Fourth Quarter FY2016
Earnings Conference Call
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Speakers:
Mr. Rajiv Pancholy, Managing Director & CEO, OnMobile
Mr. Sanjay Bhambri, Chief Commercial Officer, OnMobile
Mr. Praveen Kumar, Chief Financial Officer, OnMobile

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Moderator: Good day, ladies and gentlemen. I am Sourodip, your moderator for this call. Thank you for standing by and welcome to the Q4 and full year 2016 investors conference call for OnMobile Global Limited. For the duration of presentation, all participants' lines will be in listen-only mode. We will then have a Q&A session post the presentation. Joining us today on the call are Mr. Rajiv Pancholy, Managing Director and CEO, Mr. Sanjay Bhambri, Chief Commercial Officer and Mr. Praveen Kumar, Chief Financial Officer.

So before we begin, I would like to mention that some of the statements made in today’s call maybe forward-looking in nature and may involve risks and uncertainties. For such a list of considerations, please refer to the earnings presentation. OnMobile Global undertakes no obligation to publicly revise any forward-looking statements to reflect future, likely events or circumstances. Please be advised this conference is being recorded. And now without any further delay I would like to hand over the proceedings to Mr. Rajiv Pancholy. Thank you and over to you, sir.

Rajiv Pancholy: Thank you, Sourodip, and good afternoon, ladies and gentlemen. My name is Rajiv Pancholy and with me today are my colleagues Sanjay Bhambri and Praveen Kumar. 2015-16 which is the year that’s just gone by has been both a challenging and at the same time a fulfilling year for OnMobile. On one hand, we continue to face large swings in foreign exchange primarily in Africa and Latin America making revenue prediction a challenge. And on the other hand, we have one major customer, you know, on the threshold of introducing new products that we have been working on for the last 18 months. A monthly highlights of the year we had several gains in market share and notably we were successful in winning an increase coverage of Airtel customer-based both in India and Africa and also adding Reliance Communications to a list of esteemed customers.

Despite economic turbulence, I am pleased to report that we have achieved a 24.5% EBITDA increase on an year-over-year basis, while at the same time growing a paid subscriber-based from approximately 60 million to 71.4 million. I am also pleased to report that yesterday in a board meeting our Board of Directors approved a dividend payout to our shareholders of 15%. While we speak routinely about the financial performance, let me also gives you some insights into some of the less visible, but important nevertheless internal developments within the company. We have successfully introduced a comprehensive training and development programme for employees worldwide known as the OnMobile Learning Academy. Almost 50% of the employees have benefitted from this and have participated in the programme during the past one year. Commensurate with this, employee satisfaction has steadily increased a year-over-year and a quality awareness programme within the company has started to yield significant positive impact very much in all facets of OnMobile's business.

Now, let me take a bit of a departure from discussing the financial performance of the year that's gone by and talk a little bit about what is in store for us during the current financial year 2016-17. Looking ahead, our traditional business will obviously continue to be an important part of financial performance. In very general terms, we expect that EBITDA to dip slightly as we increase the spending on new initiatives beyond what we did in the past financial year, but at the same time we expect a profit before tax to become positive and stay positive for the entire year primarily as our depreciation goes down in a fairly dramatic fashion. Over and beyond the traditional business we will start to move our business in a fairly significant way. This will be made up of two parts, number one, starting with some customers outside of India. We would start to take over the entire lifecycle management of the customer base. In other words, these consumers will for the first time become direct customers of OnMobile and will start to consume services under a newly developed consumer brand. This is something that's actually been in the works for the past 12 months and as we start to unveil the consumer brand, hopefully, everybody will start to see the creativity and the imagination that has gone into the new OnMobile which hopefully we will introduce and unveil to the public in a short order. On top of this, new agreement with the operator partners will start to roll out a new apps which will provide customers with a superlative user experience and a rich pilot of new capabilities.

At present, we are fundamentally waiting for new grains to be finalized and expect to be able to communicate and announce the first of these agreements within the next 6 weeks. This will be a start of the new journey for OnMobile. The financial details of which we will start to share in the quarters to come, as more and more of our customer base transitions into this new model. Now, let me hand over the call to Praveen who will walk us through the financial results of 2015-16 and we will be happy to then take questions that do inevitably come up. So over to you, Praveen.

Praveen Kumar: Thank you, Rajiv. Good afternoon, everyone, and welcome to our earnings presentation for Q4 and full year FY 2015-16. In the last quarter as we continue to focus our efforts on the business transition as Rajiv just spoke about on the financials performance, we have been able to hold on to our numbers well, especially on the margins side. Our revenue has seen nominal dip of around 3% at 200 crores but gross margin dropped at a slightly higher rate because of the revenue mix. However, we have done well on the cost front to negate the above impact largely when it comes to EBITDA. Our manpower cost was down by 2% and other OpEx was down by 16% over the last quarter. With this, our EBITDA margins remain stable at 19%.

On the other income front, this time we have a few items adding up to the numbers that you've seen. The FX loss for the quarter included in the other income line is about 2.5 crores negated by interest and dividend income and profit on sale of our speech unit that we announced in the last quarter, so net-net that's positive. There were two currencies which showed devaluation in quarter four, one is the repeat of end-up being Venezuela Boulevard which saw the third devaluation in the last two years, however, because of the business that's left over at the currency level the impact is not really significant. Also, during the quarter Egypt has devalued its currency, as a result of which Egyptian pound moved from Rs. 8.50 per pound to Rs. 7.50 per pound and this has resulted in a loss of 3.28 crores and these two have been shown as exceptional items.

Now, coming to the balance sheet, our cash position has significantly improved during the quarter from 278 crores in the last quarter to 320 in Q4. CapEx was not very significant at 3 crores during the quarter. And just an update on the buyback, as on date we have bought close to 2.9 million shares worth Rs. 34 crores. With this, we would be happy to take the questions that you may have.

Moderator: Thank you very much, sir. So, participants, with this we will have a Q&A interactive session. Should you wish to ask any question, please press "0" then "1" on your telephone keypad and wait for your name to be announced. I repeat, participants, should you wish to ask any question, please press "0" then "1" on your telephone keypad. So we have the first question from Mr. Jagdish from Florentree Advisor. Your line is unmuted. You may please go ahead and ask your question.

Jagdish: Yeah. Hi. The first questions of the buyback, so I understand that by now you are sort of finished the minimum 35 crores worth of buyback, but I was a bit surprised because in the last call you had mentioned that the reason for the buyback is that every time you had been asked the question what you do with the cash and you still have all the surplus cash that you have and the stock price is much below the price that's been approved by the board what is the idea behind not going through with the buyback fully?

Rajiv Pancholy: I think, the simple answer to the question is we have not finished yet.

Jagdish: Right. Okay. That's fine. The second question, the more important one is, I mean, the shareholders who have been attending calls for four or five quarters now there's always been this mysterious new product or new app that we have been waiting to hear about and we were hoping that at least in your initial comments today we would hear something more about it could you take us through as to what is this new app that we are talking about that you plan to launch on in 6 weeks' time?

Rajiv Pancholy: First of all, just to, maybe, offer a little bit of certainties it's not a single app; its multiple apps and little different things.

The reason we have been somewhat, I would say, shy of sharing the details is because of confidentiality agreements. We have to absolutely come to a final agreement with the present customers and partner the operators before we come back and release all the details. Let me try and give you some idea of what these apps do without going into more detail.

The first now obvious one is basically adding to the existing flagship product that we have which is ringback tones. This app will basically do a lot more than the current service does and also offer a very rich set of additional features that customers are not able to enjoy today because of the poor interface of the service. The other apps go well beyond the traditional ringback tones business. Our new brand is going to recast OnMobile in a different space and I hesitate to go beyond this because, if I do while we basically telling you the entire brand story, but it will go beyond music, it will go beyond ringback tones and that's all I want to say at the moment.

Jagdish: Okay. That's fine. That's all from us. Thank you.

Moderator: Thank you very much. We have the next question from Mr. Prakash who is an individual investor. Your line is unmuted. You may please go ahead and ask your question.

Prakash: Good afternoon to you all and congratulations on maintaining EBITDA and keeping the business stable. Just a few quick questions. On the traditional business you talked about EBITDA dropping where the drop is happening because of investments and the new business, so if you remove that, are we talking about stable EBITDA between 18 and 20%?

Praveen Kumar: Yes.

Prakash: Fair. Just a quick second question. If we talk about growth going forward in EPS of OnMobile, if you could just give a flavour of how EPS growth can happen from the traditional business and how EPS growth can happen from the new business? I know you would be hesitant on numbers, so, you know, whatever you can share would be grateful to know how the EPS is going to grow from here.

Rajiv Pancholy: So instead of giving EPS numbers let me just talk about how we are going to present the financials and have a discussion on financials from the end July session onwards. What we've done is to basically have two different P&L, if you may, within the company, one, which reflects the core traditional business and one which reflects basically the new initiatives. Now, the core business you talked about what's going to happen to the traditional business but the new business, as we start to launch this and take away the customer base is going to require a significant investment from a cash perspective, a lot of promotional energy that will have to go into it knowing fully well that the rewards also are going to be there for us. So rather than confuse everything what we are trying to do is make it up and explain to the investors and shareholders exactly what's happening in our traditional business and what is the impact of the new business initiatives and that will hopefully make it very clear.

Prakash: Fair enough.

Moderator: Thank you very much. We have the next question from Mr. Chinmaya Garg from Drone Capital. Your line is unmuted. You may please go ahead and ask your question.

Nashid: Yeah. Hi, Rajiv. This is Nashid here. I am sure it was a challenging year, but have been lots of things which are, you know, like many of the, I would say, foundation stuff that has been laid. Now, I would just like one macro, if an operator is whatever happy to renegotiate the whole contract with you, two things I am sure they are not doing it just for addition of, you know, few more subscribers, so can at least, you know, subjectively is it possible to say that unless and until they are seeing substantial increase in the subscriber base they will obviously not move to any new product or platform or contract, right?

Rajiv Pancholy: Yeah. So the answer to that is not quite that way. What we are doing is and I want to be very clear this is not a model that will apply to all our operator partners; this is going to apply to initially to some of our and certain geographies only. There are geographies where we will not change the existing model at all because it doesn't make sense. What we are saying if you look at the current model we have with the operators, in very large terms the ownership of the customer lies with the operator. For the actual amount of spend that the end consumer does in the service OnMobile gets to see a very small fraction and typically I would say in the double digits on the low teens the range of revenue share. However, our role is in the whole ecosystem is somewhat limited to maintaining the service, from a hardware-software perspective and we are continuing to building new sets of features and things of that nature, but the entire customer lifecycle management, the price lines, everything, the marketing promotion is done by the operator. New model is that as we take it over and we start to perform the functions, OnMobile will now start to recognize a significantly larger portion of the net spend by the consumer because we will be taking over some of these critical functions and we will be responsible for such an enterprise plans for the promotion, for brand awareness, for adding new features, everything that comes with the notion of owning that relationship directly with the end consumer. I hope I have explained to you the changes.

Nashid: Just one, maybe, question, extension of the same question. So initially when you say you will sign up, does it mean, maybe, 10% of the subscriber base or something like that or it's going to be, you know, out of your 70 million subscriber base or are we looking at what 5 million, 10 million, is there any kind of a base that you are targeting initially to shift and then, you know, build on it?

Rajiv Pancholy: So the way it's going to happen is every time we change the relationship with a specific operator 100% of their base will shift to OnMobile. So it will be much dependent on the sequence in which we actually change the relationship with specific operators.

Nashid: So then it obviously lead towards substantial increase in revenue, although there will be associated cost or whatever sharing that was so the content and the operator, but at least does that mean that the revenue will see a substantial bump up?

Rajiv Pancholy: Yes. That is correct.

Nashid: Fair. And just one, you know, question because you have signed up these large customers on the traditional business and have they already started contributing, when are they expected to contribute to revenue?

Rajiv Pancholy: Sanjay, maybe, you just talk about this.

Sanjay Bhambri: Yeah. Fundamentally, from the Airtel standpoint we had two zones in India. We have the first zone which went live a few weeks back and within the Q1 of this year we will have the second zone go live from Airtel India. Airtel Africa which is Nigeria we are targeting to go live and start contributing within this quarter which Q1. And Reliance we are expecting also to be in fag end of this quarter or early next quarter, so they will all start contributing.

Nashid: And revenue should be similar to what has been sort of in terms of the existing subscriber base the revenue should be similar?

Rajiv Pancholy: See, the revenue question is the most difficult one to answer because, you know, when I look at the map across the world and see what's happened in the currencies, there are some very wild fluctuations going on.

Nashid: No. See, I am not talking about currency; I am just saying simple straightforward question if, let's say, Airtel or whatever, so subscriber base of 65 million; now, we have gone till 115 million in India. Should one assume that it will have similar kind of a revenue that you were getting from Airtel before?

Sanjay Bhambri: Okay. So, I think, number one is that the numbers are not, I think, correct. You talked about the base from 65 to 115 or something that's not our number. If you look at our total base, globally it's we close the year at 71.4.

Nashid: No. Sorry. I was a on gross subscriber base because that on the Airtel announcement, so that was a gross subscriber base that you are managing, of that obviously net customers or OnMobile will have, maybe, 5%, 6 % penetration that you have; that I agree. So I am just going from the gross subscriber base so whatever you are getting from Airtel if the subscriber base that you are handling has doubled, does it mean that whatever Airtel revenue would have that will double. That's all.

Sanjay Bhambri: Mathematically it will, but technically or on an actual ground level it may not double digit or less than that but it's not going to be like half of it. So, yeah, it will not be precise as in the market.

Rajiv Pancholy: So what actually happens is, as you know, take the example of Airtel we have now started to operate in one of the zones of one of the four zones that Airtel actually has from a service point a few the difficulty or the important thing to keep in mind is all zones are not equal in terms of the penetration and the consumption of services. So even though you may be adding another zone, it financially translates into a proportional sort of change in revenue and consumption mix. So that's the only thing, but apart from that obviously we are very bullish about what this does to a revenue.

Nashid: Yeah. Because, see, in terms of operating leverage I am sure what our gross contribution should be more or less coming right till EBITDA or maybe to PBT, right?

Rajiv Pancholy: Right. Yeah.

Nashid: Yeah. Because till now, you know, there was only de-growth in revenue that we have seen over last few years; now, revenue has stabilized, you have started adding few customers, you know, for getting the new products which are going to be launched at least we are talking from, you know, point of view of whatever revenue gets added that helps substantially change the bottom line of the company.

Rajiv Pancholy: So I would just like to add, maybe, one sort of fine point or caveat on this. When we look at revenue growth on a traditional business, we raise the pictures very different depending on which geography you talk about. We do expect to see growth in Asia, fairly a good growth partly because we want new customers. We do expect to see growth in Africa and Middle East. Latin America, it's a whole different discussion mainly because the gyrations in the foreign exchange are so vast and seems so huge which makes it difficult to basically even if your KPIs on the ground level remain the same, the amount of revenue recognized, you know, changes dramatically. So, yes, I think, you know, you will see basically the penetration increase, the level of service increase, the level of coverage increase, but in terms of what the final number happens to be on a global basis it's very much dependent on foreign exchange situation.

Nashid: Fair. I agree with that, but, you know, the way we look at OnMobile is that there is this huge base that you are targeting. Your current penetration is extremely low, so we are going from two aspects, one is just increasing the penetration of tradition business as much as possible. Obviously, new products will surely add to the penetration and substantially to the revenues at least how much for the bottom line that we have to see. But the idea is still now OnMobile was on de-growth trajectory if the base business starts growing which can obviously help you in terms of cash flow which you can invest on your new product, so that is how, you know, we are looking at OnMobile. So we will be more than happy if as long as subscribers are getting added.

Rajiv Pancholy: There are two things happening in our business and maybe this is a good time for me to introduce some of the reasons why we are changing the business model at least with some of the operator partners. Number one, a service that has been offered is very fragmented in different geographies; each one has a different pipeline. They are seen as the wall garden approach. There's no sharing between the customers of these services, amongst different operators and frankly not a whole lot of innovation has gone into basically rejuvenating the service. It has been fairly static for the last several years in terms of the actual value which brought to the end user of the service. When we introduce this is the first everyone to fix because this goes to the question you posed about why the penetration levels of the service low and again there are two access to it. One is the features have to be sort of immediately boost in terms of what the contemporary users want to see in the service, which is what we can do and we will be able to do once we control the service definition and the offering in the pricing that goes with it.

The second part is that the cost of the service is made up of several parts; there is the cost that is incurred by the operator, there is the cost that's incurred by OnMobile and then there's the cost that comes from the music or the rights that we actually buy which is also not an insignificant part of the equation. And then these content costs are negotiated on a geography basis which is the way it's been done now. And in India it's a local negotiation and in the U.S. it's a different negotiation and in many cases this is done by the operators themselves. None of this end up creating a substantial volume that allows us to basically go and renegotiate these costs. Now, when we add up and I will give you a number which, I think, you know, you can probably think about. In the last year, the year that's gone by, OnMobile's RBT service replayed 200 billion pieces of music in the year. And I repeat 200 billion pieces of music in a year. Now, when we go back and negotiate content they use on a global basis and we are the owner of the service and that kind of volume I can tell you not only can we actually do a much better job, but we can also bring the latest content which today is not available to RBT users worldwide. So behind this the new model is a whole bunch of things that would change and all this put together we do expect that we will raise the penetration level of the service and the appeal of the service.

Nashid: I am sure, I mean, we are, I mean, right from the day you have come and turned around the company I think you are on track, maybe, there is bit of a delay in terms of some of the things going off ground, but for everybody's sake we obviously wish that you do well. Thank you.

Rajiv Pancholy: Thank you.

Moderator: Thank you very much. We have the next question from Mr. Sunil Jain from N&B Securities. Your line is unmuted. You may please go ahead and ask your question.

Sunil Jain: Yeah. Good afternoon, sir. Sir, my question relates to the transition phase, say, an operator who is shifting to a new service and existing service has also been offered through that operator, so that old service will get disconnected between and then new service will get started or both will run together and the revenue stream will continue?

Rajiv Pancholy: The simple answer to your question is that again it's an operator-by-operator discussion. In the first few operators that we are currently close to concluding the deal with the entire base of customers which on the legacy platform as well as the new platform will become customers of OnMobile and we will then gradually transition them from the existing service to the new service, but that's something that we will do in terms of lifecycle management. But the traditional offerings they will not be disconnected because, you know, the cost of reacquiring the customers are so huge and that's the notion that we cannot even entertain.

Sunil Jain: So the customer will become direct customer of OnMobile in your new service?

Rajiv Pancholy: And their existing service will be continued till we over time the transition them to the new offerings.

Sunil Jain: Okay, sir. Great. Thank you.

Moderator: Thank you very much. We have the next question again from Mr. Prakash who is an individual investor. The line is unmuted. You may please go ahead and ask your question.

We have the next question from Mr. Prakash. Your line is unmuted. You may please go ahead and ask your question. Mr. Prakash, your line is unmuted. You may speak, please. Moving on to the next question, we have Mr. Manish from SPCL Wealth Management. Your line is unmuted. You may please go ahead and ask your question.

Manish: Yeah. Hi. This is Manish from SPCL Wealth Management. I had a question regarding the depreciation cost. You are having a run rate of around 37 crores in this year per quarter. So next year what would the depreciation would be approximately and...?

Praveen Kumar: The run rate come down to about 15 crores per quarter.

Manish: Per quarter next year? So there would be a saving of 20 crores on the depreciation front; that would show on the bottom line?

Praveen Kumar: That's right.

Manish: So approximately 80 crores bottom line would be reflecting next year only on the part of amortization and depreciation?

Praveen Kumar: That's right.

Manish: Okay. Thank you. Hello?

Rajiv Pancholy: Yeah. Thank you.

Manish: Yeah. Another question on the buyback. Sir, buyback is almost around 50 to 60% complete as of now, so what's the thought process of the management of by when the buyback could be completed?

Rajiv Pancholy: So, I think, according to the regulations we have a certain amount of time to get this process done.

Manish: Yeah. I think, four months have passed.

Rajiv Pancholy: I beg your pardon?

Manish: I think, four months have passed.

Rajiv Pancholy: So, I think, by now we have six months done and expectations to complete the process within these six months.

Manish: Okay. Like last time when you did a buyback you completed within 15-20 days and this time around you are taking much longer, so any reason for that?

Praveen Kumar: No. No specific reason. If you see, the volumes on the exchanges are very low. So we don't want to just flood the market and artificially increase the price, so we are picking whatever is available on a daily basis on the market, so we are taking it in that pace rather than trying to hurry it and close it in a shorter span of time.

Manish: Okay. But you intend to take the full quantity what you have authorized?

Rajiv Pancholy: Yes. That's correct. Yes.

Manish: Okay. Thank you.

Rajiv Pancholy: Thank you.

Moderator: Thank you very much. We have the next question from Mr. Jagdish. Your line is unmuted. You may please go ahead and ask your question.

Jagdish: Yeah. You just mentioned that, you know, the gross margins have come low because of the change in revenue mix, so could you just explain that what is the favourable revenue mix to you guys and why is it the revenue mix has not been good, so your gross margins are low?

Rajiv Pancholy: The two principles contributed us to the revenue are the ringback tones and also the CVAS, the converge value of the services offering. In the case of ringback tones most of the time OnMobile does not do the content procurement; it is done by the operators, so actually our gross margins are significantly higher on the business. In the case of CVAS the gross margin is lower because we actually are responsible for the content procurement. It's just the way the contracts are grown up. So especially in Europe as the bigger contribution is coming from CVAS product, you find that the mix of that from a gross margin perspective actually changes and changes quite dramatically. Keeping in mind that one of the major RBT market which is the higher contribution is Latin America and we just talked about the financial issues and economic turbulence of Latin America, so as we see issues in Latin America and we see growth in Europe on a lower margin product, it does change our gross margin significantly.

Jagdish: Right. Okay. The other question is are you planning to launch a new app, you know, new products, any on-deck? The whole operator subscriber base is, you know, get along with you guys, so do you see the cannibalization happening and if you guys see that cannibalization happening of revenues and to what extent?

Rajiv Pancholy: And, again, I have to be very careful. Please do not take this to assume that the entire 71 million bases is going to shift to OnMobile; this is very much a geography-by-geography, operator-by-operator transition that's going to take place. And we would be focused just on a few markets to start with because it is a lot of work to do this kind of transition. It represents the monumental change in terms of the skill mix within the company as well in the direct consumer business. Now, in terms of cannibalization when we do convert in existing user base from an operator ownership to a notion of OnMobile ownership, there is no notion of cannibalization because it is still the same service and this continuity being maintained. And this is the kind of service at least from the traditional ring back tone business where you have a unique and, I would say, individual relationship between the operator and since this is a network-centric business, you cannot have a third party come in and offer the same offering and cannibalize the base. So the danger of that is very low.

Jagdish: Okay. Just for an example if you were to understand that, you know, you are targeting from the 71 million customers you are targeting about 10 million of customers so what will be the revenue impact in terms of cannibalization that would happen to those 10 million customers into our revenue base as well?

Rajiv Pancholy: There would be no cannibalization.

Jagdish: Okay. All right. Thank you.

Rajiv Pancholy: I think that would basically over to OnMobile.

Jagdish: Okay. Thank you.

Moderator: I would like to repeat, participants, should you wish to ask any question, please press "0" then "1" on your telephone keypad. I repeat, participants, should you wish to ask any question, please press "0" then "1" on your telephone keypad.

Praveen Kumar: Sourodip, if we have no questions, then we can wind up the call.

Moderator: Sir, we have couple of questions again. So Mr. Suresh from Mentor Capital your line is unmuted. You may please go ahead and ask your question.

Suresh: Hi. You mentioned that next year your EBITDA margins would remain 18 to 20%, if you don't count the amount, there will be spent on growth, would you be able to give a number or guide us to what the growth spend will be?

Rajiv Pancholy: I think, it depends on the rate at which we actually pursue this model, you know, when we speak with multiple operators, they are not of the same size. So it's, in fact, there are some other smaller ones that convert and obviously the expenses are going to be low; some of the bigger one converts faster that expense will be higher, so it's difficult purely because the timing issue. We are in negotiation with multiple parties on this one and it much depends on who and where we operationalize the thing first.

Suresh: Would there be a run rate number that one could assume as the cost per, let's say, 10 million customer that you would have, you know, specific cost or something like that like any kind of matrix that one could imagine?

Rajiv Pancholy: No. It's difficult because, you know, it depends also on geography because once you take over the lifecycle management for the end consumer, the expenses so much with functional with geography we do it because the cost are so widely, you know. So what we will do is I mean, as you might appreciate, the cost are very different for promotion, advertising in the U.S. as they are in Bangladesh. So, you know, what we will do is starting with the next call which is going to be towards the end of July, first week of August we would start to basically be able to articulate which customers are going to make the transition and in what timeframe and with that we will see the numbers will become more visible and obvious.

Suresh: Okay. Just a related question, the new app is this a continuation of what was launched in Spain last year which is called the Yavoy or is that also completely revamped and re-launched?

Rajiv Pancholy: It's complete revamped. That was just to put in perspective that looks like a kindergarten student as compared to what we have.

Suresh: Okay. Got it. And two quick questions on account, one is you mentioned the depreciation will reduce substantially next year because of the way the new contracts in Latin America will be amortized will 150 become 80, 150 crores of depreciation will become 80 or that become 100?

Praveen Kumar: 150 will become 70.

Suresh: Okay. And there will be some depreciation on some other CapEx or new spend, so what should the run rate be for the year at 2017?

Praveen Kumar: Run rate, I think, fairly because as we invest in CapEx during the year that depreciation impact is not going to be much. So the run rate of around 15 to 17 crores is fair to assume, more on the lower side towards the 15 crores per quarter.

Suresh: So roughly 80 to 90 crores of depreciation is the safe number to assume for the next year and that can be maintained going forward?

Praveen Kumar: Maintain going forward this year that will be the guidance, but depends on what kind of investments that we will make.

Suresh: Okay. Sure. Yeah. So for the year 2017 80 to 90 crores? And then the other question I had was on your balance sheet what is the long-term and short-term loans and advances comprise of?

Rajiv Pancholy: So loans and advances are essentially, apart from the normal loans and advances that we have which is in the nature of the rental deposits and things like that in the prepaid expenses, you will have largely the deposits lying with the government. We operate in many regions and the large components of this could be either on the direct tax front which is like the withholding taxes or it will be in the indirect front which will be the VAT deposits.

Suresh: Okay. Fine. Thank you very much.

Moderator: Thank you very much. We have the next question from Mr. Rahul Agarwal who is an individual investor. Your line is unmuted. Mr. Rahul Agarwal, your line is unmuted. You may please ask your question.

Moving on to the next question we have Mr. Prakash who is an individual investor. Your line is unmuted. You may please go ahead and ask your question.

Prakash: Just a quick question, Rajiv. As you move to managing the customer yourself, is there substantial benefit there on the working capital side as well because right now you had a 30-day receivable cycle with most people? Does that improve?

Praveen Kumar: No. The dynamics of working capital, Prakash, will remain the same.

Prakash: Okay. So basically it's customer ownership, improved experience and at some point operating leverage because you get better cost structures?

Praveen Kumar: True. Yeah.

Prakash: Fine. Okay. Thank you.

Rajiv Pancholy: Sourodip, we will take one last question.

Moderator: Sir, this time there are no more questions in the queue. I would like to repeat, participants, should you have any question, please press "0" then "1" on your telephone keypad. So we have the last question from Tod who is from Private Equity Firm . Your line is unmuted. You may please go ahead and ask your question.

Tod: Thank you, everyone. So, Rajiv, I've been a developer in the bay area myself and I want to check in terms of Spotify and lot of your competitors, right, am I migrating to open source, so I really launched CVAS in terms of technology where OnMobile is different and how do you plan to be five years different to what your competitors are because to me this will become a mundane commoditized produce, so how are you being the next technology company who has to be better than your competitors?

Rajiv Pancholy: I am not sure how to answer your question, but let me try anyway. You mentioned Spotify and some of the other set of revenues. If you look at their dominance in the marketplace, it is not based on any technological differentiation; it's a question of what they have actually able to offer their customers and how they fit into the consumption lifestyle of the customers. And obviously if you look at Spotify, they have been very successful in doing that, but it's fundamentally a music streaming business. We in OnMobile are not in the music streaming business, so the first point of differentiation in terms of how we see ourselves a very distinct from people like Spotify and others like who do the music streaming, for instance.

Secondly, it's a question of, you know, what is the technological differentiation. You have to go fairly deep into where does the differentiation lie. If you look at the macro level, there is no such thing as an entire service that you can basically lock up with patents, so with a patent, but there are parts of it in terms of the underlying technology, underlying wizards that you use to make the service happen and those are lead things that we do have a patent portfolio and in terms of how they implemented and certain techniques that we use which become penetrable and become unique, you know, assets of OnMobile.

Third point is if you look at the success of a service, many of these, I mean, we don't want to be a technological powerhouse to use your sort of expression; we want to be a successful business and the world of difference between the two which is that obviously we are proud of whatever technology we have, but at the same time that technology innovation needs to be complemented with the ability to reach out to market, to promote, to understand consumer behaviour and to bring them the right features at the right time. So that is the formula for success with the OnMobile and not with technological innovation for the sake of innovation.

Tod: Fair enough. But there are competitors like Apple Music and others coming on board, right, so they will have that what were you talking about and I substantially see how we adopted open source, for example, because you can move to the Cloud and you can just save on so much on a depreciation cost.

Rajiv Pancholy: Once again, all I would say is that Apple, iTune and Sportify are the examples I gave on the music streaming business and we are not in that space. So we've done well in the space that we do understand and we expect to continue to do well in the space that we are going after.

Praveen Kumar: Sourodip?

Moderator: Yes, sir.

Praveen Kumar: Okay. This brings us to the end of call today. Thank you all for joining the call. We look forward to meeting you at the next investors call with more updates. Thank you for joining again.

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