Management Discussion

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Thank you, and, uh, good evening everyone, and thank you for joining Rategain Travel Technologies earnings call for the 2nd quarter and first half of FY27. We are now halfway through FY27. And H1 has been about carrying forward the plan we laid out at the start of the year. Organic growth for the combined business was 15.7% in the first half. And if you recall, when we spoke in May, we guided to 12% to 15% organic growth for FY27, and the first half is above that range. Our 2 largest smartech businesses, Properties and Destinations, Each grew more than 20% organically year on year in H1, and we are maintaining our FY27 guidance.

Operating revenue for Q2 FY27 came in at Rs 745 crores, up 153% year on year despite the expected seasonality in our destinations business within MarTech. Adjusted EBITDA was Rs 169 crores, growing 215% and ahead of revenue with the margin at 22.7%. Our focus on cash generation continues. Following our payment today on 5th November, we have now repaid 43% of the loan taken for the Sojourn acquisition. Chetan will take you through the details on margins, cash, and our balance sheet. Let me speak about our MarTech engine first.

This is our largest engine contributing to over 80% of our total revenue. With Sojourn, Adara, Demand Booster, and Soho now brought together on one platform, we run MarTech as a single combined business. Starting this quarter, we are going to give you more visibility into it by breaking it into 3 lines of businesses within MarTech. These are properties, which is primarily hotels, destinations, and corporate. Each serves a different customer, has a different growth profile, and follows a different seasonal pattern.

Showing them separately gives you a clear view of where the combined business is growing and where we are focusing our management attention. These breakdowns are based on management estimates and are unaudited. Let me take you through each one of these. Let me begin with properties. Properties includes our hotel marketing and brand engagement offerings, including SOHO. Our proposition for hotels is to drive direct bookings and improve their marketing ROI. Because much of this business is outcome-based, we grow as our hotels grow, and new property additions on our commission model continue through the quarter.

Our bidding models trained on our travel intent data decide in real time where and when to reach a traveler, and that is what turns intent into direct bookings for our hotels. Properties grew north of 20% year on year in H1 and contribute to 44.7% of our martech revenue. It remains our lead product for entering a new customer relationship, and from there we can expand into our Uno Direct Stack, helping hotels capture more of that demand themselves. Let me now talk about destinations. Our destinations business also grew north of 20% organically year on year in H1 and now accounts for 39.7% of our martech revenue.

That growth came from our key accounts in the North American market and from co-op programs, which remains a focus as we scale them. The same AI-driven bidding models that serve our hotels help destinations identify the travelers most likely to visit, and our reporting shows them what that spend delivered. For DMOs, measuring economic impact now ranks as the leading strategic priority, and that is where our capabilities are setting us apart. Destination marketing also follows the travel calendar.

DMOs concentrate their spend in the months ahead of peak travel seasons, and many begin new budget cycles in July, which makes the July to September quarter a seasonally softer one for this

business. Visitors also spend on what they do once they arrive, and this quarter we launched Commission for Experiences in beta, a performance-based marketing solution built for the attractions industry similar to the one that we have for properties. Many attractions are small and medium-sized businesses that want to pay only for results, and as that model gains traction, it opens a large and fast-growing adjacency for us.

Our corporate business, which contributes 15.6% of our martech revenue, declined about 14% organically year-on-year in H1. And I want to be direct with you about why. Historically, corporate was not a priority within Sojourn, and since the acquisition, our focus has been on integrating properties and destinations where we have the most momentum. We're now turning our attention to corporate, changing its leadership, and strengthening the team around it. We're acting on 3 fronts. First, we are sharpening our go-to-market by organizing our corporate sales teams by vertical, so each team goes deeper on airlines, cruise, car rental, or travel brands.

Second, we are expanding the channels we offer advertisers into higher growth areas, including TikTok, where our agreement is now signed, and connected TV. Third, we are adding more data products to the offering, which deepens our role with each customer and makes the relationship stickier over time. We are already seeing early traction with wins this quarter, including the European division of a leading financial services firm, a leading cruise line, one of the largest experiences booking platform, uh, one of the largest vacation rental marketplaces.

Along with this, we are also expanding into new verticals such as cruise lines, where we see good potential. Our airline and car rental customers are a natural fit for AI-driven performance marketing built on our travel intent data, and we are taking those solutions to them. We expect corporate to be broadly flat in the second half after the decline in the first and to build from there. I want to now call out on Apnea on its own because it's where our go-to-market synergies are showing up first.

Our Q2 was another record quarter for the region with new sales of about $2 million, more than 3 times what we did a year ago. We're gaining share in India, Singapore, UAE, Saudi Arabia, Egypt, and Sri Lanka, and seeing early traction in Australia, Japan, and Korea. More than 50 properties signed on our direct stack this quarter, and our teams are cross-selling Sojourn Commission across APAC, the Middle East, and Africa. Extending our commission footprint into new markets. On the flip side, the Middle East continues to face uncertainty.

Our revenue from the region stands at about $500,000 run rate per month in Q2, compared with around $970,000 USD a month before the disruption. That's slightly up from the $425,000 a month we reported last quarter for Q1. And while the region remains a headwind, the share we are gaining in the UAE and Saudi Arabia positions us well for the recovery as conditions stabilize. Let me now talk about distribution. Distribution remains stable throughout the quarter and year on year. We are seeing traction on our Uno platform with continued monetization of our order book and new contract wins.

Much of that interest centers on our AI-led capabilities, which helps hotels decide which rate updates matter most and see where revenue is leaking. Our focus is on scaling this across our customer base while deepening execution with existing customers. OYO Channel Manager was recognized by Trip.com as a favorite connectivity partner for the 3rd consecutive year, which reflects the reliability we deliver to our demand partners. Our DirectTrack, bringing booking engine connectivity and payments together, is drawing interest, particularly in APME, as I talked about earlier, as hotels look for one integrated stack.

Alongside it, Smart Distribution is now live with bookings flowing on the platform with more than 800

directly contracted properties connected and supply partners being added steadily. Let me now talk about our 3rd engine, that is DAS. Our DAS segment had a steady quarter and grew at a healthy pace of 14% in H1, with volume expansion across key accounts and new contract wins. In air, the prolonged conflict in the Middle East and sustained high oil prices are putting pressure on airline margins, even as passenger volumes have held up.

SKID's State of Travel 2026 report, drawing on IATA's outlook, expects airline industry profits to nearly halve this year as fuel costs rise and notes that airlines now need stronger cost discipline and better revenue management to grow. That need is bringing more carriers to Airgain. Airgain uses AI to turn pricing data into recommendations and plain language insights, giving revenue teams the speed they need when margins are tight, and thus bringing more carriers to the platform. Philippine Airlines came on board in July, Vietjet Kazakhstan in August, and Vietnam Airlines, the national carrier, in October.

On the OTA side, we expanded our relationships with some of the marquee names, including one of the leading global OTAs, in leading Indian B2C platforms that's planning an expansion into travel. Along with this, we have recently renewed our partnership with fast-growing Indian OTA and signed a multi-year renewal deal with one of the largest global OTAs. In car, engagement continued across key enterprise accounts, including some of the largest tech players and leading car rental companies. Expansion discussions are progressing across key markets for RevAI, our price recommendation product.

In hospitality, Navigator is extending its reach through our platform partnerships. With Cloudbeds, we completed integration and onboarding readiness during Q2 for the property ramp-up planned for October. With Duero, partner testing and integration are at an advanced stage ahead of the commercial ramp-up. We expect both to scale up in the coming quarters. Let me now talk about our AI across the stack, because it really runs through everything I've described, and I want to be specific about what we have actually shipped.

First, we built the MCP interfaces across all our data products and connected them to the major language models, LLMs. So customers and teams can query our data in plain language. Our Lens Assistant brings this into Parity and Navigator. So a customer can now go into Claude, for instance, and run customer report- custom reports on our DaaS data. Second, we are moving into our AI-led discovery. As travelers begin planning trips with AI, we are running paid ads on the AI-led discovery platforms in alpha within MarTech.

So our customers can reach them when they start to plan. In our air and car DaaS offerings, Airgain now tracks how airlines, fares, and OTAs appear in AI-generated travel answers, which opens up generative engine optimization, GEO, as a new opportunity. Third, we are using AI to run our business better. AI workflows now handle sojourn campaign management, that used to need manual analysts. The industry need is clear. A 3rd State of Distribution report with NYU and Hedna covering more than 58,000 hotels found that over half of the hotels use or are procuring generative AI, but fewer than 1 in 10 have cut their manual work by more than 30%.

Closing that gap is what our agents are built to do. We were also named as the fastest growing SaaS company at the Economic Times Enterprise AI Awards 2026. Let me talk about people and culture. We continue to strengthen our leadership team as we scale. This quarter, Chetan Garg joined as our CFO. Chetan was most recently CFO of Optum India, part of UnitedHealth Group, and held- earlier held finance leadership roles at Whirlpool, including VP of Finance for Whirlpool Asia. He brings nearly 2 decades of experience across capital markets, risk management, and the integration of

acquired businesses, and his focus will be on converting our growth into consistent returns.

We also welcome Shobhana Kailash as our Chief Human Resources Officer. Shobhana brings more than 2 decades of people leadership across technology and SaaS, including cross-border integration, and she will lead our global people strategy as we build AI capability across every team. That work is already being recognized. In August, People Matters honored Rategain at its Infinity Awards India 2026 for skills transformation in AI, digital, and future skills. Let me now turn to guidance for FY27. We are maintaining our guidance of revenue that we expect to be at the upper end of the Rs 3,000 to Rs 3,100 crore range that we had shared in the beginning of the year.

This is consistent with the 12 to 15% year-on-year organic growth over pro forma FY26 numbers that we had shared in May. On margins, we expect to be in adjusted EBITDA margin of 22.5 to 23.5% As shared last quarter. As the work across Sojourn's product, gold market, and AI capabilities take hold, we expect growth to build through the second half, and we remain on track to be net debt-free by FY28. Our medium-term aspiration remains 15% organic growth, constant currency year-on-year growth. So to close, The first half of FY27 was about building on the foundation we laid in FY26.

As we move into the second half, our focus is on deepening wallet share, scaling enterprise adoption, and turning the scale we have built into durable, profitable growth. Our data, our products, and our leadership are in place, and the work ahead is execution. With that, I'll hand over to Chetan on his first call with us to walk you through the financials. Thank you.

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
Thank you, Banu. I'm glad to be here, and good afternoon everyone. This quarter reflects Rategain's steady performance across revenue, profitability, and financial discipline, supported by the underlying strength of our business model. Let me start with the numbers for Q2 financial year '27. We are pleased to report quarterly operating revenue of Rs 745.4 crore, up 152.6% on year-on-year basis. On a sequential basis, our revenue was down Rs 40 crore from Q1. 2 factors contributed to this, and both were expected.

Q1 included a one-time benefit of about $2.5 million from FIFA World Cup, which we also flagged last quarter. Q2 is also a seasonally softer quarter for our martech business, mainly in the destination marketing. Excluding these 2 factors, the underlying trend remains healthy and we continue to grow. Organic growth for the combined entity stood at 14% year-on-year in Q2, which includes Sojourn's historical revenue from before the acquisition. Turning to our segments, our DaaS segment grew 7% in Q2 year-on-year with healthy performance across air, OTA, and car businesses.

Our distribution business was broadly flat versus last year. What we are excited about is what really comes next. Smart distribution is gaining early traction, and we recently launched Agentic ARI and RateIQ. We expect these to start contributing to revenue in the coming quarters. Our martech segment grew 300% year-on-year, largely from the consolidation of Sojourn and Healthy Growth across our properties and destination verticals. Moving to profitability, we reported EBITDA of INR 153 crore, which is up 185% from the last year, and an EBITDA margin of 20.5%.

As we have explained before, we add back the deferred consideration payable to the Sojan team. This payout depends on Sojan meeting revenue and EBITDA targets over 3 years ending in Q3 FY29. This quarter, the add-back was Rs 16.1 crore. On that basis, our adjusted EBITDA was Rs 169.1 crore, reflecting a margin of 22.7% on an adjusted basis, which is an increase of 215% year on year. This

brings our H1 adjusted margin to 23.7%. Now let me take you from EBITDA to PAT. Amortization of acquisition cost was Rs 35.5 crore this quarter, which is up from Rs 7 crore in Q2 FY26.

This is mainly due to the additional amortization related to the Sojourn acquisition. Finance cost was Rs 16.1 crore, reflecting the acquisition-related debt, or now, which is now on our books, and tax was Rs 22.7 crore. As a result, reported profit after tax was Rs 74.7 crore, an increase of 47% from the last year. And, and the margin of 10%. Adjusting for the same deferred consideration, our adjusted profit after tax was Rs 91 crore and a margin of 12.2%. Turning to the balance sheet, our outstanding debt at quarter close was Rs 733 crore.

We have maintained our discipline on debt repayment. And with our latest, uh, payment on November 5th, we now have repaid $53.75 million of debt so far, which is about 43% of our original loan. Moving to cash flow, free cash flow generation for first half was Rs 282 crore. With bringing EBITDA to free cash flow conversion for H1 to 87%. The higher conversion this quarter reflects a one-time acceleration in cash collected from the acquired Trojan businesses as well as the seasonality of our business.

With cash of Rs 239 crore, now our net debt stands at Rs 494 crore as of September 30th, and our net worth was Rs 2,218 crore as of September 30th. At the current pace, we expect to be net debt positive by end of financial year 2028. We are also reducing the cost of our remaining debt. We have refinanced $40 million of debt at a lower, lower cost of SOFR plus 165 basis points. The broader travel industry continues to prioritize technology investments that deliver measurable revenue outcome and operational efficiency.

We believe this positions Rategain well given our expanding footprint, diversified product portfolio, and growing relevance across the travel and hospitality ecosystem. As we move ahead, our focus remains on driving sustainable profitable growth, expanding our presence in high-growth geography, and strengthening our platform for long-term value creation. With that, we close our prepared remarks and we are happy to take questions.

Questions & Answers

Operator
Thank you very much. We'll now begin the question and answer session. Anyone who wishes to ask the question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press star and 1 to ask a question. First question is from the line of Karan Uppal from Philip Capital.

Please go ahead.

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yeah, thanks for the opportunity and congratulations on a decent H1 performance. The first question is on deal wins. So the deal win number was super strong in Q2. Congratulations on that. I just wanted to understand in which segments, you know, the deal wins have been strong, let's say amongst Smartech, DaaS and distribution, as well as the industry types like hotels, DMOs, OTAs, if you can elaborate on that. And it appears that, you know, after integrating Sojourn, the win ratio for us, like the pipeline to deal win conversion, has been improving.

So, uh, if you can share what are the reasons for strong pipeline to deal win conversion, and on a go-forward basis, shall we assume a similar level of deal wins, or let's say there was some one-off

Nitin Padmanaban - Analyst, Investec
Large deals, uh, which were there in Q2 and, and this number can fluctuate going ahead? Yeah, that's the first question.

Operator
Sir, I believe you're on mute. May I request you to unmute please? Ketan sir, Bhanu sir.

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yeah, sorry. Um, in terms of the pipeline breakup, I don't have that handy with me. But I'll let Chetan or Divyak answer that question. But to your second question around, you know, the pipeline being healthier and the contract wins, and is it attributed to one big customer? Let me address that first and then they can give you a sense on the breakup. So as I have been talking about in the last 2 earnings calls, We've been focusing a lot on the cross-sell motion, especially starting with our APAC, where we have invested into really expanding the team, where we were about 15 people and now we are 100 people.

So, you know, the cross-sell motion there is beginning to show. We are going forward with Sojourn as the entry product because it's a very compelling value proposition, as you can imagine. We only get paid if we deliver bookings for our customers. So it's an outcome-based model. So we enter using that model and then we are able to cross-sell and upsell onto the entire, uh, Uno platform. And the- and we basically now not selling really products, we are selling solution to the hotel. So our go-to-market is we can help you bring demand.

We can bring you direct stack, which is we can help you drive direct bookings, or full stack, meaning we can give you the entire integrated tech stack that can unlock revenue opportunities for you. So that's really seemingly doing really, really well. And as I called out in my opening remarks, uh, we have tripled our sales in APAC as a result of that. I continue to see that motion now play out in APAC. We are beginning to invest in that motion in Europe as well, but it is slightly moving slower than we would expect.

But I would expect that we will begin to see full traction of that beginning next year as well. And the other key focus from our pipeline generation is that We constituted a global key accounts team, and the focus is that our top 10 accounts, given the pervasiveness of all the technologies that we hit, which are important to a hotel, that we go into all these key accounts with one integrated offering and deepen our relationships with these key accounts. So these initiatives have led to the overall higher trajectory of wins, and we will continue to see this accelerate.

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
Yeah, and Banu, I can- I can answer regarding the new wins and pipeline. Um, most of the new wins are coming from our martech business, specifically properties. So that's where the lion's share is. And coming to pipeline, it's fairly balanced. If you look at our last issue in martech business. But even within that, most of that is coming from our tech business.

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Got it, got it. Thanks for the elaborate answer. Just the second question is on the customer additions. So since last 2 quarters, the number of customer additions has also picked up really well.

So previously we used to add like 30 to 40 customers a quarter. But now, I mean, in Q2 it was 748, in Q3 it is 380. So in which industries these are? I mean, these are in hotel, hospitality, DMOs, OTAs, airlines, and any color you can share. It would be largely hotels, properties, as Chetan pointed out in terms of our wins as well.

Okay, right. Okay, got it. And lastly, on DMO, so it was sequentially down 21%. You mentioned about the seasonality in this business. So shall we expect, you know, DMO business to come back in Q3 in terms of the sequential growth? Yes, it should come back in Q3. And if you actually look at our like-to-like numbers for Q2 on DMO business, Our growth was actually north of 20%. So sequentially, we may have had degrowth, but compared to year-on-year basis, we actually grew north of 20%. Got it. Thanks, Manu.

I'll call back into the team. Thank you.

Operator
Thank you very much. Participants, you may press star and 1 to ask a question. Next question is from the line of Pranay Roopchatterjee from Berman Capital Management. Please go ahead.

Pranay Roop Chatterjee - Analyst, Berman Capital Management
Uh, thank you. Uh, am I audible?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yes,

Operator
Yes, sir, go ahead.

Pranay Roop Chatterjee - Analyst, Berman Capital Management
Uh, firstly, thanks to the team for doing this call and speaking with us. Uh, my, my question is on your organic growth. Uh, so this quarter it was 14% INR. Uh, if I convert that to constant currency, it was probably 6, 7, 8%, uh, in constant currency. Uh, you mentioned the drop in Middle East revenue, uh, 900,000 to, uh, 500,000. Uh, if I just add that back, uh, that adds to around 200 basis points. So it takes it to about, uh, 9-10%. So if I consider 9-10% as the normalized rate, assuming things settled down, uh, sir, how does the path to 15% constant currency organic growth look like?

What would be the drivers of the same? And would we expect it to be more like a medium-term story rather than a near-term thing, or how should we think about it?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yeah, so, uh, you're right, some of the dip was because of the headwinds in Middle East, but the significant, uh, the significant impact was of because of our corporate business. That business, as I mentioned, you know, degrew on a dollar basis. The degrowth was close to about 20%. And if we are able to arrest that degrowth, which is a big focus area for us now going forward, I think that will- I don't have the numbers in front of me, but that should also add 200-300 basis points is my guess. Off the top of my head to our constant currency growth.

And in terms of accelerating it to 15%, I do believe that if you look at our core, which is really our properties and destinations in the martech, is almost 80% of our martech business and they're growing over it over 20%. Right. So if we continue to accelerate We do think we can accelerate the properties business. Uh, we are adding a lot of hotels there. Uh, there is slight concern on the churn that we have on the property side, uh, because it's pay for performance. And often we are, uh, you

know, we, we contract hotels which we call bronze and orange, which are low performing, and they usually churn out.

And now with Rategain's entire tech stack, we are able to offer an integrated offering because now we are able to say we'll bring you the demand, but we'll also give you the booking engine to convert. So our expectation is that those bronze and orange that have traditionally churned for Sojourn, we can arrest that churn. And because the number of hotels we are adding is pretty fantastic And that should in some sense accelerate our growth further than the 20% that, you know, I stated that we are at for the property side of the business.

Operator
Pranay, do you have any follow-up question?

Pranay Roop Chatterjee - Analyst, Berman Capital Management
I'm really sorry, I was on mute. Thanks for that answer. My second and last question is on margins. Uh, you have maintained your guidance of, uh, 22.5% to 23.5%, and I think H1, uh, we are at the higher end. Uh, going forward, uh, one would assume as your business picks up seasonally, uh, the benefits should accrue, uh, to the margins. Uh, but at the same time, uh, you also need to build your team and there are other fixed costs that you need to build up. Which would need to drive those growth in new areas and corporate as well.

So how should we think about margins going forward? Are you happy to maintain it at 23.5% and, you know, invest incremental gains on fixed cost, or, uh, there should be some downside potential to this, uh, given the team building that you plan to do? So, um,

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
So yeah, we, we will continue to, um, as I've stated in previous calls also, anything north of 20% we are very happy with, uh, and we want to reinvest back in growth. Um, the good news is that cost of building now has become much cheaper given AI. Uh, what used, you know, for instance, what $100 took to produce over several months can produce a lot more over just a few days. So in terms of our ability to ship out new capabilities, it had the cycle and the investment has been shortened dramatically because of AI.

So the way I see it, a lot of our investment is going to now go into continuing to build out our commercial teams. And something that I have been saying publicly also is software is cheap now and innovation is commoditized. To be able to build very, very quickly is, is quite easy. What is, what is really, really hard now, because there are customers being inundated, is to build those customer relationships and get very, very deep with them. And if you think about, uh, even our sales and marketing costs, those are the ones that you will see continue to rise up.

Because we want to have a trusted partner and advisor to each of our customers in pretty much every part of the world. And those are the areas that I see we will continue to invest on.

Pranay Roop Chatterjee - Analyst, Berman Capital Management
Perfect, sir. Thanks for answering my questions and all the best.

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Thank you.

Operator
Thank you very much. Next question is from Nanav Deepak from Sundaram Mutual Fund. Please go ahead.

Deepak - Analyst, Sundaram Mutual Fund
Yeah, thank you for the opportunity. I'm audible?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yes,

Operator
Yes. Yeah, hi

Deepak - Analyst, Sundaram Mutual Fund
Sir. So first question, uh, is on guidance. So you did guide that, you know, we'll be most likely achieving at the upper end of the guidance, which is around Rs 3,100 crore, which basically denotes that, you know, you would have to grow on a QOQ basis in Q3 and Q4. And in fact, you would have to accelerate that towards the Q4. So just wanted to understand. So this quarter you did highlight that because the MarTech was a drag on a QOQ basis since there is an element of seasonality in the DMO, right?

So when we say that we are looking at a strong H2, uh, are we banking completely on DMO recovery or we have a revenue visibility to grow on a QOQ basis in Q3 and Q4 beyond the DMOs so that we are confident that we'll be most likely reaching or maybe even achieving that Rs 3,100 crore revenue for the whole year?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yeah, so, um, good question. So we do see, uh, quarterly growth on the DMO business that you pointed out, but again, the big drag actually has been our corporate side of the business and, uh, the visibility that we have due to the bookings growth that we've seen in the corporate business and some of the decline that we've been able to arrest we'll be able to grow back the corporate business on a quarter-on-quarter basis. And if we go from, you know, the H1 being almost 20% constant currency degrowth in corporate to achieving a flattish type level in corporate in H2, that will- that gives us the confidence that we should be able to come in at the upper end of that revenue guidance.

So yeah, so again, our, our properties and destinations now are the lion's share of the MarTech business, more than 80%, and they continue to grow. And I also think that there is a- there is an opportunity to continue to accelerate the growth in our properties business with, uh, with all the things that I talked about earlier.

Deepak - Analyst, Sundaram Mutual Fund
Okay. And, and secondly, you know, if you just have to break your revenue up between DAS and distribution. So last quarter we had a benefit of favorable base in our DAS, hence we grew at 22-23% on a YOY basis in Q1. Now this quarter we are seeing a sharp deceleration of around 7% since your base has more or less normalized. So how should we think about, you know, distribution and DAS growth, you know, for the whole year of FY27 since we had a subset sunsetting of a sub-brand of an OTA, and I think that is largely behind us.

So just any flavor on the growth profile of DaaS and distribution as we, you know, move into H2, or

maybe let's say whole year of FY27?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yeah, so on DaaS, uh, we expect to grow double digit for FY27, um, in, in rupee terms. And on distribution, we expect to grow single digit. But again, as I mentioned in my commentary on distribution, I'm very excited about our smart distribution product getting launched finally. We've been at it for a couple of years and now we are seeing bookings on it. Uh, there will be a hockey stick effect that will come into the smart distribution platform. Um, I think that can take a couple of quarters, but whenever that kicks in I think that will really accelerate the growth of our distribution business.

And couple that with how we record our unified stack under distribution business, under distribution line of business, we're seeing great amount of traction on both our direct stack and full stack, which we account under distribution, especially in the APAC area. So this year may continue to be single digit. But I do think that, uh, in FY28, uh, all the signs that I see, we may be able to enter into now a double-digit growth on distribution.

Deepak - Analyst, Sundaram Mutual Fund
Okay, helpful. And my last question is a bit, uh, more strategic. So basically, you know, if you would have heard, uh, the latest con call of Google, you know, they did point out that they are earning less per queries on their Google search since more and more queries are being shifted to their AI mode, which is the trend right now. And I remember that in our base business, we do have paid marketing campaigns which is related to Google paid search. So just wanted to understand, are we seeing any impact of that, let's say, in terms of marketing budget shifting from one channel to the other channel and indirect impact on our ability to win more marketing budgets?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yeah, we are not seeing any impact. Uh, and also, please remember, on the property side of the business, uh, we have- we basically access all channels, and it's an outcome-based model. So, uh, when we go and sell to a property, they're not giving us a marketing budget. They are signing up for getting bookings on their direct website. And it's up to us where we deploy those marketing dollars. And as I had noted in my commentary, even if there is a channel shift, we have ability to use whatever channel we want to be able to deliver those bookings.

And we are experimenting on these AI surfaces such as ChatGPT and, and, um, and Google. To be able to run these campaigns and drive direct bookings. So to answer your question, the marketing budget shifting, at least on the property side, does not impact us. And as new channels emerge, we will use both our technology and data to utilize those new channels. On the DMO and the corporate side of the business, Uh, Google is definitely one of our channels, and we haven't seen, um, you know, we haven't seen any- like, on, on the corporate side, if I- if you ask me what has been the reason for decline, could it be the systematic trend, you know, that we see across Google?

I don't think so. I think the reasons have been more internal in terms of our areas of focus. As I mentioned, Sojan was really looking to deprecate this business and really focus on the core of the business that was growing much, much healthier. But our belief is with the combination of Rategain data that we have and the, you know, footprint we have across all these different travel brands, that we will be able to revive this business as well.

Operator
Thank you. Deepak, I'll request to come back for a follow-up question. Next question is from Nanav Anmol Garg from DAM Capital Advisors. Please go ahead.

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yeah, thanks for the opportunity. A couple of things. Firstly, just, you know, continuing on the Deepak's question, Bhanu, do you think that as traffic on classified type of publishers sort of reduced, do you think that on other publishers where traffic is still there, we might face higher inventory cost on these kind of platforms which might impact our overall margins? Yeah, so we did hear, although it's not confirmed, but that, you know, clearly Google sees some challenges in their search business and the inventory cost and the way they do the price auction is also changing, although they haven't refuted it.

But there have been some claims on Basically, they're charging more for the clicks than they used to. Um, I do believe that even if that, um, even if that challenge is real, again, going back to the point of we are agnostic on whatever channels and we are now- I see, uh, there could be a channel shift and maybe more of it moves to AI-led channels and we would be participating on those as well. So I see it as a channel shift. If you ask me, do I worry about that? No. But I do worry about, um, if we have now personal AI agents, uh, and those agents are directly booking with the hotel, uh, what would that do to our, uh, you know, participating on discovery platforms, whether it's AI search or social?

I think that could be a challenging situation, but, you know, we try to get ahead of the curve by building out a platform that eventually powers every booking that the hotel gets, whether it's direct or indirect. So when I say direct, it could be through a personal agent, through a voice agent, could be through search, could be through the direct website. Or indirectly through intermediaries, and that we are participating in that value chain of powering all those bookings. Um, that's how, that's how we are thinking about it.

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
Understood. So right now we are not seeing any increase in the inventory versus the usual trend?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
That would be okay. Yeah, understood. Uh, just, uh, on the margin itself, uh, I understand that, uh, we are also getting some benefit right now on the margins as well. From the steep currency movement that we have seen right now. So as this currency kind of stabilizes, do you see a margin pressure that might come up? If you can sort of indicate what is the pressure- sorry, what is the contribution of currency into the margins, that would be really helpful. Go ahead, Chetan, you want to take that?

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
Yeah, I, I just to kind of, um, explain how we think about currencies and margin is most of significant portion of our revenue is dollar-based and significant of our cost is also dollar-based. So there may be some benefit coming from currencies, but it's not meaningful that we expect to be impacted if the currency stabilizes. I hope that clarifies. Uh, right,

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Right. But I, I want to add also one more point. So I think net-net point is that we're not really benefiting from, uh, the, the margin expansion that you have seen is not a result of anything to do

with currency. It's really the cost synergies that we were able to realized as a result of, you know, taking all the platforms that we had, especially Sojourn and Adara, and make it into one platform. So you don't need as many people in tech and product, etc., that you would have required previously.

And we've also, as I've shared with you previously, we've consolidated our shared services on HR and, uh, and finance as well. So the The expansion has been a result of those cost synergies. But there's another important point I want to make, which I was making earlier, maybe which was left out, is that we are also seeing the huge benefit of productivity and efficiency gains as a result of AI. So what it would cost us to produce earlier is significantly lower now. And I see the cost of building continue to decline, right?

So, uh, from a margin perspective, you know, I'm not really worried about it. I think it's, it's really for us to now see how we continue to reinvest anything north of 20% to continue to grow the company, uh, faster. And, uh, the good news is that we, like I said, core of our business is growing north of 20%.

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
Understood, understood. And one last question is, uh, you know,

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Do you see a fundamental risk to the DAS business as because, you know, uh, because of the AI, the data collection or scrapping might be, uh, more cheaper that can possibly create additional competition and therefore creating some kind pricing pressure? Do you see that effect? No, I don't at all, because in DaaS, scraping has always been commoditized and easy. What it is difficult is when, you know, sites block you, and those blocking techniques are becoming extremely sophisticated. And we've been in this business for a long time, so we use 3 mechanisms to overcome that.

One is a technology basis to continue to play this cat and mouse game and stay ahead of these anti-blocking technologies. Second, we actually get the data from our customers. So we, you know, in a way actually pull the data from the subscribers, which an AI bot obviously cannot get because these are formalized data partnerships that we have. And third, we actually buy the data in some cases also. So the composite of 3 is able to enable us to offer, you know, this data on a very, very consistent and reliable basis.

And as you know, this data is extremely important because prices are a big determining factor for any traveler. And our customers expect reliability and sustainable data input into their revenue management systems. So yeah, I, I don't worry about this at all. Sure, thank you, thank you so much for answering my question. Thank

Operator
You. Next question is from the line of Nitin Padmanaban from Investec India. Please go ahead.

Nitin Padmanaban - Analyst, Investec
Yeah, hi, good evening, and I had a few queries actually. Um, so one is, uh, for the quarter Just to understand the seasonality a little better, you did mention it's because of destination. I'm just curious, uh, what would have been the impact from the corporate side of the business on this as we look to model for the future? Uh, because of the total $5 million that have dropped, $2.5 million is explained by non-recurrence of FIFA, but of the $2.5 Uh, would corporate be a reasonably, uh, reasonable contributor to the drop, or it's just largely destination on a sequential basis?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yeah, it's largely, uh, destinations. Um, Chetan, would you have that breakup? I, I do think that,

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
Yeah,

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Uh, there would be something in the corporate side too. Uh, yeah, let me comment on it.

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
So actually corporate business has been pretty stable Q1 to Q2. There is not much, not, uh, material decline. It's very, very stable. So it's really, uh, as we mentioned earlier, it's coming from FIFA and it's coming from destination business. Uh, to give some more color, if that helps, so historically when we look at DMO business, Q1 to Q2, we have seen seasonality of between 5 to 10%, right? So it's, it's, uh, it depends on a particular year, but that, um, there is a significant seasonality in that business from Q1 to Q2.

Nitin Padmanaban - Analyst, Investec
Got it. And, and there is no overlap between the FIFA and the destination side?

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
FIFA drove destination business higher in Q1?

Nitin Padmanaban - Analyst, Investec
No, no, I think the destination drop, there is no overlap of whatever drop we've seen. No, no,

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
No.

Nitin Padmanaban - Analyst, Investec
There's no overlap of the FIFA that was there in the last quarter with destination is whatever.

Chetan Garg - Chief Financial Officer, Rategain Travel Technologies Ltd
No, these are two almost separate factors. So we are that FIFA is separate from the regular seasonality we see in that year.

Nitin Padmanaban - Analyst, Investec
Got it. And generally Q3 and Q4 should have much better, uh, should have a positive seasonality, uh, from destination. And what we are saying is, uh, the corporate business should actually, uh, pick up. You think the corporate pickup, uh, should happen within this year itself considering You have just started focusing on it or it should take longer?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
In terms of pickup, you mean going from decline to flattish is our aspiration for this year. And our expectation is that, you know, if the strategic bets are right, that we are able to get back to growth following year.

Nitin Padmanaban - Analyst, Investec
Perfect. That's very helpful. Thank you so much and all the best, Bhanu. Thank you.

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Thank you.

Operator
Thank you. Next question is from the line of Chirag from Motilal Oswal. Please go ahead. Hi, Bhanu. Just one question I want to understand. In the AI adaptability of travel OTA and your counterparts on the vendor side, [Foreign Speech]

Nitin Padmanaban - Analyst, Investec
Segment of our business and competitions feel that you know need to be you know have to be relevant that main let's say AI become sorry trough

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
King I'm coming a bit muffled, can you speak closer to the phone please Uh, hello, can you hear me? Yeah, yeah. So I was asking, uh, as AI become a new norm 2 years down the line, uh, which part of the segment of our business you think, you know, will be, uh, will act as an integrator in client ecosystem more easily compared to some of the businesses which you know, have some AI disruption. Let's say, for example, data analysis. So I mean, many such elements I can do. So where we see ourselves in some of the segment where the AI disruption could anyway impact business, and, uh, in some of the area where AI, you know, will help us to gain a good grounding, client safety courses, for example.

Yeah, so, um, I, I didn't get it, uh, properly, but I'll try to answer what I understood. I think you're asking, you know, where is- is AI a threat to our business or any part of our business, and, uh, where could AI accelerate, right? So

Pranay Roop Chatterjee - Analyst, Berman Capital Management
Yeah,

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Um, as I was mentioning earlier, you know AI changes where travelers are going to discover trips, but hotels and destinations still need to reach them and measure what that spend delivered, and that's what we do. So I also mentioned it's like a channel shift, and we are already experimenting on these AI discovery platforms, and we are also Uh, tracking how in our DaaS product, for instance, how airlines and hotels show up on AI answers, which is very, very valuable to our customers. And if you think about it, our travel intent data even becomes more valuable as discovery fragments across more channels.

Okay, and what about the Answerbee integration with LLM models? Um, how, uh, if you think, uh, did you know any way help us in getting more figures from the affiliates or other elements? Um, I, I didn't quite again follow your question. Is, is, I think the question is, um, how is AI helping us? No, no, I'm asking like, let's say, uh, any ChatGPT or any

Nitin Padmanaban - Analyst, Investec
Such similar platform What is possibility that we integrate on backend with such, you know, ChatGPT or any other such LLM? And yeah, yeah, so, so we have, yeah,

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
So, um, I, I talked about that in our opening remarks. We actually, uh, the technology behind it is

MCP. So we've already built an MCP on our DaaS product. So actually a customer can go on to Claude or ChatGPT, and instead of coming into our platform and, uh, trying to query the data or their analysis, they actually can use their Claude or ChatGPT interface to query our data and build custom reports.

Nitin Padmanaban - Analyst, Investec
And how monetization work in this model?

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Our monetization is basically on the data consumed. So whether you're Uh, consuming it via APIs, whether you're consuming it on chat surfaces or on our tool, it's based on how much data we are servicing up to you. So it remains the same irrespective of the channel you use to consume our data. Okay, yeah, thank you.

Operator
Thank you very much, ladies and gentlemen. We'll take that as our last question. I'll now hand the conference over to Mr. Banu Chopra for closing comments.

Bhanu Chopra - Chairman and Managing Director, Rategain Travel Technologies Ltd
Yep. So thank you everyone for all your questions and for your time this evening. I just want to leave you with 3 things. First, the core of our business is strong. Properties and destinations of our MarTech business is over 80%, and each grew more than 20% in the first half. And Apnea had another record quarter. Second, we know where the work is. Corporate needs fixing and we have new leadership and a clear plan in place to stabilize it in the second half. Third, our financial discipline is intact.

We're maintaining our guidance. Margins are within the range and we now have repaid 43% of our acquisition debt, on track to be net debt-free by FY28. We built Rategain to be the platform that helps travel grow, and I've never been more confident in the opportunity ahead. On behalf of all of us at Rategain, I wish you and your families a very happy Diwali. Thank you.

Operator
Thank you very much. On behalf of Rategain Travel Technologies Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.