

## Intellect's Q1 FY25 Financial Results

### Investor Earnings Call Transcript

#### **Praveen Malik:**

Greetings and welcome everyone!

Thank you for joining us today to discuss Intellect Design Arena Limited's financial results for the first quarter of the fiscal year 2024-25 ending 30<sup>th</sup> June 2024. The investor presentation and press release have been sent to you and are available on our website. Our leadership team is present on this call to discuss the results. We have it with us today,

Mr Arun Jain, Chairman and Managing Director

Mr Manish Makan, CEO of iGTB

Mr Rajesh Saxena, CEO of iGCB

Mr Banesh Prabhu, CEO of IntellectAI

Ms. Vasudha Subramaniam, CFO

Some other senior members of the intellect management team were also present on the call.

Now I hand over to Vasudha to take you through the financials and later Mr Arun Jain will give his comments on the same. This will be followed by a Q&A session. Your questions will be replied to by the senior members of our management team. Once the Q&A starts, you can ask a question by clicking on raise hand and we will unmute you so that everyone can listen to you.

One safe harbour, I would like to remind you that anything we say, which refers to our outlook for the future is a forward-looking statement. This must be read in conjunction with the risks the company faces.

With this, I request Vasudha to give her a briefing.

Over to you Vasudha.

#### **Vasudha Subramaniam:**

Thank you, Praveen. Good evening everyone. I'm happy to review the financial highlights of Q1 2025 with you. Our total revenue for the quarter was Rs.605 Crs with licence revenue recorded at Rs.125 Crs and AMC at Rs.121 Crs. We had a gross margin of 57%. Our EBITDA was Rs.121 Crs at 20% of our revenue. PAT was Rs.74. Crs and PBT was Rs.98 Crs.

During the quarter, we have collected Rs.556 Crs and our cash position at the end of June ended at Rs.813 Crs. And during the quarter, we had won 11 deals and have gone live on 12 digital transformation projects. Our DSO as of 30th June is 126 days and excluding GeM, it is actually 101

days. Moving on to the LTM metric on a comparative basis, our total revenue for the last 12 months was Rs.2318 Crs with licence revenue at Rs.458 Crs and AMC at Rs.463 Crs. our EBITDA crossed Rs.500 Crs which is 22% of revenue, our collections during the period crossed Rs.2300 Crs and our PBT for the period was Rs.418 Crs. So during this period, we had won 52 deals and we had gone live on 56 digital transformation projects.

**Arun Jain:**

Mentioned that we have excluded Gem from this.

**Vasudha Subramaniam:**

Yes. So when I say comparable basis we have excluded GEM in this. Now talking about the composition of the currencies and the revenue, USD is at 37% followed by INR which is represented at 26%, CAD - 8%, GBP is 14%, Euro 6% and others constitute 9%.

Now to give more colour about the new Deal Wins for the quarter, we had 3 new deal wins in North America, one with Vancity, Canada's largest Community Credit union. The second is with an insurance company and the third is again with a wholesale insurance brokerage Company. So we will hear more about it from the CEOs. There were three new deal wins in India and Bangladesh, one with an Indian public sector insurance company. Second is the major one, which is a leading financial institution and a global investment management firm that jointly created a strategic alliance for wealth and the third is the Stock Exchange in Bangladesh. In ANZ we had a couple of new deals and in the Middle East in Jordan, we had one deal. Talking about the accolades, we were ranked number one by IBS in retail core banking, transaction banking and retail lending.

This is again another accolade and the analysts have reviewed us – Datos and Celent and others. Talking about the pipeline, we have crossed Rs.8500 Crs during the quarter, which is in fact more than 100 million for the quarter, I would say. And we have on the destiny deals we have about 86 destiny deals with an average size of about Rs.52 Crs and the destiny deals are increasing from 73 in Q1 to 84 last quarter to 86 in this quarter. Out of the 86 new deals, 23 deals have a value of more than Rs.50 Crs, 28 are in the range of Rs.30 to Rs.50 Crs and 35 are in the range of Rs.20 to Rs.30 Crs. Let me hand it over to Arun to talk about Purple Fabric.

**Arun Jain:**

Welcome to all of you. So, I will talk about Purple Fabric later. Let me just comment on the business results first. So I think we finished our quarter on Rs.600 Crs plus revenue, a fifth quarter when we cross Rs.600 Crs as revenue and I think our journey all the time in last few years, are Rs.100 Crs each time, Rs.500 Crs Rs.600 Crs.

Now the journey we are waiting for is Rs.700 Crs. So this period of Rs.600 Crs has results after GeM going away in the Q3 FY24, but still we can sustain the water above the Rs.600 Crs number. Our

focus is to get to Rs.700 Crs. So we are preparing the organisation for 700 Crs per quarter and that's for the entire eMACH.ai and Purple Fabric which I was showing the slide will drive towards that.

In the journey of Rs.600 Crs to Rs.700 Crs. I would say the wintering period for us has gone slightly longer. This quarter we could have moved away from the wintering season, But because one deal of 30 Crs plus has been postponed in the last week of June. This deal was almost on. It is signed - the MSA but has not been executed because the bank's financial budget limits are over and they will be signing this deal in the next financial year starting January, which is our Q4 quarter. With that, we could have managed all the expectations of the investor from a quarter-to-quarter perspective.

But overall, our traction is extremely high right now. As of now, our costs are also around Rs.480 Crs range and that is the range which will be maintained in the next few quarters, so the new revenue that is getting generated 80% of it will translate into the margin of the organisation. So that's an important point which you mentioned all the time that how margin improvement will be happening. On a specific basis today this quarter maybe. It will not show the right number because of the single deal of Rs.30 Crs which could have come to the margin itself. If you add that the margin could have been better.

During this quarter, we won very significant deals. So sometimes you may not know the Intensity of this deal wins, when we win in Canada or when we, win in the US or when we win in Australia. I would like to invite Rajesh to say - when we say Vancity deal, we published a press release, but what does it mean to come into the entry into the Canadian market, a Credit Union market which is run by an over 30 to 40-year-old system to enter a new player in a market. So what went behind winning this deal? What is the futuristic view of winning such deals in Canada Vancity itself, Rajesh?

**Rajesh Saxena:**

Thank you, Arun. I hope you can hear me. So let me just talk a little bit about Vancity. Vancity is the largest community Credit Union, based out of Vancouver, which is the western zone of Canada and it is the largest credit union in Canada, and this is a deal that, we have been following through for the last 18 months. And this deal is very significant because first of all, the deal is about a Digital Engagement Platform for retail, SME and subsequently also for the Commercial Bank. So it's a complete digital experience, a transforming experience deal. This is a deal which will be where we will be doing the full managed services on Azure cloud. So that's the contours of the deal. But why this deal is significant because, in the credit union space in Canada, there are a couple of vendors who are the providers of this digital engagement platform or lending platform and core banking platform. Winning this deal from one of those existing providers who had some time back tied up with the Backbase and that implementation failed for them, is a very significant milestone for us. Vancity is a leader in this space and therefore there is a lot of buzz in the credit union space that we have a couple of leads which have come up after our announcement of Vancity. We have now started going into the implementation part of this. So this along with the footprint that we have from a GTB perspective in Canada makes us a full scale – starting from credit union space all the

way to tier one Banks, a full Space where we will have our products in the market. So that's about Vancity. But let me talk specifically more about North America. I think a couple of quarter's back we had talked about at least from a GCB perspective. We had talked about Europe as our strategic inroad and I think over the last couple of quarters we have demonstrated that we have been able to build a good momentum in our Europe market. When we look at Europe, we are seeing a very good pipeline being developed in Europe and you will see the results over the next couple of coming quarters.

After Europe, we decided that we will get into Canada from a GCB perspective leveraging a GTB footprint and that's what we have been doing for the last couple of quarters. I have been in North America for the last 5 weeks, spending time predominantly in the US. Some of you may have read it, we have just announced that we have hired Janine who's going to be leading our GCB business in the US market based out of North America. She and I spent a lot of time meeting prospects, consultants, partners, etc. to understand the contours of this market and deciding what to be a strategy to enter into the US market. The US market as you know is highly regulated, a tough market, but also from a TAM and a SAM perspective, a very huge market. So we are very positive. We are looking forward to the next couple of quarters into our U.S. market entry. Along with Janine, we are putting the team of people with Janine, some of them we are hiring from the US to get the US experience, and a few we will be transferring from India. So we are putting a team of people to go after the US market and we should see some momentum being built up in our US market. Janine comes from a very strong domain expertise. She has worked with Santander and PNC Bank. So we are looking forward to working with her as we take our journey back. So that was a high-level commentary about how GCB has moved from Europe as a strategy, went to Canada and now entering the US and you will hear in the next couple of quarters and years about our progress in the US market. Arun back to you.

**Arun Jain:**

Thank you, Rajesh. It has been almost 90 days since we met on the 9th of May when we announced the result is not over 90 days. I think all of us are on the road, so most of the management team is on the road in various countries obviously which resulted in travel costs going up, but otherwise, I was on the road. I visited eight countries during this period. We met close to 70 people from the customer side, and the partner side, conducting multiple meetings in each country. The events will happen in iGTB Oxford in London and then followed by Money20/20. I think we have never been so busy in the last eight years and generated close to 120 leads almost two leads per day are coming up our way. So we organised a workshop in eMACH.ai with 300 people in Chennai in April. It was that picture of the attendees of the workshop you saw at the beginning of the presentation. The entire magic of eMACH.ai is surfacing. At this point, I just want to invite Manish to see how it is panning out for him in winning the deals in Australia and these are all the difficult markets. Rajesh talked about the US market. Manish over to you.

**Manish Makan:**

Thanks, Vasudha, and Arun thanks for giving the brief before this. I have been sharing in the previous quarters also, that a best-selling product on corporate treasury continues to help us win in the marketplace. So we closed two more deals in Australia in this quarter, which is primarily to help banks to help the corporates raise better deposits, get them better investment products and get them better manage their liquidity better. So two big deals wins in Australia after the previous quarter, we had two deals, one in Australia and one in the US around liquidity. So liquidity as the flagship product continues to help us. Create that deepening the gap between us and anyone else. Because everyone else tries to extend that out from a core banking I can also imitate and do this. We built the real competency around this, and today we have about 54 banks worldwide, which leverage this capability to extend this, bringing this efficiency to the balance sheet for the corporates as well as for the banks. So that's been very successful. We also closed two deals on DTB in the Middle East, both the product and the market are flagships for us. So we continue to win on DTB in the Middle East. Like Arun said the amount of time all of us were on the road, we have got across North America, several good opportunities which are maturing. In the next two quarters, we will share a number of them. Unfortunately, one deal where we got signatures on the MSA, it's just the last signature they had to postpone their budget spend from starting in September - the program which they were going to sign in June to start in September. Now it starts in January and they will sign in January. Everything was done on that. So that's a significant one like Arun said, Rs.30 Crs which got deferred. The deal is won. So we should show this in our Q4 from that perspective. In Europe also we have got good momentum in the UK and France going right now, Australia opening up and there's been a big focus on developing Asia equally. So of what Arun said, two deals a quarter, even Asia, which has not been very strong for us was very good looking and it has good potential for us in the coming couple of quarters where we will show good results from there. So across the board, in all markets right now, activity is at an all-time high. The opportunities are what we call in a P4 stage number of these things are there, how across the next two quarters we bring that in. I think that's where the team is focused. Thank you.

**Arun Jain:**

Yeah. So coming to the next area IntellectAI. I have been posting a message on Purple Fabric daily on LinkedIn. So I reached up to 4 messages such as on Purple Fabric Imagine, Purple Fabric DIMS, Purple Fabric Expert Agent, Purple Fabric Traid, and two more are left. So in this slide, we are saying that AI is a hot product and so much generative AI is there. Our teams, our research teams had looked at this problem very differently and they looked at each persona – what is required for a product manager to look at in AI?, what is CIO looking for in AI?, and what operations managers are looking for AI? and what compliance manager is looking for AI? So based on all four personas we designed them, one of the most comprehensive AI products in the marketplace where we signed up with all five consulting firms from Accenture, EY, KPMG, Deloitte and PwC. The beauty of this product is it is a comprehensive Enterprise Connected intelligence platform. And it is using a

different set of technologies. And, it is giving a choice to the customer to decide the t kind of LLM model one wants to use. Now, Banesh will tell you how many workshops and boot camps we have done in the last 90 days from May to now. Almost every day there are two or three boot camps or webinars happening, which is driving a huge amount of Lead generation. So over to Banesh on carrying forward this conversation.

**Banesh Prabhu:**

Thanks, Arun. I think Arun explained the overall Purple Fabric. IntellectAI has been working a lot on AI initiatives for a long time right now. I think what we have done is we are now able to implement AI using all the large language models, the LLM's and the LLM's are evolving just about every couple of weeks, and we see upgrades taking place by all the LLM's providers. I think what our platform provides for a financial institution is the ability to govern AI initiatives. There are billions of dollars' worth of money that is being put into AI by most financial institutions. All companies across the board are spending an enormous amount of money on AI, I think while it's on a hype cycle. I think very realistically the time has come for a significant change to transform operations and financial institutions using AI. I think the traction is significant and we did about over a dozen different types of boot camps. Some of them are multiple discussions with certain clients and I think they are building a very deep pipeline of actually helping the clients implement AI initiatives with governance, control of data, with control of security. At the same time, the different people and different personas in an organisation can make a difference in how they can capture business outcomes from different AI use cases that we are putting together. We have over 55 documented AI use cases, another 80 odd that we are looking at right now. Now if I look at the quarter, our AI platform, is at the heart of our insurance business, so Purple Fabric is what we are sort of positioned as the name of this platform. Purple Fabric along with eMACH.ai for insurance. Last quarter we did four deals. In this first quarter, we have done two deals. Two more deals were signed but they just didn't make the cut-off for the 30th of June. I must remind you that all of these deals use a combination of eMACH and AI, and also all of them are subscription deals. So from a financial perspective, you will have to see that these are longer-term. You know subscription type of calculations on the financials. I'm also happy to say that our wealth and capital markets business, I think Vasudha touched on you know two deals, but I just to talk a little bit more about it. This is an existing client that's doing the first implementation in Bangladesh of a commodity derivative exchange for which we are providing our brokerage platform called Capital Alpha. We are implementing that for a very large Commodity Exchange setup in Bangladesh. The second is very exciting. It's the largest company in India joint venture with one of the largest asset managers around the world. The asset manager manages over 10 trillion in assets under management. I think we are seeing a phenomenal increase in wealth generation across the world and more and more people are talking to us about how we can implement our eMACH wealth solution along with what we used to call embedded AI. But it uses a combination of Purple Fabric and the eMACH suite that we have to implement these wealth and capital market mandates that we won. We won three

others. I think the contracts are in progress we you know there has been confirmation that we have won them. One of them is the largest investment manager in Saudi. The other one of the largest private banks in India, not the largest but one of the largest, and also we won the mandate of one of the largest global multinationals that wants to scale up their wealth business. So I think the wealth and capital markets have a fantastic pipeline to look at. The eMACH resonates, the AI embedded resonates and I think over a period of time that combination of eMACH and AI, which is eMACH.ai position for the future. Thanks all.

**Arun Jain:**

Thank you, Banesh. So I talked about it in the last two years back when we were looking at partners and distribution strategy. I think this year we started the journey by making our applications partner-ready. And eMACH.ai plays a critical role in being a partner-ready system. So from an investor perspective, what does the eMACH.ai mean? Why are we so excited internally? and how do you simplify the language of eMACH.ai are the elements for the typical investor. Because for technologists it's a huge excitement because it's an open finance platform. So today the word Open Finance platform which, we call it first principle thinking, which means we ask the question of why the bank exists. It is because events happened in the life of finance and any of their customers. So if we design a system which is based on the First Principle Thinking from events in the life of a retail customer or wealth or SME or a corporate customer and then look at the services the bank provides, and which gets connected to other applications which are through APIs on a cloud and make it personalised headless and provide intelligence to it. It removes a lot of complexity which the bank has built over a period of time. They can wire the entire application based on customer desirability and that's why Rajesh when we were selected in Canada found that digital experiences if it is based on first principle thinking, we are mapping customer desirability to the business outcome. So we call it organising the thinking space, expanding the performance space and impacting the business outcome. So this is where we can put 329 decompositions of all banking business in just a single book where all the elements of the banking have been put onto the single banking chart.

Now this so once we put this chart in front of the customer, he has a choice to put on the entire chart where and what his needs are. So we are not selling the full products. We are selling what he needs. And if he needs portfolio management only in the wealth management system, we can provide portfolio management. If he requires only the Relationship Manager office because he has an existing Avaloq install we can give him the RM office. Or this can be extended to the existing system and coexistence is possible in existing applications. That is what we can disrupt and that makes my GSI (Global System Integrator), very interested in our technology. We have conducted almost one session every week for each of our global SI on eMACH.ai. Because then they can use my specific set of microservices to include in their value propositions which they are offering to their current customers by doing and accelerating their journey. So when the budgets are less, they

can expand that space substantially because there are 329 microservices, 500 plus events and 1700 APIs.

Along with that, we built up iTurmeric, which I explained earlier. It is a completely codeless platform for composability and solving four key issues of transformation. For any transformation, you need integration, UX, workflow and data. Now all of it is wired and comes from a single platform, reducing the cycle time for delivery to half as well as number of defects to less than 10%, as well as almost 80% of defects are not there because they are codeless platforms and combined with Purple Fabric to build intelligence agents along with the operational process, it is a truly partner ready technology. We took some longer time to get to partners. In 2022, you were questioning why we don't go to partners. We wanted to ensure that they have the right toolkit and right methods to get into the partnership model. The new leads, which have come normally, we used to add some 50 leads per quarter. This time we added 120 leads in a single quarter because most of the additional leads came from our partnership network. We are close to the Rs.600 Crs funnel with the partners which we are working on. Some of the detailed conversations are happening where partners are getting certified themselves on iTurmeric or Purple Fabric and going to gather in a few deals over this period. We are seeing this as a very disruptive technology. The opportunity going forward is significantly large. Because of that though the first quarter result is not in line with the expectation of the industry because 30 Crs slip on the contract. But 15% growth is what we talked about during last quarter, we are fully intact on that number. So that is what the current state of business is. So at this point, I just want to leave for questions and answers and I have seen more than 200 people join in this investor conference. So we can have a good conversation based on an understanding of what we are doing in eMACH.ai in this technology space.

**Praveen Malik:**

Thanks, Arun. Now the forum is open for the Q&A. In case you want to ask a question, please click on the raise your hand. I repeat, please click, raise your hand and we will unmute you and you can ask the questions. Now, first, we have Mr Samir Dosani. Mr Samir Dosani, please unmute yourself.

**Samir Dosani:**

Can you hear me?

**Praveen Malik:**

Yes, Samir. Please go ahead.

**Samir Dosani:**

So, a couple of questions. When Rajesh is on the US business, you are trying to foray into the US as the geography. If you can just highlight like which are the areas that we are targeting? And how's the competitive intensity? Because it's very difficult to sell business banking software in the US. We



have seen it in other players. So what is the competitive intensity where when do you think there will be initial signs of some progress here and whether it will require any investments on your part?

The second question is for Vasudha. When you look at your funnel and deal wins, they have been phenomenal. But when you look at your last 12 months' revenue growth, obviously excluding GeM also has seen some deceleration. Right? We have come down to 12%. So do you think this can accelerate given your deal wins and whether you hold your guidance on revenue? And the third is from GenAI. Very simply, if you can just indicate the number of projects like in some way can you give us some metric to quantitatively track that this is the number of projects that you have worked on versus you know last quarter this was the number of places we have worked on? So we can try that. So these are the 3 questions.

**Rajesh Saxena:**

Sure, I can take the first question. It is a very good question. So I think from a US perspective, as you rightly said the US is a competitive market. It is also a highly regulated market where you can have federal requirements, state-level requirements, etc. So you need to make sure that your platforms are certified and attested. However, having said that the market opportunity is very large. And what market study has indicated to us is that there are a lot of legacies and what we bring to the table eMACH.ai can disrupt the US market if we get our act together. So there's opportunity is huge. And so that the landscape starts from a strategy perspective, I would say that's competitive information. So I wouldn't like to discuss it on this call, but enough to say that we are in the process of identifying what would be the segment and the key products that we will take to that segment and discussing them internally, debating the GTM strategy for that. So over the next couple of quarters, we should have that in place and we will go into the market. It's also important for us to put together a team of people. So there is some amount of investments that we are making from a US team perspective. I also said we would be transferring some of our people from India. So there is some amount of investment which we will be doing. Both in terms of team as well as in terms of baking up a platform ready for the US market. And just a little bit more colour around the US market, what we are seeing is that some of our Indian competitors and peers can enter this market. So with that and our architecture and the eMACH.ai that we bring to the table, we believe that if we get our act together we can really disrupt the market.

**Vasudha Subramaniam:**

Let me take up the second part of the question and Arun might add on. Yes, true it is like 12% in the first quarter. And as we said, this is the first quarter and we always want to be measured on a yearly basis, not on a quarterly basis. We still stick to the guidance of 15% excluding GeM and we are highly hopeful that it will happen.

And it so happened that, as Banesh mentioned, there were a couple of deals for which the contract got signed off post the cut-off date and for which we could not accrue the revenue in Q1. It so

happened and there are some other deals with the high value that we could not accrue this part and which got deferred. So we are still hopeful of the strong pipeline that we emphasise and that we'll be able to meet up to the guidance.

**Samir Dosani:**

So I'm just tracking the last 12 month revenue not here on Q-o-Q. So I think that is the prediction, I'm sure that is what one has to track

**Arun Jain:**

That's right

**Samir Dosani:**

Ok. And on the Gen AI level?

**Arun Jain:**

Banesh, how many projects you are working on?

**Banesh Prabhu:**

So just to get this right, we track our pipeline in a platform across all our product lines. Our Purple Fabric pipeline today has almost finished and when I last looked at it, it has got about 35 discussions in progress. Remember, AI is at a very early stage. So we have a very large pipeline building. We call it Purple Fabric as you just heard from Arun. And I think that pipeline will be looked at like any other pipeline discussion we would have if we have a Gen AI. It's not just a Gen AI. It's more than just Gen AI.

**Samir Dosani:**

So, 35 projects currently? How much was it like 6 months ago?

**Banesh Prabhu:**

35 discussions are in progress with various clients.

**Samir Dosani:**

Six months back. Six months back, how much the number was is something we can mention.

**Banesh Prabhu**

The platform has only just been done. So I would say this pipeline has been built over the last 4 to 5 months where we have used Purple Fabric to be able to get people to use Gen AI. We have been working on the LLM for many years. We have been investing in it, but the LLM has made a difference in which AI is matched.

**Samir Dosani:**

Got it. I am sorry if I'm allowed to follow up. So, does this investment in the US have that impactable margin improvement trajectory or it was already built in, you can comment on that Vasudha. Thanks.

**Arun Jain:**

That's what we are currently discussing. Let me be in a board meeting also, what kind of new numbers to be put in if additional investment is required or not. We are seeing that based on the more traction and winning we are able to articulate how many additional salespeople were required. So it's not about technology investment. More investment will be required in go-to-market investments.

**Samir Dosani:**

Ok. Fair to say it will be higher gross margins or it will initially have some lower margins than their business. Do you think?

**Arun Jain:**

It will be a lower margin. In the beginning, Purple Fabric requires investment. The revenue will not be front-loaded but back-loaded in Purple Fabric where subscription-based revenues are there. So sure that is one point which is to be clarified.

**Samir Dosani:**

Sure. Thanks for that.

**Praveen Malik:**

Next, we have Mr Rahul Jain from Dolat Capital. Rahul. Please unmute yourself. Rahul, are you there?

**Rahul Jain:**

Yeah. Hope I'm audible.

**Praveen Malik:**

Yeah, Rahul. Please go on.

**Rahul Jain:**

Yeah, so basically I have a couple of questions. One question is what I have observed from the last couple of quarters is that the growth in our implementation revenue has not been pretty much catching up with the growth that we are observing in the licence revenue. So is there any specific

reason why this trajectory has gone down from 6% to 7% or does it include any L1 or L2 services related to GeM or which probably has any percolation impact there?

**Arun Jain:**

So I think, with the Codeless platform, our implementation revenue is expected to come down. That is not the most profitable business for us. The implementation business we were doing. - We want to get it done with the partners. So that is the intentional approach which is being looked at from the perspective of creating more efficiency. This growth of implementation may not be that high and we would like to push licence and SaaS revenue more.

**Rahul Jain:**

And when you say that also because there are partners. So is there a number that we could say that the number of deals that are going to the third party versus implementation versus let's say year back or two years back, any data that you could share?

**Arun Jain:**

It's too early right now. As of now, we are not saying that we have won too many deals with the partner. We have won two to three deals while working with the partners. So that data is not sufficient to be shared. When it is ready, we will share it with you.

**Rahul Jain:**

During the quarter, we have also observed that the software expenses have, I mean the main cost of services, increased during the quarter. Is it more because of the many things that you spoke about, the lot of action that you did but eventually did not culminate into revenue? Or these are general investments that have gone into the quarter?

**Arun Jain:**

SD cost has gone up, so we acknowledge that SD cost has gone up for two reasons. One is a generative AI. Some of the investments have gone and the consumption of the cloud has been baked into this. Some of the bundle cost with a cloud cost, also got embedded into it. So these are two areas which are there. And the third is the Rs.30 Crs investment. The deal, which was there almost too close, got postponed by the financial constraint of our client. But all the initial work has been set up for that. These are three reasons for our SD cost to go up.

**Rahul Jain:**

Right and any input on the ideal tax rate that you are expecting for this year and next year that would be a fill?

**Vasudha Subramaniam:**

We can take it as 24%, Rahul.

**Rahul Jain:**

For FY 25?

**Vasudha Subramaniam:**

Yes

**Rahul Jain:**

OK. Thank you. That's it, from my side.

**Praveen Malik:**

Thank you, Rahul. Please click on Raise your hand. Please click on Raise your hand in case you want to ask a question. Next, we have Mr Mehul Panjwani from 40 cents.

**Mehul Panjwani:**

Yeah. Am I audible, Sir?

**Praveen Malik:**

Yeah, Please go on.

**Mehul Panjwani:**

Thank you so much for the opportunity. This is not a question, but a request to the entire management team. Because, you know, we are doing so much higher-end work and we have very promising products and we are focused on disrupting quite a lot of traditional banking technology. So I request that as shareholders, we should know what is there in our product that is going to disrupt the market. Because you know just in your introduction you mentioned that we are here to disrupt the American banking software market. So I request that we can have a couple of hours of session where we only talk about technology and not financials. So that we know where our company is going. Right now, for a layman, it is very difficult to understand that anybody can claim that I am going to build a disruptive product. Because I have been following this company for a long time and have been trying to understand a lot and I also have a technology background. I was working in the IT industry but still, I am not able to figure out anything. I will just go by whatever I Google and you know whatever I can make sense out of. But if you can, you know if you have 2 hours of sessions for our fellow shareholders, whoever is interested, to demonstrate that this is what traditional banks do and this is what our software will do for them. Then we also can be our champions, through our network etc. but more importantly, understand our products.

**Arun Jain:**

OK. Thank you for this advice. We should do it. Malik, we should organise a two-hour session for the people. I would like to have two sessions, one on eMACH and another on Purple Fabric, two hours for both

**Arun Jain:**

In the next one month.

**Praveen Malik:**

Sure.

**Mehul Panjwani:**

Thank you so much, Arun Sir. I appreciate it.

**Arun Jain:**

Secondly, If you really want to experience the power of Purple fabric in two days' time we can conduct a session on boot camp where you can put the application wiring for a use case by a salesperson. Not even a technology person. A salesperson was able to build up a Purple Fabric extra agent in two days of boot camp. So that's the simplification of the disruption. For certain people, we are organising a boot camp and purple fabric on the 29th and 30th of August. But for the individuals, that is for the companies, we will organise the boot camp. So sometimes we can see if you register and are willing to look at it, time to be spent on two days of understanding what AI is going to disrupt the market and what it means.

**Mehul Panjwani:**

Definitely, Sir. I would be looking forward and eager to attend this kind of boot camp. Because everybody is talking about AI. But I don't know if a handful of companies will be doing actual AI work.

**Arun Jain:**

That's right. And because there's so much noise there, how to find the voice from the noise is a challenge for most of the investors.

**Mehul Panjwani:**

Yeah. Absolutely. So I will look forward to this two-hour session first and then obviously also boot camp as well.

**Arun Jain:**

Thank you.

**Mehul Panjwani:**

I will request Mr Malik as well to send a mail out after the meeting. Thank you so much.

**Praveen Malik:**

Sure. Thank you, Mehul. Next, we have Mr Vivek Kumar from Best Pal. Vivek, please unmute yourself.

**Vivek Kumar:**

Am I audible?

**Praveen Malik:**

Yeah, Vivek, please go on.

**Vivek Kumar:**

I know I am asking a quantitative question. But leave this year, if I take 3 to 4 years, we will go back to our 20% because you have been investing a lot of eMACH before. If you come from your Investor Day 1-2, which is exactly where you explained how the company is going to pan out and what you are going to do with your products and you're across products across continents, across countries and across like you are into insurance like now you have AI and different business verticals. So when can we count on 20% to be taken over a 3 to 4-year period? But it's a purely quantitative reason

**Arun Jain:**

Definitely. I think 15% we are looking for this year. 20% is designed for ups and downs will happen. There could be 25%, they could be 15%, and there would be 20%. So 20% is that organisation is designed for and designed for long term 20% and not one time 20%. That is why these investments are required in a technology company like ours, a multi-product company, a multi-geography company. Because of ensuring that we can sustain this growth over the next 5 years or not? Otherwise, we end up acquiring the companies and aggregating the companies. That's not what we want. It's a pure organic company.

**Vivek Kumar:**

And second one is on your partnerships and if you can go deeper like you have explained clearly on the three verticals by the three vertical heads. So similarly on partnership how it is shaping up because we have started and how is the distribution? You remember in the last two con-calls you were saying our next one to two years is about DDD, which is Distribution, Distribution, Distribution. So can you tell us more about how it is shaping up and how confident you are?

**Arun Jain:**

The confidence is that distribution partners have started chasing us. Earlier we were chasing them. So reverse flow has happened. It started to happen. We need to demonstrate to them that there is the money for them. If we make \$1, they, they can make \$2 from us. Then they are in the game. If our technologies are not able to help them make \$2, we need to demonstrate to them that in the next few years, they can build up their own practices of 10 Million, 20, 30, and 40 Million Dollars practices around eMACH.ai and that's the process of building confidence, we are going through. And that's the way Rajesh, Manish and I have been travelling. And meeting each partner, ranging from senior executives, CEOs, and business heads of the country to explain what eMACH.ai is and how it is disruptive. The question Mehul asked, is the same question we need to explain face to face. It cannot be explained on a Zoom call. So that's what we are in the process of doing it. And that process will continue for another two more quarters and then we get into a few deals to execute. One deal we executed with one of the large partners. It is going live in the Philippines. So which is a very good success story. One success story of winning the deal and making the client successful speaks a lot of volumes and the partnership game.

**Vivek Kumar:**

Let's say, in the next few quarters of the year, we will be having much better

**Arun Jain:**

Yeah. Then the acceleration will happen. Only after two to three quarters, we will see the acceleration.

**Praveen Malik:**

OK. Thank you, Vivek. In case anybody, wants to ask a question. Please click on Raise your hand. Next, we have Mr. Jayaprakash Parekh. Jayaprakash, please unmute yourself. Looks like Mr. Jayaprakash is not there. Now Mehul wants to ask the question again. Yes, Mehul, please ask your question once again. You want to have some more questions I believe.

**Mehul Panjwani:**

Yes. I have unmuted myself. Thank you so much, Arun Sir, One question from the follow-up on the earlier question you were answering. How many partners do we have and can you just share some details about who the partners are?

**Arun Jain:**



We have all five partners, Accenture, PwC, EY, KPMG and Deloitte in consulting partnership. In global system integration, we are working with HCL, Coforge, Tech Mahindra, Wipro, L&T, Hexaware, and Persistent.

**Mehul Panjwani:**

OK. So one follow-up question on this. Which deals we have won are through which partner so far, because we have won very few deals right? That's what I understand.

**Arun Jain:**

Yeah, we just want to keep it confidential which may disturb the confidentiality equation with the partner.

**Mehul Panjwani:**

OK. And any particular reason why we do not have TCS and Infosys as partners? Is it because they have their banking product?

**Arun Jain:**

That's Right.

**Mehul Panjwani:**

OK. Thank you so much, Sir.

**Arun Jain:**

OK, Praveen. It's almost on time.

**Vasudha Subramaniam:**

He seems to have logged off.

**Arun Jain:**

OK. Please go ahead asking the question. Unmute yourself.

**Praveen Malik:**

Vipin.

**Arun Jain:**

Yeah, please.

**Praveen Malik:**

Mr Vipin Abraham, you are there? Mr Vipin Abraham.

**Vipin Abraham:**

I want to ask this question that the revenue of 15% which is mentioned based on the reported numbers of last year or after adjusting the government contract?

**Vasudha Subramaniam:**

After adjusting the government contract.

**Vipin Abraham:**

Oh alright, thank you.

**Vasudha Subramaniam:**

Welcome.

**Praveen Malik:**

Thank you, Vipin. Arun, Mr Vivek Kumar wants to ask one more question. Can we?

**Arun Jain:**

Yeah, sure. Just one more. We have another four minutes to go.

**Praveen Malik:**

Yeah. OK. Vivek can ask the question again and unmute yourself.

**Vivek Kumar:**

So, just continuing on the partnerships, so if we think that they pay off and what percentage of our deals will be through partnership in 2 to 3 years like or 4 years whatever, I don't know because like when will we feel that this is done and we are this we have succeeded in our distribution and what percentage of deals would go to the partners like that?

**Arun Jain:**

Our target is that close to 20% deal should go to the partners.

**Vivek Kumar:**

OK. So we have only two minutes left. So I have one more question. Can I ask Sir?

**Arun Jain:**

Yeah, sure. Continue.

**Vivek Kumar:**

A few quarters back, you said there are three wide movements. This is BaaS and GCB digital, the core banking and insurance. People spoke about the last two, but the initial BaaS thing. Any update from Manish Ji?

**Manish Makan:**

We did one deal in the US last quarter. With a fairly large top 20 US bank. So that it worked well.

**Vivek Kumar:**

Oh, OK. Are you finding success in that in the US market?

**Arun Jain:**

Yes. I think we launched the BaaS in the US market. Mainly Manish, the BaaS, we have launched initially in the US market because that's a more technology-savvy market.

**Vivek Kumar:**

Oh. Thank you, Sir. Thank you very much.

**Praveen Malik:**

Thanks, Vivek. Arun, we have a last question from Mr Rohit Balakrishnan from ithought PMS. Rohit, please unmute yourself and ask a question.

**Rohit Balakrishnan:**

Yes, Sir. Good evening. Am I audible?

**Praveen Malik:**

Yeah. Please go ahead.

**Rohit Balakrishnan:**

Sorry, I was on mute. Good evening, Sir. Good evening, everybody. So very encouraging to hear the commentary on what you are seeing in terms of new leads and the kind of traction that you are getting. From not immediately, not in this year or not in this quarter or next two or three quarters or like two to three years out, What you have been trying to do, I think is you are trying to invest ahead of the curve. But given the business model, as you have also mentioned in the past, incremental margins are going to be very high at some point in time. So I just wanted to understand, how far are we from that inflection point where what to 20 to 22% margins where we can get go beyond that and get to maybe closer to 30% or even 30% and beyond. Many of the companies that are there in this space, even in India listed, have that kind of margins and you have

also talked about that these kinds of margins are not like not unachievable. So just wanted to hear your perspective, how far are we from that kind of margin?

**Arun Jain:**

We cannot specify a timeframe at this point because it's a continuous investment in this area. Right now, our market share is more important than our margin share. However, for our business model, if we compare it with our competitors, the potential margin could be 40% when we reduce investment. So, increasing the margin to 40% is not a big issue. The key question is whether we want to reduce investment or continue investing to achieve global leadership. The main concern is whether the partnership network we are building will start paying off. If the 12 partners we have identified start delivering results quarter by quarter, the margin could reach 30% or more in a shorter period, possibly within the next six to eight quarters. As a management team, we expect it to reach 30% in six to eight quarters, but market conditions will dictate the actual timeline.

**Rohit Balakrishnan:**

That's very helpful. I think that's pretty much it. That's it from my side. Thank you very much and all the very best.

**Praveen Malik:**

Thanks, Rohit. Arun, that is all we have.

**Arun Jain:**

Yeah. Thank you very much.

**Praveen Malik:**

And don't have any further questions or time is also over. So thank you very much everybody for participating in the call. In case you have any follow-up questions, please do write to us. Thank you very much and thank the management team also. Thank you very much. You can log off now.

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