is mine. Okay. One or two more questions. Now this -to North America which you have mentioned is some part of the social media product. So I don't know if it's ready or if you can share details about what it exactly is but without any background what comes to mind is well it may be great -actually enter the North American market.

Social media at least until now hasn't really made money except for let's say a little bit of advertising revenues that you see on sight. So, is there a

concrete plan on how you guys are actually going to monetize social media, because it shouldn't be a long-term investment only with the objective of making entry and then doesn't make any return because the people are not used to making, paying there?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

So, if you-one of the reasons why it's not like we have stayed away from social media and all that, is as we look at most of the companies in social media even with Facebook et cetera, they have a very high number of unique users and even maybe some revenues but not really great profits and margins whereas on a market cap basis, the market for some reason is putting a huge multiple and valuation on them. In fact very frankly we have today 115 million active paying users, visitors a month which puts us on the list of the top 20 companies worldwide including Facebook and Google. In terms of number of users who are using our services every month is actually a very shocking statistic and indicator but it's actually true. Look being said I think the market valuation is not matching the number of unique visitors, that's a different issue. So, maybe the market is putting a number on social media and social networking which is either unrealistic or maybe it's not linked to revenues and profit. But here is the reality, the reality is in the North American today, we are actually already live with an operator, very large operator where 50% of their users today are using our phone sync and phone back up product.

Okay, today. Okay now we are expanding that with another very large operator.

So, now the question is you are right in that the social media platform are very good in terms of getting attraction in terms of number of users and in terms of number of usage, but not necessarily in term of revenues. So, the first step of our strategy is to get the platform in to these very large operators get users to use the basic product, okay so that there is large traffic, and then near what we call as connected approximately, on top of that which are the revenue generating apps which will start growing our revenue. So, right now we are in phase one of the project and we hope to get in the phase two in early 2012 or mid 2012.

Analyst:

Sure. Now, I guess I'm sure you guys have your thinking in place over there, the only thing is I don't think today OnMobile needs to chase valuation because with I think one of you were mentioning a spread or reach of 1.5 billion which is an absolutely staggering number, you're talking about 25% of the world. And if now let's say European and American evaluators if I can call them so attribute \$10 billion evaluation to a company with 39,000 users which has happened in the past. So, I mean it's the really their pitfall not yours. Anyways coming to the next the third question. Now this OnMobile on Cloud, it's basically designed to drive down your cost in deployment?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

So, I'll let Sanjay Uppal explain it on the connective as standpoint. But just think about it. So suppose let's take a continent like Africa. India is launching a Ring Back Tones in 15 countries in Africa on a normal model world in each of those 15 countries we put in the complete system which includes the contact management system, right ?

Rupayan Chatterjee:  
Yeah. Right, sir.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
Now in the African market the content in the content management system in all those 15 countries is 80 to 90% the same.

Rupayan Chatterjee:  
Yes.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
So instead replicating that what we have gone for all our geographies is saying that let us put distributed tone players and some platforms inside the telecom operators firewall. But then all the common stock let's do it in the Cloud. So that there are tremendous cost synergies to us at the same time if we want to launch a new customer. So let's say we launched, we have this Cloud in Africa. If I want to launch the 16th country instead of doing in three months, I could do it in two months.

Rupayan Chatterjee:  
Yeah.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
Because the half of it is already sitting in the Cloud.

Rupayan Chatterjee:  
Then, I think that's good enough. I don't need the answer from Sanjay, I didn't capture it. My last question Arvind is that. Okay, this is really I think, this question is directed to you. What is your guidance on, you've given the guidance on the revenue numbers and all that now but what is your, I mean in two year time we see a lot of your new international deployments bearing fruit, so what would be your guidance be on the capitalization or let's say the share price. Today, like for example, today of course it's driven by market conditions and all that, it's down to 70. So if you looked at it before the bonus, it was hovering around the 220 mark, which should have been let's say technically 110, 105 now. So, where is the 40, 45% dip to extends then while the market has bit 10, 15% but forget that. In two years time, what would be your guidance beyond that number if you say so because you have the experience?

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:  
So, - I can discuss with you off line. I am not going to comment on the share price or the market cap because, A, I am not really an expert on this thing and B, is that that I have no control over it and I don't even like frankly while as a large shareholder does it affects me and control me, yes but on the other hand, we manage our business and that's what I have control over and that's what I focus on. Now that being said, when we look at our business two years out, I mean like I said, I mean if you just take a project like Telefonica Latin America one project and we have many such lumpy projects, if you want to call it Africa's the same, the North America is the other one. We

have many of these which are see direct we're planting but if you think about Telefonica Latin America and you say right now there is a run rate of around 50 crores a month in revenues for us and we are at cash breakeven, when that thing gets to 150 crores a year in cash flow for us, it maybe happen within two years and that will be wildly profitable to us with a big chunk of that going straight through EBITDA line. Now, that at some point should reflect in the valuation, in a share price but I am not going to comment on that. I am focusing more on building the EBITDA and the EPS lines.

Analyst:

Okay, thanks.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Thanks.

Rajesh Moorti, Chief Financial Officer:

Yeah, hi. We will just take one last question.

Operator:

Sure. Thank you-. The next and the last question is from Himanshu Shah.

Himanshu your line is unmuted.

Analyst:

Sir, thanks for the opportunity. Sir, just a housekeeping question.. Other income looks to be on a higher side because 6 crore during the quarter or 20 to 24 crore annualized straight, it looks slightly on a higher side on a cash balance of 100-120 crore?

Rajesh Moorti, Chief Financial Officer:

Again this is on the Himanshu this other income is on a average cash balance so obviously it is not, balance I told you is really the balance that we had now. So there will be inflows outflows.

Analyst:

But, sir even average I think it's somewhere around, I think so around 120 kind of a number if I am not mistaken.

Rajesh Moorti, Chief Financial Officer:

Yeah, I mean obviously there's interest rate every quarter and every month so that's certainly contributes as well, right. It is a combination of various factors, it is nothing like one time booklet. It is very difficult to really give a guidance on that other income like. For example last quarter, we had a stake in one phase so the other income was high, but we are just focusing a lot more on the overall revenue the EBITDA margins of the company rather than other income.

Analyst:

Fine sir. No issues. Thanks

Operator:

Thank you Himanshu. Participants we are now over with the Q&A interactive

session. I hand over the floor back to Mr. Arvind Rao for closing comments. Thank you.

Arvind Rao, Chairman, Chief Executive Officer and Co-founder:

Yeah. So first of all, I want to say one thing for all the shareholders who have stayed with us. I thank you very much for your support and I am hoping that early results this like Telefonica Latin America actually give you some support and some credibility and some belief that what we are seeing is actually. Although it may take us one and a half year to actually deliver it, that's one. The secondly as I said is regarding the TRAI all that because there are lot of uncertainty which is clouding the stock. As we have said, we are in -- this is not just affecting us, it's the entire industry in India as well as the operator. And we are walking with TAI very closely on that and again.

And again, no matter whatever happens, that effect is going to happen only on the 60% which is our India revenue. So, even that we have sort of dealers and mitigate it to a large extent and we will continue to mitigate that impact.

So, I don't think while that we continue to watch that very carefully, I don't see that, that's going to be a huge, huge effect on us at least that's my hope. And finally, the last thing is that with our new sort of recent wins, both in the North American market as well as the traction that we are increasingly seeing in Europe, I'm quite positive looking forward that we are continuing to see seeds, which will continue our growth in the years to come.

So, I thank you all for your support. And again if you have any questions or any sort of clarifications, please feel free to call us or email us.

Thank you very much.

Operator:

Thank you. Participants, with this, we conclude the conference call for today. Thank you for your participation. You may all disconnect now. Thank you.

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