"RateGain Travel Technologies Q3 & 9 Months FY25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, welcome to RateGain Travel Technologies Q3 and 9 Months FY '25 Earnings Conference Call.

As a reminder, all participants' 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 '*' then '0' 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 of RateGain. Thank you, and over to you, Mr. Chopra.

Bhanu Chopra: Thank you, and good afternoon, everyone, and thank you for joining the Earnings Call for RateGain Travel Technologies Limited for the 3rd Quarter of Fiscal Year 2025. It's always great to connect with all of you and share the key updates that we have from the quarter.

Joining me today are Tanmaya Das – our CFO and Mr. Divik Anand – our Head of Investor Relations.

So, we announced our Q3 FY '25 results earlier today, and I am hoping you had a chance to review the "Financial Results, the Press Release and Investor Presentation" available on the Stock Exchanges and also on our Company Website.

So, for this quarter, RateGain has delivered another steady performance marked by balanced growth, strong margin, and healthy operating metrics, all of which reaffirmed the resilience of our SaaS based business model.

Our strategic focus on long-term scalable growth has been key to navigating external challenges and maintaining a strong momentum. Our focus has also been on increasing our share of revenue from large enterprises to create more predictable growth over the long term. As part of this effort, we are in now advanced stages of discussions with marquee logos across verticals, demonstrating RateGain's ability to seamlessly scale its infrastructure and deliver value to customers.

Due to a significant increase in these deal sizes, we have experienced decision-making delays in some markets. This delay can be attributed to strategic restructuring and cautious spending, particularly in the U.S. and Europe markets over the last year, where political events, including the elections, led to cautious enterprise spend.

As we step into 2025, the outlook is more positive. Recent insights indicate a stabilizing economic outlook with a slight uptick in consumer confidence and business investment, signaling cautious optimism across global markets. This shift is expected to drive new opportunities, particularly in travel and hospitality. This presents an opportunity for RateGain to drive higher revenue to increase bookings in our spends while delivering solutions for high-frequency travelers, helping our clients capture and retain this demand.

Now let me share some key highlights of our performances in this quarter.

Our annual recurring revenue, ARR, stands at INR 1,115 crores. This growth has been driven by sustained traction across business segments, continued engagement in deepening client relations, and with a healthy pipeline of opportunities, including some large deals. We expect a pickup in momentum in the quarters ahead.

We have grown our revenues by over 16% for the first nine months of the fiscal year 25, with steady growth across verticals and continued traction in both Martech and DaaS. We continue to demonstrate efficiency with our LTV to CAC ratio of over 14.2x, one of the highest in the industry, and revenue per employee remains at a strong and sustainable level, emphasizing productivity improvement.

In terms of product strategy, we prioritize expanding our footprint in the mid-market segment, as well as boosting investments aimed at enterprise accounts. To support this, we have undertaken several initiatives across our product portfolio, including the following. We are investing in AI to enable hoteliers to leverage Agentic AI and no-code platforms, enhancing their direct booking capabilities. I am excited what our product and engineering teams are developing, and we will soon be sharing more details with you.

In Q3, we launched Demand Booster, a digital marketing solution designed to empower hoteliers to maximize direct bookings and improve return on ad spend. With accurate and timely insights, commercial teams across hotels can capitalize on high demand periods, adjust bidding strategies, dynamically changing audiences to meet their revenue goals. As part of Uno, Demand Booster makes it easier for hotels to manage their paid advertising efforts to drive direct bookings seamlessly.

In Air with feedback from over 40 airlines, we are making significant upgrades to our platform, combining AI capabilities to change the way revenue managers make decisions. Airline pricing has remained largely unchanged for the past two decades, and we are committed to changing that and making it easier to increase revenue.

Our product and engineering teams are also leveraging the billions of data points we process to offer valuable insights by analyzing patterns and providing recommendations based on the data we have processed through distribution channels. This will enable hoteliers to make quicker, more informed decisions before their competition and impact revenue.

Let's now take a closer look at the performance of each of our business segments. Our DaaS business contributed 32% of our total revenue this quarter, fortifying RateGain's expertise for fulfilling the requirements of marquee customers that continue to rely on RateGain for providing access to accurate pricing intelligence at scale, which is proven by the expansion of our existing relationships with some of the largest airlines in Asia Pacific as well as global OTA.

Our distribution business accounted for 20% of our total revenue. This segment has grown at a slower pace compared to other segments mainly due to volume pressures seen on certain demand channels. We continue to drive investments to engage more effectively with large and mid-sized clients along with our focus to scale up the recently launched RevMax platform that we are calling Uno.

The Uno platform continues to see healthy traction with the main focus on mid-market and smaller hotel chains. Demand Booster are offering to improve return on ad expense as it gains significant traction among some of the world's most awarded hotel properties, helping them optimize their direct booking efforts.

Our Martech business had an excellent quarter with businesses under pressure to deliver better returns on ad spends to increase costs of ad delivery. Our Adara offerings delivered another strong quarter, surpassing the sales record set in the previous quarter. Our measurement capabilities, as well as access to diverse travel audiences, are now being leveraged by leaders in finance, e-commerce, retail, entertainment parks, creating a new time that can unlock more revenue.

Adara continues to adapt with enhanced features and new measurement capabilities to support campaign performance. Our investments are delivering benefits, reinforcing the value of choosing us.

Now let me shift to our people strategy:

Our employees are the backbone of our success. This quarter we achieved our lowest ever attrition rate of 9.6%, reflecting our ongoing commitment to retaining and nurturing top talent. Our focus on building capacity and developing future leaders continues to drive progress with initiatives like the Management Development Program, First-Time Manager Program, and Young Professionals Program, equipping our teams with the skills needed to grow and succeed.

To further accelerate our U.S. expansion, we welcome Toby March as our Executive Vice President in America. At RateGain, we remain dedicated to fostering talent, enhancing leadership, and creating an environment where our people thrive.

Our efforts have been recognized through multiple awards. RateGain was named the Best P2P Travel Technology Provider by The Economic Times Travel and Tourism Awards. We were also ranked amongst the top 10 in the Forbes India Select 200 and listed on the Deloitte India Technology Fast 50 for the sixth consecutive year.

Before I hand over to Tanmay, I want to highlight that RateGain is on a strong growth trajectory with a clear focus on product innovation, customer success, and operational excellence.

We have expanded our sales development representative team with a focus on mid-market and smaller business segments. The move is already showing promise, helping us onboard new customers, and we remain optimistic that this approach will continue to enhance customer acquisition and revenue growth. We are confident that our strategic investments and AI-driven solutions will continue to drive value for our customers and stakeholders.

With that, I would like to now invite Tanmaya Das, our CFO, to provide a detailed overview of our financial performance for Q3 FY '2025.

Tanmaya Das: Thank you, Bhanu, and a very warm welcome to everyone on this call. The company has delivered a steady quarter with healthy operating performance and continued focus on operational excellence contributing to a record margin of 22.1% EBITDA and expansion of 180 basis points over the same period last year. Our structured approach has allowed us to deliver on key operating metrics, leading to margin expansion as we realize benefits of scale.

We continue to see steady growth in key geographies with a healthy pipeline in tow. We are committed to scaling up our newly launched products and deepening relationship with key logos. As the global environment settles down and we see prospects of pickup in investment within the sector, we are confident of capturing the opportunity, delivering value for our customers.

Some of the key financial and operating highlights from the quarter gone by, the company reported a record revenue of INR 278.7 crore with year-over-year growth of 10.6%. This was on the back of steady growth across Martech and DaaS segments with some pressure on distribution as you continue to see pressure on one of the key demand channels that we provide connectivity to.

We continue to see healthy volume demand from our large customers in DaaS across OTAs, air and car rental companies. We continue to see steady logo growth within the air segment and with that our DaaS segment grew at 9%. Our PDM offering continues to find flavor with travel and hospitality brands with Adara delivering strong performance again in the past quarter. With our differentiated and focused offering on digital marketing to drive guest acquisition, our Martech segment grew at 20% for Q3.

EBITDA grew ahead of revenue at 19.9% to 61.5 crore for Q3 FY '25 with the margins improving to new high of 22.1%, up from 20.3% last year. This is on the back of operating leverage clicking in and a balanced approach. Our PAT grew by 40% to 56.5 crore compared to 40.4 crore in the previous year.

For the first nine months of the year, the company reported a revenue of 816 crore with year-over-year growth of 16.4%. This was on the back of steady growth across vertical with DaaS growing 15%, distribution at 4%, and Martech at 23% for the first 9 months.

EBITDA grew by 27% to 171.5 crore for 9 months with the margins coming in at 21%, up by 170 basis points from same time last year. The 9-month EBITDA expansion is aided by healthy growth in segment in our high margin business DaaS vertical, improved efficiencies within our distribution segment and continued traction on PDM, Paid Digital Medium Martech offerings.

Our PAT grew by 61.6% 9 months compared to the same time last year coming in at 154.1 crores, up from 95.4 crore.

The company continues to have strong customer relationships with low churn and a focus to expand existing relationships and we continue to see traction across our large customers. In line with that, our revenue from our top 10 customers grew by 22% on a YTD basis, and we continue to maintain our focus on land and expand across to mine these key customers on the back of our integrated product offerings.

Our customer base currently stands at 3,244 customers. We closely track and strive to outperform on key operating SaaS metrics and for 9-month FY '25, our revenue per employee stood at 1.3 crore. With continued traction across key customer segments and in key geographies, we have a healthy pipeline tow which currently stands at 507 crore.

We continue to have a strong balance sheet with our net worth currently at INR 1,620 crore and our cash and cash equivalent balance at the end of the quarter stood at INR 1,210 crore.

With that, I would like to close my remarks, and we are happy to open the floor for questions. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wish to ask a question may press "*" and "1" on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. I repeat, if you wish to ask a question, you may press "*" and "1". Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Karan Uppal from PhillipCapital (India). Please go ahead.

Karan Uppal: Yes, thanks for the opportunity and congrats on this very solid margin performance. So, first question is on the guidance. Shall we assume the guidance is intact at revenue growth of 15% and 150 to 200 bps margin expansion?

Bhanu Chopra: Yes. So, on the guidance, as I mentioned in my opening remarks, we have had some delays in certain key deals that we were expecting. So, the good news is that one of those deals has come through and has been signed. And it is with one of the biggest software companies on the planet, and it is a very, very sizable deal. So, I think it will take us a quarter or two to size up the rollout with that. So, there is some delay on that account.

There was another deal that we were expected to close, which we are hoping that we will close within this quarter. So, net net, I think there has been some delays in some deals that we expected and thus the revenue that would accrue from them. So, on a revised basis, we see now, you know, the growth to be anywhere between 12 to 13%. That would indicate like a single-digit growth in Q4.

Karan Uppal: Okay. And secondly, on distribution has been underperforming for quite some time. You mentioned that there is volume pressure in certain demand channels. But you also mentioned that you are seeing some good traction. So, how should we think about distribution growth from the medium-term perspective? Yes.

Bhanu Chopra: So, again, like I said, let me first address where we are seeing the pressure. So, this is something that I talked about. It's one of the larger OTAs that is a sub-brand of one of the biggest OTAs that is sort of sunsetting, and we continue to see the volumes decline on this sub-brand that is being sunset and we will continue to see some pressure on that over the next three to four quarters till it's completely sunset.

And on Uno, the distribution business, yes, there is some very, very good traction there. And like I said, we signed a very large deal with one of the biggest software companies on the planet. And I expect that that can have a very, very good impact on our distribution business. So, it's not a question of if. It's a question of when. We are working with our partner to roll out with them and I would be able to give you a better sense by next quarter on this.

Karan Uppal: Okay. So, Bhanu, for next year, we are reading on the press that travel outlook is strong in U.S. and Europe. So, shall we expect FY '26 to grow to be better than '25?

Bhanu Chopra: So, you know, we are actually working on our budgeting. In fact, the last week or so, we have had our strategy sessions where we had the entire global team here. And I am quite energized by all the discussions that we have had, and we are putting it together. I do think that there is a very, very large opportunity in front of us. And we will, you know, something that I have talked about that we have now multiple products.

So, there is going to be some level of investment we need to make into our sales and marketing efforts. And we have done that over the last, you know, I want to say quarter also, where I talked about in my opening remarks that there is a SDR team which is kind of non-existent, which is like an outbound team to enable lead generation. We have invested in building a team of almost 20, 25 people there.

So, from a marketing perspective, we are doing a lot more events now. We have built our own version of events where in every city we are going and organizing what we call lunch and learn. I am pleased to share with you guys that this quarter alone we are doing almost 60 such events and we would intend to scale it up.

So, I think there are some investments that we have made that are showing very good traction, but to be able to size up what additional investments we need to make and what will be the impact of that, I think I will be in a better position to advise on that in the next call.

Karan Uppal: Okay. And the last question from my side is on M&A. So, how are you viewing M&A currently? Anything we can close soon? The other way to look at it is cash is 16% of the market cap. So, are you considering dividend or buyback if M&A is there on the horizon?

Bhanu Chopra: Yes. So, I think there are two parts to the question. So, on M&A, our pipeline continues to remain quite robust. In fact, since the beginning of the year, we have had quite a number of inbounds as well, and we are looking to process them.

However, I do think that there is a lot more activity in travel and hospitality tech. There is, you know, the emergence of other software companies that are sector agnostic, at least one of them that has come into this theme. And generally speaking, it does feel like because of the eagerness and the potential of this industry, there are people who are willing to pay a lot more than we are. So, it does feel like there is competitive pressure and, you know, the ask as a result has become a little bit more expensive.

But something that I have been saying all along, that we will continue to stay very, very disciplined about doing the deals at the right value. And given the number of deals that we are pursuing, I am quite optimistic that despite this richness in valuations, we should be able to materialize something, especially companies that are, you know, turn-around opportunities, which we have demonstrated with Adara as well.

Now, the second question around on the cash on a balance sheet, do we intend to do any buyback or dividend? No, we do not, because I do believe that opportunities will present themselves and we need to have the cash to act on it.

Karan Uppal: Okay, thanks, and all the best.

Moderator: Thank you. We have our next question from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: Hi. Thanks for the opportunity. So, for the last quarter, our EBITDA margins were around 22%. So, can we assume that this is a base case margin, and from here on, gradually, we will increase it to 25%? And can you give us your guidance for EBITDA and revenue for FY '26?

Bhanu Chopra: Yes, so I do not think that we can consider this as the base margin going forward. Frankly, I feel that we have underestimated the amount of investment that we need to make, especially in our sales and marketing infrastructure.

Something that I have talked about is a big, big advantage for RateGain and really our moat is that we have an end-to-end stack that allows customer acquisition and customer retention, and engagement and wallet share expansion. And I think what we underestimated is that the same amount of salespeople, although we have a very large sales and marketing go-to-market motion, we have underestimated the kind of ecosystem around sales and marketing that we need to continue to build.

So, I do think next year is going to be an year of investment in building out our go-to-market motion. I talked about how we are building an outbound team that we call the SDR team. We need to build like a sales enablement team, which continuously is educating and empowering our salespeople. We have deployed a lot of AI tools that assess our sales focus. We want to really build our partnership program, which has been kind of like fragmented in the company, but there is a huge opportunity to go out and build up our resellers and value-added resellers.

We want to invest in that. We want to invest in building out global account structures where we have really, really dedicated focus on some of these key accounts that we have, because we do currently struggle with, for instance, a very large account, let's say a Marriott hotel, getting two, three salespeople, bombarding them with different products and capabilities. And we will continue to invest in building out more salespeople.

So, I feel very good about the sales, the product capabilities that we have built, all the AI-led innovations that we have built. In fact, there are some very, very cool capabilities around AI agents that we have built for hoteliers, and we love to demo to you guys in the demo day. But we do feel that we have all the capability. And now we need to channelize it through building a much more stronger root force from our sales and marketing motion.

And one of the analogies I always give is about how our different products are at different stages. I have talked about, you know, babies, teenagers, and adults. And it's like, you know, your teenage boy or daughter has a great amount of potential, but they are not producing the results that you want to see and you have to then calibrate to channelize their energy to get the results that you want. So, I do feel like we are at that moment, and there is some very, very good focus going on building out, you know, and recalibrating our sales and marketing motion.

So, net net, do I believe that we will continue to expand on our margin in the short term? No, the answer is no. By how much? I will come back to you in the next quarter. I do think that we may see, you know, in the short term some compromise on our margin, but in the long term, I remain convinced that our business can be 25 to 30% margin as we look to scale the business and get to, let's say, a 2,000 crore plus revenue.

Saumil Shah: Okay. And as you mentioned, sir, this year would be, I mean, we are expecting a 12 to 13% revenue growth. So, can we assume that we can compensate the lower growth in FY '26?

Bhanu Chopra: Sorry, sir, I didn't follow the question.

Saumil Shah: This year we are going to grow our revenues by 12 to 13%. So, what I wanted to know is in FY '26, can we compensate this lower revenue growth? Maybe in FY '26 we can have a 25-30% plus growth?

Bhanu Chopra: You know, like I said, I will come back, you know, as we finished our strategy session this week and last week, and I am very, very optimistic about everything that I heard and the opportunity that we see ahead of us. So, I am very bullish on the future prospects, but concentrating that to numbers, we are doing that as we speak, but I will be able to give you a more definitive response next quarter.

Saumil Shah: Okay. And sir, as the previous participant asked you, we have a significant portion of cash in our books, which is affecting our return ratios. So, just a suggestion, sir. As soon as we can, I mean, have some plans for acquisition, it will be better for us.

Bhanu Chopra: Yes. No, I understand your perspective. I am building the company to be the number one travel and hospitality tech company. And the pace of growth will have its ebbs and lows. But I do feel that we need to focus more on making the right kinds of investments and being patient. We have delivered on the acquisitions that we have done and we will continue to deliver on them. So, from an investor point of view, I understand, but I am confident that this money will get utilized.

Saumil Shah: Okay. That's it from my side. Thank you, and all the best for your future quarters.

Bhanu Chopra: Thank you.

Moderator: Thank you. We have our next question from the line of Deepak from Sundaram Mutual Fund. Please go ahead.

Deepak: Thank you for the opportunity. My first question is with respect to DaaS. So, what portion of revenue in DaaS segment is only data? And what proportion of revenue is, let's say, more value-added service like rate parity and analytics derived pricing recommendation? Just wanted to understand how this mix has changed over the year ex of Adara because right now, if I look, we are at a revenue base of 85 to 90 crore, and to grow 15% on this base would not be as easy as what it was two quarters ago. Just wanted to understand how do you wish to scale this DaaS segment further?

Bhanu Chopra: So, I would not have how much is the breakup that is completely raw data. It is usually the bigger customers that want raw data. And then, like you said, we also do a lot of value-add in terms of parity and analytics and now what we call GenAI summaries where we are actually using Generative AI to give summaries on rate behavior intelligence, which is sort of a new offering.

And then on the car rental side, we actually go one step further, where we are making recommendations on how you should price. So, you know, the holy grail here is to actually build a complete platform that is around revenue management. So, you know, we are building those capabilities where we could almost be like a co-pilot to a revenue manager, which is like a big function in travel and hospitality industry. So, we continue to scale that.

Again, like I said earlier, in terms of growth prospects on this particular segment, I will be able to give you a better view in the next quarter, but I do see our Rev AI platform is getting a lot of traction.

I do see us, if I talk about customer segments, we have grown quite substantially in the airline segment. We almost added 24 logos in the last year, and there is a huge opportunity where we think we can continue to grow the logos, especially in the airline segment and continue to deepen our relationships with some of the bigger players because even from a data perspective, just pure data perspective, something I indicated in one of the earlier calls also is, and you heard Prime Minister Modi talk about it in the AI Summit also, data is everything, right? And we are sitting on billions and billions of data points.

So, it uniquely positions us and there continues to be, especially with the larger players, just crazy amount of appetite to get more data. And that's what I was hinting at that there is one existing big customer that we are negotiating a very, very large deal on just continuing to serve them large volumes of data.

Deepak: Okay. My second question is with respect to distribution. So, in April, we announced a tie-up with Oracle Cloud to promote our channel manager offering, right. So, what is the update on that? Are we seeing Oracle Cloud PMS user base adopting our distribution offering? And what are the other partnerships that we are focusing on? Because we seem to be making all kinds of right strategic announcements for this segment, but somehow it is not fructifying in the revenue. Just wanted to understand that.

Bhanu Chopra: So, yes, on the Oracle Cloud PMS, we don't have the exact numbers, but I don't think that at that point it has created a material revenue uptake for us. But as I mentioned, there is one particular deal that we have done very recently and the mechanics of the deal give us the confidence that there will be a substantial uptick on revenue generation.

I think the new business and strategic tie-ups that we are doing are enabling us on the distribution side to grow the business and there is also good volume growth. But like I said, there was a significant partner, OTA partner, which is a sub-brand of one of the bigger brands that has been sunset. And that has kind of like offset the revenue gains that we have had in the distribution business. And there is some adjacent offerings that we are getting into. And I talked about Uno as a platform which also is under distribution.

So, with all those investments that we have made, I do see, you know, a potential to gain traction. And like I said, you know, the product capabilities have been built now. It's really about building brute force to go out in the marketplace and talk about it.

Deepak: Okay. And one question on Martech. So, you know, if I see as a general trend, lots of booking apps launched by hotel chains themselves and other operators as well. So, the mobile booking pie in the total share is going up versus, let's say, desktop booking. I wanted to know do we have the capability to run ad marketing campaigns to target the individual consumer in app on mobile devices? Asking from the perspective of Myhotelshop and Adara.

Bhanu Chopra: Yes, so we do do mobile advertising. I don't have the share of it, but we are happy to get back to you. But that is very much part of our whole suite of Martech.

Deepak: Okay. One last question to Tanmaya sir. Could you just highlight what was the volume and per transaction growth in distribution segment for nine months versus previous nine months?

Tanmaya Das: You are talking of volume growth? I don't have that information readily, and we will provide you offline.

Deepak: Okay. Yes, thank you.

Moderator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to take questions from all participants in the conference, please restrict yourself to two questions per participant. I repeat. You may please restrict two questions per participant. Should you have a follow-up question, we request you to rejoin the queue. The next question is from the line of Miten Shah, an individual investor. Please go ahead.

Miten Shah: Yes, thank you for the opportunity. Am I audible?

Tanmaya Das: Yes sir.

Miten Shah: Yes. So, if you see in our presentation, it shows the distinction between revenue by engagement, then revenue by travel type, whether business or leisure, then revenue by geography, North America, Asia-Pacific. Do we have such split, you know, which shows a distinction between revenue by business lines, business verticals, like how much do we get from airlines, how much do we get from hotels, from the OTAs, car rentals, and so and so forth? Or if you include this in the next presentation, is it possible? And what is the present demarcation?

Bhanu Chopra: Yes, so distribution by customer segment we do have, but we do not disclose that in our public releases because of competition sensitivity.

Miten Shah: Okay. And second question we would like to ask…

Bhanu Chopra: Maybe we can engage with you on a one-to-one basis.

Miten Shah: No, that's fine, that's fine. Again, not an issue. On the second thing is that we have actually targeted doubling the revenue by 2027 if I am not mistaken in our previous concalls. You still think we can achieve this, or do we need to revisit your guidance?

Bhanu Chopra: So, first of all, I manifest that every day. And I am a big believer of manifestation. So, that is the aspiration. And actually that's a, you know, if I had to share with the investors, our mindset is to drive to that revenue more than think about the margin so much, because like I said, that scale, we will attain the kind of margins that we want to attain given the operating leverage and the strength of that business model.

So, yeah, so the aspiration is still, and I am very much aware of the promise that we made and so far all the promises that we have made to investors since we have even listed, we have come through. So, you know, sometimes things can't happen in a linear fashion. If you look at also our growth over the past three years, it has been pretty robust. And I am a big believer of the opportunity out there. And I think, like I said, we just have to recalibrate our go-to-market motion which we are doing, and it will begin to reap benefits such that maybe we will grow faster and then to start to get to that goal.

Miten Shah: Okay, thanks. Thanks a lot for the opportunity and I wish you all the best. Once again, thanks a lot.

Moderator: Thank you. A reminder to all participants to restrict yourself to only two questions per participant. The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Yes, hi, Bhanu. Thank you for giving me this opportunity. So, slightly want to echo some of the concerns raised by other investors that there is a slight mismatch between some of the qualitative comments that we make and the quarterly performance especially on the top line, right. And let me tell you where my concern is coming from, right.

One is that we have 60% of our revenue which is subscription based. We have one of the best metrics when it comes to net revenue retention. So, all these some delays in deal wins, right, where we have cut the guidance initially from 20% to 15% and now 12% to 13%. For a SaaS model with a very high subscription revenue base, don't you think that such deals should not have such kind of a fluctuation, right, or impact on our numbers even after we considered the impact of one-off, right, or the impact of one of the client?

And secondly also on margins, right, don't you think that SaaS business has a very high operating leverage, right, where some of the investments that you want to make can be generated without impacting the margins, right, or it can be inherently generated with the business growth itself, right? So, can you just help me, you know, understand while we report very strong SaaS metrics as well, right, as to why we sound a little bit less confident on near-term revenue growth and the investments that you want to make from the current levels of margins as well?

Bhanu Chopra: Yes. So, I think there are two parts of the question, and let me address each part. So, your first question about everything appears very, very good, key metrics look very good and thus why are we not growing and meeting the guidance that we had given? So, SaaS business model is very simple to understand.

You know, the key things that you need to look at is what is the, let's say, you start with the revenue of Rs. 100 and what is the churn that you experience, and then what is the new revenue you add, and then where do you end? So, let's say at Rs. 100, a very good churn number is 10%. So, you arrive at 90. And then how much do you sell, new wins that you have, and how quickly do you monetize those new wins? Because it takes time for some of the new wins to accrue.

So, the challenge we are having right now, if you look at our new contract win, it hasn't been as impressive as it has been in the past years. And I already alluded to why we have not had those new wins. Some of it was external factors, especially in the U.S. and we had elections in almost 70 countries and that kind of impacted and there was like cautiousness on corporate spending.

The second issue on why we haven't done new wins, I think is like I indicated in my other remarks, I think we underestimated, the sales team hasn't grown as substantially as the number of products have. And so, one is building out the sales team to be able to present the value proposition across all our products. Also, enabling the sales team, right?

So, as you go from a couple of products to multi-products, it adds this layer of complexity, and that complexity can be solved by building an ecosystem and enable system around that team and which is what we are doing.

So, there is a lot of investment going into what I said building out our SDR and enablement function, our partnership program and global account structure to get to close to our key accounts and investing in also building out more sellers, etc.

Now your question about, you know, why should it, I think your question was, why should it impact the margins? You are absolutely right. So, the impact on margins is going to be in the short term and not long term. So, meaning, let's say, if I added a couple of million dollars of investment in go-to-market, that will definitely yield me results, but there is a lead time to yield results on that additional $2 million.

So, over a period of time, you are absolutely right that there might be a short-term impact for a quarter or two, but I usually see sales and marketing investments do begin to pay back, let's say, you know, after a couple of quarters. So, it should normalize over a period of time.

Prolin Nandu: Sure, Bhanu. Thank you so much for that. My second question is on AI, right? While you have touched upon how you are using AI, Agentic AI, so on and so forth, but I don't know whether you had a chance to probably, you know, maybe Microsoft CEO made a comment that SaaS companies could have an existential threat because of AI because maybe business logic which used to so far be with the SaaS applications need not be there and it could be very integral to some of the SLM models that these companies are building or some of the other companies are building.

So, how do you prepare for that kind of a risk, right? And some of the entries of horizontal that you have talked about which is delaying our process or, you know, upping the prices of some of the assets that we want to buy, is it because of that? And how should, I mean, do you think AI can, first, create a disruption to some of our revenue, existing revenue sources before it becomes an incremental part of our revenue? I mean, do you see this as a risk or an opportunity?

Bhanu Chopra: No. Yes, so, I see this not as an opportunity. I see this as a massive, massive opportunity for a company like RateGain because we are at the forefront of innovation. And let me demonstrate that to you with an example.

So, we are working on something called Viva, which is in a hotel AI agent. So, I think many of us have experienced, not with the larger chain, but mid-size chain. If you want to call the hotel and you have some questions about things to do or around the rooms and rates, et cetera, your phone will go unanswered or whoever is on the other line does not have the capability to fully answer your question.

So, what we have built is a hotel AI agent that has the capability to answer any questions, discovery questions you have about the hotel or the city, or you want to make a booking. And it's a marvelous innovation by RateGain.

Now, Satya Nadella might think that Microsoft has the ability to build a hotel AI agent as well. That is right. We can build a hotel AI agent as well. But what they don't have is integration into the hotel ecosystem which RateGain possesses, which is integration to the hotel CRS, hotel PMS. So, if you call the hotel and you are speaking to the AI agent and you ask them, what are the rates for the next three days, we have the ability to cull out that information because we have integration to all the systems in place.

So, it is the RateGain embedment into this industry, the travel and hospitality context that we already possess, that positions us in a very, very superior position compared to any of these companies, and that's why some of these larger companies, I alluded to it earlier, it wasn't Microsoft but where we have done big deals.

So, I do think that AI is a revolution that will create a massive opportunity for RateGain, and I do feel everything that we are doing in all the investments that we have made in building GenAI, like summary, this voice AI agent, some of the things that we are doing on distribution with products like smart distribution and how we also on the Martech side, how are we using building some use cases to give a sense to the hoteliers on how we can optimize their loyalty programs and their direct booking optimization, I think we are in a unique position because of us being vertically focused and understanding the domain that vertical agnostic companies will travel with.

Prolin Nandu: That's very clear, Bhanu. Thanks a lot and all the best. I am looking forward to probably hearing some more constructive guidance on FY '26 in the next call. But thanks a lot and all the very best.

Bhanu Chopra: Thank you.

Moderator: Thank you. A reminder to all participants. Please restrict yourself to two questions per participant. We have our next question from the line of Ranodeep S from MAS Capital. Please go ahead.

Ranodeep S: Yes, thank you for the opportunity. One I remember back in 2023 when we acquired Adara for $16 million, A no brainer deal considering it was once a $100 million business before it's dumped in. Fast forward to 2025, are you finding it harder to come across such similarly attractive opportunities? Also in the background given that you cited that Constellation Software is your inspiration which is known for executing thousands of deals in the last decade, so what are the learnings that you have taken from their M&A strategy and how have you applied them at RateGain?

Bhanu Chopra: Yes, so I think there are two questions here. So, I think your first question is about are we finding it difficult to find Adara type deals? Yes, absolutely. We are, as I mentioned earlier, there is at least one player that has entered the space and wants to get deeper in travel and hospitality tech and they are paying rich valuations, which makes it difficult for us to strike the kind of deals that we were striking.

I do think that we are turnaround specialists and there are companies which have problems. It's like Adara did, and we were able to turn around, and those kinds of companies usually don't have many suitors because of the fear of unknown. So, I do believe while good stable companies will have many suitors and rich valuations, the companies with something wrong with them will not have as many suitors and we are definitely the ones that get excited by such opportunities because it enables us to get them at good attractive prices.

Your second question about learnings from Constellation. So, I will talk about some things that we have adopted and some things we haven't, I will leave it for another day. But one of the key learnings from Constellation is their focus on learning best practices from each of the companies that they acquire. And we have been also very, very fortunate to learn these best practices across innovation, go-to-market motion, and build Centers of Excellence around each of these best practices. And that has really helped us across the organization, and it's a result of these building these best practices across each of the functions that is enabling us to calibrate and grow the company as well as grow it profitably.

Ranodeep S: Sure. Thanks, Bhanu, for that. My next question, we see travel inspiration is becoming a major business driver with AI-led recommendations, personalized experiences, and influencer-led content shaping traveler decisions. How is RateGain leveraging data and partnerships to tap into this trend and position itself as key influencer travel demand rather than just optimizing bookings?

Bhanu Chopra: Yes, so thank you for bringing this up. There is actually something that we are building as we speak. I am very proud of our product and engineering teams because we build a No-code platform that can spin out travel inspiration type websites in a matter of minutes because we have a lot of content, right? So, I can build out 100 websites today.

You know, let's say somebody is interested in spiritual tourism, somebody is interested in golf, somebody is interested in wellness. So, we have that ability given the content that we have and using No-code and GenAI platforms to actually build out what we call, you know, No-code theme website.

So, it has a lot of promise to act also as a demand channel for our customers. So, this is something that we are experimenting on and, you know, we have had some early success in building out some websites, but it's a work in progress. And, you know, I am very excited about this particular opportunity as well.

But we are going back to how I categorize different initiatives. This is more in that PD stage right now, which we are developing and building. But it has a great amount of promise. And as I have been saying, I wish I could share over a phone call all my enthusiasm and excitement on how AI and GenAI is creating just tremendous, just massive, massive opportunity. And given the RateGain context in travel and hospitality, we are in a very, very unique position to capitalize on that.

So, again, it's not a question of if. It's just a question of when. I do believe the space of consolidation, because we haven't done anything over the last couple of years, it has really served us good in hardening up the different functions in the company and recalibrating on our innovation in go-to-market motion. It doesn't show in the results right now, but I am very confident it will show.

Ranodeep S: I appreciate that, Bhanu. Thank you for sharing that detail. Thank you.

Bhanu Chopra: Thank you.

Ranodeep S: Appreciate that.

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

Bhanu Chopra: Yes, I want to thank everyone again for taking the time out to attend this Earnings Call for Q3 FY2025. As I have reiterated in the call, I see a massive opportunity ahead of us. It's been a consolidation phase. We are recalibrating largely on our sales and go-to-market motion, and I am pretty confident about the future and continue to aspire on the promises, to deliver on the promises that we have made to the investors. Thank you.

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