IRIS Business Services Limited

9th July, 2020

To,
**BSE Limited**
Corporate Relationship Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

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 Friday, 3rd July, 2020 at 4:00 pm (IST).

The above is for your information and records.

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

JAY MISTRY
Digitally signed by JAY MISTRY
Date: 2020.07.09 12:06:31 +05'30'

**Jay Mistry**
Company Secretary & Compliance Officer
Encl: As above

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**IRIS Business Services Limited**
**FY '20 Earnings Conference Call**
**July 3, 2020**

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**Moderator:** Ladies and gentlemen, good day. And welcome to the IRIS Business Services FY '20 Earnings Conference Call. We have with us today on the call. Mr. S Swaminathan – Whole Time Director and CEO, Ms. Deepta Rangarajan – Whole Time Director, Mr. Balachandran Krishnan – Whole Time Director and CFO and Mr. Vineet Kandoi – Finance Controller.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. S Swaminathan. Thank you, and over to you sir.

**S Swaminathan:** Thank you, Steven. Thank you for participating in this conference call today. I think it's a milestone for us and it's a huge relief for us that after four years of losses we are in the black. I hope we can keep it that way, that's the intention. If you see the highlights of our numbers for the last year, the jump in revenues and the control in expenditure and the addition to the clients will give you an indication as to how we are headed.

For people who are not totally familiar with the business that we operate, we operate through three segments. In one segment, which we call Collect, we help regulators collect data from the enterprises they regulate. So for example, Reserve Bank of India, the data that they collect from the banks and the country, the data goes through a software product that we have installed at the Reserve Bank of India, the product called iFILE. This iFILE product has now been installed across the world in several countries from Singapore where the Business Registry is using our solution, to the capital markets where many capital markets in the Middle East use it, to central banks in countries like India, Mauritius, and a few other places.

The second business that we have is what we call Create. Create is where we help enterprises create data for submission to the regulator. Here we have four products. One product is basically called Carbon, and that's used by enterprises to submit data to the stock exchange and the capital market regulator, or the business registry. Then we have a product called iDEAL, mostly used by banks for submitting data to the central bank. Then we have a product for GST Filing, which is used by a cross section of companies in India, including some of the biggest ones. And then we have a much smaller product, which is a very small part of revenue for AML filing and FATCA reporting.

The third segment that we have, which is still largely in the pre-revenue area, where a significant amount of our investment has actually gone in, is the Data and Analytics part. And there we have two businesses, we have what is called Data As a Service where we syndicate data and we have Software Solutions that allows people to massage data and consume the data that we produce.

So to summarize, we Collect, Create and Consume. Collect accounts for the most of our revenues. Create is where we are focusing a lot currently. The reason why Collect accounted for a large revenues last year is because of the lumpy contract we got from Reserve Bank to India, in partnership with TCS. And that skewed up things slightly. Consume, is still a small percentage of our revenues.

For a deep dive into financials, I will now request my colleague Balu to take over. He will take you through a deep dive. In fact, we have uploaded the presentation to the BSE website. About two years ago when we had a conference call, we had difficulties with the PPTs not being visible to everybody, so we figured we will share the presentation though the BSE website and our own website. While at the same time, take any questions that you have and make it as interactive as possible. So Balu, over to you.

**Balachandran Krishnan:** Thank you, Swaminathan. Good day to all of you. Welcome for this conference call. I would focus a little more on the financial side, given that Swaminathan has already given you an overview of our business and where we stand as of today. And as Swami said, we do have an investor presentation slide deck that's already available on the BSE. I will try to move in line with that presentation, some of you might not be having it, but then when you go back and see that, things should fall into place.

Let me move into my presentation. To start with, I want to mention that in the past as well we have pointed out that our business to an extent is seasonal, this holds true for the reporting year as well. One reason for this is that the literally larger part of annual compliance filings for enterprises, typically fall into the second half of the year, and while regulators also tend to spend more in the second half. That's what we are seeing, and that trend has continued for FY '20 as well, that’s the reason why our H2 numbers are substantially more than the H1 numbers.

So, if you come to the numbers per say, you will see that our top-line has grown at a healthy 25% at the consolidated level. Now we will talk only on the consolidated level because that gives you a better picture, because we do have subsidiaries for billing to some of the clients in certain countries. All these are consolidated, so if you look at the standalone in itself that might not give you the complete picture, especially from FY '20 onwards where we had started the billing from subsidiaries themselves. So coming back to my original point, our top-line has grown at 25% and the second half performance for the top-line is even better at 29.5%.

Let me come back to revenues in a minute, let me just give you a couple of points on the expense side as well. The important thing to note is that while our revenues clocked a good growth rate, expenses have moved at a much slower pace. So for the full year if you look at it, including interest and without considering capitalization, the growth in expenses has been contained at 6%. For the half year period, of course, at a higher rate at about 13%, but the growth itself has been close to 30%. And the other point I want to mention, from a slightly longer perspective is that, if you look at from our IPO point onwards, after we IPOed in 2017 October, if you look from FY 2017 onwards all the way to FY '20, you can see that our revenues have grown at an average rate of about 23%, while expenses have moved only by around 5%. So that is why we have been able to close the expense revenue gap, and now in fact it has come to a surplus, which is a trend we are pretty sure that we will be able to continue going forward as well.

Now, if you look at the balance sheet, you will notice that the debt has steadily decreased, as we continue to repay our term loan. One point I want to again mention here is that we have taken a deferment of two term loan installments for March and June in line with the RBI relaxations, and in view of the fact that the COVID pandemic is still giving rise to certain uncertainty in the overall market, overall environment as far as our markets are concerned. On the receivable side, there is an increase of about Rs. 5 odd crores compared to the previous year, and that's primarily on account of a single client, which is the Reserve Bank of India, with TCS as the prime. And one reason has been the delay in deployment, which is supposed to be done in the March first week, because there was a COVID situation and on that account they had to close all the data centers. A part of this receivables have been anyway paid as of now. The important thing, again, to mention is that our net cash inflow from operating activities for this year is at about Rs. 1.7 crores, which has more than doubled compared to the previous year number.

Now, let me look at a little more on the revenues. We mentioned these three segments that we see our business falling into. And from that point of view, you will find that actually significant contribution to our growth has come from our Collect business, the one that works with the regulators, which has grown at 42% for the whole year compared to the previous year. The Create business, which is focusing on enterprises, clocked a growth of about 11% to 12%. And of course, we are focused on enhancing the share of recurring revenues in our revenue mix, which largely comes from the Create segment.

Actually from 2017 onwards, if you look at recurring revenues, we have grown at a compounded average growth rate of about 30%, which is pretty much in line with what we have been planning as well. And for this reporting year, which is FY '20, the recurring revenues are at about 60% of the total sales. And due to couple of large wins our Collect revenues have gone up, and that is partly one time. That has resulted in the Collect segment contributing to about 57% of the revenue, which is about 5% more than the share in the pie compared to the previous year. Hence the Create segment has a higher growth prospect, and of course if that also gives us better working capital management possibilities as well.

Now if you look at revenues from a segmental and geographical perspective, the revenues from India are about 37%, from a Rupee billing point of view it's about 41% because we also bill in Rupees to a client in Nepal. The increase in Indian revenue is again due to one large contract which has come from RBI for the new platform, where we are doing this with TCS as a primary partner. Coming back to our geography spread, of course the US and European market share is on the lower side if you look at FY '20. But going forward I think that should change, given the fact that there are emerging opportunities in these markets.

Let me also add a couple of more points on the expenses side. The employee expenses have grown at about 12%, while other expenses which are pretty much about travel and overheads have reduced along with interest. Our amortization cost have gone up this year because we have started amortizing our intangible assets which are related to our data analytics side, which has kicked in and is contributing to as much as Rs. 3 odd crores to the Rs. 6 odd crores of depreciation and amortization bucket.

Now, the last point I want to mention before we leave the floor open for questions and answers is about our order book. Our order book as of now, is about Rs. 59 crores, which is what we expect to execute over a period of 15 months to 18 months, based on a combination of recurring revenues and some other onetime contracts that we have for implementation. This number is slightly lower than our September figures of Rs. 70 odd crores, that's because we have started executing and are expecting a few wins from the regulatory side which has got little deferred in the previous year. But overall, our take is that the recurring revenues will go up more compared to the current year, and therefore, this order book way of representing information may not be that relevant. Having said that, we expect that the trajectory is strictly upward, going forward. So that is pretty much from my side, as far as financials are concerned for the year FY 2019-2020. Thank you.

**Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Rajesh Joseph, an Individual Investor. Please go ahead.

**Rajesh Joseph:** Sir, you have mentioned in your presentation that one of the major component in Collect segment is the income from project to RBI. Can you give some more idea about this project? And the tenure of this project, possibility of renewable and the total income generated in that financial year from this particular project?

**S Swaminathan:** Balu, you want to take that?

**Balachandran Krishnan:** I would not like to mention the share of this project revenue in the overall Collect segment, because we are bound by some confidential process. Having said that, this is a large data analytics project which is given by the Reserve Bank of India to TCS as a primary contractor. We take care of the data collection and validation part of this whole project. This is announced by the RBI on their website as well. The overall project size is about Rs. 320 odd crores, including hardware and all the software licenses, plus a large element of implementation. So, we take care of the data collection part, and this is a very important project for Reserve Bank of India, with which they hope to completely change the way the collect data, validate, and do analytics. And this is going to not only look at the scheduled banks, going forward they will look at all the entities which are going to be under Reserve Bank of India, which includes Urban cooperative banks, NBFCs, and going forward the housing finance companies too. So this is an important project, we expect this to run for maybe another 18 months, because this COVID the situation has given rise to some delay because the RBI data centers are not available for implementation of some of the softwares and subsequent testing, they are still closed. So we expect little bit of delay. But having said that, this project is going on well, the development is going on well, and we expect this to become very important from the RBI's point of view as well.

**S Swaminathan:** Rajesh, I want to expand on the answer that Balu just gave, if you don't mind. So the total value of the project is about Rs. 320 odd crores, and we contribute a significant part of the project itself. The reason why TCS won the mandate is because there are tender requirements which basically have hurdles in terms of who can bid on the project. But if you see who all bid on the project, almost everybody who bid on the project went with us as a partner. One or two people didn't go with us as a partner. The final shortlisting was done of companies, of whom and majority were actually working with us as a partner. So what we bring to the table is the understanding of XBRL, what we bring to the table is our core technology with the product called iFILE which has been implemented. What we bring to the table is the understanding of the whole compliance space with structured data. What we bring on the table is system integration with the RBI system, with the entire planning of the project. So the larger portion, a significantly larger portion obviously goes to TCS. The smaller portion, but significant portion comes to us. So as Bau said, there are reasons why we can't give you the breakup. And in fact, if I had to give breakup, I will have to check with TCS first, otherwise I can't even talk about it. But that's the answer. And to answer your question about renewal, the project after it's completed, after it goes live, will have an AMC of seven years, right Balu?

**Balachandran Krishnan:** That's right, seven years.

**S Swaminathan:** Seven years during which we will continue to get paid, we will get paid AMC. And the way things have gone, Rajesh, if you see about in 2007-2008, RBI implemented the first XBRL project. Now they have gone on to the next phase of the XBRL implementation using yet another statistical standard, and we have stayed with them. And we believe that as long as we keep delivering value to RBI, in successive phases and successive versions of implementation of newer and newer technologies in the area of data standards, they will continue to come to us. That's the way we see the whole thing panning out. We are grateful to RBI, they are a great reference customer. And because we have RBI, we are taken seriously across the world. And one thing I must tell you, many of you may know, many of you may not know; it's because of the implementation of XBRL, that the whole NPA data in the country has come front and center. Again, so we feel very happy that we have been able to contribute to a cleanup of the banking system by bringing to the fore the data from the banking system for RBI to review. And not every company gets an opportunity to be at the front of the transformation of a system. And I think all my colleagues are actually grateful. The other thing that I must actually share with you is, which is why in the course of this whole quarantine a few of my colleagues are actually working with RBI to ensure that the compliance system continues, that's how important we are to RBI.

**Rajesh Joseph:** Okay. Sir my second question is, if my understanding is correct, company is generating more than 90% of income from product range. Can you give an idea about the type of income you are generating? And whether it is a pay per use model or pay in each year or for a new page, or it is a lump sum payment like in the case of this RBI projects?

**S Swaminathan:** So, when we look at the three segments that we actually have, in the Collect segment it's basically a lump sum plus an AMC, plus a certain integration for the implementation. In the case of the Create segment, bulk of them are basically pay per use model. The ideal product is basically pay on a monthly basis, or pay monthly model that's an OPEX model. In the case of Consume, our most of the products are pre-revenue and we expect to go more and more to a pay per use model in that area. Balu, you want to add to this?

**Balachandran Krishnan:** No, just that in the presentation we have given the recurring revenue component segment wise, you get an idea of what is -implementation revenue, how much is recurring. So typically in the Collect segment, the AMC fees is recurring, while Create almost all the recurring is pay per use kind of a model, and Consume also it is pretty much recurring because we often work on a subscription basis.

**S Swaminathan:** And if you remember what Balu said, Balu, I think you said 60% of revenues is recurring revenues right now.

**Balachandran Krishnan:** That's right. Now we can look at even segment wise, if you look at the presentation which we have uploaded, I would say about more than 90% of Create revenue is recurring, in Collect right now it is little above 33%.

**S Swaminathan:** And our goal over the next year or two is to ensure that as much possible we can maximize the recurring revenues, that is really where we are headed, and that's the business model of the company.

**Rajesh Joseph:** Okay. Sir in percentage terms, how much of your sales is coming from public sector sales and the rest, can you bifurcate this?

**S Swaminathan:** So, technically the government is public sector. So, if you take a look at our entire Collect revenues, the Collect revenue comes entirely for the government across the world. So we work with regulators in India, regulators in Singapore, regulators in Malaysia, and they are all regulators. So, basically all the revenues you see in Collect is basically from public sector. All the revenues you see in Create is from the private sector. In the case of Consume, some of the small revenue come from the public sector, which means the government, and the bulk of it actually comes from the private sector. So Collect segment is completely public sector, Create is completely enterprise, private sector; and the Consume is a bit mix, but then it's too early to talk about it because it's really not a mature thing just yet. Balu, you want to add to this?

**Balachandran Krishnan:** No, I think you have answered the question.

**Rajesh Joseph:** My another doubt is, actually the stock price is currently trading almost at a 50% discount to your IPO price. So from the point of view of investors, the promoter stake is around 38% is not so great, do you think Promoters could look at creeping acquisition of the shares, at that time the stock price is available at a 50% discount to IPO price, and that shows your confidence in your company?

**S Swaminathan:** I wish I had the money to do creeping acquisition. I don't have the money to do creeping acquisition. Some of you I know, when the company got into a financial crisis several years ago, I stopped taking a salary, I still don't take a salary. It is actually booked in the books but I don't take the money out. And until such time I take a salary, I can't even think about creeping acquisitions and things like that. I also believe, at the end of the day, the full benefit of whatever happens in the market will actually go to our investors. Somebody asked me a question the other day about the shareholder value, my job, Balu's job, and Deepa's job is to continuously improve the company's fundamentals, and to continuously convey to the market what we are actually doing and how we should go about doing it. Now, if you take a look at our EBITDA, Balu, our EBITDA is Rs. 9.5 crores?

**Balachandran Krishnan:** Yes, this year it will be about Rs. 8.25 crores at a consolidated level.

**S Swaminathan:** Okay Rs. 8.25 crore, it is less than 5x of EBITDA. I mean, we have failed miserably at maybe in terms of conveying the excitement of the company to the market. When you look at international benchmarks, we are way off in terms of how companies are valued. I don't take a view on the market, I don't go out and buy when the price is low; I don't go out to sell when the price goes down. I don't go out to buy because I have no money, I don't go out to sell because it's the wrong thing to do. I don't even have a trading account, and that's the way we want to continue with the company. I think the more important thing is, if I had the money today, I would actually ensure that the company does what needs to be done to grow into something very significant where the market recognizes the value and acts accordingly.

**Rajesh Joseph:** Okay sir, fair enough. One last question. Sir our company is listed in SME exchange for last four years, do you have any plan to migrate the mainboard anytime soon?

**S Swaminathan:** So we have been listed on the SMA since last two and a half years. We are eligible for the main board, and are so grateful to shareholders for giving us permission to go to the main board. We have got shareholders resolution, it has already been passed. But to go to the main board requires a few other things. So we have been basically spending the last year or so getting ready for the main board, it requires quarterly filings, it requires move to IndAS which we have now done, and I believe there are things like that. Now, if with half yearly filings with this kind of reporting, if this is how the market reacts, I wonder what will happen when we do quarterly reporting. So our revenues are not steady on a quarter-on-quarter basis like many companies are. See, ROC filing happens once a year, that's when you will see a spike in my revenues. For example, we are chasing some opportunity in Europe where the filings will happen once a year. Our South African revenues happens once a year. Our UK revenues happens once a year. Our US revenues happens once a quarter. So if revenues happens once a year, now just imagine as a shareholder, you see Q1 nothing significant, Q2 nothing significant, Q3 goes up, Q4 it goes up, you will start wondering what sort of a company we are. So these are all internal debates we have been having. I think it's inevitable that we will go to the main board and we will consult you in terms of the timing of going to the main board, in order to be able to, I mean, so we have also looked at the value enhancement from the main board point of view, we have checked companies across the main board. It's a mixed bag, not every company has been able to discover fair value in the main board. So if you have any suggestions to offer, please write to me, I would love to consider the suggestions. In fact, I would request everyone to write to me with your ideas in terms of what we should do and how we should handle it. My email is s.swaminathan@irisbusiness.com. We take every suggestion seriously, I keep getting suggestions, I respond to every email personally. So please do that and we would love to take your inputs in terms of how we should behave on this one. So thank you for your question.

**Moderator:** Thank you. The next question is from the line of Piyush Kanani an Individual Investor. Please go ahead.

**Piyush Kanani:** First of all, congrats for getting into black. And apart from being a small investor, I am a founder of a blog news channel called gstindia.com. I happen to follow IRIS because of that, because of my interest in GST. So, my next question coming up is little bit towards GST. And I just wanted to know that how, I mean, I believe that you guys are in GSP also.

**S Swaminathan:** Yes.

**Piyush Kanani:** So, being interested in GST, how many doors have you opened up for an ASP, and how the market is going towards that? A little bit brief about insight how things are happening from a GSP perspective to an ASP perspective? And then maybe I will ask you something about the product and how the launches are happening, etc, if it's okay.

**S Swaminathan:** Sure, Balu you will take that?

**Balachandran Krishnan:** Okay, I will do that. See, from a GST point of view, what we have done, of course, we got the license in the first batch itself as a GSP, that is GST Suvidha Provider - for the benefit of all the others. And what we have done is, we are going to the market with a combined offering, we have an ASP plus GSP offering and we are primarily aiming at the large and medium size companies. So when you see companies like Bajaj Auto, we offer them the full suite so they can use the ASP platform to prepare their filings, take data from the base ERP and then create a returns, then file seamlessly into the GST portal. So, GSP is an essential component here but it's used along with the ASP platform.

**Piyush Kanani:** It's like an ERP sort of a platform which we operate?

**Balachandran Krishnan:** Yes, it's a reporting platform which doesn't do transaction but it collects all the data from the ERP which is relevant for the GST reporting and then creates those different returns. Plus, there is an analytics part in which companies can see all their different numbers including sale, refund, IGST and all that. So it's a, I would say, reporting and analytics platform, which is linked with the GST through the GSP pipe. This is one part. We do a small business offering of GSP as a pipe to some of the other ASPs, but that is only because people come to us, because we have a really solid GSP operation which is quite safe. And people come to us for pushing the returns through the GSP pipe that is a very small part of this thing. But outside that something interesting that is coming up is from the digital lending side. So, there is a move to look at SME lending without collateral, a cash flow based approach. And once GST returns become very important, so some of the offerings that we have in terms of the GSP and the ability to provide data through API's and do further value addition become important. We already have a product called Credixo, which is about credit information, which is now going into a few Fintechs in the market. And we feel this particular product has a lot scope going forward as well. So that is my short answer.

**S Swaminathan:** And Piyush one second, Piyush I hope you have downloaded IRIS Peridot and you are using it?

**Piyush Kanani:** Of course, I sell to my client as well.

**S Swaminathan:** Okay, lovely. Thank you very much.

**Piyush Kanani:** No problem.

**S Swaminathan:** So once again, just for the people, IRIS Peridot is an application which you can use to scan the GST number of anybody and figure out whether the company is compliant or not. And as investors in the market, I want to share one thing with you, very often when a company is in trouble, they stop paying the taxes on time. So there are many companies in the market who when they don't pay taxes on time it shows up first on Peridot. So if you use Peridot well, you will actually get early warning signals about the stress in companies going through liquidity problems and you can accordingly make your investment decisions.

**Piyush Kanani:** Eros was one of them which was being reported.

**S Swaminathan:** Possible, I don't invest in markets, I don't know, my colleagues might have done that. But my request to you is, please all of you, use IRIS Peridot as a tool to review your research, to do your research on companies before you invest in them. Piyush, go on, sorry, I had to take this commercial break, please don't mind.

**Piyush Kanani:** Okay. So, you were telling that GSP is like towards more of a customized thing you are trying to do, and ASP is toward retail or semi retail level?

**Balachandran Krishnan:** No, ASP is for company's who want to create their GST returns from the base data. So it is a cloud based software that we have, and it is oriented towards enterprises. And we typically have been targeting medium and large enterprises. The retail users have been using a more of IRIS Peridot to check on the counterparties for their GSTN status.

**Piyush Kanani:** So, if I can ask you more questions regarding GST, is that fine?

**Management:** Yes, I would hope that you will ask questions related to the performance point of view. Product wise if you want to engage with us, of course, we can setup a different call and spend some time also.

**Piyush Kanani:** Only part which I was curious was, because you guys are with GSP and you are involving with a government agency where you have to go with the sandbox setup, etc. And how much difficulty is it actually giving you out and towards the manpower it takes and the performance which we have to do as a company also, so how is the efficiencies over there?

**S Swaminathan:** It is not very manpower intensive, in the early days of the GST rollout, both the GSP and GST team had to really set it out to get the things stable. Now, I think I would say that it's mostly stable, and it's all API driven, you need to have the right technology to work with the GST APIs and build your own applications.

**Piyush Kanani:** Because as far as I know, in future they will be opening up fair opportunities, I mean, they will give the GSPs an opportunity to collect revenue also for that.

**Balachandran Krishnan:** Yes, we were hoping that it will happen, we don't know when that would happen. Having said that, the key thing is through the eInvoicing mandate which I didn't mention, which is going to be there. That is going to be a very significant enhancement as for our overall GST platform, where we also hope to cash in going forward.

**Piyush Kanani:** Thank you for being transparent.

**S Swaminathan:** Piyush, one more thing I must add which Balu didn't add. Because we have a robust solution and because we have some fairly big customers on the books, generally when GST is planning something, they first come to us and we get involved in the early stage of any kind of new rollout. In fact, we have been very constructive with them, we have given them a lot of inputs whenever things have gone wrong and we have been at the forefront of helping them refine the offering. The country has invested a huge amount of money into GST, adding some extremely important initiatives, it can't be allowed to fail for reasons of whatever. So we have actually been working shoulder-to-shoulder with GST because of the quality work that we do, and because of the nature of our compliance business itself. So we keep getting invited to all the meetings, we keep getting invited to give all the inputs. So, I think the fact that big companies are working with us, and the fact that we have a solid team internally have actually stood us in good stead in terms of grabbing leadership here. Thank you, Piyush.

**Moderator:** Thank you. The next question is from the line of Dhurbaj Kishore an Individual Investor. Please go ahead.

**Dhurbaj Kishore:** Congratulations for the good set of numbers. I have been following IRIS for quite some time now and it's heartening to see the results. So, I have three specific questions regarding this IRIS product suite. So, from the next five years perspective, what is the strategic vision of the company in developing the existing product suits? Or we are going to move to new products as well in the regulatory technology space itself?

**S Swaminathan:** Okay. Firstly, products get developed when there is a demand for it. So one of the biggest things is that we have always got our ear to the ground and recognized the importance of products as and when things are required. So for example, when RBI gave us the mandate to run their compliance platform using our product iFILE, we realized that banks will need a product for cleaning up the NPA data. So we developed a software from that point of view. So every product that we develop is in response to a demand in the market, is in the response to demand from a customer in the market. So this is why every product that we actually launch, we already have identifiable customers. So, will we develop products in the future? Yes, it will be a function of how we see demand happening in the marketplace. That is our approach to product development. We don't sit in a laboratory and basically say, 'What's going to happen tomorrow". We see what's happening, what's happening in the market and on the basis of that we start developing products.

**Dhurbaj Kishore:** Okay. And sir, from the last call, I think, I understand that we already captured like 50% to 60% of the market share globally in this segment, in the Create and Collect segment, is that a correct assertion? Or our share is a bit higher on the market share perspective?

**S Swaminathan:** So, the market share concept is a very misleading concept. So let me first say, so in the last five years there are approximately about 35 to 40 XBRL implementations by various regulators in the world. There we have got more than 50% market share, that is correct. But in the 'Create' space where there are regulatory filings by companies, when you look at filings to capital markets, we are very small, we are very, very small. So for example, if we look at the US market, the total number of companies filing is about 4,500. But the number of companies who are our clients is six, the biggest competitor in that market has got customers numbering 2,500. Why is that so? Because we don't have the marketing dollars to be able to go out and mount a fight in those markets. We would need deep pockets to do that. But now with profitability coming, if customers are willing to switch we will go after them. So this market share thing we have to look at it product by product by product. Now when you look at the product called iDEAL, which serves banks, today, of the 85 banks in the country about 40 banks use the product iDEAL. Then when you look at GST for example, there are approximately 1.2 crore GST assesses. of whom about 80 lakh are filing. Most of them are filing directly, 60,000 are filing using third party tools, the rest are all using the government portal. Of the 60,000, it's divided among about 10, 15 different people. So we are not at the lowest price. We are slightly premium, and therefore we have gone after only those companies who are prepared to pay the price. So we have not gone after market share, we have gone after profitability. So while in the GST segment our revenue was, what, Rs. 7 crores, Balu?

**Balachandran Krishnan:** GST segment revenue should be between Rs. 6 crores to Rs. 7 crores.

**S Swaminathan:** So, GST segment is Rs. 6 crores to Rs. 7 crores, and when you look at the other companies in the GST segment, their numbers with about 100 times our marketing force is not very significant, it is not significantly very different. So we are very happy with the way things are actually going in that front. But I would shudder to basically believe that we have a huge market share, a 50%, 60% in that segment. In the case of Consume, it is again too early because the product is really not out.

**Dhurbaj Kishore:** Okay, thanks. And my second thing would be regarding this Create segment. So, I understand that out of the revenue that we generate of the Create segment, 90% are recurring revenue. So my question would be that, is this segment a sticky kind of a segment where the client sticks with their partners' vendors, or is it like the clause is to terminate and move to other vendors is easy one and they can easily switch to, because it's an open API kind of a concept, so it's easy to move to another vendor?

**S Swaminathan:** I think it's an excellent question. Generally every customer has a clause in the contract, giving them the complete freedom to switch, if we make a mistake. If I screw up on your filing, the customer has the right to throw me out and move to a different vendor. But having said that, customers have been sticky with us and we have probably lost what, if we take a look at our addition to customers, we actually added about 100 customers in the last one year, we have actually not lost more than one or two customer, and that's too on account of pricing. So we lost one customer last week due to price, because we refused to budge on the price and the customer said he can't pay. And this is a company whose turnover is like Rs. 7,000 crores mind you, they say we can't pay. What can't they pay? They can't pay some a few tens or thousands of rupees every month. So we said fine, thank you very much, we don't want to work with you. So we are flexible when it comes to pricing, if they are small companies, but with larger companies we generally try to hold our own and get what we deserve.

**Dhurbaj Kishore:** Okay, thanks. My last question would be regarding, so when I see our income and deals for this year, I see that our employee benefits and other expenses are roughly around like, it's been going around between the Rs. 40 crores to Rs. 45 crores range. So going forward, our employee benefits and other expenses. I would assume that would be stabilized around this range and probably the marketing expenses, as you mentioned, which will increase, is that a correct assessment? Or we see that the employee expenses because of hiring or maybe more sales been driven out of US and the European markets would incur more cost on that in that aspect?

**S Swaminathan:** I am glad you raised the question, because the reason today IRIS is surviving as a company is because of the tremendous sacrifices made by the employees. Typically what happens when a company is in a crisis, the good employees are the first to leave and go, because they can get jobs very easily. If you are good, you can get a job anywhere in the world. And most of my colleagues are so outstanding that they can get a job anywhere in the world. If you look at my balance sheet, there is actually employees past salaries of Rs. 8 crore in the books, and that tells you the sacrifice made by employees. We have been underpaying employees, we need to correct their salary, we have not sacked anybody and we have not corrected salaries downward. It is extremely important to be able to respect the employees and give them their rightful share. So will employee salaries be stable? No, it won't, I think it will increase going forward, and marketing expenses will also go forward. A company like us which needs to innovate continuously depends on it employees, my colleagues to make things happen. Balu, Deepa and I are on the wrong side, we are all significantly above 50 and I think the younger peoples who are there in the company, we need to innovate and keep us relevant in the market place continuously. All the products that we create are created by my colleagues who spot an opportunity, comeback, make a presentation and resources get allocated for those products. So, I think we need to treat employees better and we need to reward them more.

**Dhurbaj Kishore:** Okay. So can we achieve like 10%, 11% as currently being reflected on a year-over-year basis in this aspect? Or because, as you mentioned that probably prior years I think the employees have sacrificed a lot, so we could see a correction on the highest side, maybe 14% to 15%?

**S Swaminathan:** So, I think we will try to achieve a nice balance between fixed compensation and variable compensation. So, if the company does well they will get more, a company does well they will get a certain fixed. So, we are trying to work out a nice balance between the responsibility to employees and the rights of the shareholders as well. So, we actually are working on a framework which ensures an employee earns more if the company earns more. See, the big difference between a company like ours and IT services company, in an IT services company, to earn a rupee you may end up spending about Rs. 0.60 to Rs.0.80 very easily. Whereas, in a company like us, to earn Rs. 1 you will only spend about Rs. 0.10 to Rs. 0.15, and therefore there is a lot leftover. So as operating leverage kicks in and more and more surplus gets generated, we are hoping that we can actually pay the employees better. So will there will be 10%, 15%? The challenge is to make it fair, I think we will make it fair. A company like us today doesn't exist in India, a product company of a kind that we are currently operating. As a consequence, we have to chart our own roadmap and do what's fair for employees.

**Balachandran Krishnan:** I just want add to this question one more additional point that we do have a significant headroom to enhance our EBITDA. As a percentage to sales EBITDA is even now only at 16%. I think for a company of our nature, and given the customer base that we have and the goodwill that we already established, I think once the mandates rollout and we are able to grow the certain markets like US and Europe and establish a decent presence, our EBITDA margin should go up. So I don't see employ cost as a percent of overall sales changing much. Having said that, in absolute numbers, as Swami pointed out, we would need to reward our employees more.

**Dhurbaj Kishore:** Understandable. And what is the attrition rate currently?

**Balachandran Krishnan:** It's about 5% to 8%.

**S Swaminathan:** So basically what we find is people who spend, so if you take a look at Glassdoor, which is a nice website tool to see what's happening in companies, you will find that IRIS is a great place to learn, that's what people will tell you. So the number of people who leave the company and go in the first three, four years is very, very low. Then once they have learnt, that's when they then jump to the experience to another company, and other companies also recognize that IRIS is a great training ground, and that is where we need to recalibrate our compensation structure to keep them. But once people cross eight, nine years, they are so used to the kind of place that we have in terms of flexibility that they like to stay on. We have had work from home not today, we have had work from home from the day we started the company. So for us, the kind of flexibility we give to our colleagues and that's what keeps them literally loyal to the company.

**Dhurbaj Kishore:** Yes understandable, I think employees need to be appreciated, and especially in your product kind of setup it's very important to retain the employees. Thanks a lot.

**S Swaminathan:** Thank you.

**Moderator:** Thank you. The next question is from the line of Prashant S an Individual Investor. Please go ahead.

**Prashant S:** Sir, I have two questions, I will ask the more important one first. One is, see, you are actually one of the more successful SaaS companies in terms of the impact you have had in your area, okay. And the SaaS market as such is booming, I mean, where your companies who don't have as much revenues to show it's more of relationships and how it's going with the existing customers, and they get excellent valuations, right. So the question is, have you at any point of time thought of sort of having a big front entry company, some sort of a de-listing or some sort of a market acceptance? I mean, are you impacted by the way other SaaS companies are being treated in the market place?

**S Swaminathan:** I am impacted by the fact that startups today get valued better than we do. It's a big ego thing when I see companies with a business plan on a cocktail napkin getting valued better than we do. Because it's not so much about ego but about our ability to raise capital. So, first of all, the model to follow, anybody who basically is listening, if Zoho ever goes public, please buy those shares with both hands, it's an extraordinary company and that's the kind of company one wants to be if you want to be in the SaaS space. They are fantastic Indian model to follow. So the point is, are we successful? Not by a long shot. And Prashant, I will tell you very interesting thing which we actually discovered two days ago, the total amount of money that's actually gone into the company on a net basis from external sources, where we are today, is about Rs. 13 crores, Rs. 14 crores, that's all there is to it, and that's what we have used to build a company of this size today, of the scale today. And when Balu talks about the ability to extract more EBITDA, that's where we are. I mean, incremental sale does not really cost me much, much more money. If I add two more GST customers, it will straight away credit my EBITDA to my P&L literally, if I add two more US customers to basically file with the US entity in my solution, it will straight away credit to my profit and loss account and to my EBITDA. So literally we are at the stage when these things will take off. I hope there are people in the market who recognize the value of this, and therefore, right price the stock as a consequence. I don't take a view of the stock, and I am actually not talking about the market, I am basically saying that cocktail napkin business plans seems to be more attractive to people than a company with a relatively mature business like us.

**Prashant S:** Yes, okay. Understood. And the second question is a little more related to your FY '21. You have this COVID thing raging all over, of course GST and other filing will be deferred, I mean, you can't avoid them, the filing, etc. are compliance related to be deferred, so it will hit your revenue and that is why probably you have taken a moratorium on your loans as well. The question is, from a cash flow point of view, how do you see trends this year? Or are you okay on a steady basis, I mean, given your debt repayment hit after the moratorium period as a term loan or something?

**S Swaminathan:** If we did not have a crunch, we would not have taken the moratorium. So obviously, we were hit by a crunch. See, what actually happened is the following. Customers don't pay you on time. So for example, when you are implementing a platform for a country, you need to sign off from the customer to be able to raise the bill. When you have a situation where you are working out of home, and the customers are working at home, and very often, suppose for example, I am implementing a platform for the Jordan Central Bank, for conversation sake, they will need to have three, four people sign off contract before they can even let me raise a bill. So to the extent my payments get delayed. So when, for example, so there are two, three reasons why payment get delayed, one is, what you rightly mentioned about GST. The filings will never go away, for certain period they may use it, because there's no filing happening at that point in time. So regulatory announcements, delay in things certainly hit the revenues. Secondly, regulatory sign offs getting delayed in different countries also affects my revenues. So these are two things which impacts my liquidity, and a company of my size, and we are so small, that even a little bit of a pinch hurts at the end of the day. But we are grateful to our bankers who are being constructive about it, and therefore we have taken the two moratoriums. And I am hoping that as things improve, payments will come and we will be able to beat the problems. Balu, you want to add to this?

**Balachandran Krishnan:** From a COVID perspective I would say that we find more problems in the Indian market and to some extent in the Middle East. And the Middle East market is slowly improving, Indian market is still not very good in terms of us hitting our milestones and getting the payments in. But I would think that over the next two, three months things would get significantly better. And as for liquidity, I would not say that we have liquidity issues, but now we have to be careful about managing liquidity, and going forward, once Covid worries reduce, these kind of problems would recede into the background.

**Moderator:** Thank you. The next question is from line of Arun from Value Notes. Please go ahead.

**Arun:** I should congratulate Swami and the team on the turnaround, so that is very good news. My question is really, if you can give us a little visibility on the Collect segment, in terms of new orders or what the current year might look like? And also in terms of the regulatory changes, so now I have read that cooperative banks are going to be governed by RBI, and does that going to lead to more demand? So just a little background on what's happening in that space.

**S Swaminathan:** The cooperatives being governed by RBI was always the case. They were already been, in terms of filings happening, the filings were always being made by the cooperative banks to RBI. It's the cooperative credit societies that were not filing with the RBI but filing with the local government. So from a filings point of view, the RBI platform had already brought the cooperative banks into the platform for filing. The main purpose of this whole legislations obvious come with is the ability to control the board of the cooperative banks, and not just leave it to the state governments. That's perhaps the single biggest implication of this change. And therefore, that won't lead to a very significant increase in revenues for us. But the very fact that cooperative banks need to file is something very important. Therefore, we have already budgeted for it in our numbers and we said it will grow at a certain pace.

As far as Collect segment regulations are concerned, most people are not in a rush to move to an XBRL platform so in countries where we were implementing the Collect platform, things have got delayed. Countries which were planning to implement the Collect platform this year, have basically said that we will decide later. So a lot of decisions are getting postponed. So for example, right now in Europe there are 27 countries that need to implement something like this, but they are taking their own sweet time. So there are things happening, but they are not happening at the pace at which it used to happen pre COVID. XBRL implementation is not the most important thing in the countries at this point in time, given that there is a crisis in health and there is an economic crisis as well. And they are also mindful of the fact they should not increase any burden, the carrying costs on companies. Balu. you want to add to this?

**Balachandran Krishnan:** No, it’s just that about three, four deals we have progressed quite a bit on the iFILE area, which is the Collect side of the business. There has been some delay because of this COVID outbreak, etc. So, they should come back, I would think over the next, four to six months' time. It is not that we are not chasing deals, we are very much in the consideration set of a good number of regulators at this point of time. We just need to wait for them to come back to a business as usual kind of thinking.

**S Swaminathan:** Arun, since you know Balu and me very well, you will know this, that normally I am the salesman, I am more optimistic; and Balu is the finance guy, slightly more pessimistic. But on this call I find I am the one who is more pessimistic and Balu is more optimistic. Which is good, when the finance guy gets optimistic life is wonderful.

**Moderator:** Thank you. The next question is from the line of K Subramanian from Alta mount Capita. Please go ahead.

**K Subramanian:** Yes, complimenting you on a good set of numbers. And we definitely hope that you continue to do this. A couple of things in my mind, which I just wanted to clarify. Which are the two, three areas where you think you could do some sustainable revenue increase and also get the profitability? I heard Balu mentioning about the 16% EBITDA which can be ramped up, but two, three areas where this could be sort of sustained and scaled up and some sort of consistency could be there. And also in the area of GST, I heard you mentioning that only 60,000 people are using the platforms for filing, which is very surprising. And whatever I pursue, there could be a huge scope for increasing that. So from that aspect also, where exactly this market potential is there? And where IRIS, since you are already a pioneer in this and could sort of lead from the front?

**S Swaminathan:** So, in the GST, 60,000 people are using third party tools to file, the rest of filing directly on the GST portal. So they are filing, but they are filing on the portal because it's free to file on the portal, you don't need to buy a software. So that's the 60,000 that's actually paying some money to somebody to be able to do the filing. Now as far as sustainable growth is concerned, the driving force of our revenues will be the Create segment. Within the Create segment, Carbon is going to be huge. Carbon currently is used for filing to US SEC, is currently used for filing the UK, it's used for filing **in South Africa** and it's also going to be used for filing in India. And we believe that Carbon is going to be a significant driver of revenue going forward. Carbon is a steady product, it's a mature product, and it's a proven product. And as more and more enterprises around the world need to submit the data in XBRL or any other format, we believe carbon is where the real kick starts to come from, where the real growth in EBITDA will actually come from. Balu?

**Balachandran Krishnan:** No, I think that is right. We are being looking at Carbon as a significant revenue driver for the company. And there are mandates which are now opening up in Europe and in the US as well.

**K Subramanian:** And currently what could be this proportion in terms of revenue coming out of this Carbon?

**Balachandran Krishnan:** I would think that carbon would be about 21%, 22% roughly.

**K Subramanian:** And would be the roughly the margins prevailing in that segment?

**Balachandran Krishnan:** See, the Carbon business is something which needs volumes to really start making money. Right now it is, I would say, just above breakeven with customers coming in, additional customer incremental cost is very low. So it's all a matter of hitting the volumes, which I think we should be doing in the coming year.

**S Swaminathan:** Let me add to what Balu said slightly differently. So Carbon is used for our ROC filings in South Africa, people pay us approximately $150 a filing. Carbon is currently used in America for SEC filings, where people pay us about the $10,000. The same product in South Africa for ROC filing, we end up getting paid $150, the same Carbon products in America for SEC filing can fetch $10,000. So when we do ROC filing for volume, when we do SEC filings, the margins are simply good, at a different level. But the big issue is the following, you also need to throw in a bit of assistance to those people to be able to file, because SEC filing requires slightly more rigorous approach, it requires security of a different order altogether. And we also believe that they require a handholding. So right now, we are working with European companies, helping them do the filings, from next year we will do the filings with the European regulator, they all want handholding. So for Carbon when you work with listed companies, there is a bit of hand holding required in the software. So the real masala, the real money is actually to be made by growing it to significant numbers. And because we have developed the product, we are extremely cost competitive globally.

**K Subramanian:** Great. I think since you are already addressing the product and the handholding probably could be the next step, all the best. And I am sure the numbers will improve in the coming years. Thank you very much.

**Moderator:** Thank you.

**S Swaminathan:** Normally, K Subramanian is the person that people ask questions of when he comes on television. So it's a complete role reversal where today he was asking questions.

**Moderator:** As there are no further questions, I now hand the conference over to Mr. Balachandran Krishnan for closing comments. Over to you sir.

**S Swaminathan:** Thank you so much, Steven. And thanks everyone for coming for this call, really appreciate it. It's a very important year for us. We are now coming to the black. We have made this transition from being a service oriented company to a full product oriented company. We expect this momentum to continue and expect to meet you for the next conference call as well. Thank you very much. Have a good evening.

**Balachandran Krishnan:** Thank you all. Bye.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of IRIS Business Services, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.