**Intellect/SEC/2023-24** **November 03, 2023**

1. **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

2. **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 October 27, 2023 commenced at 06:00 P.M. and concluded at 07:08 P.M. on the Financial results for the quarter ended September 30, 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**

ARUN JAIN Digitally signed by ARUN JAIN Date: 2023.11.03 16:52:57 +05'30'

Arun Jain
Chairman and Managing Director

Encl: As above

**Intellect Design Arena Limited**
Registered Office: 244 Anna Salai, Chennai - 600 006, India | Ph: +91-44-6615 5100 | Fax: +91-44-6615 5123
Corporate Headquarters: SIPCOT IT Park Siruseri, Chennai - 600 130, India | Ph: +91-44-6700 8000 | Fax: +91-44-6700 8874
E-mail: contact@intellectdesign.com | www.intellectdesign.com

New York • London • Dubai • Singapore • Sydney • Toronto • Tokyo • Mumbai • Delhi • Chennai CIN No.L72900TN2011PLC080183

## Q2 FY 23-24

## Investor Earnings Call Transcript

**Praveen Malik**

Greetings and welcome everyone.

Thank you for joining us today to discuss the Intellect Design Arena Limited financial results for the Second quarter of the fiscal year 2023-24, ending 30th September 2023. The investor presentation and Press Release has 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; Ms.Vasudha Subramaniam, CFO. Besides, some other senior members of the Intellect management team are also present in the call. Mr. Arun Jain will brief you on the result, followed by a Q&A session where the senior management team will reply your questions. When the Q&A starts, you can ask a question by clicking “Raise your hand” and we will unmute you so that everyone can listen to you.

Safe Harbor: I would like to remind you that anything we say which refers to the outlook of the future is a forward-looking statement. This must be read in conjunction with the risk the company faces.

With this, I request Arun to give his briefing.

**Arun Jain**

Good evening

I wish to begin by thanking each investor for trusting the story of Indian Fintech Company participating in cutting-edge technology space, shoulder to shoulder with global competition. I'll cover my conversation in 3 frames, and we'll take close to 15 minutes. Frame 1 is the current quarter and first half year of FY 24, and frame 2 is patterns and trends from the last 3 years' data and the market what we are addressing. Frame 3 business outlook for the next 6 months and coming years.

Let me start with the frame 1. This quarter, Intellect revenue grew 17% over the same quarter last year to INR 621 Crs, while EBITDA grew 45% over the same period. The half-yearly revenue also grew healthily at 18% and PAT at 43% growth compared to the last year. The company revenues are crossing INR600 Crs mark consistently for the past 3 quarters. All these results are in line with our confidence of growth at the 15% level, which we were looking at when we started the financial year. They are above 15%, close to 18% at this point in time. During this quarter, contracting in respect of 2 deals amounting to close to ₹30 Crs in revenues got deferred and could not be concluded. As in the past quarter, there's an intangible cost of 12 Crs towards RSU in quarterly results. So this is a cost which is getting booked, which is intangible in nature.

We doubled our marketing activity during the last 6 months, having more than 700 meetings with relevant customers and prospects. We participated in a almost 20 events in the last 6 months to create a larger brand awareness, reaching the right kind of a technology, eMACH.ai and generating leads. So, which we call P0 to P2. We have six stages of the sales process. P0 to P2 is the lead process, and P3, P4, and P5 is the opportunity process. So what we publish in the results of total funnel of over INR 7500 Crs is basically are opportunities which are at P3, P4, and P5. We don't publish any lead-related financial numbers because, at that time, we don't assign the financial numbers to it, and that's why we don't publish the numbers of P0, P1, and P2. We have almost a similar amount of leads in P0, P1, and P2 as many opportunities are there and only where the proposals are submitted. That's what we publish as a funnel for us.

Now, I would like to move to frame 2 or the dialogue with you, after receiving smart questions from you about the varying and unpredictable quarterly performance of Intellect in the past. Our data analyst team plotted the last 12 quarter data with trailing 12 months as a pivot. Our CFO has shared her findings in this deck. The beauty is that based on these numbers, Intellect has grown at 20% CAGR over 3-year period. Exactly 20%, which we guided the market that we have designed our business to be 20%. So we feel that how can it work exactly 20% over the 3 years, 22% for 2 years and 18% for 1 year. The sustained design growth is well above the industry growth rate. I call about 20% growth rate as a designed growth since that's a constant message we are sharing with the investor community consistently. This design growth has 3 key principles and strategy on which this 20% growth confidence is there for the company.

Principle 1 :extreme customer-focused business design. That is an independently designed business for corporate banking needs in the form of iGTB. Retail banking and an SME lending business are grouped under iGCB, and wealth and Insurance businesses under IntellectAI. This strategy helped in building business growth and operational sales based on cutting-edge differentiated products for our customers.

Principle number 2- Design the products for the most demanding banks to drive the last 2% is 200% differentiation in the products. So when we work with a leader in the web market, like HSBC, JP Morgan Chase or HDFC Bank or RBI. We get that advantage of demanding requirements and our product functionality becomes so much sharper than anybody else in the world, and we have the advantage of working from West to East. From US customer to the Singapore customer to Australia customer at a stretch. So we are able to get the right patterns because of the customer profiling what we have. Today, 8 out of 12 products are in the leadership quadrant of global technology analysts like Gartner, Celent and Aite. This helps in the premium pricing of products and enables to build business in Europe and the Americas.

Intellect's customer portfolio has 7 out of the top 10 bank in Europe, 8 of the top 10 banks in the Middle East. 7 of the top 10 banks in India. 5 of the top 10 banks in North America, and 5 of the top 10 banks in Asia and ANZ and that's a remarkable marquee customer Profiling.

**Banesh Prabhu**

I think we’ve lost Arun. Probably, they’ll re-join may be of the network issue.

**Praveen Malik**

Yes, Arun. You can go ahead.

**Arun Jain**

So, the above three strategies helped in growing the iGTB business to 950 Crs business. iGCB business grew to INR 650 Crs, while IntellectAI business grew close to INR500 Cr during the last 12 months.

Coming to frame : 3. I'm hearing about our leadership outlook for the next 6 months and next 3 years. As of now, we must acknowledge the instability of the global geopolitical environment- Israel Palestine conflict, as well as Russia European conflict, India for Canada conflict, are all on the horizon. The management team takes a cognisance of these conflicts and hopes for world to become more peaceful in the coming years or coming months for our growth of the business. But yet, we need to design the business for the future and where we are getting our confidence level despite these geopolitical disturbances.

We launched the eMACH.ai platform with the most comprehensive microservices for the financial industry to drive composable and contextual solutions. In February 2023 this is the one platform which received so well because the entire industry wanted this, a desired direction of industry to move towards. As of now, the separation of events, micro services, and APIs on the cloud, Headless and bundled with AI. Intellect plays a very significant role because there is no single player who has got all the 6 components coming together under one roof to give a composable and contextual solution. This has led to big partnerships with Microsoft Azure, Accenture, AWS, KPMG, and IBM. We are working very closely with them for large digital transformation deals. Intellect technology has started helping our customers by using Turmeric as a composable technology. Effort cycle time has come down by 40%. So, we are now able to propose full digital transformation at a 40% lower cost than our competition.

Intellect has launched IGTB Co-pilot along with Microsoft at the International Corporate Banking event SIBOS in Toronto which has been very well received for its ability to drive decision-support advice using Generative AI. As of now, Generative AI is being used for a lot of customer experience spaces, but over here, this was done for business decision purposes.

We also launched Generative AI-based underwriting recommendation for P&C Insurance on Intellect, US cloud. This also has received significant mileage because now the P&C process is completely autonomous from submitting documents for P&C Insurance, which collects document intelligence to underwriting the entire process to the recommendation up to the recommendation stage and then data processing is autonomous in nature. Both Turmeric technology, which makes composable platforms and my IDX technology, which makes the contextual technology, drives the kind of a rich product positioning for retail banking, lending wealth, global payments, global digital transaction banking, trade and supply chain finance, and insurance. Because they are the width of the product and depth and cutting-edge technologies are driving our growth. For this year, we are confident of growing the revenue by 15% on an annualized basis. And profit growth of more than 30%. So that's what our current outlook is looking at 15 plus percent. Despite of the global or geopolitical environment and if we are lucky, we can be closer to our design growth of 20%, but we are planning 15% growth on the yearly basis. Thank you very much for listening to the 3 frames, and I will open the platform for your question answers.

**Praveen Malik**

Thank you, Arun. Now we can move to Q&A. I request in case you want to ask a question. Please click on Raise hand, so that you can ask, we will unmute you.

Please ask a question.

First, we have Mr. Mohit Jain from Anand Rathi Securities. Please unmute him. Mohit You can also unmute yourself and ask the question. Mohit, you're there?

**Mohit Jain**

Yes, Sir. My question was related to this partnership that you just announced. So, how is it going to help us send the one which were announced about SIBOS and Microsoft? So one is how is it helping in our current set of products that we are selling, and second, it appears to me apart from this delay in the quarter, you're also looking at slightly slower growth for the year. While our exposure to the troubled regions may not be that high, just to clarify are you seeing further weakness in banking? And second, this partnership with Microsoft, these are the 2 questions there.

**Arun Jain**

So, first question. Manish, would you like to answer the partnership question for Mohit?

**Manish Maakan**

Yeah, Mohit, this is a very disruptive partnership along with Microsoft iGTB co-pilot, which we launched at SIBOS. There's a whole new way of deriving value from data which is sitting in the banks, and we're going to look at capitalising our extensive domain expertise in commercial and corporate banking. In our phase one, we are introducing an array of about 50 plus AI use cases covering our existing stream of cash management, liquidity investments, payments, virtual account trade and supply chain finance. First of all these co-pilots are being designed to assist banks and corporate treasury role-holders for better customer experience, cost and operation efficiency and risk management in partnership with Microsoft. So first it will help make our products look much more smarter, much more adaptable from what the market needs are. And second, it's an completely new revenue stream we are building upon for putting it forward.

**Arun Jain**

On the second question, Mohit. Revenue growth, we are looking at, it can be better than this, but as of now, I think 30% margin growth where IT companies are looking for much lower numbers. It looks to be better. But let's see how it pan out. It can be better than this.

**Mohit Jain**

And Sir, as the follow-up like , are we building in that GEM impact also as part of a slow transition or do you think that not in the second half of the year, and we should look at it from an FY 25 standpoint?

**Arun Jain**

We are not too sure about that, but on the margin level, we are taking into account the revenue side; maybe I'm not taking into account what will happen after December, but on the profit side, we are confident of meeting 30% growth.

**Mohit Jain**

So, in the current guidance, we are building in the current level of GEM revenues till March, right?

**Arun Jain**

No. I'm saying irrespective of GEM revenue or not 30% margin growth will be there.

**Mohit Jain**

OK, so whether it goes or stays, the point is that your guidance takes into account the potential reality due to GEM.

**Arun Jain**

Yeah. So, the margin, and the revenue line will change. But not the profit line.

**Mohit Jain**

OK, great, Sir. Thank you. And all the best.

**Arun Jain**

I mean directly saying what the margin we make, correct?

**Praveen Malik**

Next, we have Mr. Nishid Shah from Ambika. Nishid, please unmute yourself and ask the question.

**Nishid Shah**

First of all, congratulations to the entire team for a very good set of numbers on a half-yearly and on a year-on-year basis. I think Arun, sometime back, you had mentioned that Intellect should be evaluated on a year-to-year basis and not on a quarterly basis. Not on a sequential basis, given the delays in the process and the global environment. So I appreciate that. Uh, can you give more details on the 2 questions one or some details on the delay in the closure of 2 deals? What is the value, and are we likely to see a closer this quarter? And the second question is on the US geography. How is the partnership progressing with Microsoft? We have been talking about it for the last 4 or 5 quarters and with Accenture. So where are we seeing traction with Microsoft, or are we seeing traction with both Microsoft and Accenture? Those are my 2 questions.

**Arun Jain**

OK.

The first question was on your growth, which is last like LTM basis. We should be monitoring on an LTM basis quarter to quarter; we cannot do it. So again, I want to emphasise that quarter to quarter doesn't make sense. We published this time number from September 20, slide number 12. We move from 1402 Crs revenue to 2441 Crs revenue in the last 12 quarters. And there's a consistent growth quarter on quarter. There's no drop in the quarter on an LTM basis. There's a drop in the quarter that normally happens, but on an LTM basis there, there's no single quarter where the drop is there on an LTM basis. So that's the one point I want to ensure that we will look at it, and please look at the advise investor to monitor the product companies on an LTM basis rather than monitoring the product company on a quarterly basis. Responding to US geographic growth, we have very good leads in the insurance business in the US. Banesh, if you want to highlight what is happening in the Underwriting area in insurance working, that is, we are working with AWS closely with them, and they are also bringing some leads besides our own leads, which are coming in the U.S. market.

**Banesh Prabhu**

Yeah. So I think the partnership with AWS, as you know, the insurance business in North America is completely hosted on the AWS platform and all our clients, and presently we are, you know, quite a few SOWs that are in the process of getting contract closures, I think the important thing here is AWS works very closely with us now in identifying potential underwriting insurance opportunities. Qualities we sort of got an underwriting ecosystem that fully operates on. So we added the generative AI component in, I think. Generative AI component is helping the underwriters use the data more efficiently along with their own underwriting standards to make decisions. So I think AWS doesn't have a similar product anywhere in the world, and when they looked at our product, they said this is probably the best in the cloud that is available, and they are actually in the process right now of partnering with us to offer it to more and more insurance carriers. So that is the outcome that we have with AWS right now.

**Arun Jain**

Nishid, this is a very very positive area where the revenue doesn't get booked. It's a cloud revenue, and it's a lag indicator. We are giving this revenue what Banesh is doing; we are working with 7 deals right now are therein POC stage because AI adoption requires POC build-up, and we upfront invest in POC rather than implementation, which is typically in other product lines like in core banking, we do implementation afterwards. While on this line, we do a POC before the actual sale happens. We have a front investment, and since there are 7 such POCs are happening which 3 are in the contracting stage, and 4 will come to the contracting stage, likely to happen and each deal has a ARR potential of more than 2 million dollars each deal.

**Nishid Shah**

2 deals which got delayed is expected to close in the next quarter or 2?

**Arun Jain**

Yeah, yeah, that's what we are expecting.

**Nishid Shah**

And how much is the value of those deals you said? I think you said 50 Crs.

**Arun Jain**

30 Crs deals should be signed in this quarter.

**Nishid Shah**

Thanks for the clarification. Thank you, and all the best.

**Arun Jain**

Thank you, Nishid.

**Praveen Malik**

Thank you, Nishid.. Next, we have Mr Anil Sarin from Centrum, Anil Jain. Can you ask the question.

**Anil Sarin**

Hi, Arun. Hi, the whole team, great progress is being made. In fact, I want to congratulate you on your annual report also you have dedicated, I think, about 40 pages. I think all the SBU heads have gone into, you know, great detail, taken a lot of pains to explain to lay people like myself, and I quite enjoyed, and after reading, I was able to understand and appreciate the technology that you bring to the table. So, a great job over there, and basically I mean, you know, it just underscores the superiority that your products have. Now, we have to wait and see if it's already happening, but we have to wait and see how at a larger scale. I mean, given the scope, the depth and the width that you already enjoy. I think you know what numbers should be expected in the coming times. If I just add this 30 Crs back, then the margins, you know, even for the second quarter shoot up to, you know, a decent number. So my question, I think Mohit and Nishid have already asked, I guess it will be a repetition, but I mean, given that you know at the halfway mark. If I just take the liberty of adding back the 30 Crs, given that at the halfway mark you are tracking so well, go for the second half, you know there has to be a material decline in the growth rate. To sort of come up to the 16% revenue growth outlook which you have. So, are you anticipating a kind of a slowdown of that nature?

**Arun Jain**

No, no. Anil we are not looking slowdown, I think. The problem with investor, is they have very you have very mathematical mind and you put quick calculations. Our business is not like as mathematical as possible to look at it. We're not looking for any slowdown, but we will be cautious, cautiously optimistic, I would say Anil rather than saying we are slowing down, and we want to just say in the current environment, 15 to 18% growth is a good number. So, let's look at it that way. And if you are lucky to have, I mention our design growth number is 20%. I mentioned from last 4 years. We are not changing any paradigm on it. But the success of 20%, it happened in for last 3 years is 20%. For 2 years, it is 22%, so once you're doing it, we will achieve 20% for the next 3 years we are looking. That is the number I think and Anil, you should be looking at; that can a company can grow 20% top line for 3 years? If they can, we can grow 20% year on year, and our profit will grow 40% year on year, our ratio of revenue to profit is 2 times.

**Anil Sarin**

Right. In fact, you know, on that point one can comment that see you have multiple products and you have multiple geographies and there are not too many companies like that, that I'm aware of which have they're so entrenched, all over the world. So I think war is not a problem for people like you. I mean, you are so spread out. I don't think that, but obviously time will tell and I think you already answered that question that you know, as you scale up the EBITDA margins need to go up.. It's a function of operating leverage as you start delivering the deals. It should head towards much higher than what it currently is. Am I on the right track?

**Arun Jain**

That's right, Anil. I have given two design principles – 20% growth and 30% EBITDA. Now, 30% EBITDA, I don't want to promise it. Because last time, I said 30% EBITDA. Everybody jumped on it, saying why it's 18% and 21%. The business is designed around two principles. When 30% EBITDA will come in? I cannot predict that kind of a number. But the business has been designed for that kind of cost structure and the operating leverage level, so we moved to the product business.

**Anil Sarin**

So, in your annual report comments also the chairman's letter to shareholders, you mentioned that now is the time for partnership. So today, we have four partners. What is the outlook? What do you expect, like how deep can we go with each partner and how many partners would you realistically need to achieve your targets and goals?

**Arun Jain**

Partners are very important. There are five partners which I mentioned - Microsoft, AWS, IBM, Accenture and KPMG. They are all big partners. We have 30 other small partners at the country level, which we are not mentioning here. Those are country-specific partners who solve our problem at a local level. This is a good network. We may require one or two more. But to meet this expectation of them because the deals they bring are heavy deals. Manish mentioned , Microsoft, and they are bringing digital transformation deals to us, whose deal value would be around $30 Mn, $40 Mn or $50Mn. It has a huge amount of pre-sale time. I think we are comfortable right now in this partnership if we can nurture them. That is our focus for the next six months.

**Anil Sarin**

So thank you so much. Today, you have the proud position of being the fastest-growing IT company, so please keep it up. We are cheering for you. Thank you.

**Arun Jain**

Thank you, Anil.

**Praveen Malik**

Thank you, Anil ji. Now we have Mr Mukul Varma from Varma Associates

**Mukul Varma**

Am I audible? Yeah, Mukul. Please go ahead.

**Mukul Varma**

Yeah. My question is that you mentioned that you had won one deal against Thought Machine in Europe. I would like input on how we are doing against Thought Machine in Europe.

**Arun Jan**

Thank you, Mukul. Rajesh, would you like to respond?

**Rajesh Saxena**

Sure. So, not only Europe, if I look at the UK, Europe, tier-one clients as well as regional banks, what we are seeing is that when these banks are looking at core transformation, they start with a long list. Typically, in most of the cases, we will end up with three players who are in the last three. One would be Temenos. One would be Thought Machine and Intellect. So, when we look at Temenos, they come from rich functional stack country models. Thought Machine will come from a technology perspective. We are in a sweet spot wherein we bring the latest technology stack with the domain functionality. So that is what we see. Versus Thought Machine to your specific question, head-to-head, we are winning as many, if not more, deals versus Thought Machine. Of course, Thought Machine sees many more deals than we see because they spend a lot more money on marketing. From that perspective, we are also looking at Marketing Events. Arun also talked about our marketing events, our branding and how we are building our presence in many markets. So this is what we are seeing from a deal-win perspective. I was in Sibos and Money 20/20 in Las Vegas, where we ended up meeting a lot of customers and prospects. Many of these customers are saying when we talk to them about Thought Machine and their experiences, they are talking about Thought Machines' strong framework, but it requires heavy work from an implementation and customisation perspective. So, the total cost of operations and time to market are key challenges that Thought Machine is seeing because they are still in the process of building. The domain that we already have.

**Mukul Varma**

OK, great. One thing to add is that we announced specific deals during the quarter, which will be for some banks. But when it comes to results time, there are always more deals than the ones we have announced during the quarter. Is anything stopping us from announcing every deal, or are those smaller deals or we don't have permission, or how do we look at that?

**Arun Jain**

Typically, we need to get permission to announce the deals. That is why we sometimes get delayed, and there is a mismatch between our announcing (announcement)anyway, but we are not publishing the names of those deals. That is the reason, Mukul.

**Mukul Varma**

OK. So is there possibility we could  still announce it as we win without naming the bank, just to see how much we are doing and when it is possible?

**Arun Jain**

Sure, We will just take a legal opinion on it and then accordingly act on it.

**Mukul Varma**

Great. Thank you so much. That is it from my end. All the best. Thank you.

**Arun Jain**

Thank you. Mukul

**Praveen Malik**

Thanks, Mukul. Next, we have Mr Ramasamy KV from QFSL.

**Ramasamy KV**

Hi. Thanks, Praveen. Arun Ji, congratulations on a great quarter. In my opinion, it was a great quarter because I come from a product background. My question is only twofold. One is how autonomous AI is being used and what the potential is in the next two years. And point two is, how will the EBITDA growth pan out over 20% in the next two years?

**Arun Jain**

The first question is about autonomous AI. This is my favourite question. The investment we made in 2016, three years ahead of time, was understanding unstructured data. I will take a few more seconds to explain what unstructured data is. In Oracle, we store the DBMS, which is the relational data model which is store in Oracle. Now, the financial institution has more documents more paper than the structured data. From the bill of entry to the domain, bill of lading and your balance sheets and the cash flow statements etc., To convert this unstructured data and create a document intelligence is a science of its own. Now, a lot of small fintechs have come up who are taking one use case of one type of document type like Perfios will take a few use cases for underwriting space. Somebody else will come who will take a few underwriting cases, which will take up in the trading space or the supply chain finance space. So they take document by document. But the difference is what we have done at the Intellect level is we created a platform first. Many questions were being asked in 2018 on why our investments are so high. Questions were asked to Pranav: how are there no results? I remember Technology Day in Bombay  Investor day where we were questioned too much on why we were investing so much. Today, we have created a platform for document intelligence management systems. This is like a DIMS equal to the DBMS of past time. So, in the next ten years, DIMS will be as big as space as DBMS of Oracle in the last 30 years of the space, which is about how do you create unstructured document intelligence into the system

**Ramasamy KV**

That makes sense. Yeah.

**Arun Jain**

We have the entire product suite in the DIMS space. We had a session on how you move Design Thinking for cognitive enterprises and cognitive banks recently in Chennai, where 20 banks from India participated in that two-day event to understand how we can apply DIMS to help the banks wire their operational documents to data autonomously. So, that is a whole science of autonomy. We have completed this journey that Banesh was referring to in the US for one use case, which is a PNC underwriting space for submitting close to 200 different types of documents that have been extracted and intelligence has been built using rich and validated up to the generative AI in autonomous where recommendation notes come to the underwriter in a matter of day instead of a matter of weeks. That is where we are giving speed, cost saving, accuracy, trusted data, and recommendations, which is why no single company, as of now, is cracking this issue at a holistic level. So if the bank has to use 20 different types of documents and one of the deals which we won in Europe in this quarter is our key client SJP - St. James Place, the largest wealth manager. They have chosen the DIMS tool for an entire wealth management portfolio. How the wealth management portfolio the recommendations. They want to automate at least 20 use cases using DIMS. So that is the power of our tool on DIMS, which we are very hopeful about. There is a company called Insta-base, which is in the same space. If you want to go to the Insta-base site, that will give you the flavour to look at what space we are in.

**Ramasamy KV**

One question, therefore, that comes Arun ji is, will the cost peter out over the next two to three years?

**Arun Jain**

Can you repeat the question?

**Ramasamy KV**

So, in autonomous AI, as we go forward and evolve, will the cost peter out or reduce over the next two to three years and, therefore, the margins get bigger?

**Arun Jain**

That's right. So, this is a proposition we are making to the banks that if they want to buy IDX965.ai DIMS, their operational costs can come down by 15 to 20%.

**Ramasamy KV**

15 to 20%? That is a lot.

**Arun Jain**

That's a lot. Currently, there is one single use case for this client in the UK. When I met the CIO, he said he saved $6Mn pounds with just one use case on AI.

**Banesh Prabhu**

The space around operations transformation is very large. The target market around operations transformation for all its financial institutions is extremely large. The DIMS platform takes those documents and changes the way the operational process happens through an autonomous capability and bringing in AI right through the process, whether it's underwriting or portfolio management. We have tried to help both underwriting from the US insurance PNC side as well as the relationship manager and the financial advisor from the wealth management side. There is a similar set of things across our various business lines in Intellect that actually focuses on how DIMS can help operations transformation. We will take out a lot of operations costs. As you know, any analysts and researchers will say there are a lot of operational costs that AI will impact. And DIMS is at the heart of it.

**Ramasamy KV**

OK, great. The second part is how will the EBITDA growth pan out over 20% in the next two years?

**Arun Jain**

EBITDA percentage will improve. The 20% will improve quarter and quarter. It is a matter of time. We were around 25% to 26% every year. Two years back, we took a call that we wanted to invest 6% from our margins to the next-generation cloud transformation. Our margin declined for three quarters. In the fourth quarter, it started coming back. We told nine months time frame. We will stick to the nine months where the shortfall has come. And so I love the investors like you who are trying to understand, but there are a lot of his street investors who do not understand that up and down. How does it happen?

**Ramasamy KV**

That is because of a lack of understanding of products versus services. So that is bound to happen.

**Arun Jain**

So it's OK. It does not matter for long-term investors like you. It is just a matter of time. But whatever we are committing for nine months, 20% EBITDA, I must say that the wisdom of the management team at Intellect will be able to justify that and live up to the expectation of what we are saying.

**Ramasamy KV**

One small thing can I add? Can I ask the third one?

**Arun Jain**

Yeah, sure.

**Ramasamy KV**

So, will this also impact us positively versus the Thought Machine? Because Thought Machine's initial costs are fairly high, where our cost would be lower initially.

**Arun Jain**

Yeah, there is a different equation for Thought Machine. They are in investing mode. We are one of the very few companies in the world who are making such a hefty profit in this cloud journey. Currently, no product company will make a profit, and nobody is expecting profit from them.

**Ramasamy KV**

Yeah. OK, great. Thanks a lot, Arun ji. God bless. Thanks for taking the time. Thank you.

**Praveen Malik**

Thank you so much, Ram. Next, we have Mr Divyesh Mehta, 3P investment.

**Divyesh Mehta**

Hello. Am I audible, sir?

**Praveen Malik**

Yeah. Please go ahead.

**Divyesh Mehta**

Though I appreciate the investments Intellect has made over a period of time in the products, the next leg of what you have started in the SI partnership will be crucial to unlocking the values of the platforms and investments you have made in different products. Last time, I recall, you had IBM as a partner. This time, I have heard a few more incremental names, so please share where we are heading regarding more names. Also, do these partnerships wherever we are going in joint GTM? Are they adding to the funnel size? Then I will ask my next question, sir.

**Arun Jain**

Manish, partnership question over to you.

**Manish Maakan**

If you look at our phase one of the journey, it was about ensuring our products are right. As we build the brand, we really wanted to own the brand, build extensibility on SDKs and take it forward. In that phase of the journey, as Arun called out, we now have the world's largest banks as our core customers in every market. That has given us confidence or ruggedness, robustness, and resilience of the products. We have now built the extensibility where the partners can take it forward. My early experience with these partnerships are the deal values are going at least three to four times more than what we were initially selling it ourselves. So this is the right path, the right journey. In the next 12 to 18 months, they should start giving different kind of results for us in terms of quantum. They are extended distribution and surrogate branding along with each one of them is

happening for us. They have MSAs, they have signed contracts, sometimes getting into new large tier-one banks. They love us. Last minute procurements phase that we don't want to take a new vendor in. Through this route, we can manage some of them. Let's keep our fingers crossed that this is the right path. A number of people have done it before, and this helps grow. So, we are on the same trajectory. We have chosen a select few. We have got very close relationships right at the top. We are getting the right support. Sibos, I was quite overwhelmed with the support we got from these partners. There were more reroutes from them versus any fresh walk-ins who were coming to our stall. So, things are positive.

**Divyesh Mehta**

So, in this same aspect, when you look at SI partnerships. The three to four which you have already added are already large enough. In this sense, can we look at SI partnerships from the perspective that if any product company has an SI partnership, it is easier to win even larger deals? Because banks are more comfortable because the SI partners have domain knowledge they can implement better. And like so, the USP largely has more comfort on the implementation.

**Manish Maakan**

I will slightly correct what you said. What they bring is they understand how the banks implement that knowledge of a new bank. The methodology, all of that, they bring in. A strong domain along with each one of them really helps the bank create a mutual joint success, and with now eMACH.ai, the capabilities of eMACH.ai platform offers extensibility of the platform. It is a win-win for banks themselves who want to do it themselves or bring in system integrators to do that. This will bring us a higher share of licence revenue or subscription revenue, where margins are going to be always higher.

**Divyesh Mehta**

OK. One last question I would like to squeeze in. So, as we have increased our marketing efforts, is there any long-term trend where the SG&A cost line will take in terms of percentage of revenue? Are they expecting it to go higher versus previous years because of the higher intensity of marketing efforts?

**Arun Jain**

The SG&A cost is close to 26% as of now. They are remaining at the same level as last year. It shifts by half a per cent here and there, not so much. That will be maintained. It will not go up, coming down if the high number of revenue comes in. We are moving towards a bucket from $75,Mn Currently, we are a $75,mn bucket. So, if you observe, our patterns are 55, 60, 65, 70. Now we are at $75,Mn, marching towards $76,Mn and $78,Mn.

**Divyesh Mehta**

The percentages remain the same.

**Arun Jain**

Yeah. For three to four quarters, the number remains the same. We moved to 80-85 Mn, then we moved to 90-95 Mn At the $100 Mn level, the percentage may come down.

**Manish Maakan**

If we sell to four or five companies now, it takes one year to get many of their partners to know us better. After that, the multiplier effect comes in, the dominoes fall, and our distribution gets multiplied from that perspective.

**Divyesh Mehta**

In this case, we have observed that many companies or SI partners have an “X” number of Temenos experts who have a certification or something? So, eventually will we also have some certification for the SI partners? Is this in the works, or if you can throw some more?

**Manish Maakan**

Yes, it is in the works with Accenture right now. To build COEs from where they can take this and take it forward.

**Divyesh Mehta**

OK.

**Arun Jain**

The last deal was one with them.

**Manish Maakan**

We won a significant deal along with Accenture in Asia. They are jointly investing in it to create COE. I have another deal running in France along with them, which starts building confidence.

**Divyesh Mehta**

That's it. Thanks.

**Praveen Malik**

Thank you, Divyesh. Next, we have Mr Vivek Kumar from Bestpals**.** Vivek, can you ask your question? Are you there, Vivek? Mr Vivek Kumar, from Bestpals. Please unmute yourself and ask the question.

**Vivek Kumar**

Hello sir. Am I audible now?

**Praveen Malik**

Yeah. Please go ahead.

**Vivek Kumar**

Thanks, Arun ji, for the opportunity. Two questions. One is given the annual report that we are now in Intellect 3.0 and you are seeing accelerated growth across your products, and two, with this SI partnerships and with AWS and Azure, when do you think we will get back to? I am not asking for growth guidance in the next two to three years, but when will we cross that 20% growth very comfortably? When will these things start playing out? Now that you have been writing this in the annual report and also now that we are going for distribution, you said last time that our only strategy now is 3D's – distribution, distribution and distribution. So, when you are cautiously optimistic, are you seeing a serious cloud regarding deal closure times? Or you are just cautiously optimistic because of the things happening around you. So, just one question on this.

**Arun Jain**

Yeah, 20% is a good, very good number. What I am saying is that 20% growth will give us a margin growth of 30-35% year on year. That means your margins are doubling in three years. At the 30% level, our margins will be 2.2 times at 30% growth, in three years. That is a very good number to look at. If we can get a Rs.1000 Crs profit margin after three years, that will be a great number for all of us as investors and as a company.

**Vivek Kumar**

So you are confident of the 20% growth over three years. Can I take that as a message?

**Arun Jain**

Margin in 20.30, we are saying. If we are going 20% of revenue, 30% of the bottom line is natural because of operating leverage.

**Manish Maakan**

Our track record is also the last three years' CAGR, which Vasudha published, is 20% plus.

**Vivek Kumar**

Yeah. I was just asking, are you seeing any serious doubt in the deal closure times, or are you cautiously optimistic because of the environment? I just wanted that part. I understand that in the long run, you are confident about 20%. So that was the thing.

**Arun Jain**

When you ask a six-month question, we cannot predict the future. That is the only thing. Contracting and so many issues are there.

**Vivek Kumar**

Arun ji second question is, given the breadth of the kind, the number of products we have on the opportunity size that each product can address, if you talk about whether the AI or all the three things combined, don't you think at some stage we need to get some jaccob. I am neither asking time nor timelines, but just by inversion of basic logic that if each product is addressing such a huge opportunity size and each as it is every product starts maturing, don't you think there should be a time in the company where it's some companies start growing at much above 20% growth rates or am I missing something?

**Arun Jain**

I think the point is that in the portfolio approach, one has to understand very few product companies grow at a 20% on a yearly basis. If you look at the ACI worldwide, Temenos. Temenos is growing at a CAGR of 2.5% in the last 3 years. So they grow by acquisitions.

If we are going out 20% organically year on year is a phenomenal number from a product company perspective and that too profitably, not taking the money from the investor and keeping & buying the revenues. That's a fairly good number. Earlier also I mentioned in one of the calls we got inspired from HDFC Bank. They're slow and steady and in 10 year’s time, somebody can reach somewhere. HDFC Bank has set that model, thinking process in my mind that let's not push too much beyond 20%. But be consistent.

**Manish Maakan**

And the 4th largest market cap now in the world in banking.

**Vivek Kumar**

No, no. I was just thinking that given the opportunity size someday, it should be about 20% is my understanding.

**Arun Jain**

Thank you very much for your wishes. We would love to have it.

**Vivek Kumar**

Thank you Arunji. Thank you for the opportunity.

**Praveen Malik**

Thank you, Vivek. Next, we have Mr Shailesh Gandhi from Mehta Vakil and company. Shailesh , are you there? Shailesh Gandhi. Are you there?

Shailesh you need to unmute and then speak.

Please unmute yourself. Shailesh, unmute yourself and ask.

**Arun Jain**

And how many more questions are there?

**Praveen Malik**

Maybe some 4 more of them.

**Arun Jain**

OK, just keep up to 4.

**Praveen Malik**

I think Shailesh is not there. Looks like.

We can take it next. Next we have Mr Rahul Jain from Dolat Capital. Please unmute Rahul. Rahul unmute yourself and ask the question.

**Rahul Jain, Dolat Capital**

Yeah hi, I hope I'm audible.

**Praveen Malik**

Yes, yes. Rahul, please go ahead.

**Rahul Jain, Dolat Capital**

Yeah, just wanted to understand your sense in terms of how the cloud deal market is shaping up because in the most recent quarter we have seen Oracle announcing a $30,Mn plus size of a cloud deal, which I think is one of the largest cloud deals on the banking software basis. So any perspective on cloud kind of a deal and what we are seeing from our pipeline perspective?

**Arun Jain**

I'm not getting the reference. Which is a $30Mn deal?

**Rahul Jain, Dolat Capital**

So this is a large community bank cloud based deal announced by OFSS in the most recent quarter.

**Arun Jain**

OK, may I have not looked at it $30Mn Community Bank deal on cloud. But this is an ARR deal or 10 year deal ?

**Rahul Jain, Dolat Capital**

The licence component is close to this number, but of course the total ARR of course could be much lower and so basically my -

**Arun Jain**

$30 Mn cannot be a license number. $30,Mn is a huge number.

**Rahul Jain, Dolat Capital**

Yeah. So that is where it is. That is how it is.

**Arun Jain**

Some confusion is there the $30Mn is 10 year Deal or 5 year deal - the time horizon? Because that way we can announce many deals which are $30mn deals when we are looking at it from the duration of the time.

**Rahul Jain, Dolat Capital**

Yeah, yeah, my sense is this is a 5 year $30 Mn kind of a deal. But nevertheless my question was more to understand from the perspective is that the larger size of the deal in your pipeline, are they incrementally coming from the cloud side of the business or it still continue to be on the on Premise side? And how is your mix in your pipeline from a cloud or on premise basis?

**Arun Jain**

We set up 6 platforms, which I mentioned to you earlier. We have GeM as a platform, which we will be extending it from out of GeM and moving it to the other governments, International government and for corporate. So we are now able to make more profitable ventures out of the GEM platform we had. So our teams are working to make it buy-corp out of this particular product. Second platform is a lending platform. 3rd Platform is IDC. This platform means they are on cloud - IDC platform. Then there's a platform of magic submissions which we call Magic platform. And then we have 2 more platforms which were there in the afternoon board presentation. There are 6 platforms. Each platform is growing consistently. The big deals are now coming to our magic platform - AI platform which Banesh was referring to, those and IDC platform. Both the platforms are getting into the deal size of $20 Mn over the 5 years or $10 Mn deal over the 5 years or 10 years so they range from 5 to 10 year range deals which can range between $10,MN to $30 Mn range. So those are the deals which are there is number which is announced by a lot of companies with 30 Mn/40Mn cloud revenue. Sometimes they are extending to 7 years or extending to 10 years, so at that point you need to ask them and let us know.

**Rahul Jain, Dolat Capital**

Understood. That's it from my side. Thank you.

**Arun Jain**

Thank you, Rahul. .

**Praveen Malik**

Thank you, Rahul. Next we have Mr Ravi Mehta from Deep Financial. Ravi please unmute yourself and ask the question.

**Ravi Mehta, Deep Financial**

Yeah hi, Thanks for the opportunity. Most of the questions got answered. Just one question was the INR 30 Crs deals that got deferred. These were more licence based or subscription based or any colour on those deals?

**Arun Jain**

Let it remain as it is. These are 30 Crs deals which have got postponed. We don't want to specifically mention, but they mainly could have come to the margin.

**Ravi Mehta, Deep Financial**

And probably I missed the opening comment in that there were some. INR 12 Crs of Expenses that were booked in Q2 related to some, I think I could not gather.

**Arun Jain**

ESOP basically the Over the last, the intangible - Vasudha can explain.

**Vasudha**

Its Stock options.

**Ravi Mehta, Deep Financial**

Ok. Is INR12 Crs ESOP Cost booked in Q2 or H1?

**Arun Jain**

Hey, every year, every quarter we book around.

**Vasudha**

So quarter and quarter, it is more than INR10,Crs, so that's a regular cost that we have because we have given RSUs or a larger population in the company, and so as per the Indian accounting standards and as per the IFRS, we are supposed to book the ESOP cost in the P&L, so.

**Ravi Mehta, Deep Financial**

Sure, sure. So what was it for Q2? If you can just tell.

**Vasudha**

INR 12,Cr is the number for the quarter.

**Ravi Mehta, Deep Financial**

OK. OK. OK. And what was it like in the previous quarter similar or..?

**Vasudha**

It will be around the same number - 10/11/12 Crs. We are on the same. Depending upon when the options are getting vested.

**Ravi Mehta, Deep Financial**

Sure. And just one non bookkeeping question. Global DSO based have gone up and India based have come down. It's the other way around. So is this a temporary thing or?

**Vasudha**

It is a one off thing I would say for this quarter because we received more collections from the India based customers this time. So that is where you can see some dip in the India pears.

**Ravi Mehta, Deep Financial**

OK, OK.

Yeah. Thank you and wish you good luck.

**Vasudha**

Thank you.

**Praveen Malik**

Thanks Ravi. Next we have Mr Vijay Kamath. Mr Vijay Kamath. Can you ask your question please? Mr Vijay Kamath, you're there?

**Arun Jain**

Ok, who is next?

**Praveen Malik**

I think Vijay is not there. Then we have Mr Vipul Kumar Shah from Sumangal Investment. Mr Vipul Kumar Shah. Please unmute Vipul Kumar.

**Vipul Kumar Shah, Sumangal Investment**

Yeah. Hi. Thank you for the opportunity. So, you are talking about digital transformation. So these mainstream IT companies are also undertaking these digital transformation projects. So how you do it differently if you can briefly explain in a layman's language, it will be very helpful. You may have done it to other calls also. But I'm logging on to this call after a long time. If you can explain it, it will be really helpful for me, Sir.

**Arun Jain**

Yes. Most of the investment in IT business has grown in the last 4 years or post COVID is to make the enterprise digital. So digital enterprise is a very standard vocabulary which all of us use. The difference is we have a building block for making digital means we have an intellectual property of microservices through which we can compose a solution or a bank versus writing a solution to the bank. We don't do any coding, we do the wiring of the microservices to make a digital transformation which is 2 to 3 times faster and is more accurate in delivering the final transformation results to the bank, so that's what. As a product company, if you observe that services are growing now and services companies will reduce because people want to get a ready-made solution, we are in ready-made space and the services company which is called digital, they're in custom made digital. So I think in layman language, that's what we can be looking at.

**Vipul Kumar Shah, Sumangal Investment**

Then for your growth you should be manpower agnostic, no?

**Arun Jain**

That's right. So that's why our margin, that's why the operating leverage is there.

**Vipul Kumar Shah, Sumangal Investment**

OK, Sir. Thank you very much. Thank you.

**Praveen Malik**

Thank you, Vipul Kumarji. Next, we have Mr Rajiv Venkatesh. The last question. Mr Rajiv venkatesh. Are you there?

**Rajiv Venkatesh**

Yes, Sir. I am there. Are you able to hear me?

**Arun Jain**

Please go ahead.

**Rajiv Venkatesh**

Yeah. Thanks Arun. Uh, I have a couple of questions. First of all, congrats on the good set of numbers in this current environment. I want to know a couple of things. One is with the cash generation what we are doing, how much will go for R&D spend and for reinvesting for next 2 to 3 years? And what would be the new verticals of growth you're currently looking at, I understand that DIMS things are all already built in, so trying to understand where will be the next leg of growth? And the second the question would be like - a few quarters back you had informed on the core banking transformations. Are we getting any projects being moved out from Finacle or FlexQube or T24 for better product mix what we have with the better capabilities on our side? And or any POC is going on. I feel this will have a snowball effect with regard to the revenues over a period of time. So what are your thoughts on that?

**Arun Jain**

First of all, I think that. Cash position, whatever is there? We are fortunate enough that we don't have it significant challenges since we are growing organically, we may use the cash for getting to some countries, for inorganic customer acquisition. We are just exploring, but not a big acquisition, but acquisition to get a footprint in a country where we can use eMACH.ai to drive it, they may have old legacy platforms where we can use that money to do that. So that's the one thought process of a growth engine. We are not going to get into new spaces. As of now, we have a sufficient number of spaces to drive. Number of products is proper; we are managing the same number from the last 4 years, so we are not increasing anything over there. So we want to run in a sustained manner and grow consistently over there. So that's it. Answer to your first question. What was the second question?

**Rajiv Venkatesh**

Uh, second second question is like a a few quarters back, had informed on the core banking transformations. So, are we getting any?

**Arun Jain**

That's what Rajesh Saxena has mentioned about the deal against Thought Machine. Thought Machine is a core banking transformation, and he's saying that we are fighting the battle in Europe and other parts of the world against it. So we won 2 core banking transformation deals during the Quarter. So these deals came from the Australia region in this quarter. We announced 2 deals in the Australia region for core banking transformation and last quarter, we announced OTP Bank, which is the largest Hungarian bank for core banking transformation.

**Rajesh Saxena**

So Arun if I can just add. I think in the first quarter, we announced a couple of core banking deals. Two of those deals were actually when a bank moved from Oracle to us. I think that was the specific question.

**Arun Jain**

Thank you.

**Praveen Malik**

OK.. There's no question anymore. Thank you, everybody for joining the call today. In case you have any further questions, please do write to us, that will be replied or we may have a call. Also, thank you so much. Now you can log off. Thank you. Thank you, the management team.