"RateGain Travel Technologies Limited Q3 FY'24 Earnings Conference Call"

February 02, 2024

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 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. The statements are not the 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 touch-tone phone. Please note that this conference has been recorded.

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

Bhanu Chopra: Thank you very much and 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 of the fiscal year 2024. It's great to connect with you all again and I'm excited to share some key updates from the quarter.

Joining me on the call would be Mr. Tanmaya Das, our CFO, and Mr. Divik Anand, our Head of Investor Relations.

So we announced our third quarter and nine months results for the fiscal year 2024 earlier today and 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 also on our company website.

I'm excited to share that the company has delivered yet another strong quarter of healthy growth, improving profitability and a compelling financial performance, underscoring a resilient momentum. It was another record quarter for the company in regards to new contract wins, which now stands at 2.3 times at the same time last year, a significant jump, underscoring a strong growth momentum as we continue to add new clients and deepen our presence across marquee global travel brands.

A foundational philosophy and commitment towards delivering value and excellence is evidenced through our impressive operating and financial metrics of Q3 and for the nine months of the fiscal. So some of those key highlights I'd like to share with you are:

Our annual recurring revenue, our ARR has now crossed another significant milestone and now stands at INR1,008.1 crores, growing at an impressive pace of 82% year over year. We continue to scale up at an impressive pace, healthy traction across all our three segments as the teams continue to demonstrate value and add marquee logos along with deepening relationships across key accounts and our wide portfolio of 14 products.

Revenues for the third quarter grew by 82% to INR252 crores compared to the same period last year. Strong revenue growth was complemented by an improved operational performance with our margins coming in at 20.3%. It's a notable achievement and we are now one of the few global SaaS companies that has managed to scale up and doing so profitably. I'd also like to remind the audience at the time of the IPO, I had promised that we would get to 20% EBITDA from 10% in five years and thus we have achieved that milestone in two years.

Our new contract wins for the quarter came in at a record INR84.4 crores, a growth of 71% over the same quarter last year. We witnessed healthy traction across all three segments and with a sharpened focus, we continue to see strong momentum on this front. This is reflected in a pipeline of INR421 crores.

As we complete our first year of our acquisition of Adara, the quick turnaround and strong all-around performance delivered over the past few quarters is a testament to the RateGain M&A strategy and our playbook. Adara continues to outperform and witness significant traction, leveraging the strength of the RateGain brand and our global presence.

Adara continues to deepen its presence across key enterprise accounts and is a key partner for leading destination management organizations, airlines and leading travel brands. We continue to make investments to add new data partners and build up our global sales teams to strengthen our proposition and accelerate growth.

We continue to see improvement across some key operating and financial metrics. Our revenue per employee has improved to INR1.3 crores, improving 55% year-on-year, capturing improved productivity and ability to scale up in a sustainable manner. This also reflects the operating leverage in our business.

Generative AI and its adoption by various travel brands continues to be at the forefront to improve customer experience, drive cost efficiencies and optimize revenue. Our expertise in providing accurate intelligence at scale and driving ROI for large brands is helping drive incremental revenue from existing relationships and new client acquisitions. The investments related to developing the right solutions are underway, and we continue to be beneficiaries of the same. We've also adopted certain use cases of utilizing AI, such as for more efficient data analysis to be able to handle more volumes. Within our brand engagement offering, we're leveraging the vast repository of social media data to drive better outcomes for our customers and to do it efficiently. To generate more targeted travel intent audiences for running more effective performance marketing campaigns.

Now let me comment on the state of the industry. The global travel industry experienced a triumphant year in 2023, consistently surpassing 2019 levels and ending the year strong, showing a new normal it's setting in. As for the skipped travel outlook for 2024, this year is going to be a Goldilocks year for the travel industry, with macro conditions easing to support consumer spending with increasing propensity to travel holding up, especially across the younger folks. The pricing-led growth experienced by the industry is all set to make for occupancy-led growth. Cross-border trips are set to grow about 21% year-on-year with Asia-specific regions set to grow at a faster pace compared to other regions.

The shifting dynamics and evolving consumer in the industry is driving change along with adoption of new technologies and attracting new investments into the industry, which is further unlocking new opportunities for players like RateGain to consolidate their position through product innovation and acquisition, to have a larger share of a thriving market, as the industry looks at adopting technology to more effectively engage with travellers.

With that, I will now briefly touch upon the performance across each of our business units. The DaaS business contributed to 32.3% of the total revenue for nine months. This unit grew at a strong pace on the back of healthy traction with key enterprise accounts and additional new logos across OTAs, airlines, car rentals, and crews. We continue to see incremental volume demand coming from our existing enterprise customers, driven by strong travel demand and product innovation with a focus on building AI models. We expect this trend to continue to drive growth for our task segment in the near term.

Within AIR, we are now emerging as a leading player in the APAC geography and now count leading national and fast-growing airlines as our customers. We continue to gain market share across both OTA and Car segments, with deepening relationships across enterprise brands. Now, let me talk about the distribution segment.

The distribution segment accounted for 22.2% of our total revenue. We recently completed the integration and have started monetizing on a large order we won at the end of last year and should see the full benefit of the new win in this quarter. Volume growth improved in the past quarter and continued demand across our enterprise chain segment on both OTA and GDS channels.

We continue to be the partner of choice for large hotel chains as they undertake digital transformation projects to modernize their distribution ecosystem and optimize their presence across channels. We witnessed good traction for our RevMax platform with mid-size chains in the Middle East and continue to focus on scaling up in the coming quarters. We continue to add further features to create best-in-class products.

Our MarTech business contributed to 45.5% of our total revenue for the nine months, backed by steady growth in the paid digital media segment and healthy traction in our brand engagement segment with some leading hospitality brands in the North American geography. Based on efforts from the team and targeted focus, there is a renewed sales momentum with key closures and healthy pipeline growth to our brand engagement offering.

With a comprehensive paid digital media offering, the value we are driving for large travel brands basis the strength of the travel intent data is really allowing us to drive market share within the TMO segment and across large enterprise travel plans, making RateGainthe partner of choice. Our paid digital media offering for hotels to optimize direct customer acquisition continues to create traction in the European and APAC regions.

We continue to strengthen the leadership team as we strive to further scale up the business, and I am happy to share that we made some notable additions in the senior leadership in the past quarter. Gomti Shankar joined as the commercial leader and will be heading our GTM for the Asia-Pacific, Middle East and Africa regions. She is an accomplished business leader known for her expertise in business development, enterprise sales, product management and strategic partnerships, especially in the fast-evolving sectors of digital and data monetization. Gomti has held key positions in globally renowned companies such as Sony, Motorola, Philips, Vodafone, Netflix and more recently Taboola. Along with Gomti,

I am proud to welcome another industry veteran, Michel Taride, who joins us as a board advisor and will play a crucial role in guiding RateGain's product and commercial strategy for its car rental offerings, including Rev.AI. Formerly the group president of Hertz International, he was responsible for their operations across 150 countries. His profound knowledge and visionary leadership in the travel and hospitality sector align perfectly with our great mission to revolutionize this industry through technology.

We also have Nitin Kumar, who joins us as a senior product leader and will be responsible for enhancing our solutions and steering our product management to new heights. Nitin, an alumni of IIT Delhi, brings with him vast experience from his earlier role at Paytm and Myntra prior to joining RateGain.

As we complete another quarter with remarkable achievements, I am thrilled to share our outstanding milestones at the People's Front as well. We have now achieved a record low attrition rate of 12% and it reflects our strong commitment to retaining and nurturing top talent. Additionally, we secured the Great Place to Work certification for the fifth consecutive year that reflects our positive work culture.

As we bask in the success, our focus remains on building future leaders, cultivating an internal pool of talent, and creating a diverse, inclusive, and equitable culture that propels us forward. I express my heartfelt gratitude to our dedicated employees for their unwavering commitment and hard work, which has contributed to RateGain's continued success. We are very excited about the future and the journey ahead.

With that, now I'd like to ask our CFO, Mr. Tanmay Das, to take you through the performance of Q3 and nine months of the fiscal year.

Tanmaya Das: Thank you, Bhanu, and a very warm welcome to everyone on this call. I'm delighted to report that the company has delivered another quarter of robust performance with strong growth momentum, steady margins, and stellar new contract wins. The strength of the underlying business model with strong and continued execution from the team has been key to improvement across key operating metrics. With a focus on sustained growth across segments and operational efficiency, operational margins crossed the 20% mark in the past quarter and much ahead of the guidance we have given to the markets at the time of listing. The solid foundation positions us well to drive growth, innovation, and capitalize on future opportunities.

The successful completion of capital raise in the past quarter highlights the faith from our investors. We are focused on delivering on the stated objectives with a healthy pipeline in tow and in line with our vision of building an integrated tech stack to help our customers increase their revenue.

For the third quarter of 2024, the company reported a revenue of INR252 crores with a year-over-year growth of 82.2%.

EBITDA grew by 123.5% to INR51.3 crores in the quarter as compared to INR22.9 crores in the same period last year. EBITDA expansion continues at a healthy pace of 20.3% margin in this past quarter compared to 16.6% last year. As the company continues on its path of fiscal prudence and operating leverage kicking in as we scale up, the total operating expenses grew at a pace of 74% in Q3 compared to 82% growth in revenue.

Our PAT grew by three times compared to the same quarter last year and stood at INR40.4 crores, up from INR13.2 crores.

For the nine months of the year, the company reported a revenue of 701.2 crores with year-over-year growth of 83.5%. This was on the back of strong growth from all three verticals, DaaS growing 127%, MarTech at 123%, and distribution at 12% for nine months. EBITDA grew by 158.3% to INR135.5 crores for nine months, with the margins coming in at 19.3% as against 13.7% the same time last year.

EBITDA continues to hold steady with strong growth in DaaS segment, continued traction in Adara, and with uptick in our distribution segment. Our PAT grew by 175.5% in nine months compared to the same time last year, coming in at INR95.4 crores, up from INR34.6 crores.

The company continues to have strong customer relationships with low churn and a focus to expand existing relationships to build sustainable and reliable revenue streams. Our gross revenue retention and net revenue retention stood at 90% and 110% respectively, with an expanding customer base, which currently stands at 3,210.

We closely track and strive to outperform on key operating SaaS metrics, and for nine months our revenue for employees stood at INR1.34 crores, growing at 54.5% over last year. With continued traction across key customer segments and sharpened focus from our teams, our current pipeline stands at a new high of INR421.5 crores. We continue to drive investments in key geographies and areas to propel future growth.

Our cash flow generation has improved significantly compared to last year. The cash flow from operations stood at INR99 crores in nine-month period as compared to INR29 crores in corresponding period last year. This is on the back of improved profitability and improved DSOs. We continue to have strong balance sheet. Our net worth almost doubled compared to last year, now stands at INR1,400 crores on the back of increased profitability and recent capital raise of INR600 crores. Our cash and cash equivalent balance at that quadrant stood at INR1,020 crores.

In terms of guidance for FY 2024, given the YTD performance, we are increasing the revenue guidance to close to 69% year-over-year growth, up from 65% growth guidance given on the last earnings call, and up from 55% given at the beginning of the year. Concurrently, given the improved margin performance so far, we estimate EBITDA margin for the year will be close to 19.5%.

With that, I would like to conclude my update, and we are happy to open the floor for questions.

Moderator: Thank you very much. The first question is from the line of Shomid Singal from Anand Rathi. Please go ahead.

Shobhit Singal: Thank you, and congrats for the good numbers. So, my first question is, how had Adara performed in Q3? So, last quarter, you had mentioned that the revenue has closed around $10 million. So, if you can share what is the revenue around it this quarter, and X of Adara, what is the organic growth? And, yes. So, this is my first question.

Tanmaya Das: Yes, so last quarter, Adara closed around INR90 crores. We are, this quarter, we are closing around INR94 crores. And, the organic growth that was experienced in this business is around 30%.

Shobhit Singal: Okay. And, my second question is, so why is the distribution, so if I calculate the distribution revenue this quarter, it's around 2% year-on-year. So, I just wanted to ask, so why is this segment is steady when travel sector is doing so well? I mean, it is due to the discount we have given to some large hotel chain? Or maybe we are losing some market share to competitors? So, if you can explain the disconnect between distribution and the strong private ones?

Tanmaya Das: Yes, if you look at the further year, we are close to 12% growth. In Q3 was not only 2% growth year-over-year, primarily because FY'23 Q3, we had a few one-time revenues, minimum guarantee revenue that was recognized in some of the large customers. That's why you are seeing a little bit anomaly. But, for the year, nine months, if you see, it is a 12% growth at this point of time.

But, I think the, as Bhanu mentioned, that one of the large contracts that we signed last year, which we have monetized this quarter, where half of the quarter is reflected. So, for next quarter, you will see much better growth in distribution business.

Shobhit Singal: Okay. And, my last question is, so we have a cash and cash equivalents of around close to 100 million. So, how are we looking to deploy it? Like, are we looking out for one big acquisition? And, if yes, in which segment and geography are we looking at?

Bhanu Chopra: So, yes. So, as you are aware, we did a QIP just a couple of months back. And, the goal of, doing the QIP is because we have a very robust M&A pipeline. We are in active conversations with a couple of prospects. So, the utilization of the cash on the balance sheet is going to be towards the M&A. And, like I said, we are in active conversations. And, I'm pretty optimistic that, something should bear fruit in the near term.

Shobhit Singal: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Yes. Okay. Thank you very much, sir, for this opportunity. So, first of all, I just wanted to know what sort of inorganic aspiration or any pipeline we have if you have to look at for the next two to three years?

Bhanu Chopra: Yes. So, as you know, our goal is to really become the integrated tech stack that allows customers in travel and hospitality to go acquire guests, retain and engage them, and have a wallet share expansion. So, some of those capabilities we possess as a company and some of those capabilities we do not possess and believe that it might be better suited to acquire those companies.

So, from an M&A perspective, our lens is A to see if you can find capabilities that are part of our product roadmap and the vision that I talked about. B, they help us, get deeper in certain geographies. As you know, we are fairly concentrated in the U.S. and Europe. We continue to look for opportunities that deepen our presence in those geographies.

And C, opportunistically, we also look at competition. So, with that, we have a very large prospect database of almost 350 companies in this universe. And at any given point, we are actively engaging with a dozen of them. And as you know, and have seen that we have showcased that we have a track record of integrating these companies very successfully, but more importantly, also paying the right price. Sometimes it's a matter of engaging and having the right, patience to get the right price before we execute it.

Deepak Poddar: And I mean, what sort of investment in this acquisition we are looking at over the next two to three years? So, what range is what we are looking at?

Bhanu Chopra: So, we haven't evaluated in terms of – we have not earmarked a certain pool of money in terms of M&A activity. As you can see from our numbers, the company is extremely cash-generative. We are doing now north of INR200 crores EBITDA. So – and then the cash on the balance sheet is over, between INR1000 to INR1050. So, we intend to use that pool of capital for any good acquisition that might come about. Our typical size so far has been around INR150 to INR200 crores.

But given the track record that we've had, if there is a bigger opportunity, we will not shy away from it. So, we look at every opportunity from the lens of what it does to us strategically. And if there are opportunities, these are larger in nature, but of huge strategic value. And, also, you know, do – if we do a fitment test in terms of IRR strategic value in our hands, EBITDA, we can generate – you know, we will not shy away from such opportunities.

Deepak Poddar: Fair enough. That's very helpful, sir. And in terms of – I mean, if you were not to look at growth, I mean, this year you mentioned about some 69% growth, right? If I have to look at FY25-'26, I mean, how do we see the growth?

Bhanu Chopra: So, something that I have guided in the previous call also, our goal is – we are now, as I mentioned in my opening remarks, at 1,000 – you know, little over INR1,000 crores ARR on a run rate basis. Our goal is to double the revenue in the next three years, which implies a CAGR of 26%. So, some of it will be organic, some of it will be inorganic, but organically, you know, we should land between, you know, 20% to 25% for the next three years.

Deepak Poddar: Okay. And when we say this INR2,000 crores, this 26% CAGR, so that is purely organic, right? And inorganic will be over and above whatever it comes.

Bhanu Chopra: No, I have actually factored inorganic as well, but yes you might say that with that in mind, the growth potential should be larger, but we just want to be diligent in what we commit and what we promise and what we deliver. If you see our track record over the last two years on revenue, on margin expansion, we have over-delivered than what we promised. So, we want to be conservative in our commentary and be prudent in delivering on what we promise and that's sort of the narrative we want to maintain.

Deepak Poddar: That's very helpful, sir. And just one last thing, I mean, at INR2,000 crores, I think roughly what 25% EBITDA margin is what we might have aspirations for.

Bhanu Chopra: That is correct. That's the aspiration we believe we can get to.

Deepak Poddar: Okay. Great, sir. I think that's it from my side. I think you are doing pretty good. I mean, all the very best to you. Thank you so much.

Bhanu Chopra: Thank you.

Moderator: The next question is from the line of Pradyut Ganesh from ICICI Securities. Please go ahead.

Pradyut Ganesh: Yes. Hi. Am I audible?

Bhanu Chopra: Yes. Yes, you are.

Pradyut Ganesh: Yes. So, my question is this Skift travel index for December 2023 was at 102, against 106 in September of 2023. So, is RateGain seeing some slowdown in travel industry? Could you give us some colour on how the current quarter has been in the month of January till now?

Bhanu Chopra: Yes. So, you know, as I noted in my opening commentary as well, we are going away from a pricing-led growth to more of an, you know, occupancy-led growth. And if I see people's attitudes towards travel post-COVID, there has been a fundamental shift.

And if you look at sort of consumer surveys also, they all point to, from a macro level, the discretionary spend is continuously going towards travel. So, when I look at, our numbers as well, the cross-border trips are continuously growing, and we are witnessing about 21% year-over-year growth in them. Also, we are witnessing, you know, significant growth in the Asia-PAC region.

So, when I look at even our current quarter numbers, we don't see any slowdown and see a pretty, you know, robust demand curve there.

Pradyut Ganesh: Got it. Thank you. So, second question is, subscription revenue was at about 60%. It is similar to last quarter. But it has come down steadily from 76% to 75% in Q4 of last year, because of Adara being part of transaction revenue. So, can we expect this figure of 60% to be steady-state number going forward? Or do you see contribution from subscription revenue decreasing further in the coming quarters?

Tanmaya Das: It will depend upon how Adara grows vis-a-vis how our DaaS business grows, because DaaS is mostly subscription and Adara. But it is so, Adara is slated to grow faster. So, I would say it will decrease a little bit, but I don't think it will be a significant decrease.

Pradyut Ganesh: Okay. Just one final question. So, in an earlier quarter, you had spoken of moving up the value chain in the distribution segment of your company. So, what's the progress regarding this thing? What has been done now to achieve this?

Bhanu Chopra: Yeah, I'm very glad that you asked me the question. So, we've had some very good momentum building over the last month or two, where we've gone from generating nothing to generating now almost $100,000 of sales every month.

So, we've got that rhythm going and that rhythm is expanding as we speak week over week. And we're looking to accelerate that engine now. So, I'm pretty confident that this could be a big game changer for the next few quarters.

I think I talked about the analogy of having adults, teenagers, and babies, and we produce these babies or sow the seeds of future growth. And I'm happy to report that some of it is beginning to bear fruit now.

Pradyut Ganesh: This is part of the revmax platform, right? Is this something else? Okay, it's part of it.

Bhanu Chopra: It is very much part of the Revmax platform. And for other listeners, what it is, is it's really bringing all the pieces of MarTech, DaaS, and distribution together onto one platform, which basically allows our customers to acquire, get, retain, and engage them and have a wallet-share expansion.

Pradyut Ganesh: Okay. Got it. Thank you so much and all the best.

Bhanu Chopra: Thank you.

Moderator: Thank you. The next question is from the line of Ashish Chopra from Goldman Sachs Asset Management. Please go ahead.

Ashish Chopra: Yes. Hi, thanks for the opportunity. A couple of questions from my side.

Bhanu Chopra: Ashish, can you be a bit louder, please?

Ashish Chopra: Yes. Is this better?

Bhanu Chopra: Yes.

Ashish Chopra: Okay. A couple of questions. Firstly, Tanmay, if you could just help us with the profitability in Adara in 2Q and 3Q?

Tanmaya Das: So, Adara will be around 18% EBITDA margin for the year. I think when we picked up the asset, it was breaking even or breaking losses. So, we have turned around the company. I think first half, it was 15% margin. I think now they're closing into 18% margin.

Ashish Chopra: Okay. And secondly, you mentioned that the run rate there is INR94 crores. So, if I adjust for that, then the organic revenue would be INR158 crores, which is a 14% growth YOY. So, just wanted to reconcile your number of 30% organic growth as to…

Tanmaya Das: So, 30% organic growth was taking as if Adara was also there with us last year. So, there is a 63% growth of Adara in our hand after we acquired the company. Okay. As far as -- I didn't give you segment wise growth, like for example, DaaS organically we're growing 54%. Distribution we're growing around 12%.

In MarTech, the businesses that we have like BCV and MHS, MHS is growing around 16%. BCV Social is where we have been talking about it in the past few quarters, where we're seeing challenges in terms of profitability and relating with some of the customers. So that business is kind of degrowing. So, that's the business wise growth percentages.

Ashish Chopra: Understood. Would it be possible to share the run rate of BCV currently?

Tanmaya Das: Sorry, run rate of? I couldn't hear.

Ashish Chopra: BCV.

Bhanu Chopra: Ashish, we don't disclose segment wise numbers so far. So we'll connect with you separately on it and can give you more commentary, overall commentary, because it's all getting intertwined with bundling of the products into one platform that we are calling Demand Booster, which is part of the Revmax platform. So, it's becoming a little complex to be able to give segment wise revenue.

Ashish Chopra: No worries. I understand. That's it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Hi. Thanks for the opportunity. Bhanu, again, we have guided for the 69% growth, which implies a muted growth in Q4, despite the traction that we may see in the distribution deal. So, is it more like a conservative stance that you've been having for the last couple of quarters, or do we see some scale down in the DaaS market segment?

Bhanu Chopra: No. So, we're not seeing any scaling down in literally any of the business. We just want to be prudent in how we guide the market. As I said that we want to be very, very prudent and diligent in what we are guiding the market so that we over deliver on whatever promises we make.

Tanmaya Das: Rahul, just to add Bhanu's comment, I think Q4 is a strong quarter for us for organic business, but we do have some seasonality for Adara in Q4, where Q3 is much better than Q4. So, again, we are again learning for Adara. So that's why we are being cautious. Nothing else.

Rahul Jain: Got it. And Tanmay, also, if you could guide on the ideal tax rate for us that we should build in for FY'25 or beyond?

Tanmaya Das: So, currently, we are around 21%, 22%. We are making our efforts to effective tax rate to go down. So, yes, I think currently, just we're going to factor between 20% to 22% at this point of time.

Rahul Jain: Right. And just one bit on M&A. Since I'm sure you've done a good transaction last year, but is valuation the concern right now for you in the market of the deal that you're looking at, or it's more about identifying the right business that matches our need, which is causing this transaction not happening?

Tanmaya Das: Yeah. So, I think there's lots of interesting assets. And for the most part, it's around price. But this is not the first time we're seeing the movie play the way it's playing. Usually, it does take a certain amount of time to get and arrive at the right structure from a pricing perspective. So, I'm not too perturbed about it, because I believe that this is sort of part and parcel of the M&A playbook. And I'm pretty confident that something should come about in the near term.

Rahul Jain: Right. And just one more, if I may. I think you shared one client success story. I think it was with the Sarovar Hotel, I guess. So, just wanted to understand, since it's part of a very large hotel chain, is it like a fresh entry into that larger group? That's why we are articulating that? Or what could be the opportunity to scale up, really scale up on a big chain where we might be slow or small right now, but we could see a much larger play given the success that we may see at a lower part of that bigger chain?

Bhanu Chopra: Yes. So, as I was mentioning earlier, we are beginning to see some very good success in the sort of assembly line that we have built in our go-to market motion of showcasing the value that we bring to our customers. So, as part of showcasing value, we are building a lot of success stories, because as I mentioned previously as well, we work with pretty much every major hotel chain, including mid-market chain.

And there is an opportunity for us to both penetrate these accounts more with our RedMax platform, but also showcase it to logos where we are not present. So, this is our attempt to showcase value. And as I noted in my earlier commentary as well, we're seeing some very good traction and pickup as a result of this marketing activity that we are engaging in.

Rahul Jain: Right. So, one part of it is still remain unaddressed, which is like I think you mentioned this part of some Loo Hotel group, which is much larger, some 5 million or something. So, are we addressing a very small part of that chain right now?

And that could be a benchmark for us, or is still decent in that group already?

Bhanu Chopra: Yeah, I can't comment on that specific Hotel group, but usually our strategy is what we call land and expand. So, we can land in a large hotel group through one of these brands, very similar to this particular case, and then demonstrate success.

And once demonstrated success, we are able to replicate it across the other brands as well. So, it becomes a success story within the group that we can use to make a compelling value proposition for the larger brand to adopt across all their brands.

Moderator: The next question is on the line of Anmol Garg from DAM Capital. Please go ahead.

Anmol Garg: Yes, hi. Thanks for the opportunity and congratulations on a strong set of numbers. Just one part on the strategy. So, going ahead, are we expected to tap into smaller hotel chains with low number of properties or maybe to cross sell to existing services to our own clients?

So, how should we think about the total number of clients versus the penetration within clients?

Bhanu Chopra: Yeah. So, something that I've indicated earlier also, so when you think about the 1,000 to 2,000 crores in revenue, I believe half of that will come from existing clients and another half will come through new logos that we sign.

So, we don't really necessarily go after the long tail of hotels. Our focus is on the mid-market. So, any chain that's over, let's say five hotels, we go after any group like that.

And there are about 1,200 such groups, which have anywhere between five hotels to, a group like Marriott, which has 7,000 hotels. So, we could sell to any of those groups. We currently sell to about, I want to say about 400 out of those 1,200 groups.

So, there's an opportunity to win on a bunch of new logos. And even with the hotels that we sell to, you know, up until three, four years ago, we were just a, two, three product company. And now we have 14 products.

So, the ability to penetrate, especially with our RevMax platform that we sell to different modules, you know, is quite significant. In terms of the small hotels, I'll just touch upon that. Now that we have an integrated platform and we're not selling individual modules, some small individual hotels can be interesting also because everything in a hotel could be paying us, anywhere, depending on how big it is, depending on the number of rooms, anywhere from $10,000 to $100,000 per property.

So, it becomes quite significant. But our, go-to-market is not really to the small independent hotel. But if they were to come to us, we would entertain them. Our focus is in the market and the big enterprises, elephant's market.

Anmol Garg: Sure, Bhanu. And should we think that our revenue per client would more or less will keep on increasing as we cross-sell and don't penetrate much into smaller hotels?

Bhanu Chopra: Yeah. So, we'll see. Like I said, we will continue to see a little bit of revenue coming from the smaller, mid-size hotels also. But I do believe that our big hotels will continue to get significant, not just big hotels, big. Because now we work with not just hotels, we work with DMOs, we work with, you know, hotels is about 45% of our revenue now.

So, I do believe the big enterprises will continue to get bigger. Like for instance, there are two very large enterprises that are nearing eight figures. So, I see a lot of that happening. I mean, another dimension to look at this with is our top 20 customers can give us $20 million each.

Our 20 to 100 customers can give us 5 million and 100 to 1000 can get us a million. So, I see a lot of action within the top 20 segment. I think that will become larger first before the other segments.

Anmol Garg: Sure. And secondly, I just wanted to understand your point of view in terms of the Adara growth. So, for the next year, should we assume that Adara should grow at a faster pace than the company's organic or the company's other businesses?

Bhanu Chopra: Yes. So, as Tanmaya pointed out, we're still a year into the company and we're still learning about it. I mean, I'm very comfortable guiding for like a 20%-25% kind of number, although this year has been quite phenomenal. And I do think the low-hanging fruit is getting to 100 million. But as we continue to learn, we'll be able to harden these forecasts a little bit better. So, we're learning some very interesting things about the business on where the opportunities are what the margins for each of the segments are.

So, we're calibrating and recalibrating based on all these learning. So, I'd be able to come back and give you a better sense. But net-net, does Adara growth look higher than, let's say, RateGain growth? Yes, it does. For today, it does.

Anmol Garg: Sure. And just one last thing. We have seen very strong growth in our DaaS segment, apart from Adara as well. So, can you highlight where is this growth coming from and what's the sustainability over here?

Bhanu Chopra: Yes. So growth has been both a function of volume growth with some of our larger customers. And also, on the airline side and on revAI, we have signed up a bunch of new logos in the airline side. We're becoming pretty dominant in the Asia-Pacific segment because we signed some very key large Asian, national Asian airlines. And we continue to see hunger for more and more data.

As we move towards the big shift to all decision models being run by AI, we sit on such, as they say, data is the new oil. And we sit on very, very rich and good quality data that our customers are becoming more and more hungrier for, to feed these AI models. So, a large portion of our growth has been a result of our key customers growing to feed their AI models.

Anmol Garg: Sure. Thanks, Bhanu for the answer.

Moderator: Thank you. The next question is from the line of Miten Shah an Individual Investor, please go ahead. Mr. Shah, your line is unmuted. Please go ahead with your question.

Miten Shah: Yes. Thanks for giving me the opportunity and heartiest congratulations to the entire team, you know, on displaying such a stellar result. The first question, I would like to ask from the management, our contribution from top 10 customers amounts to about 72%, which I see has reduced from 75% from the earlier quarter. However, it still looks a little bit high. So, what is the thought on this? What is the benchmark that you would like to set for the top 10 contribution?

Tanmaya Das: I think the top 10 contributes 27%. Maybe…

Miten Shah: Is it that I am reading it incorrectly? It shows 72% top 10 in the presentation?

Tanmaya Das: Just a second.

Bhanu Chopra: This doesn't sound right. So…

Tanmaya Das: I think the presentation shows top 10 contributing 27.7%.

Miten Shah: Maybe I saw it topsy-turvy. Okay. Fair enough.

Tanmaya Das: I think the one year back, it was like 36%, 37%. So, it is constantly decreasing, almost 10% decrease in that. So, it is diversifying the risk.

Miten Shah: I think it is. So, maybe I just read it incorrectly. Second thing, can we know what is the percentage of India from geography? I mean, we can see Asia-Pacific as such. I mean, the reason why I am asking is, we can see a lot of trust nowadays, with respect to tourism in India, especially latest we saw the latest developments in Ayodhya and then Lakshadweep. So, how far and how deep are we concentrated in India compared to other geographies?

Tanmaya Das: So, sorry, go ahead.

Bhanu Chopra: Tanmaya, you have the exact number, so you can go ahead and answer the question.

Tanmaya Das: No, I am saying it is very negligible. It is less than a percent in terms of revenue contribution from India.

Miten Shah: Yes. All right. Okay. Fair enough. I mean, is there any thought to increase the penetration? I mean, given the trust of the government on tourism, especially in this latest, I mean, this hot two places, I mean, the way it is being displayed in the media.

Bhanu Chopra: Yes, it is definitely on our radars. And I think we are also evaluating a different go-to-market commercial model in India, because, quite frankly, on the subscription fees that we have, it is very difficult to get similar values from Indian hotels versus, outside. And that is why predominantly we have always been focused outside.

However, on our distribution side, we are now evaluating an adjacency which would broaden the scope of how we get a hotel or business and make it less of a tech value proposition, but make it more of a commercial value proposition where we are saying to them that, look, we will charge you percentages of the business that we get you.

This is something new that we are, testing and piloting. That could commercially make it more viable to go after hotels in India as well. So, it is definitely a thought in our head, but give us a couple of quarters to come back to you with, feedback on how that is progressing.

Moderator: Thank you. The next question is from the line of Vikram Gupta from ICICI Prudential Life. Please go ahead.

Vikram Gupta: Hi. Congratulations on a good quarter. So, my question was primarily on North America and Europe. So, can you just talk about what is generally the seasonality that we see in our business? That is one. In these two geographies. And secondly, what explains the sharp jump in the Asia-Pacific revenues from Q2 to Q3? So, what are we seeing in that market? These are the two questions. Thank you.

Bhanu Chopra: So, in terms of seasonality, if you look at our business, Q3 and Q4 historically have been, the stronger quarters. However, in the case of Adara, we are still learning and our sense is that the Q4, as Tanmaya mentioned, is going to be likely to be either similar or a little softer than Q3. It is just because that is more directly in the ad space, ad tech, market space, where generally there is a reset of advertising dollars in January.

So, we may not see the kind of growth we have been seeing in Adara quarter-over-quarter. But otherwise, the rest of RateGain, Q4 is usually the strongest quarter for us and especially in, U.S. and Europe.

On the point about Asia, yes, it is a, huge area of emphasis for us. And Asia was the last to open up post-COVID, and we are seeing some very robust recovery. In fact, when you think about the supply and the number of new hotels that are opening, it is very, very significant in this part of the region. And that is why I talked about a new leadership addition in the earlier commentary as well.

So, we have got Gomti, who has joined us to head this region for us. So, we are really doubling down in terms of bringing leadership and adding sales folks here, local sales folks in the region that we operate in. We have also recently launched a partner program where we are enlisting independent hotel consultants in sort of, some of the geographies like Vietnam, Philippines, where we are not directly present to help us open gates, in those areas as well. So, I am pretty bullish on the Asia-Pac region, and as a result of which we are doubling down as well.

Moderator: Thank you so much. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Bhanu Chopra for closing comments.

Bhanu Chopra: Thank you very much, everybody, for giving us the opportunity to go through the details of our Q3 performance. I want to take this opportunity to thank each and everyone on the RateGain team for continuing to excel and continuing to over-deliver on the promises that we have made to the market. Thank you.

Tanmaya Das: Thank you, everyone.

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