IRIS Business Services Limited

4th December, 2020

To,
BSE Limited
Corporate Relationship Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001

Scrip Code: 540735

Sub: Transcript of earnings call

Dear Sirs,

With reference to captioned subject, we hereby enclose the transcript of earnings call which was hosted by the Company on Tuesday, November 17, 2020 at 4:00 pm (IST).

The above is for your information and records.

Thanking You,
Yours faithfully,
For **IRIS Business Services Limited**

JAY PRABHURAM MISTRY
Digitally signed by JAY PRABHURAM MISTRY
Date: 2020.12.04 14:50:31 +05'30'

IRIS BUSINESS SERVICES LIMITED NAVI MUMBAI

Jay Mistry
Company Secretary & Compliance Officer
(ICSI Membership No. ACS 34264)
Encl: As above

IRIS Business Services Limited
H1 FY21 Earnings Conference Call
November 17, 2020

Moderator: Ladies and gentlemen, good day and welcome to the IRIS Business Services H1 FY21 Earnings Conference Call. We have with us today on the call Mr. S. Swaminathan – Whole Time Director & CEO, Ms. Deepta Rangarajan – Whole Time Director, Mr. Balachandran Krishnan – Whole Time Director & CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. I would now like to hand the conference over to Mr. Swaminathan for his opening remarks. Thank you and over to you, sir.

S. Swaminathan: Thank you. Thank you for the introduction. I welcome you to this half yearly conference call today. This is a matter of housekeeping. The platform which we use actually does not support the simultaneous presentation. We have filed the presentation with the Bombay stock exchange website. So, if you could download that and follow that when we go to the opening remarks that may be very useful. So, if you go to the BSE website and look for IRIS you will see the presentation that we have uploaded today which is the basic presentation.

It has been a very interesting half year for us. We have tried to build on what we did the previous year and traditionally, our first half is always not as good as second half when you will see the numbers as well. Thanks to a significant surge in our SAAS revenues, we managed to improve our revenue percentage last year. We are still EBITDA positive, but certainly incurred losses for the last half year. And to take you through the detailed numbers, and take you through the whole thing, I presume that you have the time to download the presentation, will give you that extra two minutes while Mr. Balachandran Krishnan gets ready to take it through the numbers and some details. Happy to take any questions thereafter. Over to you, Balu.

Balachandran Krishnan: Thank you, Swaminathan. Welcome everyone for this investor call. My name is Balachandran. I am the CFO of this company. I could wait for a minute, maybe till you download the investor presentation and then we could start. It is a brief presentation and it will give you the highlights of what we have done in the previous 6 months.

Swaminathan, the CEO has already given you a small overview of where we stand today. I will try to spend a little more time on the financial performance side of the presentation. Let me start by saying that we have mentioned this in the past as well that our business to some extent is seasonal. We have more revenues coming in the second half primarily because some of the mandates are skewed towards second half of the year and plus regulators open the purse strings little more in the second half of the year. So, this holds true for this reporting period as well, but the other very important point is that this reporting period bore pretty much impact from the pandemic breakout which we mentioned when we had the conference call in June saying that there could be some short-term issues because of the pandemic breakout and this could impact some of the regulatory business since it is basically difficult for regulators to be in the office and do certain activity which is linked to both revenue recognition as well as new orders. So, that has happened to some extent. I will try to elaborate a little more as we go forward.

Let me go to the numbers per se. I have given 2 slides which is consolidated numbers for both income statement and balance sheet. The consolidated numbers give you the true picture because some of the billings in Singapore and the US, we accrue that through our subsidiaries in those respective countries. So, the numbers to look at is the consolidated numbers. So, if you look at the consolidated figures, you would see that our topline growth has been quite modest at 2%, but this is pretty much due to a slowdown in revenues from regulatory customer segment that we call as our Collect segment. Having said that, we have been able to arrest our expenses to some extent with a result that our EBITDA for the reporting 6-month period is at about 2.57 crores, a decline of slightly more than 10% compared to the corresponding period. My sense is that this decline is temporary and can be attributed to a postponement of revenues primarily from the Collect segment.

If you look at the segment wise revenues, you would see that the collect segment has dropped by about 18% while the highlight is that we have significantly increased our revenue from our SAAS platform and we saw revenues from the enterprise segment of the market, and this we also call our Create segment. Actually, the Create segment grew by a significant 33% compared to the corresponding period. Even sequentially, it grew by 12%, if you look at the period ending in March 2020.

Let me move to the balance sheet. You will notice that our debt is steadily coming down as we continue to repay our term loans. Having said that, we have availed the moratorium which we mentioned in our June call as well. So, the repayment instalments have been deferred from March to August 2020 in line with the RBI relaxation. Still, there has been a small reduction of the total debt. On the receivable side, there is drop about 3 crores, still focused on improving our liquidity. And the same focus has helped us to increase our net cash flow during the reporting 6 months, which is now at about 5.6 odd crores compared to about 1.6 crores for the previous 6 months period. So, our focus has been to make sure that in this extraordinary period that we are going through, let us make sure that liquidity wise, we are okay and then we will build the business as things improve. In the reporting period, of course, we have also reduced the payables; we have been kind to our vendors and we have reduced the payables by as much as 50%.

Now, let me look at the revenues more closely. We will find that the share of recurring revenue has grown up quite sharply. In fact, there is 23% growth in recurring revenues compared to the corresponding period. Recurring revenues accounted for us with a 77% of the revenue for this half, increased substantially over the previous period that may reduce a little bit going forward because the Collect segment will kick in and one part of Collect segment is of course implementation revenues and that 77% could come down, but the important thing is this growth in the SAAS business is helping us to increase the recurring revenue portion of the overall pie. And a bulk of this recurring revenue has obviously come from the Create segment. Of course, there is one part of recurring revenue also going from the Collect segment as well because, we manage the platforms for regulators, but the Create segment is main contributor towards recurring revenue. Overall, the Create segment contributed as much as 50% of the revenues for the first half, which is quite an improvement compared to the previous or the corresponding half.

And within the Create segment, if you look at, you will see IRIS Carbon which is our flagship SAAS platform for enterprise reporting has grown quite substantially and we have been aided by increased revenues from our existing UK mandate, what we call HMRC mandate. Plus, we have made an inroad into the European market where there is a mandate called ESEF, European Single Financial Reporting mandate in XBRL. We have made inroads and we have started accruing revenue albeit at a small number, but this is poised very interestingly as well.

The other important product line in the Create segment is the GST suite of applications where adoption of the E-invoicing mandate has helped us to increase revenues as well. This E-invoicing mandate is actually unfolding as we speak. It started in October 1st. Of course, we did some onboarding of customers in September, that is why there has been some contribution of the GST revenues in first half from the E-invoicing segment, but this should accelerate in the second half of the year.

Now, let me move to the expenses part. Nothing very earth shaking to report here. Except that, we have been very prudent and as usual, we have contained our cost. Employee expenses have moved up little bit at 13% compared to the corresponding period, that is partly because we have invested in our marketing and financial marketing resources as we focus more on SAAS revenues from overseas markets. Obviously, similar to many other companies, our overheads which include rent, electricity and travel have reduced in this half and overall, I think we have grown our expenses by about 7%. Our amortization also remains pretty much steady. As far as order book is concerned, we feel the order book as a number might not be that important going forward because the SAAS revenues is really going up and that will dominate the revenue pie in the years to come. Having said that, we have slightly improved our order book by about 2 crores compared to where we were at in March 2020, and this is quite remarkable given that this is sluggish regulatory segment that we had to confront in the last 6 months, and of course we got some revenue accruals from the Collect segment as well, and we have not got any new orders in the first 6 months because people were not really entertaining any RFP process as the pandemic was raging on.

So, this is where we are. This is a quick update on our financial performance. I can give back the phone to the moderator.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sunil Binani, individual investor. Please go ahead.

Sunil Binani: I am an independent analyst. I was going through your 2019-2020 annual report and I came across an item where you said that you have more than 1200 customers. That is a great thing, congratulations on that. My question is, revenue last year was 49 crores and 1200 customers work out to a ticket size of around 4 lakhs per customer. Now in the Collect business, you have your regulatory clients. So, can you throw some light on the number of customers you serve and the revenue per customer and what are the top customers? Thanks.

S. Swaminathan: Swaminathan here. So, we look at the numbers on the aggregate. Very often, lot of things get lost in aggregation. This is almost like having one's head in the oven and food in the freezer kind of a situation. So, if you really look at our segments, look at say for example Create segment which is where we provide solutions to enterprises for filing with the regulator. On the ROC side, the ticket size can be as small as Rs. 10,000 per customer. When you look at ROC filings in India, that is the kind of pricing that is there for the lowest end of the customers and there are high-end customers who pay a lot more. When you look at ROC filings in the UK, it is close to about 150 to 200 pounds. When you look at ROC filings in South Africa, it is referring the same range. When you look at ROC filings in other markets, it is again roughly in the same range. So, 150 to 200 pounds will again come down to between Rs. 10,000-15,000 per customer literally and that brings that increase in number of customers, and there are many more things one can sell to those customers, but the ticket size is very small. When it comes to GST filings, it is a lot more because it is linked to the volume of transactions of the companies, the volume of invoices and so on and so forth. Therefore, the per customer realization will be much greater. When it comes to BSE filing, well they currently use the free tool for the market. When it comes to US SEC filing, the ticket size is much bigger. It is again negotiated fixed prices, but people do negotiate. When it comes to Europe as well, the price is much higher. But I think what brings it down, so the preponderance of ROC filing customers is what bring the per unit cost down, but having said that, that is the nature of the business. So, we actually believe that selling additional products to these people will increase the share of each customer in the total revenue and that is exactly what we are moving towards. So, when we look at the suite of products that we actually have, are there ROC customers we can sell our GST solution to? Are there GST customers who we sell ROC solution to, that is the way we are actually approaching it. So, our whole approach is to sell adjacent solutions, adjacent products to the same customer to increase our revenue and that is something we will be successful going forward. In the case of Collect, which is basically the enterprise where we basically sell our solutions to regulator, the ticket size is much bigger. So, it could be as high as $300,000 to $500,000 easily per customer, but what brings the whole thing down the 1200 companies you talk about is large number of companies, small ticket items.

Moderator: Thank you. The next question is from the line of Narendra Negandhi from Beehive Capital. Please go ahead.

Narendra Negandhi: I am just looking for some projection when are we coming to the positive, that is one. And second thing, I had asked this question last time that I was not responded, was that the PBT was 5.35 crores and still we ended up paying tax to the extent of 24 lakhs. Why was it so?

S. Swaminathan: And so to answer your question, let me turn positive. I think if you see the numbers as of even last year's annual report, we did turn positive last year. The nature of our business is like this ROC filings happen once a year, GST filings happen every month. Your ROC filings in every country happen just once a year. So, there is a seasonality to our revenues which basically means that our first half is certainly on the lower side year after year after year, that is how it will be. And unless we increase the number of customers we actually serve or unless we increase the diversity of the customers that we serve in terms of having different calendar years and having using the same solution different applications, this will remain. We are trying to change that. We had some modest success, which is how we grew our revenues this last year, but as far as on a year-to-year basis if we take a look at our last year's numbers, we did turn positive already. And for the second question, I will pass it on to Balu.

Narendra Negandhi: While answering the first question, we were told rather doing a presentation, that the marketing expenses we have, we have added some resources in marketing. Now why was it so when we knew about the COVID and the consequent lockdown, so that is what has increased the salary expenses, thereby benefit expenses and that is what has led to the negative.

S. Swaminathan: Sir, it is chicken and egg situation, if I do not add marketing people, if I do not add sales people, I will do much worse than otherwise, number one. There is something very important to bear in mind. The bulk of the growth in revenues that happened in the last 6 months has happened from selling our solutions in Europe. We do not have people on the ground in Europe. We need to have people here to be able to call those people in Europe to get some business. At the end of the day, the reason any shareholder comes into our company is because the growth of the company on account of sales and the only way to grow sales is by getting more and more people to help, contact more and more companies to grow. We did not add people who are not productive. We added people who brought in revenues into the company and that is the reason why we could even report the growth that we reported, but for having those people on the ground, our SAAS revenues would not have gone up, but for bringing those people into the company, our revenues would not have increased by 2% as it did. So, I think without these marketing and sales people, which I think is extremely important, every company that we admire in the world are companies that do well in sales and marketing and for us, the focus is on growth in revenues and growth in profitable revenues. And growth in profitable revenues requires people on the ground or people who can actually pick up the phone and call people and add more customers. We also added people for the E-invoicing mandate for GST where we have some significant success in terms of bringing in new customers. I think at the end of the day the sales people speak for themselves in terms of the performance we have actually delivered.

Balachandran Krishnan: Sir, on your second question I would revert separately. I don't have the answer right now. I remember there was a technical issue and I remember this question and we have collected the answer as well. But right now I don't have it and I will definitely revert.

Narendra Negandhi: Fine. No problem, I can wait. Can I get it on email then?

Balachandran Krishnan: Feel free. Feel free to mail

Moderator: Thank you. The next question is from the line of Tirubaj Kishor, Individual Investor. Please go ahead.

Tirubaj Kishor: I think I had attended the AGM in the previous concall post March results. So, I just wanted to see that how has COVID impacted going forward over the next one year? So, is it going to impact our business in the second half of this year and the early half of next year?

S. Swaminathan: Thank you for your questions. COVID has impacted badly. I think it is a challenge to even stand in place in the middle of this COVID. So, let me tell you, explain to you how it has happened. When you look at the Collect segment of our business, RFPs have dried up completely. No regulator is currently preparing to implement a new disclosure platform. We have had no business from any new regulator in the last 6 months and no regulator anywhere in the world has issued fresh RFPs for bringing in, for creating a new disclosure platform. How are we coping? We are trying to move as many of them as possible into a SAAS model by basically telling them don't pay any money upfront, but basically pay us over a 10-year period. So, like what we have done in the case of Mauritius where we get paid on a per filing basis where the Mauritius regulator had to pay nothing upfront. We are now approaching countries in different parts of the world basically saying how would you like to work with us where we take a platform, you take our platform, don't pay us anything upfront, but based on a software rental basis. That is one approach we are actually taking. As far as the second business is concerned, Create business is concerned, there are two ways which is actually affecting us. So, the European regulator had announced an iXBRL mandate that was supposed to be effective from 1st of January 2021. Now the European parliament is currently seized of a new law postponing that mandate or giving the flexibility to individual countries to postpone the mandate. So, the big issue here is acquiring new customers. So, acquiring new customers has been difficult. It has not been very easy at all. Even before this mandate postponement discussion happened, we have actually have been struggling to get people. We have to go to Europe and talk to companies and ultimately you need to be there physically in front of a customer very often to be able to give them the satisfaction which we deliver because compliance is a sensitive subject and compliance is something where you need to give them assurance. Fortunately, my colleagues have done some really good ground work in the period before COVID. In fact, one of my colleagues just left, they were the last people to leave Europe to come back to India just before the flights got suspended. And her hard work that she put into four months preceding that has ultimately ensured that we got a reasonable set of companies coming in. What my colleague also done was recruit somebody in Barcelona, so we have one local person in Europe who is helping us acquire new customers. But I think acquisition of new customers has been very slow and very painful. It is something that we need to do and it is something we are trying to do. So, I think COVID has infected us in terms of acquiring new customers in that area and also our inability to travel. And that I hope will answer your question.

Tirubaj Kishor: So, for the next 1-1.5 years we see like, is our revenues getting a bit tapered down or degrowing a bit? Or is it going to be at the same level given that our existing customers will still stick around, but the new accounts might not be coming through as such?

S. Swaminathan: There are two parts of the answer. One is we are going to sit on the backside and wait for things to happen. We are actually trying to see whether we can open up new markets. We are trying to see whether we can open new customers. Even in Europe with the mandate getting postponed, we are still in touch with companies, we are still in touch with countries trying to figure out where it get postponed, where it does not get postponed. So, I think Germany will probably not be postponed. So, let me do one thing. In terms of the European mandate what the current status is, I will have my colleague, Deepta come and share with you her view what is happening in Europe.

Deepta Rangarajan: This is Deepta speaking. So, just add to what Swaminathan has already said. There is a move to postpone the mandate and it is kind of pending parliament approval. Different countries are making decisions differently. So, some that have already enacted it and there, individual countries are deciding to go ahead and rollout with the mandate. Also, even if there is a postponement companies still have the option to voluntarily transition to this new reporting format XBRL because anyway they will have to do it a year down the road. So, many companies that we are in touch with, our sales engine is in touch with, they are saying that even if there is a postponement they have decided were too far down in the process and we want to proceed, we don't want to halt this now. So, those kinds of things are happening as well as far as the European opportunity is concerned.

S. Swaminathan: And to specifically answer your questions about revenue prospect going forward, well I think we already shared order book for the current year and it is our attempt to ensure that as much of the order book is executed, something are not in hands especially when our clients will come back to the respective offices to give a sign off to be able to book revenues. We have a very conservative way of booking our revenues and it is almost like it is a joke that was told about a couple of newspapers in India saying that they don't write an obituary without checking with the person. So, it is almost like that. So, we are very conservative when it comes to booking our revenues because we believe that is the only way to do it. So, we have every hope and every confidence that we should be able to maintain the numbers we have actually given so far. We are not in the business making forward looking statements subject to our sharing of the information on the order book which we have done.

Participant: So, a follow-up question on that. So, from that, I think in our previous call, I think you had mentioned that there is a project that we are doing with the RBI in collaboration with TCS**.** So, is that something we have already delivered and there is some traction on that front? Is it still in the second half of the year?

S. Swaminathan: That is a fixed price project where as we complete, we recognize revenues. And I mentioned to you our conservative approach meant that we could not take credit for all the revenues we could have booked otherwise and I believe that as we complete more and more, we will be able to book revenue, but as a fixed price project where by doing more work we don't get paid more. It is already factored into the numbers, into the order book which we actually talked about. So, there is no additionality on account of that beyond what we mentioned in the order book. It is already there in the order book.

Moderator: Thank you. The next question is from the line of Sunil Binani, an Individual Investor. Please go ahead.

Sunil Binani: I have again one question and this is based on your 2019, 2020 annual report. Last year the total debt was 8.7 crores, that is long term and short term debts on which you paid an interest of 1.3 crores, that works out to 15% rate of interest which seems a little bit high. Any steps by the company to renegotiate the rates that is my first question. The second question is, out of the total turnover of 49 crores, debtors were 16.4 crores and they could not pay you because of COVID. Now what is the current status of the debtors and what are the current debtors as compared to the sales in the current 6 months? Can you throw some light on that? Thanks.

Balachandran Krishnan: Thank you for the question. Point number one, when it comes to the interest cost actually our interest rate is at about 13% for our long-term loan and about 11.5% for working capital. So, I don't know how the 15% coming in looking at the numbers on which interest rate is calculated. I can go back and see how that 15% has come**.** Having said that even these two numbers are on the higher side. We are renegotiating and we should be having much better interest rates going forward. Our credit rating also has improved compared to where we were a year back. So, I am hoping that from January onwards, our interest rates both from the term loan and the working capital loan should come down. And point number two was on the debtor levels, very important question, for this six month we have reduced our debtors to some extent, of course the revenues compared to the previous half year has been less as well. We are running at about 110 days excess which we know is on the higher side. It should come down when the contribution from the Create segment goes up. This six months, we have been also impacted to some extent in terms of cash flow from our regulatory segment, because some of the sign-offs could not happen because they were not present and that has impacted in the sense we can book revenues when the UAT is completed but since the 'go live' hasn't happened because of the COVID issue, regulators are not able to release the payment, so this has had some impact, so we remain 110 days in terms of receivables. Our target is to bring it down to about a level of 80 over a period of time.

S. Swaminathan: Just add to what Balu said, also we believe in the changes of composition of revenues that will come down dramatically.

Moderator: Thank you. The next question is from the line of Girish Kurup, Individual Investor. Please go ahead.

Girish Kurup: I have three questions, one is on the operating metrics and the others two on the product side. On the operating metrics, can you give me an idea of what is the customer concentration wise, may be in our top 5, top 10 either in full year basis or may be quarterly basis and staying on the operating metrics, what is the typical attrition rate in IRIS? And with respect to the product, I would like to understand a little bit more about Carbon because I think I saw in your AGM that you did highlight that you had got really high ratings for the quality of the filing, is that turn out to be on the customer acquisition do you see any turnaround? The third and final question I have is on the Consume segment, I see that you had invested quite a large in the Consume, but the turnover is not coming up, so if you can give me some idea roughly, is it 1, 2, 3 years that we have to wait before the Consume segment start kicking in, that is highly appreciated

S. Swaminathan: Let me start for your question on the Consume side, I think we have invested in creating both software as well as the databases to launch a business in the Consume segment and I am reasonably optimistic that by the end of the year, you will hear some announcements in terms of what we plan to do there. We have invested ahead of revenues coming in, we have invested ahead of launching things, but there are a few things that we have done which are significant on the Consume side, which you might be aware of. So, for example taking off from the GST product which we have, we have a unique product called IRIS Peridot. Girish, are you familiar with the product?

Girish Kurup: Yes, I have installed it and I have used it also.

S. Swaminathan: Have you used the latest version?

Girish Kurup: Yes, latest version because I used to check if my invested companies whether they are paying the tax or not.

S. Swaminathan: So, if you take a look at the latest version, this is again to begin sharing with everybody in the call right now. IRIS Peridot is an app which you can download from the Google Play store, it is also available for Apple phones. IRIS Peridot, if you go there and check for any company, you will know the current tax compliant status of the company. So, we were actually saying, before you invest in a company, be sure. I know of many people who currently use the solution, so we had over 8 lakhs download, we have recorded 4 lakh active users and I think Gautam is on the call, Gautam could actually share data one on the current usage pattern of the product. That is part of the Consume segment. The second thing in the Consume segment which has currently been used by many banks, for example CRILC is a solution that is used by banks to detect NPAs, so several banks are using our solution to detect NPAs within their own system. So, there is significant part of the Consume segment. The Consume segment, there are two parts of the business, one is the software part of the business, one is the data part of the business. The bulk of investments you talk about is on the data part of the business, which we have not really launched in a significant manner and that is why we stand as far as Consume is concerned. In the case of Carbon acceptance, again let Deepa answer the question on level of Carbon acceptance and she will also mention a new product that is launched along with Carbon for audit which she will talk about.

Deepta Rangarajan: In terms of Carbon, it is essentially used for creation and submission of financial reports including XBRL reports. It is currently being used in South Africa, in the UK, in India, in the US and in Europe and Europe is of course a latest mandate that we spoke about a little while ago which is the ESMA, ESEF mandate. There are also newer opportunities for example in the US they were mandate by another regulator which is the energy regulator called the FERC, the Federal Energy Regulatory Commission and they are also moving to XBRL format and so they require all energy companies to start filing various forms and reports in this format of XBRL format and Carbon is gaining early traction in the FERC opportunity as well. So, in the case of Europe, testimonials are available on our website, so you will be able to see some of the names of the clients for customers who have already bought into the product, large names basically, so I think there is certainly an acceptance, the product stand well positioned, now it depends on how the mandate plays out as far as Europe is concerned. In Europe, there is also another product actually which is gaining traction to which is called xAudit, so the unique thing in the European mandate is for the first time the regulator has said that the XBRL documents that are created not only have to be filed, but they also have to be audited, so for the first time the machine readable layer also requires an audit and so auditors are looking for tools of solution for auditing these XBRL documents, so we launched a product called xAudit.

S. Swaminathan: About acceptance look at the following, so what has happened to the COVID-19 pandemic, people are working from home, people are working from anywhere, so you have distributed enterprise forced on the world by the virus which means collaboration becomes very important. So of the several products in the market, we have one of the few truly collaborated products available and that is getting us some traction, not as much as we would like because we are not there on the ground, we don't have feet on the ground as we should in Europe and the US but there again is a positive thing as far as Carbon acceptance is concerned. The previous question that you asked was about attrition. Actually, attrition is well within our attributable levels. The big problem that companies like us have is the following, attracting new people to the company is never a problem, but once people spend 3, 4, 5, years that is when they start looking out for better opportunity and I think that is why we start competing this market in terms of base structure so on and so forth. If you go to some of the standard platforms on the web where people talk about the quality work and all that stuff, you will actually find that people say wonderful things about IRIS as a great place to start your career, as a great place to have freedom in terms of working and so on and so forth, but I think the challenge for us is to retain people once they spend 4-5 years, because they leave and go that is where the problem is, but as of now, it is well within the acceptable levels, we haven't lost too many people and that is a great comfort to us. Now, it is inevitable that because the bulk of the revenues has historically come from the Collect segment of the business, there has been a customer concentration, but what I will do is, I will pass it on to Balu to give you more precise numbers on this.

Balachandran Krishnan: As far as customer concentration is concerned, if you look at FY20 numbers which is ending on March 2020, the Collect segment is quite predominant and we can say about 50% of the revenues are contributed by about 10 customers. Of course, it has some Create's customers as well coming in where we work with a partner, so that also is coming here. Going forward, it should come down. For the first half, I don't have the precise number right now with me.

Moderator: Thank you. The next question is from the line of Manish Banani, Individual Investor. Please go ahead.

Manish Banani: Yes, the rent part, because the rent has gone down and I don't know how we manage to save on the rent, which usually doesn't go now?

S. Swaminathan: Actually, on the rent side, we had taken two rented spaces, next to our office, it was not much, but we have taken may be about 5000 square feet and that we have given up now, because now the work from home paradigm is pretty much in place and we are managing with the existing owned office of ours, but that full impact of that is not going to be felt in H1, there is some impact, not complete impact. I think impact will be more in the next 6 months.

Manish Banani: So, we are able to work from home and save you on rent ideally?

Balachandran: Yes, we are very much able to do that. Now we moved actually somewhere in January itself into a structure where we can do very large part of the activity from work from home, then by the time the COVID lockdown came, we pretty much moved the full team into work from home situation and that is working out very well. We got our process in place, we have a platform, the security aspects, so that has been good for us.

Manish Banani: The other question was related to the other current liabilities which has gone up, so I was wondering what things has been accounted for?

Balachandran: Other current liabilities, as on September 20, there is one item, that is September salaries were paid in October 1st, so that has come up in Other current liabilities. That is one reason why it has gone up from 11.1 to 14.3. That is one of the main items that has gone up and that was of course paid by October 1st. Otherwise, pretty much, all other things are stable there.

Manish Banani: Since we have increased our expenses towards advertisement or marketing we can say, so have we thought more about it, how do we do more such things like doing more marketing, etc., where we can get more clients, etc., apart from the calls, etc.?

S. Swaminathan: So we don't do too much of advertising per se, what we do is, we organize events, we organize seminars, we organize workshops and those are the below-the-line activities that actually help in get customers, so the nature of the compliance business is such that simply advertising won't get you business, you have to be knowledgeable and you have to show that people can trust you. You have to show that you understand the XBRL space. So, for example I will tell you, we just finished a study and it will make a lot of people very happy, we did a study, reviewing the financials of 710 European companies and you will be very intrigued to know that 10% of companies in Europe have mistakes in their financial statements. By the way, we did a similar study in India about a few years ago, it is only 5% of companies. So now, when we do things like this, so we spend money on the study which we do ourselves and we then go on popularize the study among people to talk about how good we are, at spotting this because compliance is very important thing and all that, so we don't really advertise, but we do events, we produce videos, we produce other kind of collateral material, so we are able to go and get customers, so we are using this to demonstrate how good we are and by demonstrating how good we are, we hope that people call us, we then send them a copy of the report, we then ask them to come for workshops with us, so it is a very intensive activity where demonstrating how good we are is the first step to acquiring customers, not necessarily advertising. We don't advertise as such.

Manish Banani: Basically, maybe I put up the question wrong, but my idea was to target the GST clients which you guys have and where we have competitors like some brands are very famous towards ZHOH and there are few others, so they are very keen to put up their brand in general, so I was asking, don't take me wrong?

S. Swaminathan: Sir, I will tell you, I used to be in media myself many years ago. When you advertise, only people become rich are the media owners. I mean you don't get something for yourself and honestly if you take a look at the numbers generated by these companies who advertise in a very noisy manner, advertise very much in the mass media and you have our numbers. The numbers are not very different, I mean we have a small sales and marketing team which goes on calls on customers. It is almost like, so the compliance business is almost like a doctor's business in a way. The best doctors don't advertise and today when you look at our client list and of the people that we actually work with on the GST space, it is who's who of Indian industry and the who's who basically come to us, we will be very quiet about it, we don't advertise and we are not noisy and we deliver high quality work. For everyone of them, they judge by how much of ITC issues we resolve for them. They judge by how good the software is to use, they judge by things like this and I think the mass advertising thing in the mass media, though Zoho is an exception and Zoho is an extraordinary company without a doubt, it is one of the greatest companies in the country, one of the greatest SAAS providers in the country, it is a company that is worthy of emulation for all of us, but they are in slightly different space compared to us and they go for the mass market, we are not going for the mass market. When you are going after the top 50 companies in the country, when you are going after the top 100 companies in the country, the CFO does not get to know about you because you advertise, CFO gets to know about you because you pick up the phone and call him and basically talk about how good you are and therefore personal touch, personal contact, it may be a SAAS offering, but the ticket size is sufficiently big enough for you to go and call on the customer, work with him, work with the customer to ensure you deliver high quality things. So, our focus will not be on spending advertising money to acquire customers in GST space. The GST space by and large, if you take a look at the numbers here, it has not really grown to the extent that many of us thought it would, it has been fairly subdued because government of India want keep changing the rules constantly to offer a free tool to a large number of people and then there are people who came in and knocked the price of the market by dropping it to lower and lower levels. Actually, see some consolidation happening, there already been consolidation in GST space, you will see more consolidation happening. So, the way we look at the whole thing is, if I am selling somebody a GST solution, can I also sell him an MCA solution. If I am selling somebody an MCA solution, can I also sell him a GST solution, those are all things we are looking at right now, but advertising is not going to be very important for us to acquire GST customers.

Moderator: Thank you. The next question is from the line of Sunil Banani, Individual Investor. Please go ahead.

Sunil Banani: My next question is about the stock liquidity, roughly about 93% of the equity shares are held by the top 13 shareholders and the management, just 101 shareholders hold something like 6 lakh shares, so suppose even if the stock gets on the main board of BSE, how will the liquidity increase, we just have 6 lakh floating stock, what are the management's plans to increase the shareholder value in this?

S. Swaminathan: I am stumped. I can only say I am stumped for an answer because I don't have an answer. The management takes an active interest in the fundamentals of the company. The management takes an active interest in the health of the company. The management does not take an active interest in the goings in the market, we are mindful of the price, we are mindful of the liquidity in the market or the lack of liquidity in the market, we are mindful of that, but having said that as a company, I don't know what to do to improve liquidity. I don't have a trading account, none of us trade in the stock, you would have known that, you would have seen that and none of us plan to trade in the stock, that is not actually the way we work, so I don't have an answer to your question in a manner it will satisfy you. It is true there is a fair amount of concentration, I see this is a vote of confidence on the part of those people. Some of them have taken big position must have sold gone and come back, so for me the concentration is more a sign of vote of confidence among people who understand and therefore a holding on to the stock and the hope that we will deliver spectacular results for them in the years ahead. I think the last 3 years after IPO have been excellent for us, I am glad we did the IPO because that is what helped us get into growth, maybe we were stuck earlier otherwise and that has helped us grow to where we are today where operating leverage is kicking in. And I think going forward, there are only two ways of increasing the floating stock, one by holding a gun to people and say, go sell or do whatever else. We also have a very significant ownership by employees, so we also believe that at the end of the day, significant employee ownership also contributes to liquidity.

Another possibility is if we end up doing additional fund raise, even then if we do a fund raise, it won't really increase the number of shareholders in a significant manner and even though it is on the main board does not necessarily mean that my investors will actually sell, so comes back to the same thing I started with, I am stumped for an answer. Sunil, if you have any suggestions to offer, we are very happy to listen.

Sunil Banani: If I have suggestions, I will mail it across.

Moderator: Thank you. The next question is from the line of Girish Kurup, Individual Investor. Please go ahead.

Girish Kurup: I have a question to you, if you keep aside this COVID issue and may be look from the next 3 to 5 years perspective, my first question is, do you have all the products ready so that you can continue to grow for the next 3 to 5 years without too much investment in the product development, that is the first one? Second is, let us say, 5 years down the line, what is your ambition or what is your strategy in terms of the return of capital employed where you want to reach at least aspirational value, I am not interested in that you come down to a particular number, but I believe you have an aspirational number to reach, so these are my broad questions to understand in which direction the company is evolving?

S. Swaminathan: I could have rephrased your question slightly, do we have the products in place to meet our aspirations for the next 3-5 years? I will ask the question slightly differently. We are a nimble enough company to be able to develop products for developing situations, for example, 3 years ago, GST didn't exist, Gautam took the lead and said we need to develop the product for GST, I was the first person to basically say no, I don't think we should do it, Gautam painted the bigger opportunity, Gautam and Balu came and said we need to do this and we have a robust system in place to figure out what products to develop and what products not to develop and I am very happy to say that it has paid off for us as far as GST is concerned. We have a thriving system within the company of people who are able to think through products and identify needs in the market, so do we have what it takes to stay relevant, absolutely yes. Do we think between the Carbons and the GSTs and others of world we can stay relevant, absolutely, yes. Does it mean that if new product opportunities come, we will service them, absolutely, yes. It is roughly a function of what we actually see happening going forward. So, the question that I would try to answer is not just whether we have the products in place, but whether we have the flexibility and the nimbleness and the capacity to spot opportunities and go and take advantage of them. I am reminded of a story that I tell people, I used to play rightful back for my football team when I was studying in America and I scored a goal in a certain match and I used that example to basically say, just because I am rightful back doesn't mean I can't be in front of goal to score a goal. So, when the opportunity comes, I think it doesn't matter where you are, you need to go and score the goal, so we have nimbleness to be able to do that. In terms of the aspirations, I think I have three aspirations, one, I hope the market realizes the value of what we are delivering. I think the company with solutions being bought by customers in 36 countries, a company where in the middle of the COVID we were able to acquire customers in Europe, a company which basically has moved SAAS revenues to 50% of total revenue in the middle of all this. A company with referenceable customers across the world, actually needs to attract attention in more investors and better investors, we would say better investors, I don't mean better as supposed to worse. I mean it needs to attract investors who see the value what we are actually trying to do. I think so one aspiration is to basically do that. That is one thing very important. In terms of company itself is concerned, within these 36 countries, if I go deeper and sell more to the same customers or if I sell to more customers, there is enough headroom for me to comfortably grow at a significantly reasonable clip going forward. So, do I want a put a number to it, no I don't want to put a number to it, and people tend to overestimate the short run and underestimate the long run and 3 to 5 years relatively long run, so we actually see some significant headroom there, significant possibility is there. The big uncertainty is always a regulation, for example, if you will ask me last year about the EU mandate, we are very optimistic for the EU mandate, but right now in the middle of this COVID, who knows when COVID would happen, I mean it ended up postponing the mandate by a year in many countries. So, when you are to some extent reacting to a regulatory mandate, there are limitations in what you can do. At the same time, if you are in the regulatory space, once you are in, there is a huge opportunity, it is a great opportunity. Lot of people stay with regulatory mandate because of the uncertainty, though we believe that once the mandate is in place, there is no uncertainty, there is only growth as far as the company is concerned. So, I basically believe these 36 countries will give us enough headroom to grow at whatever clip you want to as long as we are generating cash, as long as we have the cash in the company. I said even in the last AGM that the thing that we are missing right now in the company is adequate cash to basically grow the business from the marketing and sales point of view. Any cash that we generate will actually go into reinvesting in marketing and sales to grow at rates, which you have not seen in this company so far and that is what we want to make it happen. I hope I answered your question to the best of my ability.

Girish Kurup: Just wanted to compliment that even during this tough times, you have increased the payments to your employees, wish you all the best for your future.

Moderator: Thank you. The next question is from the line of Narendra Negandhi from Beehive Capital. Please go ahead.

Narendra Negandhi: When you are talking about the liquidity of the stock, I believe a lot of 4000 shares can it not be reduced and you will see the shares floating and may be you can give me the right try, otherwise if you are really seeing that I am really getting confident on the company, no, but today I am in the process of dumping it at the right price, that is all, just get out and I am in those balance non-promoting, non-employee shareholder, do you think that am I happy as a shareholder**,** no, that this particular equity is required to get dumped because it has not performed in the last so many years. It is as simple as that and I am a business analyst and we have our own analysis company. Can you reduce from 4000 to say 2000 or 1000 the lot can be reduced, there can be floating stock and that floating stock will help where people will get out.

S. Swaminathan: Sir, the market lot is fixed by SEBI and BSE, I have no role as far as the market lot is concerned. The market is also fixed on the basis of the movement of the price in the market, again we have no control over it. So, it is not something I have any comment over, I thank you for your vote of confidence, I thank you for being a shareholder.

Narendra Negandhi: Not, my dear is not, it is not a confidence, I am just stuck, I am sorry to say but I am stuck.

S. Swaminathan: I do not think I have any answer to that question, sir beyond saying this.

Narendra Negandhi: I agree, but I am expressing my feeling okay, so please do not be under the impression that people are holding on because of the trust in the company, no, it is because they are not able to dump.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Balachandran Krishnan for closing comments.

S. Swaminathan: I think a little while ago asked question about my aspiration. So, my aspiration at the end of the day is also to find a class of investors who don't want to dump the stock. I really think at the end of the day, we are a stock changing the way this world works today. We have implemented an extraordinary filing platform with RBI that changed the face of Indian banking. We did some extraordinary work and we therefore need patient investors. I don't think we will need investors who would basically need to be there for 5 years and 10 years, that is stupid on my part to expect that, but at the end of the day, I think what we need our investors who understand the business and are patient enough to stay with us through our growth path. I am sorry, Mr. Negandhi for saying this, but I think it has to be said. On that note, thank you very much for being on the call and I can only commit to you that we will keep working on the fundamentals and try and improve the fundamentals of the company for your benefit, so that we won't come to the situation where people want to dump a stock. I don't have a problem with people who want to sell a stock because they think its overpriced, I have no problem with people who want to buy a stock its underpriced, but I do want the situation where people don't want to dump a stock because of the current situation in the market. On that note, thank you very much. Bye.

Moderator: Thank you. On behalf of IRIS Business Services, we conclude today's conference. Thank you for joining, you may now disconnect your lines.