

Q3 FY 23 Investor Earnings Call Transcript

Greetings and welcome everyone.

Thank you for joining us today to discuss the Intellect Design Arena Ltd financial results for the 3rd quarter of the fiscal year 2022-23 ending December 31st, 2022. The investor presentation and press release has been shared with you.

Arun Jain, Chairman and Managing Director

Let me continue the deck which has the Safe Harbor Statement included in this presentation, which speaks about it, that this certain statements in this release concerning our future prospects are forward-looking statements. Forward-looking statements by their nature involve a number of risks and uncertainties that could cause actual results to differ materially from market expectations.

The full Safe Harbour statement is part of the deck which Praveen normally reads out for all of you. This time we will not go to the presentation deck. We want to look at it since our business is monitored on the last 12 month basis. It's annualised business, so our data which shows for this quarter. We have last 12 months revenue of 2126 Crs revenue that 21% growth on 1751 Crs Our platform revenue has grown at 43% for 464 Crs from 324 Crs Our License revenue has a dip. There's a slowdown of license revenue decision making and in Europe, which was the earlier point which made after the Ukraine war. There's a decisive slow down. It is -18%, so down from 360 Crs to 297 Crs AMC has held very close by 14% from 316 Crs to 361 Crs in the last 12 months. Our PAT has come down substantially from 334 Crs of last 12 months to 272 Crs. because of the investment which I mentioned for moving the business of platform which I will explain to you. Our EBITDA margin is -4% from 437Crs to 419 Crs While the gross margin is up from 1000 Crs to 1161 Crs Gross margin percentage has come down from 57% to 55%. EBITDA has come down from 25% to 20% and license linked revenue has grown by 12% from 1000 Crs to 1121 Crs so these are top line metrics number.

The improvement side is healthily growing at 21%. EBITDA is having a constraint of the higher cost investment which is planned investment. The receivable days have moved from to 139 days, it is the other point which we need to be explained in this result, what is the basis of these three different elements our quarterly numbers are 555 Crs Our quarterly number is 105 Crs EBITDA. So these are 2 major number and 139 days of the DSO.

The first number is moving EBITDA from 25% to 20% is 5% reinvestment back from moving the business from product to platform. During my April presentation we mentioned about moving the business from 25% to 20% that 5% will be reinvesting back for looking at a very positive number, what we are seeing in a platform based business. So, that's one important piece which we try to intact this last quarter number was much lower. This quarter we are close to 19% EBITDA. In this quarter, 105 Crs and we are looking next quarter will be better than this number. And second point, I want to make our investment in people is not linear, it is always happens on step basis. So step base are \$45Mn to \$60Mn quarterly run rate and \$60Mn to \$75Mn run rate. Now we are close to constant currency, our revenue \$ 72Mn which we are close to \$75Mn which we were looking at it to be doing it, so this number of \$60Mn to \$75Mn we looked at it in last October, released in 5 quarters. We reached from close to \$75Mn and we are expecting Q 4 we were able to cross \$75Mn on constant currency basis. On the DSO days we have something called contractually not due revenue when we sell a 5 year deal with the customer a long term deal with the customer the money gets due after certain milestones and those milestones are

contractually not due number, including GEM because GEM also pay us X percentage upfront and Y percent after the product gets delivered when the payment is marked on the system. I shared with you the number of contractually not due out of the total is 648 Crs. That number, which is contractually not due is over 250 Crs so that's a distort my figure of DSO is of 139 days if you take it away that number of it's close to 108 days of DSO and then we look at geographically this number, in America DSO are 16 days, in Europe our DSO are 28 days, APAC is 189 days, India is 177 days then India is 131 days if you remove the contractually not due number from the whole DSO reporting.

So now let me come to the product versus platform strategy. The platform revenue are going healthily to 464 Crs., which is almost we started from 50 Crs. to 464 Crs. in last 3 years. We are able to move the platform revenue which is giving sustainability to the business. Now let me give a flavour of each business, in GTB we mentioned about 2 major main product lines liquidity product line and DTB product line both are leading quadrant products. We are winning 3 out of 4 deals in the marketplace. Both these products are performing very well. There was a delay in decision cycle time for last 2 quarters. There the decision slow down cycle we lost some of the revenue, like we lost Spur Bank, we lost during the date of signing, the contract would have been \$20 Mn contract. When the team went for the signing it off on the 24th of February, unfortunately some war has happened. This doesn't change the business scenario of the compelling business position, which is happening.

In this area the GTB, if I look at liquidity we are now getting a good traction since interest rates globally are higher there's a good traction. We are announcing the second deal in France after SocGen Deal last year. Now we are announcing second largest bank in France is also selected iGTB and then we have another 3 to 4 deals in liquidity in France. Liquidity is now moving to Canada and then it can look at Spain, Italy and other countries. We are looking very much focused country by country to take a major market share. We spotted 2 or 3 banks, to take our liquidity and GTB then our leadership quadrant is established the way we did it in GTB. Same way we are doing it over here.

In GCB business the 2 platform one core banking platform which is we call IDC. In last 6 months, our micro services based, API based, cloud native, event driven headless platform has been very well accepted in the marketplace. We are able to differentiate ourselves in Europe and America and for the Canadian market, this headless is a great proposition. We are working on at least 7 deals over there in Europe market on MACH compliant or MACH Born. I would not say compliant MACH born core banking system. One good thing for the investors is that now we are in top 3 players in core banking. And now when we are looking at survey and one RFP, we are participating along with Thought Machine. Thought Machine is a new competitor, but emerging as a new technology space and Temenos, a 900 pound gorillas sitting in Europe which has the large customer sites. So these are the 2 more competition but core banking market space, perspective getting qualified in top three is very big success from our view point and we are seeing that we are able to compete head on with Thought Machine and some other deals and Temenos is coming third is a very soothing proposition. Those deals may not have closed in last 6 months. Deal closing in core banking takes 12 to 24 months, so cycle time for changing the core banking when we are engaging the customer can go as high as 24 months. We implemented this solution for one of the German clients which we announced the deal two years back, the second largest retailer of Germany. That system is working smoothly in November they are processing 300,000 calls on a single day using our micro services architecture. I think that's the kind of power we are able to get a referenceable client in European market which is giving us an acceleration on this business.

Second business of GCB is iKREDIT360 which is designing credit product. It's a comprehensive 360 products where all the credit portfolio of the bank from retail loans to SME loan to credit card secured or unsecured loan can be processed on this particular platform. This platform deal we announced 3 quarters back was from one of the Sweden's largest financial institution Resurs had selected us and that platform has a very good traction because using the iKREDIT360 one can design their own solution. So that's a second platform. That's the Second platform. The 3rd platform GCB has got Quantum. We had a good deal till June, last 2 quarters we had a slowdown. We are having a pipeline of more than 7 to 8 deals which are there in central banking. The best part is we are fighting this battle in an advanced market now so central banking deals have moved from not only in the African market, it moved to the advanced markets. So this is very heartening to know.

Then we look at intellect AI. We consolidate our business into 3 units from 5 units. So we had a RTM unit and a Wealth unit. RTM unit has been merged with GCB business. So Treasury business has been merged with the GCB business and Wealth business has been merged with Intellect AI. We renamed Intellect SEEC to Intellect AI. So there are 3 units now- GTB, GCB and Intellect AI. The thinking process of Intellect Design Arena, when we set up, Arena which was a piece when we say that there will be an incubation stage company and then there will be an ecosystem building company and will be a scale company. So when a product is getting created and first 5 customers are there, it is in the incubation stage which gives us quite a lot of freedom to the team. They work like a start-up company in that particular space. Once it reaches the first 5 customer, we believe that it's a time when we can use organisational resources at a scale level and the global reach of the company and that is the time when we merge with the larger units. So that's the strategy which we announced sometime in 2016, 2017, that's how it is done. Now, the major businesses in these 3 units, there are minor products in the retail space and some other space which are running and are non-significant so we will not be talking about these products in any of this conversation.

The Intellect AI space, Magic Submission, which will be launched in the US, that Banesh has highlighted to you, does the extraction, enrichment, does transformation and validation. The entire piece which is there on the underwriting policy now has matured to a level where is moving in a Design Thinking vocabulary there are 3 circles are there. First, circle is called lean start-up, second circle is called ecosystem and the third circle is called scale. So, this business of Magic Submission is moving from Lean start-up where we are creating ten clients to be working on the platform now to the ecosystem space. The 3 elements for differentiating between start-up, lean start-up, and ecosystem is - in lean start-up it is desirability, feasibility and viability. Once viability gets established, then it moves into feasibility value, enhancability, and adaptability so it move to the value enhance ability and adaptively. In this space which is disrupting the VPO space significantly there is a very heavy pipeline and the here we will be hiring and investing more money in this business.

Second business wealth, we took some time under the leadership of Jaideep Billa. I hope some of you know him after we did a lean start-up he handed over to the pattern to Banesh and Sudhir to run this business and this business now have a great traction. The largest Indian bank SBI is a customer of this which may be going live recently. And other 2 large wealth managers have also chosen us. One of them we are announcing in this quarter deal with the largest bank, and there's a pipeline of almost 80% of banks is constraining to replace Myles with our Intellect Wealth Cube. So that's a second line of business and we are very excited about the journey because we are focused on our RM Office as a key strategy there and third thing is the AI platform and that's why the Intellect AI names come from and in this platform we have a 2 core technology which I mentioned to you during our technology day. Both

the technologies are now getting combined to deliver ESG. At end of the presentation 10 minutes time we'll just demonstrate one of the outcomes of this product. We launched Magic Invoice and also ESG on this platform. This platform and 3rd product on the same platform is Sherlock. Sherlock demo I will be giving you in the last 10 minutes of the session. Anybody who wants to stay back for asking questions they can stay back. It is a preview. Very small previews we have been working on it. It will take another 6 months to go to the market, but will do the preview at the end of the presentation. So with this I leave the platform for question and answer.

Praveen Malik

Now we are opening the session for Q&A. I request to please click on the raise my hand so that your question can be taken. The first question is from Mr. Pratap Maliwal from Montera Finance. Please unmute him. Ask your question.

Pratap Maliwal, Montera Finance

Hi, am I audible please? I just had one question that last quarter; I believe that we had a contract of around 3Mn\$ that the revenues had not flowed in. So have we started booking those revenues now in this quarter?

Arun Jain

Yeah that revenue have been booked into this quarter for getting the current numbers.

Pratap Maliwal, Montera Finance

And those venues are flowing into which part of our business that platform revenue, license revenue, and perhaps if you could just maybe tell us the quantum of how much we booked out of the 3MN.

Arun Jain

Entire 3 Mn\$ are booked in license revenue. There are 2 deals in which it was there.

Pratap Maliwal, Montera Finance

OK Sir, thank you!

Praveen Malik

Thank you Sir, the next question is there from Pradhumna Choudhary from JM Financial. Pradhumna, Please ask your question.

Pradhumna Choudhary from JM Financial

Hello Sir, can you hear me?

Praveen Malik

Yeah, yeah.

Pradhumna Choudhary, JM Financial

Yeah, so I'm just trying to get a basic understanding here, like traditionally my understanding is that the BFSI focused product industry has been very slow growing like they've been phases when there's been a lot of investment and the growth has accelerated, whereas in other phases because of the tendency of these banking customers to stick to their old software's. The growth has been slow, so I just wanted to understand, currently, are we entering into a high growth stage like because of the entire COVID which

has led to digital transformation? Are we entering into a higher growth stage and is the demand coming back for the industry as a whole? I understand you guys have grown at a much healthier pace, but overall for the industry, is it coming back?

Arun Jain

I did not say it's coming back for the industry. The product space will be slow growth only because decisions around changing the platform are very difficult decision in a bank the cycle time of decisions are very long and they are long because they are more than in some other contractors to highlight to you we have 21 signatory in one single contract, even contract requires 21 signatory for one single contract that are changing the platform.

It's a difficult business.

Something that there are some tailwinds for us. One is we invested into cloud technology way ahead of time, so in 2017, 18, 19 when our stock was lowest we were investing phase of the product and then when we are moving to the cloud technology and micro-services technology we kept on highlighting that this is the investment Phase of the company, but that's what we did it cold call to say that we will build up this cloud technology and because of we build this cloud technology today, we are in very healthy position where entire GTB business, GCB business, AI business is all can be consumed and composed to deliver a specific solution with the contextually built in. So we promised the customer three things- compos ability to design their own solution, contextually, to make appropriate decisions for themselves and for their customer by using AI, and we help them extend their solution using our Turmeric work bench. And that's helped us out in growing better than our promise to the market was or our design of the organisational promise. Internal design was 20% growth year on year. These are design of the organisation and we always mentioned that it can be. Last year we grew 25%. This year will be going slower but 20% is our design strategy is around 20% Year on year.

Pradhumna Choudhary, JM Financial

OK, just a couple of follow-ups so one so as such COVID hasn't really been that big of an inflection for the industry is what I understand from your commentary, and second, so other players that we have, like we have Temenos the likes of even Oracle Financial services, the Flexcube Company. They are not really offering this cloud based solution, is it?

Arun Jain

They are having a lot of legacy sitting there. They are communicating in the market that they have cloud based technologies. But when architect sit down with them there's we should not comment on competitor but it's more of a white wash than a core cloud born solution. There are 2 kind of thing cloud born solution or you make some solutions compatible to cloud.

Manish Maakan, CEO, iGTB

I think we saw the trend ahead and invested ahead and they are on a catch up game. That's why they didn't challenge. We are viewed along with Thought Machine or similar companies. So that's the difference.

Pradhumna Choudhary, JM Financial

Ok, understood and second on the competitive intensity. Definitely quoted from your commentary as well it's clear we've been doing well, but overall, even if we look at like somewhere I had read that

Oracle had won a customer where initially we were serving in Uganda, I believe. So like what is really happening in those terms like are we witnessing significant competition in the industry as a whole, and are we gaining market share? Especially in the consumer banking product, are we gaining market share or are we maintaining or are we losing market share?

Arun Jain

We have won core deals over there in core banking now in Uganda, Zimbabwe over there or any other African country. But I think our focus is more towards Europe to fight the battle. I don't know whether you are tracking the company, if you are tracking the company you should track Thought Machine. Thought machine has invested \$550Mn investment in last 7 years in building the product for our cost corresponding investment is less than \$50Mn in core banking. They invested \$550Mn at a valuation of 2.7 Bn \$ only on core banking by the last investor deck which came in there. So that will help you in positioning the right understanding.

Pradhumna Choudhary, JM Financial

OK, I understood that's really helpful. Thank you.

Praveen Malik,

Thank you so much. Next we have Mr, Moez Chandni from Syndrome Broking. Moez, Please ask your question.

Moez Chandni, Centrum Broking

Hi, thank you for the opportunity. Two questions from my side. Firstly, you've mentioned that you're seeing decision cycles recover in Europe and that Q4 looks visibly better. So could I just get a little more colour on this? What exactly are we seeing in the European markets right now in the short- term, at least for Q4?

Arun Jain

Rajesh, would you like to answer?

Rajesh Saxena, CEO, iGCB

Sure, so I think as you look at Europe. What we are seeing actually we are seeing there is a play for let's say tier one banks and large regional bank players where what Arun talked about our IDC platform which is MACH and based on compos ability and extensibility. Is what is seeing traction and we are competing in many deals in Europe as we speak where we are competing three competitors we are in last three where we would have Thought Machine, Temenos and us. So we are seeing us and our solution and the way we have architected resonate with most of the banks in Europe. So that's the good news. We also as we have implemented and created references in Europe. We are seeing more and more opportunities from Europe's banks coming to us customers are recognising us and the word of mouth and the references is building the brand image for us, so we seeing more opportunities come to us. We are seeing that in these opportunities we are in a head-to-head fight with one of these two other competitors that I talked about. So we are seeing a good traction from a Europe perspective both in UK and in continental Europe.

Moez Chandni, Centrum Broking

OK, thank you for that. My second question was on the US so I did notice that we've won a large deal with a U.S. bank. So are we seeing more traction in the US? And could you, maybe little give us a little more colour in the US market.

Arun Jain

Yeah, we consider US and Canada market as a common market and we call it North American market. With this solution, which we mentioned about liquidity, virtual accounts, platform on the banking side, magic submission is on insurance side and our digital solutions on GCB side as well as on GTB side there are 4 product lines here, putting in Canada, US our entry strategy was Canada and then going to US. So now we are getting in good traction in US now. US is for next, for incremental growth perspective within US is definitely will be growing at 20% plus next year. So that's the kind of a number we can put on the table, but it can be faster than 20% of the US market. So, and U.S. market in insurance Magic Submission, Banesh if you want to cover highlight how the US market is playing with you.

Banesh Prabhu, CEO, IntellectAI

So I think we're seeing a very strong traction on Magic Submission. We already this year have over 8 clients and it is a very good healthy pipeline of customers. Magic Submission in most of these are 2 of these clients are insurance companies. We're also seeing the replacement of; you know one or 2 of our key competitors. And therefore this sort of gives very good insight into how we will be disrupting the space around AI related to Magic Submission, where we are effectively eliminating, the BPO companies are improving the speed of being able to process transaction very well. As a matter of fact one of our clients came back and shared his number after our implementation of Magic submission where his revenue is almost tripled for that month. There is a very positive capability of AI tools available to help customers take decisions around submissions of underwriting documents in a much more efficient way and much faster and accurate way to help the underwriting decisions quicker, so they seem excellent traction in the US and that side.

Moez Chandni, Centrum Broking

What is the contribution of US of the total revenue for Intellect?

Arun Jain

We are not publishing that number. Coming years it will be good.

Moez Chandni, Syndrome Broking

And, my last question was on margins so you have seen a sequential improvement in EBITDA. So what is your outlook on margins moving forward to you? You have seen more scope for improvement in any steps that you are taking for further improvement?

Arun Jain

Yes, next quarter will better

Moez Chandni, Centrum Broking

Any specific drivers for this?

Arun Jain

Our license has come down QoQ from last quarter as it was 14.8 million and this time 8.8 million that is the 6 million shortfalls in the margin. So for us one has to be look at it what kind of a license deal we win if one has to chase the margin. Events took at the margin behind operational efficiency which have we investing is stepwise investment. So between last Q2 and Q3, our operational cost above the EBITDA line moved from 442 Crs. to 450 Crs. only on the operational cost, while the cost was increased between 375 Crs. to 443 Crs. for the three quarters over there. So the three quarter is the phase of January to September for a phase of substantial investments. So this cost will suffice us for 80 Mn \$ run rate of around 320 Mn\$ run rate the cost will suffice us. Then if you are shooting for another 100 Mn \$ from 80 Mn \$ we may require another step up cost and that cost will bear for two or three quarters and we take a decision. It will be subside quarter this cost increase will be there and the margin will come down. So you will observe the company will get into higher margin space and reinvest that money back to step up business.

Moez Chandni, Centrum Broking

Ok thank you for that.

Praveen Malik

Thank you Moez. Next we have Mr. Mohit Jain from Anand Rathi Securities. Mohit, please ask your question.

Mohit Jain, Anand Rathi Securities

Sir, two questions and both related to revenue growth only. So one is that is there a slowdown or some sort of softness you guys are seeing on the SAAS growth for this quarter or nine months. And, second related question is when we do see revenue momentum building up again when we look at a Q2 y-o-y perspective. Last nine months have been not so good. And, we are way behind the 20% trajectory that we often spoke about to the last 2 years. When do you think we can catch up to that? TCB wise also it appears that our deal wins quarter on quarter are sort of stagnating specially the large ones. So, in that context, what should be expectations for the top line?

Arun Jain

Our projections are the same 20% on design when we had last year 29% we didn't change up anytime we celebrate the 25% growth. Said they still we are looking for 20% so 20% when we design the business few quarters will be 15%. The purpose will be 25%. That variation is a part of the business. So we are going on that trajectory.

Mohit Jain, Anand Rathi Securities

Sir with license revenue going down, you still think 20% is something we should target?

Arun Jain

You have seen in the LTM basis is still 21% growth, Mohit

Mohit Jain, Anand Rathi Securities

You are referring to rupee growth probably; we are looking at dollar growth.

Arun Jain

You need to pick up some points which is to be coming down but it is the 21% growth .We are not investing in dollars.

Mohit Jain, Anand Rathi Securities

No. no, no we are not. So we should basically get agree 20% rupee growth is the point?

Arun Jain

That's right.

Mohit Jain, Anand Rathi Securities

Perfect sir. Thank you very much and sorry I missed one part on the SaaS growth. Is there any slowdown in SaaS revenue growth?

Arun Jain

In this quarter or last quarter we have come to higher slab, hence the pricing has come down. So the GEM growth which is normally should have been much higher has come down. It has crossed one lakh Crs.. After crossing one lakh Crs. discounting is much higher.

Mohit Jain, Anand Rathi Securities

And, outside GeM we do not see any slowdown in SaaS right?

Arun Jain

No. Only in GeM we have slowdown.

Mohit Jain, Anand Rathi Securities

Perfect sir. Thank you very much.

Praveen Malik

Thanks Mohit. Next we have Ms. Sugandhi Sood from InCred. Sugandhi, you are there?

Sugandhi Sood, InCred

Yes, hi. Thank you for taking my question. I just wanted to verify as you mentioned in your initial remarks that you are looking at a 75 Mn\$ run rate if I got that number correct. And then you know the coming quarter and also just looking at your disclosures that you have made on funnel and I wanted to get this sense in terms of deals wins is there any extension in the term of contracts that you are experiencing. Because you know our deal win momentum on the larger deals has been improving at the margin but on the revenue growth front I understand there are offsetting factors in traditional license probably but is there any change in the tenure of contracts. Yeah, those two questions to begin with.

Arun Jain

There are two kinds of a deal. The deals are based on license plus AMC which we offer term license, so earlier we were using perpetual licenses. Now we have started offering only the term license which is of five years or seven years. The incremental revenue after seven years can be accrued to the company. That's the one policy change we have made in a company policy of during a term license rather than a perpetual license which are the upswing of seven years which will not be visible now but this will give us a future protection to our revenues. Second is we have platform based revenue which has got two kind of a pricing strategy we call it B1 is my license revenue we call it B2 is my subscription based revenue where I give the platform to the customer and charging a 50,000 dollar per month to 200,000 dollar per month is a variation of the platform when I offer to the customer which means between 600,000 dollar

to 2.4 Mn is a kind of a number which variation which is there and this is on a subscription basis as long we use this. For that we need to make a very high upfront investment of Proof of Concept (POC) to the customers to sell it. Once you sell it at 2.4 million dollars for 10 years then we will become 24 million dollars and after the third year on margin on those deals goes up to 70% on third year time. But the first two years are margin would be as low as 20% of those deals. These are two constructs which are there.

Sugandhi Sood, InCred

Saas contracts, is there a contractual duration for these and is there you know beyond which point we renegotiate terms?

Arun Jain

Initially, typically Saas contracts are three to five years. But, normally Saas contracts are lifelong. As it is difficult to move out from one software to another in the banking system.

Manish Maakan

These are core infrastructure, to not discretionary, not to switch on switch off.

Sugandhi Sud, InCred

Sure sure. My question is mainly on you know just trying to correlate the traction in deal wins with the revenue recognition based on you know the tenure of the contracts basically what we are saying is in fact the tenure has shortened because of the policy change. Is that correct?

Manish Maakan

No Sugandhi, it was perpetual now and it's five to seven years so the company actually makes more money, in the second slide we were seeing the funnel is growing that means the demand is just the frequency of the closure with this those are a bit of challenge. So there is demand its getting business case approved which is taking time at banks.

Sugandhi Sood, InCred

And sir, would it be possible to any idea of the AMC revenue how much of it is on account of the legacy and how much would be from platform?

Arun Jain

AMC doesn't go to platform.

Sugandhi Sood, InCred

It's only for the non-platform revenues.

Arun Jain

That's right.

Sugandhi Sood, InCred

Sure. Thank you.

Praveen Malik

Thanks Sugandhi. Next we have Harshil Sethia from AUM Advisors. Harshil, please ask a question?

Harshil Sethia, AUM Advisors

Am I audible?

Arun Jain

Yeah

Harshil Sethia, AUM Advisors

Sir first part which I had was on slide 15 of our presentation where you mentioned that our current funnel is around 70,000 Crs. and how do we calculate that?

Arun Jain

855 Mn\$ is the funnel we are looking at it. Yeah. 855 million dollar, not Rs70,000 Crs. or just 7,000 Crs Sorry for the Typo error. 7000 Crs 70,000 million is the number. When we are moving between million and Crs this kind of errors happened So, the explanation is 7000 Crs is the final size, what we have enough now which has got maybe qualify the deal where we know clients needing a solution there were criteria for bank criteria the client has the budget, the client has the authority, the client has the need, and client has the timeline. When the four parameters get established, that may finally bring into 855 Mn \$ funnel a platform system which we had. Then there is a lead pipeline which we do not report here, lead pipeline which is of similar size we have the budget for timelines for the customer is not defined.

Harshil Sethia, AUM Advisors

But, it is the 7000 Crs. or 70,000 million this contract in our hand executable or do we have to bid for it and then the client will select out of the top three of whatever it is?

Arun Jain

We are saying these are in the pipeline. This is not contracted.

Manish Maakan

These are bids out there. Prospects, we need the given bid or you going to be giving bid shortly.

Harshil Sethia, AUM Advisors

And, how much is generally the conversion ratio for us?

Arun Jain

The conversion ratio varies. We look at it. Conversion ratio on destiny deals in the next slide 57. Deals are there. We look at it the. 68year deals in this time . There were 57 deals last year same period. Order 68 deals you package 6 deals you closed this quarter. Every time and every quarter 10 to 15% is a closer rate.

Harshil Sethia, AUM Advisors

Ok. So, secondly you know where one of the previous participants asked about that we are building a 20% growth rate company and you said you know the LTM number for us is 21% out of which I guess 10% is due to the Forex exchange rate. Do we also take a call on Forex rate to justify growth?

Arun Jain

we have a hedge loss of 9 cr this quarter we do take a 3 year hedge call. We take 60% of the forward on the hedge call and 40% we leave it open.

Harshil Sethia, AUM Advisors

Sir actually my question was not on the hedging of our business or how do we hedge our revenue. Question is that when we say a 20% growth company so shouldn't us be a product and dollar wise company. Shouldn't we take it on CC basis?

Arun Jain

We are taking constant currency basis, so constant currency revenue this time is 72Mn. But since. We are comparing all the earnings, everything on the road. We want to just simply simplify our Communication one Indian currency otherwise multicurrency confuses the systems.

Harshil Sethia, AUM Advisors

Ok.

Arun Jain

Because several chances are there, it's keep on moving from one currency, so we had a lot of large exposure to Europe currencies which has got a large fluctuation from 1.24 to 1.03. GBP has Fluctuated , so that's it's a huge reporting issues.

Harshil Sethia, AUM Advisors

So, when we say that it is a 20% growth company or that the company that you are building that should we take it that in terms of constant currency only going ahead that you know like on a longer term period we will be able to deliver 20% on constant currency basis?

Arun Jain

That's right.

Harshil

Ok.

Praveen Malik

Thank you Harshil. Next we have Mr. Rahul Jain from Dolat Capital. Rahul, please ask a question. Rahul, you are there?

Rahul Jain from Dolat Capital

Hello, am I audible?

Praveen Malik

Yeah Rahul. Please go ahead

Rahul Jain, Dolat Capital

Sorry for that. So firstly, my question is related to your profitability. As you see your pipeline right now and you already have you know fair bit of hang in terms of where the mindset moving in terms of Saas versus a license kind of a deal. So, isn't it a optimum time to understand the gradual shift toward you know the Saas model and the eventual impact of that on the profitability to arrive at the potential

profitability of the business because initially I think that the growth led operating leverage was obvious factor and, now since growth may be slightly slower than what we were thinking earlier, given the macro and also because of the mix of the SaaS both could come as a headwinds. So, is there are a realignment that we need to do to our margin band?

Arun Jain

Yeah, that's a good point out we have to work it out. But the impact is still the jury is not clear because we are getting a client which is asking for license when you're in Europe and Americas as well as license when you in Asia Pacific. So this is a still a jury is not fully out. We have just 50-50 kind of a jury we have few customers are in CapEx space and few customers are OpEx space so it's difficult as an immediately but you're suggestion is good that you're working out all the impact of SaaS model versus. License model.

Rahul Jain, Dolat Capital

Right. Of course I know you don't know which deal within the pipeline you end up winning and the mix could be eventual mix could be very different. But any range you wish you give for next year and be potential swing in the SaaS revenue that can happen versus this year?

Arun Jain

We can only say that magic submission has a very good pipeline which can go to 50% plus YoY.. So that is the one thing that you know that SaaS deal of magic submission can grow. 50% in the US market. The rest of it I will not able to give it a gross level.

Rahul Jain, Dolat Capital

Right, and just one more question if I may. Regarding the growth of course lot of people had asked in different way but the way this year started and what we were expecting out of this year in terms of a growth. And the way it has shaped and also based on the minimal input that you have this point of client conversation, Is it fair to assume that next year at this point also looks like at best be at the current pace? Or you think there are some reason to think positive more positive than this year was?

Arun Jain

Yeah, more positive with the MAT compliant software and AI solutions. So, we are differentiating on two things for architecture and intelligence. We are the company which is architecture based and intelligence based and these are the two keywords to which we are helping the banks to grow faster. Exact number in the next quarter we call looking at the first three months of the financial year new calendar year and financial year for clients, we can guess it better that time.

Rahul Jain, Dolat Capital

Sure, sure, just one last bit on the if you are aware about this development in Temenos where the CEO and executive chairman are about to leave the organization and If there's any opportunity for us, or you think that these are part and parcel of the business and there's not major advantage or disadvantage because of that?

Arun Jain

These are the part of the business that people sell; buy a company, merge etc it's like that only.

A heat into this need to be good in ourselves. Create value for our customers. All these things will happen.

Rahul Jain from Dolat Capital

Great. That's it from my side. Thank you so much.

Praveen Malik

Thanks a lot Rahul. Next we have Mr. Anil Sarin from Centrum Broking. Anil, please ask your question.

Anil Sarin, Centrum Broking

Hi, am I audible?

Praveen Malik

Yes. Please go ahead.

Anil Sarin, Centrum Broking

So, I think first half it's been a good kind of a recovery in this quarter coming off the base of the previous quarter so congratulations on that. My first question on the Banking as a Service. I think there was an initiative along with a large tech company to go in the US. Is there any update you would like to provide?

Arun Jain

Sorry, Banking as a Service. Manish can you update?

Manish Maakan

Now, that's the demand in US we are working along the cloud providers. It's still on one of the growth journey right now. And that's where US you were saying between this banking as a service as well as magic submission. We feel positive in the coming days.

Arun Jain

There is a platform called virtual accounts. There is an embedded finance.

Anil Sarin, Centrum Broking

Thank you. On magic submission there is a fair amount of enthusiasm. First of, it's a platform its a SaaS solution or a license software?

Banesh Prabhu

It's a SaaS solution it operates completely on AWS, and offering to the client and AWS fully host it magic submission which includes ingestion of documents spread from AWS through fulfilment in the under the Underwriting platforms. Some of them will use underwriting platforms, some use other underwriting. The ability to enrich the quality of data and do the whole AI. Capturing of information from documents or helping people in from various commercial line businesses of insurance process faster and more accurately is the heart of the suite. It is fully a SaaS based solution subscription solution. And it's normally charged at a minimum subscription level depending on the number of submissions the client wants to start with.

Anil Sarin, Centrum Broking

Got it. And, Is it like you know there is we have GTB, and GCB, so one license sale of magic submission, how would it relate to a one license or one kind of subscription base of a sale of a GTB or a GCB? Like how big is this product?

Arun Jain

Yeah, so initially we launched its magic submission last year, we were looking the deal value per client could be close to half a million dollar. Now we are getting it with the magic submission. It can go up to \$3Mn ARR not even deal value. So we have a deal in the pipeline which is a year of \$3Mn dollar submissions ARR single deal. 200 million submissions again. Single deal, single client

Anil Sarin, Centrum Broking

Single deal

Banesh Prabhu

US for insurance is two hundred million submissions just to give you a picture of the size of the market.

Arun Jain

We are pricing per subscription.

Anil Sarin, Centrum Broking

OK, so that's very helpful. again Still going on with US. I mean, an earlier participant had also asked this, but I just wanted a little bit more clarity. Is that generally when we when we speak of Intellect, you know there is a feeling that oh very strong in Asia pack and Africa, getting, you know quite strong in Europe but US is a WIP and on the other hand now we have this magic submission. So how would you sort of at an overall level describe your progress recent progress in the US?

Arun Jain

It is a Part of the strategy communicated from 2017. The strategy that we will strengthen Europe and then we enter into the US. The US we started focusing only 2 years back so we are getting a very good traction once we are able to master the technology in Europe. So it was part of 2015 strategy. Nothing changed.

Manish Maakan

Now it's good as U.S. business is being billed as platform subscription business, so it's not eating into any of our license business. These are new products and new markets being grown.

Anil Sarin, Centrum Broking

OK, so again on the on the core banking that that process that is going on which can be a lengthy process as explained earlier you were mentioning Mambu also within those top 3. Now the name has been dropped, is that? I mean if you can just throw some light on that.

Arun Jain

Mambu is losing out. It is losing the thump. Rajesh can answer it

Rajesh Saxena

Yeah. I think what we see we have a when we are competing at the kind of opportunities that we are seeing and you know typically a bank would start with the long list and then go to a short list and as I

said in most of the cases specially in Europe and advanced markets we are seeing Thought Machine and Temenos are competitors. We do see in one or two opportunities in Mambu also. But we are finding is Mambu more tuned for a start-up digital bank with limited user journeys so we are not really seeing them as a big at least at this point of time as a big competitor as we go and compete in some of these markets and some of the clients we are competing with.

Anil Sarin, Centrum Broking

Ok so first of all congratulations on making it to the elite group especially since the kind of funding that is gone into one of your competitor and the size of the other competitor and the history of the other competitor for you to move into the top three is something for all of us to be proud of. Given the I mean the there was a reference that Arun made about valuation of 'Thought Machine' also so would you would you just attribute it to the frothy nature of the previous you know funding round or is this an indication of what 'Thought Machine' can actually achieve? And from that I am trying to draw some conclusions regarding Intellect also?

Arun Jain

We don't know the difference between the two. For this funding and have very late in the last 2 to 3 months frothy point was not there and we are also making the business case that business case of core banking is so large. The markets are like today FIS, FISERV they run into 5 billion, 7 billion kind of a market size and that is what we are attacking. Obviously it is difficult to attack America companies like FIS and FISERV are embed in system, the Temenos robust systems and local system are there but it is 1000 bank of Market at 5 Mn dollar each if you take it's a five billion dollar market. That's an every bank needs a core banking and the liquidity can be taken by top 300 banks but core banking can be taken by all 1000 banks.

Manish Maakan

5000 banks.

Arun Jain

5000 banks, Manish corrected it.

Anil Sarin, Centrum Broking

5000 banks. So good you made an entry into the things of I just have two more questions if I may speak . One is your Saas to platform run rate is now crossing 100 Crs Now there is GEMs component in that you just explained. But I can say that's a 400 Crs. kind of a revenue run rate. So based on the momentum that based on especially magic submissions will be contributed to that I mean when does it start becoming 100 million per annum such that you can absorb the POC cost like it is very it is very strange that Saas firstly you take a revenue hit second you take a margin hit because the business acquisition cost remains the same but the revenue is a fraction so to the naked eye an outsiders, it appears like, oh my god, the business is suffering, whereas you feel the business is doing very well. So where is that inflection point where you know there is enough money? Coming in from SaaS high margin revenue coming in which pays for the PoCs and the all the you know beauty parade that you have to do it?

Arun Jain

We are now coming to \$50Mn as you say, 400 crore, which is coming to 50 to 100 million dollars in the journey in around 8 to 12 quarters, to get into that journey of 100 million dollars run rate

And but I really appreciate Anil, understanding the nature underlying dynamics the business kinetics of a SaaS business. SaaS business is having a kind of kinetic energy which drives the growth of the business. So what are the POC cost that has a double whammy on us. That gets countered by the size of, so when we have a Magic Submission, if we have 20 clients or 25 clients then we'll be able to get into the 50% margin growth as soon as it becomes 50 clients we will be getting to the 70% margin growth.

Anil Sarin, Centrum Broking

Thank you for that and my last question is you had started this journey of enrolling partners in Europe and a few quarters ago you had mentioned. But the way I look at it, I mean there are very powerful Indian system integrators. So why have you not gone with Indian system integrators which can really lead to faster sales growth for you?

Arun Jain

We are working with them, as of now with Indian as well as global player we don't have a differentiation between Indian and Global. But, I think it's global and client relationships are important. So our core value for the partner is client relationship and delivery capabilities and their competence. These are the two factors are looking at and we are not saying Indian is different from international. But, Accenture or IBM has a deeper relationship in influencing a core system or a strategic system versus some other service providers who have a deep relationship with CIO's so; we are looking for both of them.

Anil Sarin, Centrum Broking

And as a corollary, I mean has there been any progress? I mean you've gone into relationship; you have committed people on to that relationship? Have they also committed senior leaders? And is there any traction?

Arun Jain

Yeah, Microsoft has committed senior people, AWS has committed senior people into this relationship. We are doing the event in Bombay on 21st February, where the senior most person from AWS is flying down for that event.

Anil Sarin, Centrum Broking

OK. And is there a pipeline building as a result of all that senior management attention onto that?

Arun Jain

It takes time. I think I would say pipeline is building in direct - there's a direct pipeline and the referenceable pipeline so the referenceable pipeline you start building in phase one. And then direct pipeline you start building in phase 2.

Anil Sarin, Centrum Broking

OK, great congratulations. Once again, thank you very much.

Praveen Malik

Thank you Anil.

Arun Jain

We will have a small demo for one of the AI businesses, since you're there and you're looking at Indian market, we just want to give a preview of 5 minutes to the investors on one of corporate governance,

ESG corporate governance, we call this product under wraps right now. We named it, the internal name right now is Sherlock which is for corporate data investigation. Banesh will take over for some 10 minutes time for you.

Banesh Prabhu

So, with Sherlock - what we've been doing with the ESG business clients that we're dealing with and has probably mentioned earlier one of them is the world 's largest sovereign wealth fund.

They basically use data to be able to access questions related to ESG which is all the three elements of environment, social and governance. So, we are going to sort of touch on one governance capability that we have also available. Deepak Dastrala who is the CTO for Intellect AI is on the call. He's gonna take us through quickly. So he will relate to this very easily. This was done obviously for investors. So it's people like you actually be able to relate to it in an easy way. So, he's going to sign in and show it to you. And then I will if there any thoughts or questions feel free, if you don't have the time, send it over to us please also send any feedback also.

So, basically what it will do is it will take an ISIN number or a company name and it will give you a lot of specific information about governance of a company. He is right now typing in Tata Steel. And that's already something we have access so that you get an idea. Deepak go ahead.

Deepak Dastrala

Here looking for the company details from a corporate due diligence perspective. Every information that you require. It is as simple as doing a Google search looking for the company. Here you can search either on the company name or company unique identification number. So, I just typed on a Tata Steel Limited and I got a CIN number and based on that I selected. This is typically when you search for that for the first time. It will take anywhere between 3 to 10 minutes depending upon the size of data that is required to be acquired across and we connect the multiple data sources, largely both public free sources and other sources, and here what you can look for is the company information and basically where the company, what the DUN number of the company, tax identification number, way it's registered and also the charges. Basically, what are the loans that company has on?

So in this case, Tata Steel has loans from the various banks like Central Bank, Industrial Development Bank, Andhra Bank and everything and also the status of that particular loans, whether they're open, closed. So, you have a complete book of loan information of that particular company, and also the financial statement. Probably whatever is the recent statement that they have we have. And we also can do a historical statements also. And what the ownership looks like either from a mutual funds promoters and everything. And also the subsidiaries of the companies. Again, there could be domestic or international and then also the related companies, especially if there are any. The related need not be direct, it could be from indirect also where the directors of this particular companies are also directors in another company so we'll be able to kind of a triangulate and arrive at that particular information.

And then finally moving on to who are the existing directors of this particular company. If you look into that, generally, if you want to just take an information, for example Kaushik Chatterjee who's an existing director, you also can get an complete view of where else Mr. Kaushik Chatterjee is a director. There is Centennial Steel company, Tata skill so, we can get into the complete view. This is just a pickled view, but we also can get into the details of where else Mr. Kaushik Chatterjee, as director at present. Also in the past, when the directorship has started and ended. We can get a complete download of that

particular information and what it's also possible here is in this case, to get not only the present directors of this particular company and also the past directors of this particular company and their nationality and all other particular details we can get.

Another important information is we will be continuously doing a social listening about this particular company. And whether there is any governance related thing that needs be flagged out and it could be positive or it could be negative. This is where we use our sentiment analysis to understand if there is again that is specifically on the governance thing, anything that probably requires an attention, so that also we can do. This gives a complete end to end aggregated information of the company on the financials and their subsidiaries, the directors and their current relationships of the directors of various other company and also the news about these companies.

Banesh Prabhu

This is a picture you get across all of these dimensions in a single place. Because we've already actually access and put together data both from various data sources as well as documents, etc. to pull this and this is done on the fly just like a Google search.

Arun Jain

Just take Paytm. They may not have many subsidiaries.

Deepak Dastrala

So again, similar information of Paytm. I took a subsidiary already, so but it could figure out the related companies of the Paytm like One97 and everything. Paytm payment bank is the one that I took. While it didn't have the subsidies but again here, similarly for Paytm who are all the directors, who are the existing ones. For example, Mr. Madhur is actually director in many other companies and, so we can see all the company details of that part particular director. Again, similarly, where exactly he is already a director and at this moment he's present directorship at One97 and the parent company and many other companies and again past directorship is also with various other companies.

So this is an example of Mr. Madhur Deora. Again, simply similarly looking into the social listening feed right a while, probably nothing happened recently, but again it picked up in the past year. If any other incident happened on this particular thing, so we can, for example, in last year, March, RBI has taken action on against the payment of Paytm Payments Bank under Section 35A and also anything that comes into the governance related thing, either positive or negative, again our orders will pick up and give the alerts to the end user.

Banesh Prabhu

So this is just an example of course obviously. We'll keep building on the capabilities as we go. But this is a very, very comprehensive way for everybody who wants to govern a particular status of a company or something else. And obviously we know there's a lot of noise around governance building up quite aggressively across the world. So this is just one way we can take Sherlock as a platform and help various people. Either government companies, whether they are banks or asset managers or even investors and so on and so forth. Or even regulators or auditors. So I think it's a very broad based capability. Thanks Deepak.

Arun Jain

Thank you, Deepak. So idea was just to show a small preview of it. This can be the national ESG compliance, we can have a ESG score tomorrow, but will be converted into the score, credit score. The capabilities already there, which is the intelligence. Any comments or anybody has ? Or we can move to the final question.

Praveen Malik

There are a couple of more questions. Can we go ahead?

Next we have Mr. Vivek Kumar from BESTPALS RESEARCH. Please ask the question.

Vivek Kumar, BESTPALS RESEARCH

Arun Jain, I'm just asking from your commentary. Your last con-call you have mentioned that the 3 wide areas like banking as a service, GCB, where we are becoming one of the top 3 players and then intellect AI. You asked us to look at these 3 as a new growth area. You've been giving extremely good commentary qualitatively, so my questions are like you have mentioned in this result press release that there are almost 10 deals that you're very confident of signing up in next 6 months in intellect AI. So how much of your other participants are about that you are being the top 3. And also how confident are you that this will turn into quantitative? I'm not saying immediate quarters, but how confident are you about your qualitative commentary turning into this quantitative in the coming 1-2 years?

Arun Jain

Yeah I have to just tell you that the when I show the same symptoms where we are showing in the deck the 2 places where Aite has given us a leadership quadrant to get into that corner quadrant of payment among 20 companies of payment of two leadership quadrant. I think you need to judge based on that. These analysts are not recognizing us just based on some money we paid to them.

In the payment space, how many companies are there in payment space which is there, in the last slide, number 29 of the deck. They are all the respected companies including IBM which is there on the extreme end of the quadrant, outside circle. There are only 2 companies they are putting in inside circle, which is a intellect and Finastra, and in other liquidity management - it's only one company in that inside circle. If you don't make it on this, then it's your call, as an investor.

Vivek Kumar

So second question I'm following on this last sentence that you asked, Intellect payment has been implemented is India's largest private bank with cross country corporate payment coverage of 60% and expected to scale to 100% of transaction. Can you just because I really couldn't understand what do you mean by 60% of the country or corporate payments in the country or I'm not asking the name, but can you explain?

Manish Maakan

The 60% of their payments have moved on to this platform and it's going to grow. It's migrating from the other platform and it's going to grow 100%. That's just to talk about the scale. But it's also at a country level. Our game plan in India is to reach to that level basis what we have signed or what's in pipeline so that much amount of corporate payments will flow in our network, in the next 12 to 18 months.

Vivek Kumar,

So corporate payments of the country are what you're saying based on whatever?

Manish Maakan

That is our goal and this is for this specific pack.

Vivek Kumar

Thank you.

Praveen Malik

Next, we have Mr, Nishid Shah, Ambika Fincap. Please ask your question.

Nishid Shah, Ambika Fincap

Congratulations on a good set of number Arun and your team and also special congratulations for the Fifth third Bank deal win. Now with this how many banks in US we have on the platforms? And how many we have in the pipeline?

Manish Maakan

With this, we have in North America 10 banks on platform. And then we have enough number on the insurance side. Another 15 odd on the insurance side, 10 are on the banking side. So we would be close to 25 customers in North America.

Nishid Shah, Ambika Fincap

So would we say that We will be at an inflection point in terms of penetrating the banking customers in US with these number of reference sites?

Arun Jain

Not any inflection point, I think we're building the pipeline.

Manish Maakan

Becoming referenceable right now.

Arun Jain

We believe that 18 - 20 months, we will come to inflection point.

Manish Maakan

I think our previous references were a lot of global banks. Now we're getting US domestic banks as reference. That's the journey. Like Arun said, 18 months more. There's some in implementation, we will win more. That's when we'll get to become a local domestic player.

Nishid Shah, Ambika Fincap

And how is our partnership with Microsoft and Accenture and AWS progressing? That's not just confined to US, I understand it's global, right?

Manish Maakan

All 3 are global.

Arun Jain

With all 3 of them we are working on multiple deals. With each of them IBM we are working in one of the large central banking deal in Accenture and we are working in other few deals. We are also working with Azure, the annual commitment is there with AWS. So all the 4 of them are. They're all playing positive for us because they cross reference us in major deals. So sometime we are directly working with them. Sometimes we work as they do cross reference in the market.

Nishid Shah Ambika fin cap

That's great, and on the GCB side we had a lot of deals in the pipeline, especially in Europe where we were in the top 2. Are we closer to the kind of fructification there? Or are we still away on that?

Arun Jain

Europe is slowing down, the decision cycle is slow, so that's the only issue.

Manish Maakan

I think you've seen we have announced a very large European bank of 3 trillion dollar where we have closed a deal this quarter - a French bank.

Nishid Shah

Thanks a lot and always you, thank you.

Praveen Malik

OK. Thank you Nishid, we can have Arun one more question. Vibhu Gupta from GSS. Please go on.

Vibhu Gupta, GSS

Hi Sir, it's a very good quarter this time. Sir, are you planning for a buyback? The stock price has fallen from 950 to 450. It's a good time to buy back.

Arun Jain

Sir, if you're suggesting something, this is a board decision. If you are suggesting we can put to the board

Vibhu Gupta, GSS

OK, thank you.

Arun Jain

Thank you very much. Thank you for advising us on some of the strategies. It's good dialogue with you, so I would call this investor conversation as an investor dialogue in the coming months. Because this time we had more time for conversation than presentation, since you know the company well, Track the company well. No point in wasting half an hour time, critical time. Give us a feedback on Sherlock whether this market will be looking at it, you write email to Praveen and if anybody wants to have a more detailed understanding of AI, we may do some session, a technology session. Also if you see any of your customer meetings. Yes, thank you very much.

Praveen Malik

Thank you everybody. Now we're closing the call. Thank you.