

Intellect/SEC/2023-24

February 02, 2024

National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051.

Scrip Symbol :
INTELLECT

BSE Limited,
1st Floor, New Trade Ring, Rotunda Building, PJ Towers,
Dalal Street, Fort, Mumbai – 400 001.

Scrip Code :
538835

Dear Sir/Madam,

Sub: **Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 – Disclosure of Transcript of the Earnings call**

In accordance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the transcript of the Investor Earnings Call held on January 25, 2024 on the unaudited financial results for the quarter ended December 31, 2023.

The Transcript of the earning call is also available on the website of the Company.

Kindly take the above information on record.

Yours truly,
for **Intellect Design Arena Limited**

V V Naresh
Company Secretary and Compliance Officer

Encl: As above

Q3 FY24 Financial Results

Investor Earnings Call Transcript

Praveen Malik:

Greetings and welcome everyone. Thank you for joining us today to discuss Intellect Design Arena Limited's financial results for the third quarter of the fiscal year 2023-24, ending 31st December 2023. 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 results. 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, there are some other senior members of the Intellect management team present in the call.

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

On Safe Harbour, I would like to remind you that anything we say 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 a brief.

Over to Vasudha.

Vasudha Subramaniam

Thank you, Praveen. Good evening, everyone. It's my pleasure to take you through the financial highlights for quarter three and the year ended in December 2023. When we looked at the CAGR for three years, which indicates our predictable and sustainable growth. The key metrics like the LTM Revenue, LTM license-linked revenue, and EBITDA grew 20%. Our YoY growth in LTM Revenues is 19%, while the License Link Revenue is 23% and EBITDA is 33%. Our DSO as of quarter three is 107 days as against 108 days as of quarter three of last year. We have collected more than Rs.1760 Crs till December, and our cash position improved to Rs.712 Crs.

On the absolute numbers, our LTM Revenues are Rs.2522 Crs, and our License-linked revenue was 55% of the LTM revenue. We have made an EBITDA of Rs.555 Crs in the last 12 months, which is 22% of the said revenue. We have achieved 48 deal wins in the last one year and have gone live in 46 digital transformation projects. Now, taking you through the YTD numbers, our revenue for the nine months till December was Rs.1901 Crs, and our EBITDA stands at Rs.412 Crs. EBITDA remained at 22%, as it was for the last 12 months.

Coming to Quarter three of this year, our revenue was Rs.635 Crs, and our EBITDA was Rs.132 Crs being 21% of the Quarter three revenue. Our collections for the Quarter were Rs.591 Crs, which took our cash position to Rs.712 Crs. If you look at our LTM numbers, which we have plotted in the deck for the last 14 quarters, it clearly depicts a consistent growth journey. Both the LTM revenue as well as the LTM license linked revenue.

Finally, our currency-wise revenue mix represents 37% in USD, 14% in GBP, 11% in Euros and 26% in INR, among others. This is tabulated in the usual format. On the deal wins, winning OTP was a proud moment for us and a major milestone besides the Indian Bank and other deals in Kuwait and the Pacific region. With this, I will hand it over to Arun, who will share the business updates, including these major wins and the outlook for the future.

Thank you.

Arun Jain

Thank you, Vasudha.

Just to have a commentary which is continuing from the last quarter or last few quarters as you see, there's consistency of 20% CAGR in the last three years. So that is a very significant milestone. The way we designed the organisation, it's panning out in the same manner. It's quite a delightful experience personally to me that, not only on a one-quarter or two-quarters basis but on a three-year basis, the number is sustained, and for a product company, 20% on a sustained basis is a difficult journey normally. So I must congratulate Manish, Rajesh, and Banesh on the call. They were able to make this delivery possible.

The other point is, why this is happening 20%? Because of our own thesis, we want to run a multi-portfolio product company. Today, all the six chosen spaces in the financial space – Core banking Modernisation, Digital Transaction Banking, Lending, Wealth, Trade & Supply Chain Finance and Insurance Underwriting – have now started firing for us. We looked at it in like Intellect 2.0 we went from GTB first, then GCB and then IntellectAI. Now, this year, when we look at it, all three business units have products like Wealth, which is having good traction, and Trade & Supply Chain having good traction, which was not there. Insurance Underwriting is having good traction. And this quarter, if you look at it, it's the era of the Core Banking. I

think we won three large deals of core banking this quarter itself. And there are multiple deals in Lending. What change we brought in February 2023 of what eMACH.ai is driving our accelerated implementation and transformation. And if you look at it from a business perspective, one driver for us is Product. The second driver is the Country in which people put a lighthouse implementation. If I look at it, country by country, Thailand as a country, the largest Thailand bank has gone live with our entire GTB suite over there. Philippines, we have a larger suite available where the largest Bank of the Philippines has gone live with the system, and the largest Singapore Bank UOB has gone live with our Trade and Supply Chain Finance Solution. Vietcom Bank in Vietnam. In UAE, we have ENBD and FAB, in Saudi Arabia we have gone live with Saudi National Bank. In Europe, we have banks like Lloyds or Barclays, the top 3 French banks, we have won the deal with all three banks. We announced two days back Credit Agricole that SocGen and BNPP are working with us. We are working with 2 largest Canadian banks, RBC and CIBC. We are working with BNY Mellon, Northern Trust, and JPMC in the US. So, chosen markets and then the OTP deal are giving us and paving the way for Eastern Europe and Bulgaria and Hungary – the two places we won that deal for Core banking as well as Lending, so they are almost equivalent to four deals packed into one for going into the Eastern European market. Otto is in Germany, which is the lighthouse site.

So why is this an important lighthouse site for the product company? The biggest challenge for us is the first reference account, and once that first reference account gets established, then the next three accounts become much easier for us. So now, in Saudi Arabia, we have four banks out of eight banks working for us. In the Middle East, nine out of the top 10 banks are using Intellect technology. But that's what makes us excited right now because this is the time when other products are getting mature, and we have reference sites available in those accounts and country references are there. We are able to approach core banking modernisation, lending modernisation or origination modernisation or digital experience platform; you have a reference available there. So that completes our journey of 2.0, where we want to establish my product in a market, my architecture in a market and a reference site in a market.

Now, the next area which is left to be conquered is the need to get into the heavy right investment in GTM for America. The USA is a large market in which we are not fully invested right now. We invested in insurance underwriting in the US, which is doing well. But besides underwriting in the US, for GCB and GTB, our investments are more focused on Canada rather than on the US. So that will require some of the investments over there. In this period, we could close out on the GeM contract. The GeM contract ended on the 14th of December. So we have in this quarter, are not able to bill compared to last quarter - we had a shortfall of almost 2.5 million dollars from GeM on the top line - on the revenue side. The best part is, I

think we were able to hand it over completely and come out of this. It was not a profit making deal we somehow were able to release and hand it over successfully to TCS.

Looking at the outlook perspective, what is exciting for us, I think, is the AI business is exciting for us. The way in the AI business, we were able to build an entire document intelligent management system IDX, which is leveraged for not only creating insurance underwriting but also for credit underwriting. So, to build that product for another line of business like trade finance origination, the same thing to be used for lending origination. It's taking less than six months time and a very small amount of effort to drive new products on AI very quickly. So AI business is one of the most exciting things.

The second exciting thing is our whole microservices, and API architecture is getting significant accolades from all the analysts. So many analysts are putting our Payment System into the leadership quadrant, our Core Banking System in the leadership quadrant. So most of the places when you look at the quadrant, whether it's a Gartner or Forrester or Aite, we are getting into the top 3 players, in most of it we are the Number One player in these spaces. So that's what we are seeing as an outlook.

On company growth, I think the Q4 revenue focus would be - on how Q4 will look when GeM is out. For Q4, what is our current estimate? A similar number will be there in Q4 in spite of a drop in GeM revenue. So, our growth in the rest of the business means it is growing at a significantly faster pace to compensate for the GeM revenue. EBITDA margin will improve obviously with the exclusion of the GeM revenue. Our tax Payout Ratio is close to 26.5% at this point in time. In this, actual pay-out is less because of MAT, where actual cash flow is not there by 26% our actual cash flow is equivalent – almost close to MAT

Next year, we'll be choosing to get into the lower tax bracket of 25% tax bracket, and the Effective Tax Rate would be lower by 3%; 26% may come down to 23% for the next year. So these are the few data points which I wanted to share and then we leave it to you to ask all the questions.

Praveen Malik

Thank you, Arun. Participants, now you can ask your questions. Please click on the raise your hand so that we can unmute you, and you can ask your question so that everybody is able to hear you.

First, we have Mr. Mohit Jain from Anand Rathi Securities.

Please unmute him.

Mohit Jain

Yes, Sir, one is on GeM. So you spoke about a 2.5 million revenue shortfall in this quarter? Because we lost 15 days towards the quarter. Should we find out a normalising Q4 revenue and impact, like 2.5 is the recurring rate that we should assume and for the full three-month impact?

Arun Jain

That's a \$2.5m reduction from that perspective. So the remaining banking business and other businesses have grown to that level to compensate for making Rs.635 Crs revenue.

Mohit Jain

Rs.635 Crs for?

Arun Jain

Total quarterly revenue is Rs.635 Crs, so 2.5 million dollars is a Rs.20 Crs shortfall in the GeM revenue.

Mohit Jain

Right. But this quarter, you will have a full three-month revenue impact, right in Q4?

Arun Jain

Q4 would have an impact. So that's right.

Mohit Jain

In 3 months, in fact, we'll recover through growth in other segments?

Arun Jain

That's right.

Mohit Jain

OK, and the second was related to the margins. Now that our margins naturally will improve, as you have mentioned in the press release earlier as well. GeM was not a highly profitable business. So does that change your outlook or guidance at the EBITDA margin level?

Arun Jain

Sure, that will change, but it will go back to 3% more. I should come closer to 25% levels. EBITDA margin may come up.

Mohit Jain

OK, so now we should be closer to 25%. So I was just comparing, Sir, 22 versus 25. So, at that time also, we were at 25 odd percent levels.- at the EBITDA level, so naturally, if you're talking about high growth and without GEM, should I build in 1-2% from there, or do you think 25 is now the recurring margin of the company?

Arun Jain

Let's see. You know you want to push the agenda, but yeah, it will be 25% plus, yeah.

Mohit Jain

25% plus OK, and sir, lastly, for the full year, is there any outlook without GeM? Where are you headed because there's some momentum on the product side?

Arun Jain

What I've just mentioned - only one quarter is left if it is currently \$76 million dollar.

Mohit Jain

Sorry, what I meant to ask was, like, from a 12-month standpoint. Like, from a growth standpoint, are you seeing some acceleration, steady state, or any outlook there?

Arun Jain

Overall is looking good, the funnel has improved now to Rs.8000 Crs is our funnel size from Rs.7500 Crs. There are more Destiny deals; 79 Destiny deals are there, which we are pursuing right now. So there's a more structured approach which is happening over here. But now, LTM revenues, we are sustained consistently - quarterly - always, ups and downs will happen.

Mohit Jain

Right. So I think LTM we can take as a trend and move forward, right?

Arun Jain

Yeah.

Mohit Jain

Thank you for that.

Praveen Malik

Please click on 'raise your hand' in case you want to ask a question. Next, we have Mr Ravi Mehta from Deep Financials. Please unmute him. Ravi, you can unmute yourself also.

Ravi Mehta

Yeah. Thanks for this opportunity. I just wanted to understand this bit on the GeM since we had a shortfall of GeM when I see a sequential dip in the cloud revenues, it's even more. So, is there something apart from GeM that has also hit us, particularly in this quarter, and we can get back to the earlier run rates?

Arun Jain

And some platform revenue for this quarter!

Ravi Mehta

So, we were tracking Rs.140-145 Crs kind of a run rate for at least two quarters and I believe Cloud is sticky. Now if I remove the GeM part of it, I think the number is a little lower in this quarter.

Vasudha Subramaniam

There were a couple of one-off items included in quarter two and that is where you are seeing some dip from 147 to 111, that's what you're mentioning.

Ravi Mehta

Yeah.

Vasudha Subramaniam

Beyond GeM, yeah.

Ravi Mehta

OK, so what would those be like? Like another Rs.10-15 Crs.

Vasudha Subramaniam

So that is from some other customer related to SaaS and subscription. That was one time and so we included that in quarter two. Quarter three does not include any one time. So it just has GeM. So when you look at the difference from quarter two to quarter three that's where you are seeing something more beyond GeM.

Ravi Mehta

OK. Just one broader question: the kind of cloud deals that you've been clocking just wanted to get some colour that usually the understanding is as the customer keeps using more or adds more locations or branches, the revenue from the same deal will keep increasing, so? I wanted to understand and get some flavour as to whatever deals you have been clicking for the last 2-3 years and how those can grow without you adding any more deals to them. Just those particular contracts, how can they grow in terms of revenues?

Arun Jain

Yeah, so those volumes grow in 2-3 ways. So there is a fluctuation in the cloud also. So your first question is why there's a reduction in the cloud revenue. Volumes do change quarter on quarter. Certain policies and some business conditions are there which are linked to the transaction or the particular quarter they have more transactions on. So let's say we charge for underwriting policy - X dollars per policy. In one quarter, there could be a larger number of renewals. In the second quarter, there could be a lower number of renewals. It's not only growing larger. But looking from your perspective of asking the question between cloud revenue – the forecastability of cloud revenue is as of now, we are at the early stage of cloud revenue still, we are not that mature in cloud revenue. So we are finding suddenly ups and downs are happening in the cloud revenue. But on a long-run basis, if you're looking at a 3-year picture, a 4-year picture, the two models we have on cloud revenue. We have subscription-based revenue, which is a monthly subscription on the cloud which remains constant. So then that is much more predictable. The second type of revenue is transaction-based revenue, and within the transaction, there is a percentage of the policy booked, and there is a per-transaction revenue. So the three models are there on the pricing and those pricing also vary quarter on quarter.

Ravi Mehta

OK, so the monthly subscription usually is the same amount says that.

Arun Jain

Yeah, a monthly subscription is there. That's the most stable.

Ravi Mehta

OK, OK. Currently, what numbers do we see that have more of these monthly deals, or are you already getting those transaction-led negotiations?

Arun Jain

Mainly monthly. A lot of it is monthly, but a transaction basis is also there.

Ravi Mehta

OK.

Arun Jain

There, there could be monthly plus transactions. So all possible combinations are there.

Vasudha Subramaniam

There is something on the minimum commitment that will be recurring on a monthly basis, and so beyond that, as and when the volume grows, we get that.

Ravi Mehta

Sure. And one question I had on this eMACH.ai. The repertoire of 312 microservices I can see in this presentation earlier was 280.

Arun Jain

Yeah.

Ravi Mehta

So I'm seeing that number growing. Your APIs are almost the same 1214. So wanted to understand that as you have to keep adding these microservices probably using the same APIs in eMACH.ai offerings. So maybe any targets you have like what kind of microservice you think at some point you would be ready in the market?

Arun Jain

300 is a very large number of services, Ravi. We keep on adding some 7-8. So whenever we are growing or maturing, like, say, if you have a lending microservice and we want to get the mortgage - it will be 2 or 3 microservices- which will add on the mortgage side. If you have wealth as a microservice, there will be another 3-4 that can be added. These product lines can keep on adding a few microservices. So this number of 312 is after one year. So when we looked at it last February, it was 285. This year it is 312. But API should have been more. I think there's some error in reporting over here. There could be more than 1400 or 1500 or so APIs that should have published that. And events are close to 400 now not 200 plus.

Ravi Mehta

OK.

Arun Jain

Thank you for highlighting it.

Ravi Mehta

All this is probably happening at the same R&D budgets that we've been working with and do we plan to increase that if you think to make this eMACH.ai offering more comprehensive? As of now, whatever the annual budgets you've been highlighting is good?

Arun Jain

As of now it seems to be okay budget-wise because our codeless platform is reducing the effort for generating new products. So on one side, we are increasing the output at a lower cost because of the Turmeric, we are able to use AI, IDX we are able to use and build the new products. So that's why the incremental quantitative investment, which is there, is coming at the same cost as what we have budgeted for. But our investment in next year will be an area of market entry. So, market entry investments will be what we need to plan for in 2024-25.

Ravi Mehta

OK. And just bookkeeping, what could be the capitalised R&D number for the quarter?

Arun Jain

Rs.35 Crs?

Vasudha Subramaniam:

Rs.35 Crs.

Ravi Mehta

Ok. I will come back. Thank you.

Praveen Malik

Thanks, Ravi. Next, we have Mr Mukul Varma from Varma Associates. Mukul, please ask your question. Mukul, you're there?

Mukul Varma

Yeah. Good evening, Sir. Am I audible?

Praveen Malik

Yeah, Mukul. Please go on.

Mukul Varma

Congratulations on a good set of numbers. I have three questions. One is on what is the minimum amount of cash you think the company should have as of now, we have Rs.712 Crs, post which you can look at the buyback option. That is number one. Number two is on the other income of Rs.19 Crs. So, apart from the interest income, what else does that comprise? And number three is a note in our accounts that we will soon move to a new tax regime. So, will that kind of lower our taxes? That is what I wanted to know. If yes, by what percentage points thank you.

Vasudha Subramaniam

The other income comprises two to three things. One, we have this treasury income, you know, out of our fixed deposits and others. The second is from the rental income that we have, and the third is some Ind AS entries. OK, so Ind As, in a sense, Indian Accounting Standard-related entries or the deferred interest. So these three are the major ones in other income, and we had a one-time other income on the rental part this quarter. There was some settlement that happened, and it got cleared this quarter, and that's where you see some spike in this quarter on the other end.

Mukul Varma

Correct. So what would that amount be?

Vasudha Subramaniam

That would be about close to Rs.7 to 8 Crs.

Mukul Varma

Alright, OK.

Arun Jain:

And the second tax rate

Vasudha Subramaniam

We are moving to a new tax regime in the next financial year. So we've been having MAT unutilised credit. So, we would like to exhaust that by the end of this year, March 2024, and we will be moving to the new tax regime. Because we worked out the cost-benefit of, you know, either retaining with 35% or moving to 25, we are much more beneficial moving to the new tax regime. That is a note that you have seen there, and it's getting carried on quarter by quarter.

Mukul Varma

So kind of as of now, I see we are in a 26% net bracket of the tax. So what would that then go down to?

Vasudha Subramaniam

It will go down to 23%, so 26% across the globe, with stand-alone being 35% so when the standalone improves to 25%, that will also come up.

Mukul Varma

Great. And are there any thoughts on the buyback after what minimum cash balance you would consider rather than giving dividends?

Arun Jain

Yeah. And I think this is a conversation happening on the Board. So, we'll let you know when the board decides about what level of buyback and, obviously, that will be required at some point in time.

Mukul Varma

Sure, Sir. Thank you very much. Wish you all the very best.

Praveen Malik

Thank you, Mukul. Next, we have Mr Nemish Shah from Emkay Investment Managers Limited. Nemish, please ask your question. Please unmute him.

Nemish Shah

Yeah. Am I audible?

Praveen Malik

Yeah. Please go on.

Nemish Shah

Yeah. Congratulations on a very good set of numbers. So, just firstly, one clarification on what you mentioned for the GeM contract and the revenues in Q4. So you mentioned our Q4 revenues will be similar to the Q3 number after the GeM impact. Is that understanding correct?

Arun Jain

That's right.

Nemish Shah:

OK. So then, if I have to just calculate X of GeM or revenues for us, then that implies a sequential growth of about 18 to 20%. So, is that calculation correct?

Arun Jain

Yeah. If you look at it from that perspective, definitely that number would be of that nature. So because there was a deal of what we mentioned, Rs.30 Crs last quarter is continuing for

this quarter itself. So that will be the carry forward deal which will get a benefit for this quarter.

Nemish Shah

And, three large deals that we signed this quarter or will that revenues also start going in from Q4, or has that already started?

Arun Jain

In terms of revenue, whatever the deal we signed last quarter has already been accounted for. So some, like some lag revenue, can be further accounted for in this quarter.

Nemish Shah

OK, are we anticipating some more deals to come in?

Arun Jain

It's good enough for a license. We are saying that around the same number is a good number for all of us.

Nemish Shah

Right. And one more point was that if I have just to see our destiny deal data that you provide. So, the average deal size has been constantly going up for us. From three years back if I have to see, it was around Rs.40 odd Crs, and now it has gone up to Rs. 53 to 55 Crs. So, incrementally the deal size has been even more. So, is there anything to read into it, or is it just the natural price rise we are seeing?

Arun Jain

No, I think this is a more transformational deal. When the deal number of deals in a transformation space is there, the value of the average deal value goes up. So and because when the transformation happens. So, we are now participating with eMACH.ai in more recent transformational deals than we are participating in a smaller product deal. So, you have a very good observation, Nemish, on this average deal value. Very few investors are looking into this.

Nemish Shah

Right. OK, understood. Thank you. And all the best.

Praveen Malik

Thank you, Nemish. We have Mr Rohit Balakrishnan from ithoughtpms. Rohit, you are there?

Rohit Balakrishnan

Yes, Sir. Am I audible?

Praveen Malik

Please, go ahead.

Rohit Balakrishnan

Good evening, everybody, and happy New Year to all of you. Sir, I have a couple of questions. So you mentioned in your opening remarks that the journey towards Intellect 2.0 is over now with the traction you've been getting. So, you just probably share what kind of improvement in your strike rate of winning deals has happened in those geographies where you mentioned Europe and Eastern Europe or the Middle East? And if you can, also talk about our investments in the US and the Americas in general, Canada and with iGTB and iGCB. Next, maybe eight to 10 quarters, how do you see that kind of the benefit of Intellect 2.0, the fruition of that in terms of your strike rate improving and also your investments in the US and Canada? How do you see that improving? I remember in the last probably five to six quarters back you talked about us getting to that 100 million quarterly run rate. We are still a bit away from that, so if you can, just maybe round it up and give us a view on that.

Arun Jain

So Rohit, maybe Manish, if you can bring it out, that's what is the win rate, what is the impact happening in various countries since, as of now, Manish and Rajesh both are in Canada today. So, Manish, we just want to take this question on Rohit.

Manish Maakan

Sure, Arun. No, definitely the win rate is improving significantly. I think there are three things which I want to call out. I think Nemish said in the previous one. Because of our technology, eMACH.ai's recognition of it, the brand value consistently is going up. In each of these markets, if you see, we have six to 10 banks in each region. In some markets, we have eight out of the top 10 banks. So that brand recognition is growing. We have all known that as you move towards the leadership journey, everyone else wants to join that journey, and with stronger brand recognition, this is growing. Both Rajesh and I are sitting in Canada right now, and we were in the US before. There a lot is happening here where we need to add to the

distribution to get to be able to get the coverage. Hopefully, we can share a lot more over there in the coming quarters. Market movements are happening. A vacuum is created with some players having financial challenges and troubles and having legacy technology. So this is where with the technology investments we have done, we are looking forward to expanding on the distribution and replacing some of these players by working with a number of SI Partners. Both Rajesh and I have this whole week are having multiple discussions with four to five large system integrators, and some of them actually have also started tweeting on LinkedIn if you would see there or how they're excited by us coming into this market. So, I would say we are seeing good tailwinds. We need to capitalise on it by expanding distribution; the product maturity and strength are already recognised. In North America, already six of the top 10 banks work with Intellect and we should share something more soon.

Rohit Balakrishnan

Sure. So, that journey towards 100 million, what do you sort of see on a quarterly basis? How far do you think you guys are away from that? We have been talking about it for a while.

Manish Maakan

There are two things in your question. First of all, offsetting the GeM, which was a significant revenue, we are already saying that in quarter four, you will be able to offset and make it neutral. So that demonstrates the growth. I think the second thing Arun said consistently for the last 14 quarters, and the track record also shows we are continuing to say that we will design the business to grow around 20%. And we would want the financial profit to be between 25 to 30%. So take that as a guidance. We have to rebuild a vacuum created by the account. We are sad to lose it, but from a financial perspective, you have seen already from a profitability perspective, it will improve the profitability.

Rohit Balakrishnan

Thank you very much, and all the very best.

Praveen Malik

Thank you, Rohit. Mr Mukul Varma once again wants to ask a question. Mukul, be brief. There are other people also. Please unmute Mukul.

Mukul Varma

Yes. Hello, Sir. I just wanted to know that I had looked at deals above Rs.50 Crs on the Destiny deal front. We have won all five deals that were put up, and Rs.30 to 50 Crs. also, we have lost one or two but on the lower deals, we have a loss ratio higher. So is it that on the higher

deal fronts, we have less competition, and we are getting more traction there, and on the lower deals, there is price competition, and that's why we are losing? How should I focus?

Arun Jain

Good observation. I think our focus is there on Destiny deals. So, Rajesh and Manish, we all focus on those bigger deals, and we should do good learning from this data. Those mid-size deals need to get that same kind of attention. So, if you have not lost too many deals in a lower quadrant but have not, push that agenda. So I think that's where there's an opportunity for us to drive. higher push-on. because sometimes deals will get closed when you sit next face to face with the customer, and that bandwidth becomes an issue to sit in front of the customer. So we are using that bandwidth for between Rs.30 to 50 Crs bracket, more than we are using in less than Rs.20 Crs bracket. We need to spend that time.

Mukul Varma

And Sir, since now, we do not have GeM with us. So, is the team handling the GeM function put to a different use? We have like done away with them and how does it? Because you opened an office in Gift City as well.

Arun Jain

That's right. So, this team is working on the same need we are experiencing in direct-to-corporate and procure-to-pay areas because corporate procurement portals are also not there. So, we have looked at the market and government procurement portal outside India, and state governments are also looking at the state portal. So those are the places where this current team is because the technical team was not that big, and the other Operations team was larger, which was outsourced anyway. So, we have let go of the team. The technical team is working on direct-to-corporate as a fourth LOB, which will take some two years to shape up in this area. The two products which are there are APX and CPX. APX is Account Payable eXchange, which is a Magic Invoice end-to-end processing. CPX is Corporate Procurement, and GPX is Government Procurement. So, these three product lines will be built up by this team right now.

Mukul Varma

Thank you, Sir. Yeah.

Manish Maakan

Adding to what you said, Mukul called out that in the Gift City, we are opening up our AI Center, which you called out in your question. That's where the excitement is going forward. Through Gift City, we will be distributing our AI products.

Mukul Varma

Great, Sir. All the best. Thank you.

Praveen Malik

Thanks, Mukul. I request anybody who wants to ask the question to click the raise your hand button. As of now, I think Ravi wants to ask one more question. Ravi, please quickly ask.

IT Person

Ravi, you can unmute yourself and ask the question.

Arun Jain

OK, so if there's no question, I think Rajesh, if you want just to brief about the part?

Praveen Malik

We now have Mr. Chinmay Nema from Prescient Capital. Chinmay, in case you are there, please unmute yourself and ask a question.

Chinmay Nema

Hi, Sir. Good evening, and thank you for the opportunity. Could you share the total number of deals in core banking software for the nine months?

Arun Jain

Rajesh, would you like to share on core banking? Take some colour also on core banking; how is the market evolving? What is the competition involving?

Rajesh Saxena

Sure. So, I think, from a market perspective, we are seeing some traction in core banking transformation deals. We are seeing many more opportunities come up. And in the markets we operate, we see some good opportunities coming up. I think last quarter we worked on this deal for more than two years last quarter, and this is the OTP deal we announced last

quarter. As was mentioned earlier, right now, it's a two-country core banking lending complete digital transformation, but it has the potential of being a 12-country rollout. So that itself is, for us, a very large deal. Let me talk briefly about competition and how we went through this process. So, it was a very rigorous process that we went through. We started with a long list of about 21 vendors called for this. And from 21 vendors, they shortlisted to three. The last three vendors were Temenos, Thought Machine and Intellect. Through a very rigorous POC process, the demo process, functionality, and demo process perspective, we could cross the line against Temenos and Thought Machine. So that's something that we are seeing. We see in certain markets, mostly Temenos and Thought Machine and Intellect, in the final three. Some we win. Some of our competitors win. We also saw some very good traction in the Pacific islands. We actually, in the last nine months, have announced three large core banking deal transformations. There we have won most of these deals against Oracle Flexcube. So, very good traction. What is really happening in the market is architecture becoming a very important consideration, and the kind of work that we have done in the last six quarters, especially on eMACH.ai, where now our APIs are very fine-tuned, we have very good microservices, documentation etc. is really helping us in this process. In most of these markets, Temenos and Thought Machine are spending much more marketing dollars than we are spending, and they have a head start from a brand recognition perspective. But despite that, Intellect comes in and is able to win deals against them. I think is creditworthy. It talks about our architecture. It talks about the good investments we have made, and it also talks about well about our people. So I think all factors are coming together from a tailwind perspective, and that's why I think Arun mentioned that we are seeing good traction from a core banking transformation perspective.

Arun Jain

In nine months, we would have won seven deals in core banking, Rajesh?

Rajesh Saxena

Yeah, I don't remember, but I think it's either seven or eight deals we have won.

Chinmay Nema

Thank you, Sir, that was really helpful. If I could quickly ask one more question. I just wanted to understand. So, from what I understand, there are two types of core banking software. One addresses larger banks which have CASA accounts, and there is other software which caters to NBFCs which do not have any retail customers and CASA accounts and any liability franchisee. So, I just want to understand that our software caters to the first category, right?

Arun Jain

That's right. Yeah.

Chinmay Nema

Thank you so much.

Praveen Malik

Thank you, Chinmay. Next, we have Mr Rahul Jain from Dolat Capital. Rahul, please unmute yourself and ask a question.

Rahut Jain

Yeah, I hope I'm audible.

Praveen Malik

Yeah. Please go on.

Rahul Jain

Yeah, firstly, you know, just to understand what kind of fixed cost saving we would have from Q3 going into Q4 that we may not incur because of this termination of the contract and also any headcount-related saving that you just alluded to some time back.

Arun Jain

Actually, it's part of the margin improvement, so I'm not too specifically looking at the quantum of the amount. It's about overall. There will be a reduction in the total cost, which is currently Rs.503 Crs. The reduction from that cost in the Q4.

Rahul Jain

OK. Then, moving to my second question, what kind of pipeline do you see on the implementation side of the business? Because if you see it, LTM basis or license growth has been around 20%, but the implementation pace is around 6% to 7%. So, what is causing this and is that a good tailwind going into next fiscal?

Arun Jain

That's a good sign. So we are implementing it at a lower cost to the customer. So, it is an edge where you would like to see that implementation cost decrease. So, it's a competitive edge if implementation costs are lower because it will deliver faster at a lower cost.

Rahul Jain

So are you trying to say that we don't carry any extra pipeline from the wins that we already have, and it's a normal scene of the run rate of win and implementation which is going on? It's just that maybe the third-party component or the total value of the implementation in the deal value has reduced, which is causing this disparity between the growth of the two items.

Arun Jain

There's no disparity. I think implementation revenues are not growing at the same pace as license and AMC revenues are growing. So that's a conscious decision on looking at it on implementation revenues on my license link revenue is improving.

Rahul Jain

Got it. I think Manish wanted to add something.

Manish Maakan

Two things: one license and license-linked revenue are growing. You are transparently seeing that. Second, with the eMACH.ai technology, you are seeing our efforts to implement or reduce where we are giving the margin. We will be helping the customers execute faster, which we have also shown in the track record. I think the third equally important aspect is that you're seeing our wins quarter on quarter are increasing. That means the forward order book is there for implementation. It doesn't mean a forward order book for implementation is gone.

Rahul Jain

Yeah, I mean, that's the last line which I was actually looking for. Thank you for that.

Manish Maakan

As we sign more, more is coming through.

Rahul Jain

I mean, future, of course, yes. But also, for the recent past traction, something must be set to be executed.

Manish Maakan

We have just announced these three large deals, if you see them today, with Indian Bank, with the Bank in Kuwait and OTP Bank, they're fairly large size deals. So, there are fairly large implementations in them.

Rahul Jain

Got it. Thank you, and best of luck for the time.

Praveen Malik

Thank you, Rahul. Next, we have Mr Vivek Kumar from BestPals. Ask your question.

Vivek Kumar

Am I audible, Sir?

Praveen Malik

Yeah, Vivek. Please go on.

Vivek Kumar

Arun Ji, can you elaborate on the partnership, especially with Microsoft? Last year, we spoke about the consumerisation of corporate banking and how we will take it up. So, what is the status there or how how is it shaping up?

Arun Jain

Manish?

Manish Maakan

Microsoft and Accenture - these two partnerships are going very strong. There are a number of things I shared and announced with Microsoft that are jointly investing for us to build our iGTB Co-pilot, which is the assisted AI user journey where we're working on a number of POCs. Along with Accenture, we have won a joint deal in Asia, which is going through implementation and is getting templatised along with them. Early this week, I was along with

them, and we are putting a template out to take that forward. So, these two partnerships are showing us good positive signs and a good funnel with them right now. We are also nurturing along with a couple of other larger SIs. So the brand is getting recognised, people are actually inviting us and calling Rajesh and I are sitting in Canada where another large system integrator invited us to take certain offerings into the market. So these are positive signs. You will continue to hear about this in Calendar 24 a lot more.

Vivek Kumar

Thank you, Manish.

Praveen Malik

Any other questions? Just in case you want to ask a question?

Arun Jain

We can close the call if there's no more question, Praveen.

Praveen Malik

No more questions.

Arun Jain

So, thank you very much for attending the call.

Praveen Malik

Thank you very much for attending our call. In case anything else is there, please do write to us. If any questions are follow-up questions, we will be replying to you. Thank you for attending today's call.

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