

## Q4 & FY 2023-24

### 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 fourth quarter of the fiscal year 2023-24, ending 31st March 2024 and the full year of 2023-24. The investor presentation and press release have been sent to you and are also available on our website. Our leadership team is present on this call to discuss the result. We have with us today Mr Arun Jain, Chairman and Managing Director, Mr. Manish Maakan, CEO of iGTB, Mr Rajesh Saxena, CEO of iGCB, Mr Banesh Prabhu, CEO of IntellectAI, and Ms. Vasudha Subramaniam, CFO. Besides, some other senior members of the Intellect Management team are present in the call.

Now, I hand it 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, where the senior members of our management team will reply to your questions. Once the Q&A starts, you can ask a question by clicking on raise your hand, and we will unmute you so that everybody is able to listen to you.

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

With this, I request Vasudha to give you a brief.

Over to Vasudha.

**Vasudha Subramanian**

Thank you, Praveen! Good evening, everyone!

It's a pleasure to be before you as we enter the 10th year of innovation, growth and resilience. Your continued support is invaluable as we navigate the dynamic landscape of the Fintech industry. Let me delve into the numbers to share our progress and financial insights.

Our Q4 revenue stood at Rs. 612 Crs., and excluding GeM, it was Rs. 603 Crs. We made an EBITDA of Rs. 137 Crs. and Rs. 155 Crs. without GeM. Our margins for Q4 would have been higher by 18 Crs. without GeM. Our Days Sales Outstanding (DSO) were 122 for Q4, and without GeM, we are in the less than 100-day range on the DSO. On the cash front, we collected Rs. 570 Crs. during the quarter and had a cash balance of Rs. 776 Crs. as of 31 March 24.

I would now like to take you through the full-year metrics. We recorded a revenue of Rs.2,513 Crs. for the year 2023-24, generating an EBITDA of 549 Crs. and a PAT of 334 Crs. This PAT is without considering the one-off exceptional item relating to MAT credit write-off of Rs. 12.5 Crs.. Cash collection during the year had crossed Rs.2,300 Crs. We won 52 deals during the year and have gone live on 54 digital transformational projects.

Let me now share our last 12 months' metrics, which give a comprehensive view of trends and our sustained performance over a longer period. The growth in the LTM revenue compounded annually for three years is 19%. The YoY growth in LTM revenue was 12% and excluding GeM, it remained at 14%. Similarly, the three-year CAGR for EBITDA was 15%. The YoY growth in LTM EBITDA was 22%, while it was 27%, excluding GeM. It is important to note that our YoY growth in LTM of PBT was 27%, including GeM.

Over the year, as we close Q4, our funnel size has improved from Rs7000 Crs. in Q4FY23 to Rs 8000 Crs. in Q4, and we see consistent growth in our big-ticket deals which we call Destiny Deals. During the year, we were deeply involved in many global events in Toronto, Amsterdam, London, Paris, Dubai and Nairobi. beside others. We commence the year 2024-25 having 300 plus global experts within Intellect coming together to converge on ideas and innovation.

As part of the eMACH.ai Summit, we had a series of structured sessions. These helped us sharpen our thinking and expand the customer canvas, country canvas, product, canvas, and distribution canvas.

With this, I'm handing over to our Chairman, who will provide a lot more insight into business performance and growth journey.

Thank you.

**Arun Jain**

OK, so the quarter that you are looking at is accelerated by eMACH.ai. So, we are speaking about eMACH.ai from the last four quarters. It's gaining momentum because of first principles thinking about what we have brought in as one of the most disruptive technologies in the financial space. There are still many deals, which increasing the pipeline, translating into revenue. So numberwise, we were designing the business for 20% growth, we achieved 14% without GeM. So there's a shortfall from that perspective on the expectation between 20% of what we had designed, and this time it's 14%, and that's where some of the delayed deals or carry forward deals are coming into the picture. But if you look at the pattern of new deal sign-up, which is accelerating, one is on the past total number, but also 8 deals wins in North America. So this is one important point. During last year at the annual board meeting, I was discussing that we have to emphasise on North America

As such North America has started giving some results in a single quarter. Eight deal wins out of which six deal wins are in AI business is a credible performance of North America. It has both areas, so one is on the CBX deal around digital Contextual Banking eXperience deals and AI deals. So these are two main lines of business, which eMACH.ai's driving the growth, one is digital growth, and second is my AI growth. So, composable and contextual growth are both the places where we are finding the outcome over there.

Then there is one large deal in Europe on core banking, which is very important after OTP, the momentum of core banking is continuing in Europe. We announced OTP last quarter; this quarter, another bank - Vakif Bank was announced and then two deal wins, in the Middle East and Africa, which is around the DTB platform, which is again continuing the momentum of DTB leadership. There are three DTB deals in India now and there were one or two deals postponed for next quarter. So there are three deals. All are DTB deal wins over the last quarter..

Then, there were two deal wins in APAC and ANZ. One deal is in Vietnam, and the second deal is in ANZ. There are two large deals which are signed up in APAC. So it's a very balanced model, and beauty of the model of expanding into so many countries is to create a basic foundation on which we can grow the business YoY. And for some of the deals which are announced this time, we have shared their asset size in the deals to indicate the size of the bank. So they are choosing the right enterprise grade software.

During the board meeting, we had a lot of presentations on Security, Risk Management, and enterprise-grade software in a new world because there are a lot of moving parts which are there on security, on the cloud, on open sourcing. The biggest challenge is ensuring that it's safe for the bank to run on that platform, and technology becomes a critical edge. So we are finding people running a lot of legacy systems are getting some regulatory notices because of the weakness of the basic architecture where the data leakages happens because of that structure. Today we have these deal wins based on almost 42 elements in cloud management alone. There are close to 40 + elements in security alone. So often when you ask whether fintech can compete with us or what is the role of you and fintech. I think the cost of managing a continuous open banking platform in terms of Level 1, Level 2, Level 3 Security has gone up so high the bank risks are multiplying though it's giving an easiness for operating. But managing the risk becomes substantially large and these deals, which I'm talking about - 16 deals - they have gone through the scrutiny - of almost close to 150 architects - before they have signed a deal with us. On one side we say fintech is a competition; on another side we are finding fintech is finding more difficult to win the enterprise gate deal, and they are getting pocketed into the small area for driving the business growth.

Going to the next slide, this is a Gartner, DATOS, and private bankers. So I think this entire report is on composable technology. Intellect is getting a big traction with all the analysts. It is not about just the product that they're looking at. They are looking at the architectural strength of the product, the decomposition of microservices, the decomposition of APIs, and the zip-coding of API so that it can be reused. So we don't create a forest of APIs within the banking system, resulting in the Intellect pipeline going up quarter on quarter.

We started the year with Rs 7000 Crs. We are ending the year with Rs. 8200 crore.

If you look at it, the number of deals has moved from 70 Destiny deals to 84. And the details of the deals are in the next slide - deal win accounting is over here. I'm not getting into each of them. One important point is that we have three wins in that area of greater than Rs. 50 crore deals in this quarter. We lost one large deal because of the political environment between India and Canada. The rest of the deals are fine as far as the proper traction is concerned.

The company is paying ₹3.5 per share as a dividend, which is 70% - higher than last year's Rs.2.5 per share. This time, the board decided to have ₹3.5 per share.

To expand the Procurement space after GeM, we have learnt that we have to move to applying AI technologies and composable technology, Turmeric and AI. I combined them together and launched them for banking systems to large corporates and governments where there is a need for a procurement system. The major competition is Ariba, which is quite expensive for many markets. And we were able to build it in just six months.

The team was able to build up three products. They are,

- Corporate Procurement eXchange (iCPX)
- Government Procurement eXchange (iGPX)
- Accounts Payable eXchange (iAPX)

They are AI-based products and digital-based products. We have already signed 2 deals in CPX space this month and one deal in APX space. We have started evaluating two proposals in GPX space, which is Government Procurement. So the team which was released from GeM is now getting into proper profitable business; whatever the learning we got - where you have seen the numbers with GeM and without GeM, it is getting to the profitable business whenever we will be signing the deals over there. They may have an investment period of another two or three quarters, but after that, it may result in a good traction.

Another important point which I want to mention is this following picture which you are seeing - eMACH.ai Summit. This is the power of Intellect. 300 leaders from 31 countries, 2 Boot Camps, 1 purpose it's the largest congregation. For nine days, the leadership team started beginning the year with a new agenda of eMACH.ai to become the disruptive platform for the world. Every one of the leader have gone through the two boot camps of three days each. One is on AI, the Purple Fabric, and second Boot camp is on iTurmeric.

The workshop was organized in three spaces: i) Organizing the Thinking Space, ii) Expanding the Performance Space, and iii) Impacting the Business Outcome. So, 300 people when we brought them together, we needed to come up with the common thinking space where we look at it, how do we disrupt the world. Then you expand by simplifying the process and systems, expanding the performance space by frameworks and then impacting the business outcome.

As I mentioned, the two Boot Camps and the main Summit event were held. So three days, three days, three days each.

Over here, the iTurmeric MACH composable technology boot camp was very, very interesting. So in both sessions it's a hands-on session where the ease of the platform got demonstrated by simplifying the system so much that a sales head of the UK and sales head of Australia could build up a loan repayment API and a UX screen by themselves after two days of workshop. So that was proof that these two platforms, Purple Fabric platform and iTurmeric, can reduce the cycle time and the efforts to disrupt the market.

The eMACH.ai world is changing the paradigm from product-centric organizations' to customer-desirability products, from coding to composing and from enterprise-siloed knowledge to enterprise-connected intelligence. We are contributing in four different ways. We are participating in deals transforming the enterprise in the Core Banking, Lending, Wealth, Payment, DTB, Cards, Treasury, Trade, Supply Chain Finance, Custody, iGPX and iCPX. This could be a complete deal of transformation. We are using AI to transform bank operations. We transform experience using Relationship Manager Office, Corporate, SME, and Retail Banking eXchange, the Contextual eXchange (CBX). We can also expand the bank's capability by helping them with the One Origination platform, Customer Onboarding platform, Virtual Accounting platform, Accounts Payable platform, and Corporate Procurement platforms. So, my sales team is leveraging our systems in four different ways. We are leveraging three growth levers around Customer Canvas. Today, we have a rich set of top 50 accounts on which we have focused our attention to growing those accounts. They are the leaders in their geography. Magnificent 7, Expand 18, and Focus 36 are the three agenda points we are driving on Customer Canvas. Then, we are deepening country coverage wherever we are present. We have chosen 11 countries where we want to deepen our country coverage, while the rest of the countries we want to work through the partners, and then, to choose the right product proposition and grow across the country and customers. So this year, the focus is on clients, so go with more products. So GCB products should go to GTB clients, and vice versa, or AI should go to all the GCB and GTB products. So that's the approach for growth opportunities. These are a few glimpses of the Global eMACH.ai Summit 2024, which we had for three days.

We spent a lot of time in global events and launching eMACH.ai. You might have seen in the LinkedIn we had an event in Dubai, Paris, and London, eMACH.ai and Intellect Design Thinking Residential Programmed for Exponential Growth in India and eMACH.ai Design Thinking for Digital Enterprise in Dhaka, and we are going country by country. I'm travelling to London again next week, New York and Canada. So every week there is an agenda for launching this. There's a large traction on global events on Sibos, iGTB Oxford, Money 20/20, and GTR. So, there is big traction in creating awareness of eMACH.ai.

Next is the Sustainability agenda. So, we are looking at Sustainability as a core value. Last year, we published the first Sustainability Report. This year, the sustainability agenda is moving to the next level. Our campus has been a zero-discharge campus for the last one year. No single waste item is going out of the campus as a waste. We recycle or reuse all our water, food, and other waste. And there are almost 15 initiatives in sustainability that are happening, from social transformation to employee sustainability awareness to employee participation. We had a Sustainability week in February, where 5000 employees formally took a Sustainability pledge, in a formal manner - So we are using the GRI and BRSR frameworks for sustainability

So these are a lot of exciting time for all of us. All three CEOs, Banesh, Manish and Rajesh, are on the call. Fortunately, Manish is now travelling to Chennai to be at the headquarters. We can now open the platform for questions and answers.

**Manish**

Praveen, you can open up for answers to questions.

**Praveen Malik**

Yes. If you want to ask a question, please click raise your hand. First, we have Mr Vivek Turaga from Bestpal .

**Vivek Turaga**

Hi Sir, are you able to hear me, Sir? Am I audible?

**Praveen Malik**

Yes. Please go ahead.

**Vivek Turaga**

Thanks for the opportunity. Sir, aren't you saying it's palpably exciting in your press release? So, if you can guide us about the next year's growth in terms of because during the last from the time you're listed till today, one consistently right thing is your sales guidance even though margins because of the investments or something like GeM going away or something like Ukraine war coming. So, even though margins are cloudy, you invest in eMACH.ai. Even though margins and PAT didn't go according to our trajectory sales, at least every 2-3 years, your sales guidance was perfect. So, can you guide us because you say this is Intellect 3.0 and now I'm not the one to say whether all the investments are done, but eMACH.ai and investments are primarily a large part is done. Can you throw light on whether they'll be accelerated in sales growth, which can lead to huge operating leverage, and we can see that in both PAT and margins grow in a sustainable ways? This is my first question.

**Arun Jain**

Yeah. There are two kinds of growth we are measuring right now. In the AI platform, the growth of the penetration in the accounts will be significant, like six account deals within the last quarter. The translation into financial numbers will be smaller because those AI deals will use platforms. Financial numbers versus deal numbers will have a different kind of correlation. However, deepening those Destiny deals will help sustain the growth momentum. Second is what you are looking at and how you provide operating leverage. Operating leverage is happening. We see that in the last Quarter, we need to see GeM to go down the numbers. So last quarter, when we discussed the numbers, almost 70 Crs in revenue went away, which was filled by the 7% sequential growth from quarter to quarter from last quarter to this quarter. So, looking at the guidance right now, we are still navigating it. We have designed the company for 20% growth. But looking at the total IT industry going towards a slowdown from the perspective of all the country players, we are still dwelling on whether excluding GeM guidance, if I remove the GeM revenue from the \$303 million revenue around \$30 million, it's around \$273 Mn revenue - on that base number around 15% guidance could be there.

**Vivek Turaga**

It's for the whole year next year. Right?

**Arun Jain**

For the whole year. It may not be quarterly balanced across the whole year, but an entire year can be.

**Vivek Turaga**

And over the next 2-3 years, you are confident of 15 to 20%.

**Arun Jain**

The 20% is a designed element. But it can sometimes be 25%. That's the way Ups and downs can happen. Last year, we lost three big deals that could have transformed the landscape. One is with one of the largest banks in India. They have gone for a very small company. Second is one large deal in Canada, and third is another deal in Europe. If these deals had come, we could have been a very different-looking company, and these deals are in the range of \$100 million plus. We signed one OTP for \$100 million plus, but there are two more deals, \$100 million plus, which we just lost because of political reasons where we were almost there.

**Vivek Turaga**

The second question is, in the last two quarters back, you said three white moments are in terms of core banking in terms of digital core banking and then BaaS in terms of GTB and AI. So you can elaborate on how these three white moments are and how confident we are about winning deals and any competition? And in core banking, where are we now and are we winning? Are we more confident of winning? So if you get these three white moments, you mentioned three quarters back, if you're in more.

**Arun Jain**

Yeah, all three are perfect on the dot. What kind of start can Manish make, then?

**Manish Maakan**

I got them all of that. You would have seen all three we form the moat after doing OTP. VakifBank was another big European transformation. In AI, Arun already talked of the six deals, and we have two deals on BaaS, one in the US and one in Australia. So, expanding out multiple of these sub-accounting platforms, all three patterns have happened.

**Arun Jain**

Rajesh, do you want to cover?

**Rajesh Saxena**

Yeah. Specifically, let me talk about core banking. From a core banking perspective, the last year was very good. We closed many deals. We closed over eight core banking transformation deals in the previous year. And as I look at the pipeline, it continues to be very good. It's a deep pipeline. We are in multiple stages, and what we are also seeing from a core banking perspective, we talked about this as eMACH.ai. We are now getting called by large tier-one players, regional players, etc, which is also putting pressure on us from a pre-sales perspective. But we see that graduation is how we get into more significant destiny deals. In the core banking field, if you study right now, there are many opportunities, and we are well poised to take advantage of them.

**Vivek Turaga**

You just mentioned that you lost a 100 Mn\$ deal with a bank in India. So, what is the reason? Is it just because of competition, or are you seeing any trend that you want to highlight?

**Arun Jain**

In India, it was less than \$100 million. It was a \$50 million size of the bank because of low cost and low pricing by the competition. Very low pricing.



**Vivek Turaga**

Overall, we are confident of 20% over the three years, given that most investments have been made in products and platforms. Can I take it?

**Arun Jain**

Yeah, but more investment will be required in AI right now. We are finding significant traction in the Purple Fabric I'm mentioning with the generative AI. We built Purple Fabric, the platform where we bring five different knowledge banks, knowledge vaults, or knowledge repositories to create a connected intelligence enterprise level. We are talking to all the big five consulting firms to look at how to deliver expert agents and co-pilots on top of AI. We may require another investment, like last 2 year, which was from Rs.140 Crs. From Rs. 120.Crs.. So, our investment bucket is \$20 million. The investments may vary from Rs.160 Crs. to Rs.165 Crs. for the coming year. For that, it's not a significant investment. From that perspective, it's just a 20 Crs., Rs.25 Crs. more investment. Other products are ready to go to market. So, operating leverage can start this year.

**Vivek Turaga**

Sorry, Arun Ji. I'm pressing all this because now that you have started investing in distribution and partnering with many system integrators, I was expecting to be more confident in our goal. So that is why I was just pressing on this.

**Arun Jain**

We all love it. But let's wait.

**Manish Maakan**

We will take the system integrator route to start kicking in. We have had a few wins this year, and they need to feel confident once we deliver it. In a 12 to18-month period, the indirect distribution will suddenly start adding significantly over there. That's the right journey we have begun.

**Arun Jain**

I'm meeting the CEOs of all the SIs. So now they're coming to us, which was the reverse way. So that wheel has rotated. How it will translate into numbers? Since this investor conference is not a business plan conference, we are cautious about it.

**Vivek Turaga**

Thank you, Arun Ji. Thank you very much.

**Arun Jain**

Who's next?

**Nachu Nagappan**

Let's ask Rahul Jain the question, please. Can you unmute Rahul Jain, please? Rahul, you can ask that question.

**Rahul Jain**

Hi Sir. Can you hear me?

**Praveen Malik**

Yes, Rahul, we can hear you.

**Rahul Jain**

Yes. So, one clarification to start with. When we said 15% guidance, is that what I heard? Is it on the adjusted basis for our revenue or GeM this year? Or is this on the reported basis we expect to deliver for fiscal 25?

**Arun Jain**

Adjusted basis, I mentioned clearly 273 Mn.

**Rahul Jain**

Can you hear me?

**Nachu Nagappan**

Yes, it's better now.

**Rahul Jain**

Do you want me to repeat the question?

**Arun Jain**

I mentioned the answer is that it's on an -adjusted basis.

**Rahul Jain**

Yeah. Sorry, I could not hear. Secondly, in this quarter, when we see the suggested work that you have shared, the kinds of implied in the 9 Crs revenue that would have come from them in this quarter also, and there is a 27 Crs like-for-like cost. How should my computation shape up if it is right? Or will this line now, give or take, a minimal number going forward? This 27 Crs worth of cost can be repurposed in the subsequent quarter. How, when, how and when are we going to take the benefit out of this?

**Arun Jain**

This Rs.9 Crs. of GEM additional revenue was a backlog of some CRs booked in the last quarter. So, whatever we completed until December, those billings happened during Q4. So that's the only backlog, nothing future-related.

**Rahul Jain**

And this 27 Crs cost that we are saying can the same cost be repurposed for other projects, or how long do we expect it to take?

**Arun Jain**

Yeah. This 27 Crs cost, which has been iGPX and iCPX, what we are launching, is directed towards that, and they have a good plan to look at it in the next two quarters to start generating revenue over there.

**Rahul Jain**

OK. Right. And just one last bit on the GeM: We will view the market you highlighted about the macro thing. But so far, we have observed that the pain in this software industry is not as huge as in the services business. Is there some kind of adoption curve that is now taking shape, supporting the momentum and ensuring growth continues for this fiscal year and beyond? Or is it too early to conclude that thought?

**Arun Jain**

This growth is coming from the pipeline, the funnel through which we have the 80 plus Destiny deals. So that's the reason for the growth numbers more than any market scenario; this is a more grounded basis.

**Rahul Jain**

So, basically, you are attributing this to strong execution, which we are able to continue. We should be able to deliver this.

**Arun Jain**

Sure.

**Rahul Jain**

OK, great, Sir. Thank you so much. That's it from my side.

**Arun Jain**

Thank you.

**Praveen Malik**

Thank you, Rahul. Next, we have Mohit Jain. Mohit, please ask the question.

**Mohit Jain**

Yeah, Sir. Congratulations. This is a reasonable quarter. So, I first saw you have announced eight deals in the US, but eMACH.ai had its first win there. So, what are your plans for the US? Then, I have two follow-ups on Gem

**Arun Jain**

So, Banesh, would you like to answer about the six deals you won, the traction in the US on them, and your AI space in the US?

**Mohit Jain**

Also, can you talk about whether core banking is going there or if there are some other products you will offer beyond insurance?

**Arun Jain**

Yeah, sure. We will come to that. Let's hear about AI, and then we hear that our CBX product in Canada and the US is the second product line here. I'll ask Rajesh or Manish to discuss the Canadian market, where we are getting momentum in North America.

**Banesh Prabhu**

Yeah, so just to update you, Mohit, I think the fact that intellect AI very early had adopted an AI-first approach to our businesses on the insurance side is now building a good pipeline; I think we've done six deals, we've got an excellent pipeline to complete over there, and we have quite a few contracts out there, it does take time to close some of these contracts. But we are well in progress with quite a few deals as we speak. Clearly, you know, I don't need to, sort of everybody is aware of the activity taking place in the AI Space, and I think some of what we've done as investments over the last few years on AI is actually resulted in a very good platform that Arun has already talked about which is giving us the connected intelligence from an enterprise perspective which is quite unique and I think a lot of the product focus now would be to start leveraging those capabilities for our clients in across the Intellect businesses in you know, both GTB and in the GCB business lines. So a pretty good pipeline for the insurance businesses is coming, you know, coming over the next few quarters. Similarly, we have closed out some good wealth deals, but, they under contracting, and they are quite significant, so hopefully we'll get traction on that too. Again, we bring a lot of, you know, AI capabilities for wealth advisers in the market so I think we expect that to also do well in the next few quarters here.

**Mohit Jain**

Okay, so this was through a partner, the eMACH.ai? Or was it through our own sales team?

**Banesh Prabhu**

We have our own team, at least for insurance, but we have a very strong relationship with both the large cloud providers in the US.

**Mohit Jain**

Great. The second was related to GeM now we have given EX GeM numbers for the first time so the recurring margin is whatever you have shown in Q4 now that is the new normal for intellect? Or should we take it at 25, 26% is what you're looking at?

**Arun Jain**

You are calculating very quickly EX GeM number but I think 23/24% because some investment will be required so around 24% numbers we are looking around.

**Mohit Jain**

Around 24?

**Arun Jain**

Yeah.

**Mohit Jain**

Okay and Sir your tax rate now that we have this exceptional item and I assume you have moved to the new regime so now should we assume 25% as the standard tax rate going forward?

**Arun Jain**

Yeah

**Vasudha Subramaniam**

The ETR across the globe will be 23%, for India it's 25% so we'll optimize it to 23% at a consolidated level.

**Mohit Jain**

Right. And last ma'am, last on receivable days you have also given DSO now that's the new DSO number for Intellect or should we read going forward because I'm assuming from 1Q numbers will be EX GeM only?

**Arun Jain**

Yeah, so whatever the old pending is there in GeM, we will be reporting separately because there is a pending money sitting there. If you are looking at non-GeM business receivable will be less than 100.

**Mohit Jain**

89/90 I think you have reported.

**Arun Jain**

Yeah, 90 days, which is there.

**Vasudha Subramaniam**

You can take it as less than 100 days.

**Arun Jain**

Less than 100 days, definitely less than 100 days.

**Mohit Jain**

At the consolidated level?

**Arun Jain**

At the consolidated level.

**Vasudha Subramaniam**

Correct.

**Arun Jain**

But GeM, we will keep it separate. We will park it separately to collect the money, which is taking its own time in the Government of India to collect.

**Mohit Jain**

So there is also DSO; I think this should get over in six months or something like that right

**Arun Jain**

If the Government pays on time and it's over in six months, logically, it should be over in six months. But you need to keep your fingers crossed.

**Mohit Jain**

Got it. Thank you Sir, all the best for 25.

**Arun Jain**

Yeah, thank you.

**Praveen Malik**

Thank you, Mohit Jain. Please I request everybody, in case you want to ask a question, please click 'raise your hand' please click raise your hand. As of now doesn't seem to be anybody. Any further question?

**Arun Jain**

That's a very good news, I think we communicated well on the some more yeah four questions are there, yes please 3 more questions are there.

**Praveen Malik**

Next, we have Mr. Nemish Shah. Nemish, please ask your question.

**Nemish Shah**

Hi this is Nemish Shah from Emkay Investment Managers again I had one clarification with respect to GeM so if I just compare the Q3 numbers that we are provided with GeM and without GeM and compare the Q4 numbers, in Q3, we had a cost base of around 67 Crs. in GeM which has come down to about 27 Crs. in Q4 so just wanted to understand were we able to that redeploy cost of about Rs.40 Crs. So what is this 40 Crs. differential with respect to GeM if you can clarify?

**Vasudha Subrahmaniam**

In Q3, we also had GeM in the sense the GeM got ended only by mid of December so until such time we had GeM cost we had third party cost related to GeM and all so in Q4 we conservatively made some provisions for some of the cost. It's not a provision against the doubtful debts but for some of the liquidated damages we made some provisions. So as it is in Q3 we had GeM at least till the end of December and that is the reason for difference.

**Manish Maakan**

He is asking how we redeployed 40 Crs.

**Vasudha Subrahmaniam**

That's what in GPX

**Arun Jain**

GPX

**Nemish Shah**

Okay so that was largely third-party outsourcing cost or that.

**Vasudha Subrahmaniam**

We had third-party sourcing, yes.

**Nemish Shah**

And these 27 Crs.—is there any third-party cost related to that or is that largely on our books?

**Vasudha Subrahmaniam**

27 Crs did not include any third party. It included some of the employee cost, so we retained them for redeployment so that cost is being included. and secondly we made some provisions on some liquidated damages, and because of which is what are, the ETR for the quarter is also little high because that's been disallowed for the purpose of income tax and we also had some Capex related cost on account of GeM so all these three constituted this Rs.27 Crs, there was no third party cost involved in this.

**Nemish Shah**

Okay, I got it. So, going forward, will not the entire Rs.27 Crs. continue, or will it be lower than that?

**Vasudha Subrahmaniam**

Yeah, it will be lower. We may make some investments, but they will not be the entire amount.

**Nemish Shah**

Got it. That's it from my side, thank you.

**Praveen Malik**

Thank you, Nemish. Next, we have Mr. Umang Shah from Banyan Tree Advisors Umang, Please ask your question.

**Umang Shah**

Hi sir, am I audible?



**Praveen Malik**

Yeah, please go ahead.

**Umang Shah**

Sir, are we seeing any lower competitive intensity from Temenos, considering they have some issues that they need to look at on the AR side?

**Rajesh Saxena**

So, actually it's a very interesting and difficult question to answer but when we look at it from a market perspective, we are seeing Temenos still very much in the fray, so we have not seen that as if the intensity has got lost - this is from the ground market feedback.

**Umang Shah**

Right, sir. That's useful. Sir, in terms of Thought Machine, I wanted to understand that Arun Sir made some comments about how new-age Fintechs don't have the kind of security features that we do. Would you include Thought Machine in that, or would you say that at least, on the security front, all three firms are on the same level?

**Arun Jain**

Rajesh, you want to answer.

**Rajesh Saxena**

Yeah, please go ahead. I can add Arun.

**Mr. Arun Jain**

Thought Machine, as a framework so basically Thought Machine provides a framework to the bank, not a full core banking product as such so their strategy is slightly different from Temenos and Intellect. Our strategy is to provide a full, complete domain-focused product, whereas on Thought Machine, a lot of things have to be worked out by the Implementation Partners. Hence, Implementation Partners make a lot of money on Thought Machine. Once they have to build the solution then they provide the partners, provide the security framework and other things on top of it. So, on the box on the cloud-ready product to be used, I think we have invested the money into that; in Thought Machine's case it's a customer who invests that money into them.

**Umang Shah**

Right Sir.

**Rajesh Saxena**

I was saying that I am going to echo the same point saying that Thought Machine is giving us a simple framework, and the framework either the Bank, IT team, or SI has to build on that framework, so if you really compare between Thought Machine and Intellect, we come not only with the underlying eMACH.ai architecture but we build, we bring the deep domain, the banking domain and that's what set us very unique from Thought Machine.

**Umang Shah**

Very useful, Sir, thank you so much.

**Praveen Malik**

Thanks Umang. Next we have Mr. Mukul Verma from Verma Associates. Mukul, you there, Mukul are you there? Mukul left, actually.

Okay, Next, we have Nitin Sharma. Oh Mr mukul Varma is there

**Mukul Varma**

Am I audible?

**Praveen Malik**

Okay, please go ahead.

**Mukul Varma**

Good evening, Sir. I just wanted to check on the buyback front last time. When I read this question, you said that you are in discussions at the board level. Can we look at something on that front in the coming year? By this year's end, you will have in excess of 1000 Crs. cash on this.

**Arun Jain**

Once we are crossing 1000 Crs. then definitely we can look at it. We should be, as you are guessing the right number.

**Mukul Varma**

Another thing with the RBI getting very harsh on Kotak Bank, PayTm and other Banking Institutions for want of Technology spend because of their business going up and the technology is not commensurate with the software they use, so how do you look at it? How does that kind of generate more business for us, or is it some they will have to go back to their existing vendor to set this right I heard the con-call of Kotak bank where they said they are already investing 1700 Crs. in Technology and they are going to invest much-more to get things on track to start online onboarding through their 811 and credit card, so does it help you.

### **Arun Jain**

I appreciate you are reading the right news from the system and, if you heard in the beginning, I mentioned some leakages in the old systems. Hence, it's like an old building legacy application is like old Bombay buildings or old Delhi buildings where leakages happen from somewhere. Now, to fix those leakages, either you refresh, or you fix them by the quick and dirty fix tools. Logically, these two incidents happened in India; there are more incidents that are bound to happen in US and Europe. Then only I will think the people will pay attention to the legacy migration, accelerate the legacy migration... still people are not fully believing it into what the new security standards of the world are and it will take another... I would say another 12 to 18 months to understand that legacy core and legacy lending platforms are fundamentally built on the technology by hollowing the code, by doing patchworks. It's not going to solve the problem; you need to go to the first principle thinking of understanding what customer events are, what services bank is providing them, and what APIs do they need. Today, they are getting into very, very quick and dirty fixes. Indian banks are still saying that the cost of technology ,the RFP , still they are not understanding the difference between what enterprise grade software means for banking. So, we're facing those troubles to communicate the story of what enterprise grade solutions mean to the banks and why banks require enterprise-grade software of that nature with almost so many grades and, so much investment are required. Very few..., we are investing close to a thousand people in R&D each year. A thousand people in R&D, I am mentioning to some US person, is at \$100K per R&D cost, it's a \$200 Million per year cost compared to any other vendor in America or Europe. Which company can, that's a huge number for us to invest into making the enterprise grade software. But people are still on the sidelines not in the Centre of the stage, to make an impact, but it will come somewhere, sometime.

### **Mukul Varma**

Got it Sir. Thank you, Thank you. All the best.

### **Praveen Malik**

Thank you, Mukul. In case you want to ask a question, please click to raise your hand. We have Mr Nitin Sharma from MC Pro Research. Nitin, you are there? Please ask a question, Nitin. Mr Nitin Sharma? It looks like he's not there and is not able to unmute. Mr Nitin Sharma, please ask a question.

### **Nitin Sharma**

Hello, yeah, thank you. So, on your three new platforms, the APX, GPX, and CPX, you mentioned that discussions are ongoing. Help us understand whether these discussions focus only on the overseas market or the domestic market.

### **Mr Arun Jain**

Just repeat the question.

**Praveen Malik**

Nitin, be a little louder.

**Nitin Sharma**

Yes, so are the discussions that you have mentioned focused only on the overseas market or also on the domestic market?

**Mr Arun Jain**

Yeah, they are starting from the Indian market and then going to the overseas market. GPX is focused on the overseas market as well and some of the Indian states are also looking for procurement solutions so that's marketed on. So now there is a central Government portal, and there is a momentum of state Government also wanting a government procurement portal, but this time, we'll not be getting into the investment mode, we'll be selling the license. So we will be getting the money upfront from the government rather than using the partnership-sharing model with the government. In corporate procurement portal we are finding a large space of procurement in India as well as in Asia Pacific and Middle East before we jump into Europe and America. It's the same strategy that we do for any other products. First, we used in India go to Asia nearby countries and then go to Europe and America. It's a 3-year journey when we move in this direction.

**Nitin Sharma**

Understood, Thank you.

**Praveen Malik**

Ok Nitin?

**Nitin Sharma**

Yeah.

**Praveen Malik**

Thanks, Nitin, I think Vivek wants to ask some questions once again.

**Arun Jain**

Okay!

**Praveen Malik**

Vivek, unmute yourself.

**Vivek**

Arun Ji, am I audible?

**Arun Jain**

Yeah.

**Vivek**

Just you mentioned to the previous participant that clients are going for a band-aid solution. So if you can give qualitative, I am not asking about the growth rate and all but qualitative commentary on competitive intensity across the market and which products you think you people are ready to invest. You are more positive to drive growth over the next two-three years, because during the last con-call you mentioned the same thing that in India people are not really going for enterprise grade solutions. So if you can give us where you think our products will find acceptance and where the growth will come from and qualitative commentary with regards to how qualitative competitions shaping up across our products, across our products in the sense of at least whatever you want to mention? Thanks.

**Arun Jain**

I think Europe is definitely a market which is very sensitive to architecture change, So when they are going through it, Rajesh mentioned an OTP deal; it took us 18 months 21 sessions of various architectural sessions before they selected us over Thought Machine. That rigor of selection, wherever they have a rigor of selection, we are getting selected. Whenever the rigour is based only on RFP based or rigor based on the pricing based, our referencability become weak from that perspective. Our win ratio in those areas and it's there in Europe, it's there in Canada, it's there in some portion of US, not all the US banks, but I would classify the US into two categories. One is architecturally focused, and the second is band-aid focused banks. You can see them differently, and there where they are looking architecture, they are looking AI, they are more exploratory, they can be looking at understanding the technology first, I would not say exploratory they are. Understanding the technology better, they invest in their strong architecture teams, and they select the solution. So there are the virtual account systems in the US... one of the largest banks in US, and one of the top 20 banks in the US, they selected entire embedded finance platform from us, they took us almost again 24 months to evaluate. So these are the long-cycle deals. Now we will have our fourth...this is our third of fourth deal in the US in embedded finance. And once we have three, four ..once we cross a hump of five deals in the US in embedded finance, then the acceleration will happen.

**Vivek**

So BaaS, who can see as our competitors? In BaaS...because you said that.

**Manish Maakan**

They are primarily local vendors over there who are single mono liners. We could advantage, we right now are able to establish is it's a part of a full corporate treasury enterprise platform, they could start with a point solution on just managing virtual accounts on how to manage the payables or receivables better... but a full treasury needs a deposit product, a liquidity product, a receivable product... so the architecture validation through some of these are happening and once you break through and win with these through architecture, really then the competition eliminates. Because it's all legacy in the US like all of us know.

**Vivek**

So you over next few years you see this band-aid things, people having some, people realising that they have to invest in enterprise and anything that you think will force them.

**Manish Maakan**

I think there are two patterns I am looking forward to. One is a positive pattern that some of the banks are making those investments and will generate confidence in the rest of the market like we have seen. The second is the numbers of accidents are happening. Sometimes that accident accelerates the wave much faster. At that time are you ready or not ready, you have proven live sites, I think that makes a difference...so that we are following that journey right now.

**Vivek**

Thanks very much for the answer, Sir.

**Praveen Malik**

Thanks, Vivek. Arun, we have one last question from Mr Rohith Balakrishnan from ithought pms. Rohith, please quickly ask your question.

**Rohith Balakrishnan**

Hello Sir, am I audible?

**Manish Maakan**

Yeah

**Rohith Balakrishnan**

Good evening Sir. So Just my question is on platform revenues of this quarter were around 56 Crs.s, So first is this includes the 9 Crs. of GeM or is excluding that?

**Vasudha Subrahmaniam**

It includes.

**Rohith Balakrishnan**

Okay. So if I were to exclude that so, we are around 45 Crs. around that 46, 47 Crs. of Revenue. How do you see this revenue shaping up. So over the next let say 8, 10 quarters. I mean just your colour would be very useful given we are seeing good traction in eMACH.ai but at the same time, in the past you said that you will do what your customer wants. So, just your comments on this, how do you see the platform revenue sort of coming in and just connected to this as a result then, the margins as well because those are expected to be higher margins.

**Arun Jain**

Yeah, I think we can have more predictability three years from now, not quarterly, so your question is right in three years' time. This business has to be a 50 to 75-million-dollar business in platform revenue and should be there comfortably. So we are targeting 100 million, but 50 to 75 million dollars should be the platform revenue in 3 years' time. So, that's a better way to look at the platform revenue right now.

**Rohith Balakrishnan**

Sure, that was the only question; thank you.

**Praveen Malik**

Thank you, Rohith, and thank you, everybody, for joining the call today. If you have any further questions, please do write to us. Thank you. Now, you can log off. Thank you.

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