27th November, 2019

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

Scrip Code: 540735

Sub: Transcript of earnings conference call

Dear Sirs,

With reference to captioned subject, we hereby enclose the transcript of earnings conference call which was hosted by the Company on Thursday, 14th November, 2019 at 4:00 pm.

The above is for your information and records.

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

JAY MISTRY

Digitally signed by JAY MISTRY
DN: c=IN, o=Personal, postalCode=400013, st=Maharashtra, 2.5.4.20=7cd904ba08f917da432feaabb0c7585906b3b185ff7d56419cb51c502a7a6a4f, serialNumber=b04b86ef469adb099c06bd89fae5af5773304fcec16836df2e52311a2084b682, cn=JAY MISTRY
Date: 2019.11.27 18:23:27 +05'30'

Jay Mistry
Company Secretary & Compliance Officer
(ICSI Membership No. ACS 34264)

Encl: As above

IRIS Business Services
Earnings Conference Call
November 14, 2019

Moderator: Ladies and gentlemen, Good Day and welcome to the IRIS Business Services H1 FY20 Earnings Conference Call. We have with us today on the call Mr. K Balachandran – Whole Time Director and 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 "*" then "0" on your touchtone phone. I now hand the conference over to Mr. K Balachandran for his opening remarks followed by the summary of the financial results. Thank you and over to you, sir.

K Balachandran: Thank you. Good afternoon folks. Welcome to this first half results presentation of IRIS Business Services. I hope all of you can hear me. My name is K Balachandran I am Co-founder of the company and also function as a CFO. Along with me I have Ms. Deepta Rangarajan who is also co-founder of IRIS and we have Mr. Vineet Kandoi who heads the accounts function apart from Mr. Prakhar who looks after Investor Relations. What I can do at this point of time is to give you a small introduction about the company. Many of you know the company, but just for those people who might have come in fresh I will give you a small introduction about what we do for a living then we can go ahead and take a look at our first half results.

So if you look at IRIS as a company we work in the structured data and offer solutions that operate across different points in the information supply chain and primarily the need that we meet is the need for compliance, compliance in the digital world that is the need that we try to meet across the globe across different types of customers. So we group our business into three areas which are called collect, create and consume. Our customers in the collect line of business are regulators. In the create area we engage enterprises who have to file with the regulators and of course we have a segment for consumers as well where we will be providing solutions for users of information who could be coming from multiple areas across this information supply chain.

Ours is a global business and we have our 'collect' platform across 15 countries and we have our 'create' offering which cater to enterprises in more than five countries at this point of time. Of course our business is built around the XBRL information standard and we have regulators who are adopting the standard and then from that we move to enterprises. We typically establish a beach head using the collect route and then move on to servicing the regulatory filing need of the filers who are firms who are getting regulated. This is what we do.

Let me now go into the result per se. I am hoping that you would have seen our numbers which were published yesterday. For the first half of the year for financial year 19-20 we have grown at a good 20% growth in the top line compared to the corresponding period for FY19 and if I exclude the other income the growth is even better at 27% for the first half of the year. Even sequentially speaking we are nearly at the number we hit in the previous six month period which was ending in March 2019. We grew our revenues at about 21% sequentially while our EBITDA grew much more significantly. There is a marked increase in EBITDA which now is at 295 lakh as against the loss in the corresponding half period.

In fact the EBITDA we have posted is one of the highest in the last seven reporting periods and the highest if I exclude capitalization cost. So clearly there is an improvement in our fortunes with our revenues growing at a decent pace and we are able to rein in our cost. Most of the numbers I am speaking about at this point of time are the consolidated numbers because we have couple of subsidiaries who are operating in Singapore and US and I feel if you look at the consolidated number you will get a much better feel of the company.

If I look at expenses, excluding the non-cash items the total expenses grew only by 3% for the first six months of the year to about 19.32 crores versus 18.78 crore in the corresponding half of the previous year. Within expenses, employee expenses grew by about 4% compared to the previous corresponding period which is quite low while we did increase our payment to some software partners so that went up a little bit and of course interest cost came in at pretty much at the same level compared to the corresponding half of the previous year and of course we did not capitalize any expenses this year. So on the whole expenses did not move up much and with an increase in revenue we are able to post good EBITDA as well.

Coming back to the EBITDA numbers the corresponding period of the previous year we were at a negative EBITDA of 93 lakh and here now we can come into a profit of 295 lakh. Even sequentially our EBITDA has gone by about 134%. Now let me look at the revenue mix and as we mentioned before we operate in three segments. The collect segment, create segment and the consume segment. Coming to the collect segment where we primarily cater to regulators, we have grown in this segment more than the others. We grew here by about 35% hitting at about 12.27 crores for the first six months versus 9.11 crore in the corresponding period. We also received two new orders one from a capital market regulator and one as part of the consortium in a large central banking regulator reporting mandate.

In the collect segment there are of course implementations which are coming in where part of the revenue is onetime in nature and despite that we have a revenue stream of which about 41% is recurring. The create segment is the other significant segment where we work with enterprises and that grew by about 19% to about Rs 8.52 crore in this half compared to the corresponding half of the previous year. About 93% of revenues in the create segment are recurring in nature and one thing to note here is our offering IRIS Carbon which is our SAAS based platform which can work with multiple regulatory mandates across the globe.

We have started acquiring customers in Europe where there is a need to meet the ESMA - which stands for European Security Market Authority - iXBRL mandate which is coming in by end of next year. So people have already started looking for partners or service providers or technology providers and we already started making early inroads and this market looks quite promising for us as well.

In the consume segment which is still nascent, revenue grew by 19% as well and about 90% of revenues here is recurring in nature.

From a segment wise profitability point of view, the collect segment where we grew by about 35% is quite profitable. We have nearly more than 30% EBITDA margin in the collect segment. The create segment is seasonal and for the first six months is a seasonally dull period compared to the next six months where most of the regulatory mandates kick in, but even here our losses have narrowed quite a bit compared to the corresponding six month of the previous year and going forward next six months should be better than the first six months and that is what we have seen normally in this business. Consume business is also slightly loss making at this point of time.

Coming to revenue mix by geography, as I said we work across different markets and different geographies, which has not changed much. It is just that our Indian revenues have gone up because we have a new customer in the regulatory segment and that is starting to yield revenues. So Indian segment has gone up and now constitutes, at least for the first six months, as much as 47% of the revenue while the rest is distributed across Middle East, Europe, US, South East Asia etc. I would like to sign off by pointing to our order book which has now grown notably to about Rs 73.46 crores as at September 30th 2019 compared to where we were on May 30th which was at about Rs 58.43 crores. So there is a notable increase in order book and that has primarily come, I would say, because of couple of large mandates we have received from regulators who have come to us for our regulatory platform related offering. That is where we stand and it is looking quite promising and we expect to keep this order book level going forward as well and then of course we see the create business gathering momentum given there are mandates around the corner too. So that is, in a nutshell, as far as our financial performance is concerned. So I would hand the mike back to the moderator.

Moderator: Thank you sir. We will now begin the question and answer session. The first question is from the line of Alex Kumar from RNGCO. Please go ahead.

Alex Kumar: So I joined a call a little late I just wanted to know what the EBITDA numbers are looking like for the year?

K Balachandran: We do not give a forecast per se I would say that the disclosed number for the first six months is about 2.95 crores and we would see the momentum continuing and that is what I could say at this point of time.

Moderator: Thank you. The next question is from the line of Gulshan Patni he is an individual investor. Please go ahead.

Gulshan Patni: I have one question what is your execution timelines for this order book?

K Balachandran: Okay that is a good question I would say it would vary since there are different types of businesses here. One part of the order book is recurring revenue where we get recurring numbers, especially in the create segment and partly from the AMC component of the collect segment. Outside that a typical collect implementation takes anything between 12 months to 18 months. So we will get an idea of how this whole thing moves.

Gulshan Patni: And any guidance on EBITDA margins that the company wishes to clock?

K Balachandran: No, we do not want to disclose at this point of time because our overall momentum has just started to go into a higher trajectory. I would say we see no reason why this should not continue.

Gulshan Patni: No I just want to know what kind of EBITDA margin this business IRIS business can clock in three to four years from now?

K Balachandran: That I should be able to answer because ours is product driven business, we bank on IP driven type of products and the fact that we have a large market share in this XBRL information standard driven business which helps us get repeat business or business from clients who come through referrals. So given all of that we are looking at EBITDA margins about 30% for the whole of the business.

Gulshan Patni: And what is the market share?

K Balachandran: Market share again varies, in the collect segment, where I should restrict myself to the XBRL platforms, of course there are other platforms as well, for example we are just forayed into a related platform called SDMX, but coming back to the XBRL platforms we are very strong in Asia which includes Middle East and South East Asia. So there I think our market share would be around I would say around 60% to 70% and if you look at globally it would be still high and I would say between 40% to 50%. For those awards which are getting conferred which are where the work is starting. There are many which are in the pipeline and the whole sales process is quite long.

Gulshan Patni: And who is your competitor then?

K Balachandran: So we have a competition from specialist firms so there are about four- five firms which I can think of which are competing with us which we see multiple RFP related interactions. So there is Fujitsu from Japan, there is a company called Invoke from France, there is Core Filing from UK and there is a company called Vizor from Ireland. These are specialist companies, and of course Fujitsu is a giant, and at times you see when system integrated coming into this market in partnership with maybe one of these companies who provides the XBRL engine.

Gulshan Patni: And how much of your revenue comes from India?

K Balachandran: See, in this particular six months it has gone up to 47% though normally it has averaged around 30% and I expect that average to revert back to that number soon or later.

Gulshan Patni: Towards 30%?

K Balachandran: Yeah that is my expectation, of course there will be some reporting period where there will be some change, some variation, but on the whole looking at the trajectory that we see, it should pretty much come back to that level.

Moderator: Thank you. The next question is from the line of Karthikeyan VK from Suyash Advisors. Please go ahead.

Karthikeyan VK: I was going through your full year transcripts couple of points one is can you tell me you know you speak about Europe now becoming more active in this direction, so is there any kind of correlation between collect orders & create order or can they come independently?

K Balachandran: There is a correlation, but it is not always 100%. For example, in Asian markets that we see the collect orders come first - the regulator puts up a platform and even offers a three to four few years to incentivize the pilots and then say let the market takeover then people can then go and offer their own tools and get revenues from the firms as well.

Karthikeyan VK: Yes I understand that what I am saying is so in Europe for instance would collect come first and getting a collect order does it give you any kind of an advantage for create?

K Balachandran: It clearly does because it establishes the credibility. For example in South Africa we did the collect first and then moves into create and we built a platform for CIPC South Africa which is a business registry and it really impacted positively. Now in Europe there is a mandate with listed companies and what it is saying is that the regional authorized agencies can start collecting iXBRL files along as per the mandate. So we expect collect requirement to emergence as well, but it is a more federated approach in Europe compared to a centralized approach for a specific country.

Karthikeyan VK: So how people intensive is your business I asked you this because when I look at your FY19 revenues for example out of the 39 crore consolidated revenues that you have reported 39 crores that you have reported you know there is one-third coming from India and then there are several other countries so it seems fairly distributed, how exactly does your organization manage this kind of its becoming physically challenging plus, so can you tell me how exactly this operates?

K Balachandran: So as far as our collect business is concerned we have a product stack which we go and implement and of course we customize it as well and in many places we work with partners and in some places because the whole information-driven standard is new, we need to go and implement. So there it is not that manpower intensive. Having said that you might need some software engineers for few months abroad implementing and of course we have a team which continually enhance the product stack. So it is like a typical software product business with some implementation thrown in as well.

Karthikeyan VK: And you spoke about this contract which you bagged which is in a consortium so can you explain how exactly does the consortium operate and what role do you play what would be the scope of what you do?

K Balachandran: There is a large consortium and a large project which talked about end-to-end platform which included data collection, data lakes and data analytics. Now in this whole mandate we take care of the data collection part and we also have announced that through the stock exchange. You know this partnership is with TCS where they are already working with us on this platform where they take care of the data lakes and analytics area and we take care of the data collection part.

Karthikeyan VK: In the previous conference call you spoke about how one of the contracts went directly to the collect contracts not the create contracts, collect contracts went to TCS under the project mode rather than through whatever I do not know what model was used by you, so in Europe for example do you have any kind of a head start at all to win orders independently or would you depend on say a coordinator for example say a TCS for instance?

K Balachandran: You are talking about the regulators or you are talking about companies?

Karthikeyan VK: No, I am talking about the collection portion, the collect part as a business?

K Balachandran: So in Europe we are not that active in Europe as far as collect is concerned at this point of time we are much more active in Asia and Middle East. Europe we could be working with partners based on a case-to-case basis. There are certain engagements that we are currently conducting where we are engaging directly as well especially with respect to the ESMA mandate.

Karthikeyan VK: One question like outsider when I try to understand your business it seems like the number of applications which are possible is enormous especially on the create size, so can you size up some opportunities for us some broad opportunities I understand that it is a fairly open ended question you know some thoughts and how to size up the opportunity?

K Balachandran: Every company which is incorporated for example would need to file as and when the mandate rolls in with the respective format to the business registry. Now what happens is initially there could be a free tool which will finally get replaced by the market tools. So if you look at in US for example when the US rolled out the SEC mandate they said the market will take care of it, we are not offering a free tool so there were many companies which came in and the overall the price point varied from anything between $20,000 a year to $100,000 a year or so covering 6,000 to 7,000 listed companies – this is just one aspect of this is the company part. If you look at the unlisted kind of mandate and unlisted companies and the mandates that are coming for example in India, there are about 12 lakh and only 35,000 companies are required to file an XBRL which we expect to increase to the whole set of companies going forward. The cost of creating a file in a country which has a low cost kind of environment could vary from say $100 approximately. For example, in the US itself there is a mandate which is expected to come in after 2020 which is for all state agencies, which are anyway floating municipal bonds in the market and raising money, to file their financial reports in XBRL format whenever you have a firm which need file either with the pan regulator like a business registry or the capital market regulator or with the central bank we need tools. There is another mandate which is expected to come in the year from end of next year which is sector specific. This relates to the federal energy regulatory commission in the US which is looking at mandating all energy companies - and there are about 3,000 such companies in the US - file a combination of that financial and operating details in the XBRL format, going forward. So if you look at the overall regulatory reporting from that context you have the normal annual business reporting, then you have maybe quarterly or half yearly capital market reporting then you have this kind of sector specific reporting. Even tax reporting in Malaysia for example is moving into XBRL and of course starting with the free tool.

Karthikeyan VK: So there is one question this was the other thing that I had in mind that when I look at the customer profile, collect you have regulators which is a fairly concentrated market, enterprises is relatively large and then you have the consume segment which could again be fairly large, so how does the implementation, one is of course how does the customer profile changed the way the business is offered and therefore the implementation challenges involve in scaling it seems to me somewhat like a land grab game in the sense that whoever gets it first you know try and get as much as possible type so can you some thought on that?

K Balachandran: When you say land grab we are talking from a create point of view.

Karthikeyan VK: Yes I am talking from a create point of view yes because every mandate for instance you would have a time period within which you try and implement it and you know where you would kind of rush in to do whatever best one can I am assuming I may be wrong?

K Balachandran: Customer acquisition is very key what we have seen is repeat business in this area is very high because once you get the customer then you typically tend to keep him unless you somehow do not render the services with the required quality or prices you are not keeping in line with the price points. So what we have typically seen is whenever we have a regulatory mandate with us it is much easier to move in, or all of the mandates are just beginning, though the good thing is there are only about three-four companies which has the platform for XBRL report creation we are one of those. So once the mandate opens up we go in and we stand a very good chance because we have a combination of good price points and credibility with regulatory mandate and the ability to provide good quality, assisted services as well. What we see is maybe just companies need assisted services because the whole thing is new to them. They would say please help me with this as well not just give me a platform, so combination works.

Karthikeyan VK: One question so for a TCS how difficult is it to acquire this skill set I am asking you a question without a prejudice in my head, so how different is it for a TCS or Infosys to integrate this offering into their overall portfolio and you know some thoughts on that?

K Balachandran: They could but they have not done for last 10 years. I think the reason is these are not large service centric opportunities. This is highly product driven with the good dose of assisted services thrown in and this is an opportunity not in say $100 million, may be a little less than that. When you have competing claims they might have felt that, for example, BI is overall generic and it is a better game than getting into XBRL driven platforms. Having said that I should just tell you this IBM did acquire a company and having the company for about five years or so and they sold it off later.

Karthikeyan VK: So the implementation time for collect you said be typically be 12 to 18 months what would be the implementation time for create be?

K Balachandran: In create, typically people can start creating the annual report as early as 15 days after the engagement. In collect I just want to mention that the central bank mandate takes the longest time because there are so many different types of returns and requirements. We just recently did something with a Qatar Stock Exchange whereas we are able to do the whole thing around six to eight months since it was more structured and predicable kind of mandate.

Karthikeyan VK: So one question related to say three year outlook or a five year outlook could you say in five years' time visualize say 250 crore revenue kind of scenario combined all three of the segments put together?

K Balachandran: I would say yes, of course I need to mention here that the mandates have to roll in and the regulators have to keep the pressure on because at times you know there is a bit of easing pressure by the regulators and that is not something which is going to help us.

Karthikeyan VK: And it is not very people intensive which means that the flow through can be substantial?

K Balachandran: The people intensity is only I would say for certain areas where if I need some sort of document preparation etc. which is not the case for many firms. Some firms might need some additional bells and whistles where there could be some people requirement otherwise everything is done to the platform which even does a good degree of automated tagging because it learns as it goes along . You get a productivity boost just by the fact that you are doing enough numbers.

Moderator: Thank you. The next question is from the line of Satish Subramanian Individual Investors. Please go ahead.

Satish Subramanian: See are all your products cloud enabled because you talk of implementation, so I just want to understand is it that a software is being implemented or is it all cloud enabled and therefore it is just a mapping exercise?

K Balachandran: Really good question. I would say the create products are cloud enabled. In the collect area right now we are doing on premise implementation because regulators are really wary of putting software on the cloud. We could be doing an early cloud base implementation of our collect platform maybe over the next one year.

Satish Subramanian: And the consume business so again how does it actually what is the chargeable model, so is it per data consumed or are there any APIs which are available which will actually help customers to consume data and you charge per transaction or per query?

K Balachandran: The later model that you mentioned.

Moderator: Thank you. The next question is from the line of Gulshan Patni Individual Investor. Please go ahead.

Gulshan Patni: I have one more question what is the working capital cycle?

Satish Subramanian: Our receivable numbers are at about 100 days - 115 days, it varies. Working capital cycle will increasingly come down when the share of the create segment goes up because typically regulators pay with some delay. In fact, more than delay there is some scope change and there are negotiations and by the time they approve the invoice it usually takes time. So that particular part of the business has some inherent higher working capital cycle while the create segment is a little lower in terms of working capital. So we expect to reduce the working capital intensity going forward when the create segment share start going up.

Gulshan Patni: So where it will settle at somewhere a ballpark?

K Balachandran: Hoping that we would be somewhere in the 60 to 70 range.

Moderator: As there are no further questions I now hand the conference over to Mr. K Balachandran for closing comments.

K Balachandran: Thank you everyone for attending this conference call, we really appreciate it. We will be uploading this presentation.

Moderator: Thank you. On behalf of IRIS Business Services we concludes this conference. Thank you for joining. You may now disconnect your lines.