"RateGain Travel Technologies Limited
Q3 and 9M FY23 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9MFY23 Earnings Conference Call of RateGain Travel Technologies Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero, on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhanu Chopra, Chairman and Managing Director. Thank you, and over to you, sir.

Bhanu Chopra: Thank you. A very good afternoon to everyone, and thank you very much for joining the earnings call for RateGain Travel Technologies Limited, for the third quarter and nine months ending December 31, 2022. We are excited to connect with all of you again and share some key highlights from the quarter gone by. Joining me on the call are Mr. Tanmaya Das, our CFO, Mr. Divik Anand, our Head for Investor Relations, and Thomas Joshua, Company Secretary of RateGain. And alongside, we have our Investor Relations partner, Strategic Growth Advisors.

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We announced our third quarter results for the financial year 2023 earlier today. And although briefly, I hope you've had a chance to go through our financial results, press release and investor presentation that are available on the stock exchanges and on our company's website. We are delighted to share with you another quarter of healthy and resilient performance with broad-based growth across all three business segments, strong margin performance and steady travel demand across key geographies.

This was the best ever quarter in the history of RateGain in terms of new contract wins, and we continue to deepen our presence across our enterprise clients. RateGain being a trusted and reliable partner of choice for many large OTAs and hotel chains, has been instrumental in driving new business, and we continue to engage with our customers, driving a healthy pipeline of INR 268 crores.

We continue to report strong performance on the margin front with an operating margin of 17.6% on the back of operating leverage and favourable business mix contributing to the margin performance. Our business lines, DaaS and distribution, which are also our high-margin businesses, continue to witness good traction, with good volume growth with existing clients and continued monetization of new logos added in the past quarters.

We continue to focus on responsible growth and monetization of new products introduced in the past 12 to 18 months. We are well on the path through seeing expansion in margins on the back of operating leverage kicking in, which I've highlighted many times recently, is really the beauty of the SaaS business model.

On a run rate basis, our annual recurring revenue exceeds our pre-COVID ARR by 27%. RateGain is also performing very well on the rule of 40 that I often talk about, which is a benchmark for SaaS businesses. We are currently at 57%, which is an aggregate of the 17% EBITDA-plus 40% growth.

As you all very well know, we completed the acquisition of Adara in second week of January. We're extremely excited about the opportunity given the inherent strength and value of the technology and platform, we have acquired and how this travel intent data can really drive higher return across digital marketing campaigns for travel and hospitality companies.

This fits in perfectly with the vision of RateGain to build an integrated RevMax platform and allows our customers to do guest acquisition, guest engagement and retention and wallet share expansion. The initial integration plan is well underway, and the focus is to make this business EBITDA positive in the next couple of quarters and map out the GTM road map, first capturing the low-hanging fruit, which is to recapture and reactivate the existing one lost relationships.

Global travel companies continue to hold steady despite the volatile macro scenario. But with the recent opening up of Asia geography, especially China, we expect to see good growth in the international travel market. A global travel outlook report released by Skift recently refers to travel as a mega trend with cross-border travel expected to grow at 50% and healthy revenue uptick for our customers, including hotels, airlines and vacation rentals.

We continue to focus on sales and marketing efforts with the combined efforts of our team, we had the best ever quarter in the history of RateGain with new contract wins recorded at over INR 49.3 crores, a 22% growth over Q3 of last year, which was our biggest quarter then and really ever prior to this. We continue to make calibrated investments in growing in certain geographies and behind our growth products. As we continue to deliver and execute across key parameters,I would like to applause the RateGain team, on delivering another strong quarter and moving towards our vision of becoming the leading SaaS-based RevMax platform in the travel and hospitality space.

With that, I will briefly now touch upon the performance across our three business segments, starting with Distribution segment. This division accounted for 38.9% of our total revenue with a recurring revenue of 99%. We witnessed healthy volume growth in the past quarter with demand across OTA channels and midsized hotel chain segment.

We continue to expand our footprint with our connectivity platform and the integration of content AI with Booking.com is a step forward in seamless and efficient content distribution for hotel chains. RateGain continues to innovate in solving the challenges of our industry to help our customers unlock new revenue every day. Our Martech business continues to grow at a healthy pace, contributing to 34.4% of our total revenues with a 99% recurring revenue.

We continue to make inroads into the APAC and Middle East region and have onboarded multiple properties with our innovative brand engagement and paid distributor solutions. Post the FIFA World Cup, hotels in the Middle East, especially are increasingly focused on social media presence and direct guest acquisition. Our end-to-end digital marketing offering covers all essential customer acquisition channels, including Google, Meta, social media, including Facebook, WhatsApp, TikTok, Snap, etc.

And we are able to deliver higher return on ad spend from our clients with real-time demand and parity insights through our DaaS products. With our recent acquisition of Adara, we'd be able to draw on the travel intent audience to drive more targeted marketing campaigns and drive higher returns. The DaaS business unit grew at a strong pace on the back of increased volume demand and expansion with our existing enterprise customers.

We are seeing increased demand from our OTA and hospitality customers in the Asia Pacific geography with a revival in travel demand and our air segment continues to perform well with new logo additions. The recurring revenue for DaaS business are 98.1% and contributed to 26.7% of the revenue in the third quarter. Our M&A strategy continues to be one of the key cornerstones of our growth strategy here at RateGain.

With the completion of the recent acquisition, the focus would be on the integration from a shared services perspective and from sales GPM perspective to leverage the global presence of RateGain. On the people front, RateGain was certified as a great place to work for the fourth year in a row. We have various programs for upscaling and building talent within the organization, namely RG Polo and RG Chrysalis.

All these programs along with in promote people then to approach to encourage the team to perform at an optimal level, are the key to the performance that's reflected in our quarterly performance into retaining talent. In terms of awards and recognition, we were awarded in two categories at the recently concluded 2023 Hotel Tech Awards organized by Hotel Tech Report, rate-shopping and market Intelligence, which is part of our DaaS business line and the channel manager, which is part of our distribution business. In addition to this, RateGain continues to dominate every category, it has products in ranking number one in social media, number one in content management and number two in rate parity. I'd like to now ask our CFO, Tanmaya Das, to take you through the performance of Q3.

Tanmaya Das: Thank you, Bhanu, and a very warm welcome to everyone on the call. I'm proud to report that the company has posted another strong quarter, with healthy revenue growth, margin expansion and new contract wins. The healthy pipeline and new contract wins despite a volatile global environment, highlights the strength of the travel industry and the increasing need of digitization to drive revenue growth in this sector.

In terms of headline numbers for Q3, which is historically a strong quarter for us as compared to Q1 and Q2, the company has registered a 40% year-over-year and 11% sequential revenue growth, with Q3 FY23, revenue at INR 138.3 crores. Worthwhile to note that all the growth this quarter are organic growth, our EBITDA stood at 16.58%, which saw a growth of 147% year-over-year and 30% sequential. Our adjusted EBITDA stood at 17.6%.

While our revenue growth was 40% year-over-year, our operating cost grew by 29%. Sequentially, while our revenue growth was 11%, our operating costs grew by 8%, resulting in operating leverage as our EBITDA margins improved from 9.76% to 16.58% year-over-year and from 14.11% to 16.58% sequentially. In terms of PAT, it grew from INR 0.9 crores to INR 13.3 crores year-over-year, which is multifold increase. Sequentially, it grew from INR 12.9 crores to INR 13.2 crores.

Our other income reduced by INR 6 crores this quarter, primarily due to unrealized forex loss of INR 4.5 crores arising due to the statement of our UK balance sheet, where US dollar cash and receivables were restated to British pounds and as US dollar depreciated against British pound, resulting in notional accounting loss. Without this notional accounting loss, the PAT would have been INR 17.7 crores for this quarter.

In terms of headline numbers for nine months ended, our revenue grew by 48%. DaaS grew by 29% distribution 35% and Martech, 82%. EBITDA stood at 13.7% against 8.9% for the corresponding period last year, which is a growth of 245%. PAT stood at 9.06% at INR 34.6 crores versus last year same period, we had incurred a loss of INR 1.5 crores. At the start of the year, we had given a guidance of 30% growth and 12.5% EBITDA margins, and we are well in course to beat the guidance by a good margin.

The company continues to have strong customer relationships that are helping in building scalable, predictable and sustainable revenue streams. Recurring revenues for the quarter stood at 98.3% and 77% of revenue was subscription in nature. Gross revenue retention and net revenue retention stood at 90.4% and 105%, respectively.

The revenue per employee saw 25% increase over last year at INR 0.86 crores. Our annual recurring revenue stands at INR 553.1 crores, which is 32% more than ARR as of the end of last year. Our pipeline continues strong and stood at INR 268 crores. We continue to have strong balance sheet where our net worth saw an increase of 4% as compared to last quarter and stood at INR 678.3 crores.

Our cash and cash equivalent balance at the end of quarter was INR 432.8 crores, but we have deployed around INR 120 crores post the quarter for recent Adara acquisition. Our cash from operations continues to see marked improvement in nine months of this year, which stood at INR 29 crores, which grew a growth of 68% as against same period last year.

I'm also happy to report that Adara integration is progressing well as the initial phase is on track with the integration of shared services, namely Finance, HR and marketing is underway -- we're pretty excited about the growth prospect and synergies that we need to capitalize on in the coming quarters and years. In terms of guidance for Q4, we will be able to consolidate Adara financials for this quarter for two months and 20 days as we completed the transaction around 10th of January.

We expect to grow organically 30% year-over-year. Our organic business margin should expand to around 18% to 19% in Q4. For Adara, we expect to register a 5% EBITDA in this quarter. However, we have spent certain one-time costs to close the transactions in legal and professional expenses, which will take its effect, considering all the above, we expect to deliver around 15% EBITDA for the quarter, at a consolidated basis.

We expect our PAT margin to be around 9% for the quarter and for the year, without any dilution due to the acquisition. With that, I would like to conclude my update, and we are happy to open the floor for questions. Thank you.

Moderator: First question is from the line of Karan Uppal from PhillipCapital.

Karan Uppal: So a couple of questions from my side. Firstly, on the overall travel outlook. So Bhanu, if you can elaborate amidst the macro challenges, what is the outlook on the overall travel for CY '23 and it would be helpful if you can break it up in terms of our core markets like US, Europe and APAC? And how big is the opening up of China for the travel industry, if you can elaborate on these two lines?

Bhanu Chopra: So in terms of the overall outlook, as I mentioned, we referred to Skift, which is a very well-known publication and this is the global travel outlook report that was released by them, they're referring to travel as a megatrend and a cross border travel is expected to grow at 50%. And as you mentioned, specifically, what we saw in sort of rest of the world will play out in China as well because they only recently opened up their borders.

We do expect a lot of that pent-up demand to flow into the cross-border travel, international travel as well. In terms of key market for us, as you know, it's largely US and in Europe. And as far as the numbers that we reported and even in the existing quarter, the number of transactions and the volume and the conversation with customers is not giving us any reason for concern. But at the same time, I am cautiously optimistic about what the industry holds for the rest of the year.

Of course, there is a lot of chatter about in our key markets of US and Europe about potential recession and interest rate pricing. So like I said, we see travel as a megatrend and it's defined currently everything. And we are hoping for the best, and that it will continue to remain so. But like I said, I am cautiously optimistic. So I do believe that we should hold steady from here on.

Karan Uppal: So just to take this forward, in terms of your cautiouslyoptimistic commentary, do you still believe that 30% growth rate can be possible organically in FY24?

Bhanu Chopra: The growth is really a function of really three things, right? So it is a function of the retention of the business. And as you can see, we continue to retain most of our business. We have healthy GRR rates, our ability to grow existing customers is the second point, and you're seeing our net retention rates are getting better, although incrementally better.

So also looking at the conversations we are having with our large customers and the chat about volume expansion that we are seeing with them that gives me the confidence that we will continue to expand on our NRR rates also. And thirdly, as we noted, we had the best ever quarter in this last quarter, Q3 in terms of new customer wins. So all the indications that we have in front of us lead me to be quite confident about the organic growth story ahead.

Karan Uppal: The second question was on new contract wins. You mentioned that it is a record win for the company. So are these only new orders? And what is the split between the segments, DaaS, distribution and Martech? And also if you look at it in terms of comparison to your revenue, it looks to be very low. So how should we interpret this data point?

Bhanu Chopra: So I'll let Tanmaya, comment on the split between the different business lines. A couple of sub-questions in your question that I will address. So a large part of our contract wins was really cross-selling new products to some of our existing customers. So something that I've indicated is, if you look go back to 2018, we were a two, three product company, and now, we have 12 products and something that had been insisting on our growth strategies, our ability to cross-sell and upsell new products and capabilities to the large enterprises.

So a substantial part of our new wins, were with some of our existing customers buying some of the new products. So it was a cross-sell initiative. And your question about this in terms of the new contract wins, it doesn't seem very, very large compared to the overall revenue of the company.

So the way to think about this is incremental revenue. So when we report on new contract wins, we do not report on business that is getting renewed. So let's say -- and that's the function of a SaaS business model that, let's say, if I have INR 100 of revenue, and I'm telling you that the INR 100, if our GRR is, let's say, INR 90 out of that INR 90 is getting renewed, although it could be also qualified revenue of when, but we don't report it like that.

We report only the next new when in the new contract win. So going back to that example of INR 100, let's say, we are renewing INR 90, and then we add another INR 50 on top. Our total revenue for next year will be INR 90 plus INR 50. So that's how you should look at that data point. You are happy to get into a more detailed discussion to help you draw out that bridge.

Karan Uppal: It was very helpful. Maybe Tanmaya, if you can mention the split.

Tanmaya Das: So this quarter, it was like -- we had a couple of marquee deals signed, one is in distribution where one of the large hotel chains signed up with us for a multi-million dollar deal. So this quarter, it was more skewed to our distribution like 63% came out of distribution around 25% from DaaS and 12% from Martech, that's the split for Q3.

Moderator The next question is from the line of Anmol from Albatross Capital.

Anmol: So I have two questions. My first question is on the Adara acquisition. So what are the integration costs, can we see in Q4?

Tanmaya Das: Sorry, what integration costs?

Anmol: Integration costs relating to Adara that we can see in Q4. Are there going to be a cost like that, or if anything you can quantify them?

Tanmaya Das: No. So there will be obviously certain travel costs, some overlap of resources and all, but in the guidance that I have given despite all those costs in-built, we are expecting a 5% EBITDA in that business in Q4. So yes. So despite factoring in all those transition and integration costs, we should be able to deliver a 5% EBITDA in Q4.

Anmol: My next question is on your cash utilization. So I can see that you are sitting on around INR 400 odd crores of cash on the book. So just wanted to know your thoughts on what is going to be the utilization of that pile?

Tanmaya Das: So the INR 432 crores, out of that INR 120 crores, we are already utilized post Q3. So we are currently actually, we have added some cash and a good amount of cash in January. So we're currently sitting around INR 335 crores, INR 340 crores cash at this point of time. So certain amount is as per the IPO proceeds around the two objects on tech investments and AWS investments, which will roughly take around INR 90 crores out of that.

The rest of balance cash is internally accrued cash over the years. So obviously, as Bhanu said, the M&A program is a very much a key strategy for us. So ultimately, what we see is that when we are ready for our next acquisition, when the integrations are done and all, then those will be utilized for inorganic expansion or any organic expansion into new products, etc.

Bhanu Chopra: I'll just add to it, given the fact that given the fiscal discipline that we have in the margin expansion, that you're saying we're adding cash now every month from a free cash flow perspective in company our size, we're adding good amount of cash.

So I don't see this cash being utilized for in the near term for any of our growth initiatives because we are generating enough cash to organically fund that through our accruals. So most of this cash would be targeted towards M&A and something that we've always said that M&A has been a forefront and you saw the Adara deal also that we have done.

So I do believe similar opportunities will present itself, and we still have a very-very robust pipeline. But at the same time, as Tanmaya pointed out, I think there is some degree of work that we need to do to digest the Adara acquisition and post that, we will be getting more aggressive again to see if there are assets available at the right price that are complementary and match our vision.

Moderator: The next question is from the line of Rohan Nagpal from Helios Capital.

Rohan Nagpal: My first question is how exactly are you measuring recurring revenue. So I think you said 77% of our revenue is subscription-based and then 99% of it is recurring revenue. So how does this work out, especially in the distribution vertical, where you're looking at a certain number of transactions and your'e charging customers per transaction. So at least some chunk of your revenue. So are you billing on a certain number of transactions upfront, or like how does this work?

Tanmaya Das: So the recurring revenue means the contracts are recurring in nature. There is no onetime contracts like doing a development or bespoke, etc., right. So even if like subscription revenue is pretty clear, right. For the rest of the transaction-based revenue, the contracts are kind of recurring because they're all auto-renewal contracts, evergreen contracts.

So if I say IHG or a big hotel chain is doing transactions through our pipes, the contracts are there for 15 year, 20 years, getting auto-renewed every year for another year, right. So obviously, the volume will vary year-over-year. But in terms of nature of that contract is evergreen or recurring in nature.

Rohan Nagpal: So it's not necessary that you will retain 99% of the revenue, it's just that you expect to have that transaction sort of that flow keep coming to us. And then my next question was on how you are measuring LTV to CAC because I mean, frankly, LTV to CAC at 23 off the charts. I don't know if any SaaS businesses that do it. But what we're seeing is LTV to CAC of 8.9% in Q1 or 12.2% for the first two quarters and then 22.8% for the third quarter or for the first nine months.

Tanmaya Das: So this quarter has been, as I said, is the biggest quarter in the history of RateGain. And LTV to CAC gives a functionality of gross margin and retention rates. And as I said the 60% of 65% of that INR 49 crores that was closed on this quarter contributed from distribution business, which has got like very less churn rate in like less than 5% churn rate in that business and gross margins are as high as 90%, right. So that's why it looks pretty high this quarter, but it is what it is. So because distribution just contributed that much, which has got like less retention and high gross margin, the LTV to CAC looks like.

Rohan Nagpal: So I understand that. But so you are telling me that the 22.8 LTV to CAC is for Q3 and not for the nine months of FY23?

Tanmaya Das: That's right.

Rohan Nagpal: Okay, because your presentation says 9MFY23?

Tanmaya Das: Let me check on that, and we'll get back to you.

Rohan Nagpal: Yes, because I think Q1 was Q1. Q2 was H1 and Q3 was nine months. So, if you could clarify that. Okay, since that is most likely a misstatement, just can I take one more question?

So, on Martech, one of the key highlights that you guys have mentioned is a paid digital offering that's allowed you to double your ARPU and increase in net attention. So could you just talk a little bit more about paid digital media offering. And I think if we look at FY19 and FY20, Martech numbers, those imputed ARPU is about is on the order of $25,000 to $28,000 a year. So is it fair to assume that this number is now trending more to $50,000 a year?

Bhanu Chopra: No. That is not the case. So okay, let me just take a step back and give you a sense on what are the Martech offerings, right? So instead of taking product names, I'll just, at a high level, tell you what are the key capabilities that we sell. So, we sell the capability of brand management, which is basically engaging with the demographic that the hotelier is interested in and mostly we do this for luxury hotels. So, it's basically domain creators and doing post on Instagram and Twitter and Facebook and engaging with the affluent traveller so that they can build a captive audience.

The second thing we do is brand management. So, it's very important for especially the luxury hotels that they maintain brand reputation by monitoring what people are posting on Facebook and Instagram and also responding to it, especially in a crisis situation so that they don't let it go out of hand and they can do damage control on the brand.

The third thing that we do is PDM. So basically, it's brand management, brand monitoring and engagement and PDM. And Paid Digital Media is all about, it's more sort of top of the funnel, middle of the funnel and bottom of the funnel to get customers to come to your website and actually make the booking. So, the KPI is largely around driving direct bookings on your website. So, where we have seen the ARPU double is in the PDM offering.

And the reason that has happened is in case of our PDM offering, we have different commercial models that we go to the hotel with. And these are popular Adtech models like CPM, CPC and CPA and what we were effectively able to do is sign up a few customers on the CPA model, which is you actually get paid as you do, it's sort of pay-for-performance type model. And as you increase the number of bookings, and also, if you get in customers that have higher ADR values,basically, your take rate goes up because you're being paid based on performance.

So, there was a movement to taking on some of those kinds of customers and yielded great returns for us. Also, we were coming out of COVID, so as hoteliers began to spend more even on the other commercial models like CPM and CPC, the marketing budgets just went up and as a result of which our fees went up as well. And that's why you see the increase in the ARPU on the PDM.

Rohan Nagpal: So PDM is kind of like performance marketing that you're running and so, Metasearch is specifically Kayak, Google flights, etc., and PDM is more Google, SEO plus, any other search engine SEO plus, Instagram Facebook, etc..

Bhanu Chopra: So, In our PDM, you're absolutely right. It's basically it's search, social and even meta. So, we include Meta in the PDM as well because from a hotel's perspective, it could be any channel. What they really care about is how many customers are they able to drive and get bookings on. So, we basically include Meta in it also. And why Adara acquisition is extremely value accretive to us is now we'll be able to do display as well. So, display as a channel was not something that we had. So, display is largely when you go on different websites and you get travel ads...

Rohan Nagpal: The banner ads basically...

Bhanu Chopra: That is correct. So, we are now with the Adara acquisition able to do display as a channel as well. But more importantly, this is the most important secret of why our PDM will become much more powerful than anybody else is the travel intent data that they have. So, when you're doing performance marketing is all about figuring out what audiences to sell to. And what Adara data does is it has the travel intent.

So basically, what we will be able to do is apply that layer of intelligence to all performance marketing campaigns because we know, for instance, Rohan, you're about to come to Delhi. And we will, on behalf of our customers be able to send those targeted ads to you on display or if you're searching on meta, we'll be able to target you and lead to that conversion because you're now targeting people more in the lower part of the funnel, thus leading to higher conversions thus leading to a much better return on ad spend (ROAS).

Rohan Nagpal: Do you have a number on how much the ROAS could increase in terms of percentage points as a result of this better targeted?

Bhanu Chopra: Actually, there is a number, but I don't want to I don't have it at the top of the head, but we can come back to you, but we do have that number. Actually, that's a number that we shared in a lot of our marketing collateral for Adara as well when we fend to go pitch to customers.

Moderator: The next question is from the line of Shobit Singhal from Anand Rathi

Shobit Singhal: So, my first question is on the Martech business. So, if I see, we have grown only 3% kind of sequentially. So, are we seeing some budget cut in this segment, similar to what other global peers are seeing?

Bhanu Chopra: No, it's actually, as I mentioned to you, so I'll step back and reiterate that our MarTech business is basically three capabilities. So, brand management, brand monitoring and the PDM. So, as you can probably tell the PDM is extremely automated. It is more of a platform and nonlinear to people, really, whereas our solutions around brand engagement, brand monitoring it's more service orientation while we have a platform, it's a managed service platform.

And at the time of recovery of COVID, we did sign up a bunch of customers because there is a dire need for people to, especially for luxury hotels to build this to have the solution in terms of brand management, engagement and monitoring. However, we did take on a lot of customers in our quest to add the number of hotels at that point.

And what we're doing now is sort of cleaning up some of the since that we did as part of our COVID recovery and letting go of some of those low margin accounts, given the overall focus on margins at a group level. So there was some pruning of some of the bad contracts that we had. And I think there will continue to be some pruning. So it will offset some of the growth that we are seeing on the PDM side.

But at the same time, as I mentioned earlier in my opening comments as well, it's not going to be meaningful that it will impact any of the robust demand and numbers that we are projecting for this Q4 as well as the year ahead in FY24.

Shobit Singhal: And also, sir, can you share the EBITDA margins of the BCV social because earlier, I think in Q2, it was actually breakeven and MHS was around 10%-12% margin. So can you share for this quarter as well?

Tanmaya Das: Yes, I did them in a similar range. Both the business is in a similar range as Q2.

Shobit Singhal: And also, sorry, sir, I have missed your guidance for Q4 on revenue and EBITDA organically and inorganically, if you can share.

Tanmaya Das: Yes. I'll reiterate guidance in Q4. So we expect to grow 30% year-over-year in Q4. The organic business EBITDA margin should grow to between 18% to 19% in Q4. For Adara, we expect to register a 5% EBITDA to this quarter. But we have some onetime costs to close the transactions, which will come into effect in Q4. So considering all of these evolves, we expect to deliver a 15% EBITDA for the quarter.

Moderator: The next question is from the line of Ranodeep Sen from MAS Capital.

Ranodeep Sen: So first off, I mean it's just amazing to snap almost $100 million company for just $16 million Bravo on that. And you did mention that you were in talk with Adara for a long time. So my question is, are you presently in talks with any more future companies like that you want to acquire? Obviously, it needs to be margin accretive, we understand. But are you in talks with any companies where we can expect some more acquisition being announced?

Bhanu Chopra: Yes, absolutely. So as I had mentioned earlier as well, so we run a very, very robust M&A program. There are a couple of dedicated folks whose responsibility is to actually continue to talk to founders. And it's very, very similar to what VC funds or private equity guys do is continue to engage with founders in the industry. So we continue to do that. And we do have a few opportunities, where we've been in conversations for some time.

And look, given the fact that we've done this now, this is our fourth acquisition and I think what people see is the deal that we did and are bound by it, but I think what people don't realize is the amount of effort that goes into growing each of these deals. So it's a lot of hard work and continued engagement. And we are doing that, we are very clear on what we are willing to pay for an asset. And sometimes longer for the other side to come around. And sometimes it doesn't even happen.

So what we are very clear on is we will continue to do the kind of deals that we've been doing. If you look at our past history also, we usually only pay 1.5x to 2x revenue, and we'll continue to be in sort of that range. Because I feel that's how we are able to create huge alpha. And that's how we were able to create a huge alpha in the previous acquisitions.

And I'm very confident that Adara is going to be a huge alpha creation and value for us as well, given the fact that the company was about 100 million only two years ago. And now we are sort of six months into the acquisition and all the thesis that we had, because you only learn more after you get married, and I'm happy to report that it's all great learnings and as Tanmaya also pointed out in terms of internal projections for this Q4 quarter for Adara that we had, it seems like we will beat that by high margin.

Ranodeep Sen: My second question was, I understand that US and Europe continue to dominate the revenue for RateGain. But have you seen any trends when it comes to India as a market? And how is it evolving? If you can share some insights or trends, especially in the backdrop that the ICC World Cup 2023 is being in India, we did see a notification about the Air India deal. But any other trends are insight how big is the market opportunity of India?

Bhanu Chopra: Yes. So look, something that I've stated before also is our focus is on the mid-market and the enterprise market. So we focus on largely chains of hotels that have at least 10 hotels or more. So if you look at the number of chains in India, that has significant amount of hotels under management, there are not that many, but whoever they are, we work with them already.

The other part of our growth in India is really with the international chain. So not just India, but Asia is a great opportunity for us in terms of growth. And I also like to clarify the way we recognize our revenue, we probably need to get to the maturity, where we can qualify the revenue basis where the hotel is, because for instance, currently, even though we are recognizing the revenue in US, it could be related to the hotel in Asia.

And the reason we do that is because we deal with the corporate and the corporate is in the US. So let's say, if we deal with a Marriott Inter-Continental or a Hyatt, they're all based in the US and from a revenue recognition perspective will get recognized in the US, although those hotel chains are seeing much larger growth in the APac region. So we will continue to see that play out.

But I'm also very-very tiked about the recent policy that the Government came out in the budget on focusing on inbound tourism and developing Top 50 destinations. And my gut instinct tells me that there is more that we can do, especially with the Government and the Ministry of Tourism with their focus and itself, it's a seed implanted in my head now. And I'm hoping that in the next quarter or two, we'll be able to come back to you, if there are opportunities that we begin to explore.

Moderator: The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities.

Chirag Kachhadiya: Congratulations on a good set of number. Sir, I have one question on the growth side. In this growth, is there any element of inorganic? I mean the acquisitions, which we have did a year back or so?

Tanmaya Das: So in Q3 the 40% growth that we have reported is pure organic, because in the same quarter last year, MyHotelShop was already acquired in the month of September. So the 40% growth is purely organic.

Chirag Kachhadiya: And just one more question on the acquisition side. So going forward, is there any tech enable related acquisitions we were going to do, because the business in which we are, we required continuous upgradation of platforms. So is there anything under pipeline for that?

Bhanu Chopra: I'm not sure I followed the question. So you're saying M&A, tech upgradation?

Chirag Kachhadiya: Yes.

Bhanu Chopra: No. I don't see, because this is a core area of expertise for us in terms of if you think about the SaaS delivery model, there's multi-tenancy, meaning you build it once and you keep upgrading and it automatically applies and gets delivered over the cloud to everyone. So that's what our teams are doing constantly. And I think, I should mention this, we are planning a demo day, so that our investors and you guys can get better-and-better understanding of the products that we have, and you can touch and feel that.

So, I'd love to invite you all to our demo day. We will release the details about, when we are conducting it. It will be a virtual one. But as you would see, and if you consistently, see our products, has constantly been innovated and we follow in products as sales with our strategy of building product roadmaps and continuously evolving the product and a lot of those innovations, I talk about in our detailed presentations also. So, I do not see the need given this is what we do.

Chirag Kachhadiya: Because our services are more intangible in nature. So, for a better understanding and the potential roadmap, if you test anything virtually, then it will be really helpful? That’s it.

Moderator: The next question is from the line of Rahul Jain from Dolat Capital.

Rahul Jain: My question is basically related to the cross-sell, up-sell that effort and initiative that we've been doing right now, and how we are progressing on that? And there was this also initiative relating to creating a platform, which would help scale-up that effort in a big way. So, any time line that we have in mind, when we could see that going to the market to our client pool?

Bhanu Chopra So Rahul, if you look at our, you see numbers on new sales. Actually, as I indicated, one of the larger deals that we did was a result of this cross-sell initiatives. So, it is beginning to yield results already. And basis that we had like a record quarter. And we continue to see lots of excitement in the industry.

Because people, especially, the mid-market segment, they don't have the wherewithal to deal with multiple vendors, multiple point solutions. So, we are seeing not just commercially the excitement of customers to deal with one company, but also the fact that we can provide this one realistic platform, which I call the front office, looking at the customer acquisition, customer engagement and retention and wallet share expansion. So, we're already seeing a lot of traction.

Now to your point about the platform building of getting everything into one platform, so, our first release is already out. We have actually begun to also use the platform to do this natural cross-selling and up-selling. So, what we are doing is, we are bringing on some of our existing customers that used one of our products to say, look, here is the platform, you can use this product in that platform also, but, let the product sell itself, because we can then see the power of having it all under one roof. So that activity is already started, but we have some very nice conversations with some large chains, who have expressed a lot of interest in moving to this platform.

So the early signs are very-very good, but we do have, I mean, even though the first release has happened, there are a bunch of additional components that we need to build and release. So, I think from a product roadmap and building out the platform, I want to say, it will take us really rest of the year to get to where we want to get to. But at the same time, given that we have done the first release, and we will be incrementally releasing other components on this one holistic platform. The commercial activity has already begun.

Rahul Jain: So next year is the year when we would see monetization happening on this?

Bhanu Chopra: That is correct. I think some monetization will begin to occur this year. But again, now everything that we do in terms of moving the needle has to be substantial. Because we are now almost hitting 100 million ARR. So even at, when we talk about the 30% growth, that's 30 million. So, we would, for me to be able to comment on and give you the excitement, I wanted to be substantial in large. And you're right. While we will see some activity this year, but it will take, it will be really FY25, when we will see it moving the needle given the larger base that we have.

Moderator: The next question is from the line of Mayur Patwa, an Individual Investor.

Mayur Patwa: Congratulations on the excellent set of numbers. So, I have two questions. One is on the amortization of acquisition costs. So, can you just elaborate on how much is the acquisition cost left in the books and for how many quarters it will continue?

And second question is on the EBITDA margins of Adara. So, as you said, they are at the moment around 5% range. So once everything stabilizes, what margins we can expect from Adara?

Tanmaya Das: Yes. So, on amortization costs, look, these are the long-term cost, because for the past acquisitions, we created these intangible assets and they're getting amortized over a period of 10 years-12 years. I expect the similar amortization costs next year as well. And there will be some reduction in next year, but there will be addition due to Adara. So, it's going to be static for at least two years-three years. And then there is a downward trend that will happen with the useful life getting, coming to a close. But next, I think, two years to three years, we can expect that it will be in the similar levels.

On Adara acquisition, during our investor call after the acquisition, we did mention that we expect to get around a 15% EBITDA margin for '23 and '24, next fiscal year. Again, we are in the process of creating new budgeting cycle and new plans for the year. I think, I will be able to give you much better guidance in our next call. But whatever the initial plan that we are prepared, we are targeting a 15% EBITDA in '23, '24. And this asset is similar to DHISCO as a platform and so we'll get a lot of operating leverage going forward as well.

Moderator: The next question is from the line of Siddharth from Creaegis.

Siddharth: Hope you guys are feeling insanely awesome after this great set of results. My question is on Martech revenue growth. So, this quarter, it's about 3% quarter-over-quarter and 30% year-over-year, which is lower than what I think Tanmaya guided, during the IPO and very recently as well, which is about 50% growth. So, my question is when can we return to that 50% growth? And is the pruning of loss-making accounts, is that going to continue in 4Q and next year as well? So that's the first question.

Bhanu Chopra: Yes. So let me take that Tanmaya. Yes, so in terms something that I indicated earlier on the call also, the pruning, I think, will continue. We do have a few more customers that we need to do, and given the fact that we do subscription, you have to wait till the cycle of renewal comes about. So, a large part was happened in this in Q3, and there is also similarly in Q4, some pruning that we are doing. In terms of going forward, given the fact that we are now really focused on maintaining EBITDA levels and margins. You want to do the same, especially, when it comes to our brand monitoring and brand engagement offerings.

So, what we've done is we've actually elevated the price levels. And as a result of that, we don't expect similar kind of growth levels. So, I do think that it will become difficult to the same 50% group level. And also, the fact that now Adara forms that out of that mix as well. Because it's part of the Adara business, is part of the Martech as I was explaining earlier, it really becomes a part of the PDM offering that we have.

So if I had to break it down and sum it up, the bases the three components that we have, the brand monitoring, brand engagement and PDM, I see the PDM business to continue to grow quite aggressively, especially with the Adara offering making even more compelling. But there is some amount of platform work that we need to do so before it really kicks-off, I think it's another couple of quarters before we can begin to really realize the value of Adara integrating in it.

On the brand monitoring and brand engagement piece, which is any which way is now a smaller part of the overall Martech revenue any which way, I think recovering that and going back to the aspirations that we have. I think there is a bunch of work. Can I guide you on what that will be? No, not today, but hopefully maybe in the next quarter or so we'll be in a better position to do that.

Siddharth: And second question is on new customer or new order wins and which are great and which led to, I guess, the decline quarter-over-quarter in the total pipeline. So, I do want to understand what are the plans to replenish this pipeline further?

Tanmaya Das: Yes. I mean I was answering the same. The declining of the pipeline is primarily because we closed on a lot of deals this quarter. So obviously, the move from pipeline to new contract wins. That's number one. And we also did some pruning exercise in the pipeline like the old pipelines and all, etc., because we have to keep that hygiene level well. So that's why it is that. But I think generally, Q3 and Q4 are strong quarters, both in terms of pipeline generation as well as new contract wins. So, we expect to grow that back to the previous levels.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Bhanu Chopra: Thank you, everyone, for giving us the opportunity today and participating in the earnings call. I would like to invite any of you that has further questions to reach out to Strategic Growth Advisors or Divik Anand, who is the Investor Relations Head for more detailed conversations and having a one-on-one with us. So, thank you again.

Moderator: Thank you. Ladies and gentlemen, on behalf of RateGain Travel Technologies Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.