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Intellect/SEC/2023-24 **August 04, 2023**

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

2. **BSE Limited,** 1st Floor, New Trade Ring, Rotunda Building, PJ Towers, Dalal Street, Fort, Mumbai – 400 001.
   Scrip Code : 538835

Dear Sir/Madam,

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

In accordance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the transcript of the Investor Earnings Call held on July 28, 2023 on the financial results for the quarter ended June 30, 2023.

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

Kindly take the above information on record.

Yours truly,

for **Intellect Design Arena Limited**

VUDALI VENKATA NARESH

Digitally signed by VUDALI VENKATA NARESH
Date: 2023.08.04 14:11:26 +05'30'

V V Naresh
Company Secretary and Compliance Officer

Encl: As above

Q1 FY 23-24

Investor Earnings Call Transcript

Praveen Malik

Greetings and Welcome everyone. Thank you for joining us today to discuss Intellect Design Arena Limited Financial Results for the 1st Quarter of the Fiscal Year 2023-24 ending June 30th 2023.

The investor presentation and the press release have been sent to you and are available on our website. Our leadership team is present on this call to discuss the results. We have with us today Mr Arun Jain, Mr Manish Maakan, Mr Rajesh Saxena, Mr Banesh Prabhu, Mr Venkat Saranu and Ms Vasudha Subramaniam. Besides, some other senior members of the Intellect management team are present in the call. Mr Arun Jain will brief you on the results, followed by a Q&A session, where the questions would be replied to by the senior management team members. Once the Q&A starts, you can ask a question by clicking on Raise your hand, and we will unmute you so that everybody can listen to you.
One safe harbour I would like to remind you that anything we say which refers to our outlook for the future is a forward-looking statement. This must be read in conjunction with the risk the company faces. With this, I request Arun to give his briefing. Over to you, Arun.

Arun Jain
Thank you, Praveen. It is a great privilege to talk to all the investors this quarter. Last year, last quarter, we had a detailed presentation by all the business leaders, and they shared their view of the future in detail with you from GTB, Manish has shared the future. Rajesh shared the future, Banesh shared the potential of wealth and insurance, and Rajesh on core banking but competition. So it was a detailed conversation last quarter, and so this quarter, we don't want to get into the detailed conversation. We just want to do numbers already with you, and you have gone through all the numbers. So I will not repeat any data points already shared with you. I like to share with you the thesis on why we are doing what we are doing and what is our thesis on beliefs in the banking technology industry.

The thesis was a twofold thesis which we shared from our Technology Day two years back. I had a Technology Day with you, and that thesis is continuously getting strengthen and getting more and more sharper and more and more referenceable. So based on the thesis, we looked at it that a BankTech Wave 5 is coming, and banks need ultra-simplification of their technologies landscape. The banking world spent $600 billion, the largest in space, fixing band-aid solutions versus taking the solution head-on.

This is like in the automobile sector, there's a wave of EVs, there's a wave of autonomous vehicles, and there's a wave of simplification of the technology, which we wanted to share last time in each other's business unit. We shared eMACH.ai as a fundamental premise of that new way of thinking. Fortunately your company is positioned in the frontline of the new technology wave. And once you're in the front line, you get the best attention from the customer to listen to you.

So in this, to give an example, what eMACH.ai is there? So, people are asking me the question, what is eMACH.ai, but why does it change? Let me just take you a few examples of it.

Rajesh has taken the example of iKredit360 for Resurs in previous meetings. What does it mean? It means that Resurs Bank in Sweden has chosen eMACH.ai technology so that they can compose the credit businesses or products how they would like to cater to their customers.

If they want to embed credit cards along with lending or SME lending with something else, or with deposit and lending together, they can compose a solution. It's like an Ikea way of doing business where you have components available, and you create the object that you want to deliver to the customer. That's what eMACH.ai and eMACH's every alphabet defines the way a new wave will be working. New Wave will work on micro-services, it works on API, so micro-services and API are two levers around which new wave is working. For experiential learning, we create a wave called cloud and headless. On the cloud, we provide our technology which the customer can consume, and he can define the experience. So now another example of the deal which we have done recently in this quarter is it one of the largest banks in the Asia Pacific.

They chose our technology and Accenture to create the experience, so their underlying corporate banking technology will be ours, Payment technology will be ours, and Accenture will build the experience layer. So that gives the ability for the bank to work on eMACH.ai.

Similarly, another bank OTP Bank, we have announced the deal. The context is OTP Bank is the largest bank in Eastern Europe. It's not only in Hungary, but there are eleven countries. It's present there, and GCB Rajesh Saxena has won this deal. This was a stiff competition over the last two years.

We mentioned two years back that we are working on eMACH.ai with certain European banks, one of those banks that decided in our favour. It was a tough deal from a Europe perspective because Temenos is a local player in Europe for the last 20 years. And on the other side Thought Machine where there is an investment of more than $500 million investment invested in Google Company, came as a competition. So it was a three-leg race where we looked at it.

Our score point was we, on one side, have cutting-edge technology like what Google can give, and we had a deep domain depth of knowledge that Temenos or Finacle can give, and that's the best of both worlds.

We are on the frontline of the new wave of technology. Well, one thesis resulted in five of these from 5 different regions. So beauty is we have one deal in the Asia Pacific, a second deal in Saudi Arabia, a third deal in a French bank, a fourth deal in Eastern Europe and a fifth deal in the USA. Now it means this wave is not localised to a particular country. This wave is a wave of simplification. And simplification is possible, which is driving value for the banks.

So why are the banks getting benefited from this wave? Their operational cost can be reduced using Decision AI by 30% to 40%. Their ability to target the right customer for the right product segment at the right pricing can be improved by 20% to 30%. They can target right the banking issue is whether you target right to the right customer for the right product.

That possibility of design using configuration is a second benefit bank gets 20% benefit in the top line, and 30% on the bottom line on operation cost is an interesting proposition. Our focus moves towards distribution now. It's like 3.0 our focus becomes moving towards how we create distribution partners. So after IBM now, Accenture looked at our technology, they evaluated it. It took a lot of time for them to evaluate it. Now we won the first deal with them. It's a very big starting point for winning the deal with Accenture, so this is the first thesis for what we believed that our growth journey through the banking and financial sector is muted for the entire service sector. We will believe that our design journey is around 20%, and 15 to 20% is still intact for this year.

The second thesis which is there which is that we went to the platform mode of designing. So we move from product to platform to technology. That's what I shared with you in December 2021. I shared with you on Technology Day-2 what technology we are embarking on, and we shared in detail about the technology details. Some of the people trusted us. Some people didn't trust us, which resulted in the technology shift of December 2021, we wanted some investments, and we shared that we would be investing back our cash into generating that technology to create eMACH.ai. So we invested extra money during 2022. And that resulted in a drop in EBITDA, which some analysts are sharing that we are losing steam. So it's been interpreted in spite of sharing with all of you that for a good technology company, the purpose of our cash is not to acquire the company. The purpose of our cash is to reinvest back whenever it big change is there, but we couldn't be able to provide enough confidence and trust in all of you. So this is our mistake that we could provide that trust to all of you. That is why such technology investments are there for the future growth of the company. So for that platform, the second case is what we looked at. We invested in the platform first and then the product later. So once you build a platform like we build up AI platform, an AI platform has got multiple components: one data component and one document component. So these two pieces of technology with close to 30 plus algorithms to build this AI platform over the last seven years.

For the same platform, we are leveraging for ESG where Norges Bank. What does Norges Bank use for? Norges Bank invest in 8000 plus companies they have a $1.3 trillion fund, and that fund they want to look at is the company with which they invest in heavy-right ESG practices or not. Now, ESG score they can get from anywhere. But to convert practices defined in some annual reports, some published documents, and some websites. There's a huge amount of job to be extracted that information and align it to the questions they have. So they have close to 200 questions. They have ESG analysts look at it around which they evaluate the company. So our same AI platform is leveraged for that same platform is leverage for Magic Invoice. The same platform you use for underwriting insurance, the same platform is used for underwriting lending, and the same platform is used for Supply Chain, Finance and trade in iColumbus.ai. So it's one investment of the platform resulting in five use cases. Similarly, we built up a platform, iTurmeric, no code platform where we can do the way data works, the process works, the rule works, the event works, API works and UX work, and it's been leveraged for all the other products.

I mentioned in the morning call to AGM that we invested over the last eight years close to 16 million person-hours. Now, 16 million per cent hours in the US context at $80.00 per hour, which is an average rate of R&D dollars, which is invested, it's $1.26 billion. No single player in the world has invested $1.26 billion in designing the technologies of the future, which Wave 5 for the bank is looking for. So that's the thesis that we have. Obviously, India is an underdog. And India doesn't believe we can do something in the product business. But today, when we look at the competition in GCB space where Thought Machine and Temenos are the two leaders. We can displace them in a large deal in Eastern Europe. It may be very insignificant in revenue terms in the quarter, but it's important to send the message that the Wave 5 player is the frontline leader in Wave 5.

The next message concerns cash generation capability from an investor perspective, EPS or cash generation. I think both are healthy. EBITDA margins are healthy. We were looking at it 5% investment. We came back onto the same margin levels, but we were invested back. Our investments are now behind us they're not behind us. We are not investing less into the company, but in percentage terms, they are lower than the existing one. We strongly recommend that quarter and quarter we cannot meet your expectations. So I want to tell you upfront that we cannot meet the expectation of investors quarter on quarter. These are technology businesses it's a long race of three to five years, where leadership will be defined. This market size is so huge that it will require continuous investments, but our investments are very, very calibrated. We are not increasing the calibration from 140 crores we are. We told you last April that we'll be investing 140 crore capitalisation. We invested 136 crore instead of 140 crore last year.

So all the parameters that you are mentioning, it is important for you to record and look at them so that we can be monitored them on an LTM basis. LTM from the last nine quarters is more than 15 to 20%. We can grow from the last continue continuous nine quarters. So when somebody says the last two quarters or bad, it is only from the investor's perspective the last two quarters are bad because the deals were there already. It's only when the deal gets executed and comes to the solution that this deal has a large value, so that's the point. With this bank of assets, we say are right kind of talent in the AGM speech, which I mentioned. 35% of the workforce is more than 10 years of experience, and 16% of the employee hold RSU in the company. There are 57 countries our footprint is there, out of which ten countries we have chosen to go deep. We have a partnership with Accenture, IBM, and more people are lining it up with the eMACH.ai technology. We have a big partnership with Azure and AWS. We have top customers in each geography, top 9 customers in the Middle East, Top 6 customers in Europe out of 10, top four out of 10 in the Americas, top nine out of 10 in India, so 10 top five out of 10 in Asia Pacific. So there's no single company with a footprint from ANZ and the Asia Pacific to the Americas. And here, we are showing the example of our bulls-eye on AI and Composable and Contextual technology, which is driven by design thinking, composability, contextuality and D-3 OTIF. This is the commentary I would leave now for the question-answer session. So that you have enough time to ask questions to me, Rajesh, Manish, and Banesh, all four of us can answer the question. Besides, financial questions can be answered by Vasudha and Saranu. So over to the question-answer session.

Praveen Malik
Thank you, Arun.
Now in case you want to ask a question, please click on raise your hand in case you want to ask a question, please click on raise your hand.

The first question is coming from Mr Mohit Jain from Anand Rathi Securities

Mohit Jain, Anand Rathi Securities
First of all, congratulations on a good quarter. And then I have three questions. One is the average size of a deal in the highest bracket that you report. It looks like we're not capturing the deal win with information correctly as an outsider. So is there a change in the average size of the deals over the last year or so? And then, I have a follow-up on GEM's impact on the working capital. So revenue you have already told us, but on the working capital, what should we expect? And in FY25, when the contract comes off, should we see this rapid decrease in receivables, or could there be other assignments as well? And 3rd is on capitalisation, so it was more account-keeping. I thought I would ask separately, but that is related. Should we see some increase now that you're developing these new tools and tech in

terms of capitalisation over the next two years or overall R&D spend, or do you think the current rate is good enough for us to sort of come out with products regularly?

Arun Jain
So let me take every side of the deal, I think, we can't calculate the amount of resale or deal fundamentally because deals are varying from three years to five years to seven years when the contracts are getting signed, though every deal we sign is relevant for 15 years. But accounting wise is based on the number of years we could sign the contract, and those Contract signed depending on the client to the client. So that's one area in which we are not able to be accurately measured. It's only a very indicative measure of the average deal.

Mohit Jain
Directionally, if you can help, like how much it would have gone up, at least the highest bracket the 50 crore and above.

Arun Jain
Yeah, the deal values can be like RBI will go 500 crores single deal. Some deals are more than 200 crore deals are there. So those are the deal sizes which are on the large size. Deals can go up to 30 million, $200 million, so $100 million. We are not cross right now, but we are in dialogue.

If you would deal, it could. Be $100 million deals. On the second question, GEM working capital. Obviously, it will improve. We have a substantial amount sitting as receivable. The number of days will improve as we go into the working capital there as soon as we mentioned in our press release, that's a single-digit profit business, so it will impact the top-line after four quarters four will have an impact on the top line. Still, we don't see a significant impact on the bottom line. Some impact will be there but not significant.

Mohit Jain
So, sir, going ahead with international DSO, the way you disclose in the PPT? We should gradually approach that.

Arun Jain
It will be in towards international. The third thing is capitalisation, and we don't see any as of now. The budget planning we are done for capitalisation for R&D is in line with close to 140 crore. It's less than $20 million. Normally our budget will be $20 million, which means 160 crores, but we'll be spending 17 and a half million this year. As of now, that is the budgeted section, and we will stick to that, and we have not deviated from the last five years anything in capitalisation.

Mohit Jain
OK, perfect, Sir. And it is a repeat question, but if I can have a follow-up, is there any difference now our license is caught up in terms of growth over the last two quarters? So earlier, we saw this trend where license revenues and growth contributions were a little lower while SaaS was picking up quite fast. So last time, you told me that now clients are not differentiating much. Is there a change in the scenario, or do you think license SaaS could go hand in hand at similar growth rates?

Arun Jain
I think compare license link revenue again from our viewpoint. It's a customer's choice to choose to pay us an upfront license or SaaS, so we don't want to differentiate. We want to give us the flexibility to

customers what they want to choose. Where Saas is more profitable for us for the long-term cycle, but if some customer in Europe wants to look at license upfront money, it's good for us too. So we want to see how much is the license link revenue. If license link revenue exceeds the last LTM basis, we have close to 1200 crore. That is the most important figure for you to look at it whether it comes from AMC, whether it comes from direct license sales, whether it comes from Saas, we are open to that. We are not following Temenos policy that we only want to do Saas business. We don’t want to follow that.

Mohit Jain, Anand Rathi Securities
OK. And your guidance growth guidance of 20%, should we consider it adjusted for them or?

Arun Jain
Yeah, that's right. We need to look at adjusting it for them. 15%, you can look at it. Some decisions may be slower, fast, 15 to 20% anything.

Mohit Jain
Perfect, Sir. Thank you. And all the best, Venkat sir, Congratulations on your new roles

Praveen Malik
Thanks, Mohit. Next we have Mr Vivek Taruga. Vivek, please unmute yourself and ask the question.

Vivek Taruga
Are you able to hear me?

Praveen Malik
Yes, Vivek. Please go on.

Vivek Taruga
So the last call, you mentioned about concentrating on India and putting more focus on India. Can you put light on how our products are getting traction in India and which products are gaining?

Arun Jain
I didn't mention that we are focusing on India. We're saying we have a global player, and we're looking at all the countries, and five deals are representative of all the regions requiring eMACH.ai technology. So India is also among the largest financial engines growing today. All the Indian banks are showing a tremendous amount of growth in double-digit and high double-digit growth which is happening, and they are now adapting to new technology and cloud technologies, so eMACH.ai either the right positioning, whether it's the top banks, public sector banks or private sector bank. So I don't want to name individual banks over here, but most of the banks are, I mean, nine out of the 10 banks are customers. So they are investing in new technology space.

Vivek Taruga
In your annual report, you also mentioned that Lakshya 3 you have done, and there's accelerated growth in the next three to five years. I'm not asking about the growth rate, but which products and what when is accelerated, is it about SaaS growth, or is it platforms maturing? So where is the content coming from and what products in our platforms are giving us the indication, and which in the next three to five years.

Arun Jain
We are looking at compassable and contextual, so we changed the strategy from product to technology. So what products are giving attraction is about core banking. When you have to look at it, deposits, we are looking at lending, we are looking at wealth, we are looking at cash management payments, liquidity, trade and supply chain finance, central banking solutions, and insurance underwriting solutions. So today, all these solutions have matured to the level we have index call in the product maturity index, which is at a 1300-point score. So today, almost nine out of the 14 products are crossing the 1100 mark, so they are suitable for the market, and they build on the same architecture called eMACH.ai so that they can buy it. So if somebody wants to buy lending and wealth, they can do the wiring of this product which nobody else can give to the market. So there's a new wave of delivery, a new wave of autonomous banking here. I don't have a better word for it, but something you can compare to Tata Elxsi or what they are trying to position themselves as the autonomous vehicle management that kind of technology we are hit upon.

Vivek Taruga
Sir, thank you. Thank you very much, sir.

Praveen Malik
Thanks, Vivek. Next, we have Sugandhi Sud from InCred. Sugandhi, please unmute yourself and ask the question.

Sugandhi Sud, InCred
Hi, am I audible?

Praveen Malik
Yes, Sugandhi. Please go on.

Sugandhi Sud
Congratulations on the results. I wanted to understand you've highlighted your eMACH.ai wins in terms of platform revenue. You know, quarter and quarter, there's a strong uptake. So there is no significant change in the volume of the GeM contract, and there's no lumpiness there on the account, and most of this is coming from the new client wins. A new client wins just wanted to clarify that.

Arun Jain
As I mentioned, don't look at the platform and look at licensing revenue there will lumpiness will be there in platform versus license. Depending on which deal goes into which bucket, there will be lumpiness. So internally, what we are monitoring and giving credit to our salespeople is whether you do Saas revenue or license revenue, all money is green, we will have a green colour.

Sugandhi Sud
So in terms of the phase-out of the GeM contract, will it be, you know, done in a straight line manner over the year or how, you know, should we expect to be lower this year and then completely disappear next year, or is it going to be similar to last year and then, you know, the major impact will come in FY25?

Arun Jain
As of now, it's up to December. So Q4, we can see an impact. But still, it's too early to say it's a tested transition. It has just started, and let's see, how the transition is progressing.

Sugandhi Sud
And regarding your receivables, you know there will be contract milestones. Will they run beyond the maturity of the contract, or can we expect that most of those would get cleared towards the end of the engagement?

Arun Jain
You can't say anything about the government. We love to have it.

Sugandhi Sud
Do you don't see any incremental stress on this account? So in the past, I mean just looking at your, you know, provisions that you do for your receivables and your unbilled for your unbilled, the provisions have slightly trended up. But you know you don't see any incremental pressure.

Arun Jain
No, we are not seeing any incremental pressure. It's the same pattern we have. We do make some provisions every quarter on the provision. So for future risks, we are taking the conservative approach of providing an appropriate number or slightly higher than the appropriate number for provision. So can be some point in time, they could be right back if required, but as of now, we want to maintain the same policy of provision.

Sugandhi Sud
And I wanted to cross-check you are guiding for 15% to 20% growth this year.

Arun Jain
Yeah.

Sugandhi Sud
That's helpful. Thank you. I'll just get back in the queue.

Praveen Malik
Thanks, Sugandhi. Next, we have Mr Anil Tulsiram.

Anil Tulsiram
Thank you for the opportunity. I have three questions. First, if I look at your history last 10 to 15 years, we have launched, many products. And some of the few products have been successful in reaching stage 5, but many other products like, say, treasury wealth and brokerage insurance are still in stage 3. What are the conditions required for the product to reach Stage 3, or we take some conscious decision that this product is suitable to reach Stage 3, what exactly is that? This is the first question. And the second question is, in the past, we guided that we soon will enter the USA for core banking products. But it has not entered. Obviously, you have decided that it is not the right time, or we are not prepared, or the competition is whatever it is. I want to understand what conditions should be met before we launch our core banking product in the USA. And the last question is, on technology day two, you spoke about iKredit360 being launched in UK and Germany, so what's the progress there? How are we getting success there? So those are the three questions. Thank you.

Arun Jain
So, first of all, thank you very much for tracking every conversation and recording all of it to follow up on. For stage 3 to stage five products, we had discussed with you very cautiously we take 2-3 products at a time and move them to stage 4 and stage 5. Because investment, go to market investment, so normally people believe that product investments are ₹100 and go to market, maybe ₹40 or ₹50. But our learning in the last five years is if I'm investing ₹100 for engineering, then I have to invest ₹200 to go to market. And that is where what defines my stage 3 to stage 5, which is based on the market potential. TAM of the market and investment we make towards that leadership product. So now, treasury and brokerage are in phase three of our phase right now. This year we are taking this product, maybe, but the brokerage is not taking it forward as a product. But our other portfolio, which is too big in size, core banking, lending, credit card, central banking, wealth, liquidity, digital transaction banking, I think they basket is too big a basket for us to look at to worry about treasury or brokerage as a product to be looked at. So we don't see any barriers for our next three to five years of growth in them?

About the second question on the US for core banking, I never mentioned that we want to go to the US for core banking. We said we wanted to look at banking in the US., so our US. market strategy is around insurance underwriting, which is the core strategy for the US. And GTB product, which is a DTB or liquidity, is a strategy for the US, and we are on track with it. We suffered two losses last two quarters. The two banks, which have gone down, are where we lost substantial sales traction. We had a deal in both banks, and both deals got delayed. One deal has completely gone Silicon Valley Bank completely. Those deals could have been a few million dollars of deals which could have been there, and similarly FRB, we were looking for a complete digital transformation for FRB, and they have already selected us. It was almost on a paper of signing a paper. So we lost two tractions in the US on that bank. So that's an update on the US, but not it was not related to core banking. We believe that core banking is a great opportunity in the US, but we must prepare ourselves. Currently, we are seeing a lot of opportunity in core banking in Europe with the OTP Bank signing it up, and our focus is more on that side. We are spending more time. We hired a president for Germany, K Srinivasan. He will be moving to Germany in August. So Rajesh is focusing on iKredit360 for Europe itself. Thank you for asking detailed questions.

Praveen Malik
Thank you, Anil. Next, we have Mr Nimish Shah. Please unmute him.

Nimish Shah
Yeah. Am I audible?

Praveen Malik
Yes. Please go ahead.

Nimish Shah
Thanks for the opportunity, and congratulations on the good numbers. So sir, in your opening remarks, you mentioned that you are now at a phase where you start looking to add distribution partners, and you have already partnered with IBM and Accenture. I want to understand how this will impact our implementation revenues going forward. And we always maintained that over a longer term period, the business has been designed for 20% growth. Is this growth for the company as a whole or for the license-linked revenue?

Arun Jain
So this company is as a whole. When you're choosing a partnership network, some implementation revenue can be available for the partner to succeed, so that's definitely, but this keeps the size of the pie increasing substantially. Manish, do you want to answer?

Manish Maakan, CEO of iGTB
Now, Arun, that's the answer wherever we've got the system integrators involved. The pie has gone up 5X almost, and we get more money through those because this is not just at that stage automation of the existing system. It's a much larger digital transformation where they look at customer impact, growth, and operational simplification. So the value added is also in a different order. So the customer is willing to pay for that.

Nimish Shah
Right. Does this change our margin profile in any manner?

Arun Jain
It will.

Manish Maakan
Positively.

Nimish Shah
Any directional sense?

Arun Jain
As of now, it's too early to communicate, but it will impact because license revenue goes up, and the margin obviously will go up. License, when you go margin, will go up.

Manish Maakan
I think the positive sign is a number of these large partners are willing to work with us, enabled by, as Arun called out, eMACH.ai. They look at the technology, our footprint, and the customer trust and analyst endorsements given to us. And then, they look at the technology enablement, extensibility, and composability that makes the magic potion happen. So we are referenceable, we are extendable, we are composable. And now the partnership, we have always said the indirect distribution will help us grow to the next order. So we're taking those early steps and building that. We don't want to just run through it and blow ourselves up. We want to design it for the right scale and deliver. Then once we hit the scale, we don't have bumps.

Nimish Shah
Understood, that's it from my side. Thank you.

Praveen Malik
If you want to ask a question, please click on Raise hand. Next, we have Mr Amit Chandra. Amit, please unmute yourself and ask a question.

Amit Chandra, HDFC Securities
Yeah. Am I audible?

Praveen Malik
Yes, Amit. Please go on.

Amit Chandra
Hi, Sir, and thanks for the opportunity. So my question is on this, you know, funnel that you have shown. So there is, you know, quite a significant improvement in terms of the funnel for the year wherein the number of deals, you know, the total number of destiny deals, have also increased. Is this increase because we have been seeing delays in decision-making? In terms of deals or is it because you know there is higher spending from our existing set of clients do. And also if you can you know if you can break this funnel in terms of how is the mix you know between transaction core and also the like newer products that we have launched so just to understand the funnel better.

Arun Jain
Amit, it's difficult for you to understand the funnel because we don't understand it so well. The question is that it's so much of a cycle time so many variables are there in the funnel. That is difficult to capture the texture of the funnel. We give an initiative number to you right now. The market size is $600 billion market, which IT spending happens. How much will they get translated to new wave 5? The new Wave 5 will tell. So now if you say how much petrol vehicle will convert to EV. Time will tell how much it will be. Everybody will make some projections about how much it will be. So the market is not a limitation. The limitation is our delivery capacity. That's why the partners will play a very critical role in the distribution in the coming months, and the current funnel is indicative that it's growing positively—our lead generation engine is growing.

We had close to 15 detailed workshops with the clients on eMACH.ai. They're trying to understand what the new wave means for them. We are having this workshop in Seattle with AWS, we are going to have a workshop with Microsoft in Seattle. Around this, we have a workshop with Accenture in New York, with around eMACH.ai. We are close to 25 more workshops lined up in the till 30th September. That is an exciting number. So, we don't know how to quantify this number as of now, but it's an exciting time to look at. And that's why I don't want to put some colour to this funnel right now, Amit.

Amit Chandra
OK, sir. And in terms of what is the confidence in terms of eMACH.ai in terms of the acceptability that it will have in the industry because it seems to be quite an exciting product, but can it reach, you know, the kind of success that we have received in say, you know our traditional transmission banking kind of very mature products. You know, is like contributing, or they are in the maturity phase, and you know, like in the monetisation phase. So how is the growth in eMACH.ai and also from the perspective of the partnerships? We have been trying to scale up our revenues from the partnership, you know, ecosystem, but we have not seen a lot of success there over the last few years. I don't know how it has changed now, but you know, from the perspective of eMACH.ai, what kind of growth you see from there? How we are dealing with partners now versus earlier?

Arun Jain
Let me be saying our trust in partners we never mention that we are ready for partners. We always say that we want to do our implementation unless our products will be partner-ready products. eMACH.ai provides me with partner-ready products. We started focusing 18 months back on the partner. Before that, we have not even hired a head of partnerships. Only Kannan Ramasamy joined us only 18 months back. It's not that we are not successful in partnership. We're not choosing the partnership as the

distribution lever until we are ready for a partner-ready product. That's the first point I want to clarify it's not that we're not successful in partnership.

It's not that we didn't choose to go to the partnership because we want to establish our reference ability of the customer base, and that is part of our chosen strategy since 2018, Amit. I always explained that the first phase of our growth would be only ourselves to ensure our reference ability is available. We don't want to take a risk with the partner for spoiling the customer relationships. First and foremost, we want to highlight to you the partnership that we are choosing now, and we will not be choosing many partners. We will not be celebrating more is more. We want to celebrate less is more. We want to have few partners but deep relationships with the partners. We'll be committing a deep relationship over there. The second question you asked about. What is the second question?

Amit Chandra
eMACH.ai.

Arun Jain
eMACH.ai is a new architecture front. It's not DTB digital transition banking, liquidity. Now all these products are there, wealth product is there, which Banesh is talking about for wealth force. They all now move to Intellect 3.0 Journey, where everybody has microservices. So we have 285 microservices. So DTB has been moved to the next phase of investment, which we made last year, to move them to microservices-based architecture.

So since they moved to microservices-based architecture, eMACH.ai is a common platform which is getting express itself to construct DTB solutions, liquidity solutions, trade, finance solutions, supply chain solutions, and core banking solutions. So each solution can be designed, and we are giving the customer the flexibility, or he wants to design it, and that's what the new wave of technology is all about.
Rajesh, do you want to add anything to that?

Rajesh Saxena, CEO of iGCB
Oh, sure. So I think you said it, Arun, I think the eMACH.ai gives us the architecture. And it stands for events, APIs microservices, cloud and headless, and that's the way all our platforms are constructed so that the banking can become completely composable. And we talked about what we are seeing. Let me take an example of, let's say, Europe. What do we see in Europe? In Europe, we are seeing good, good traction in the core banking space, and what the customers are looking for is a composable solution. So our eMACH.ai architecture, along with our iTurmeric platform, gives us that edge, and that's what we see as traction in the market.

Amit Chandra
Also, Rajesh, can you comment on the competing products in the market you see at the competition to eMACH.ai?

Rajesh Saxena
So the way I see competition and let me put this in the context of core banking space. So core banking, traditionally, we have seen competition from players like Temenos, Flexcube, Finacle, etc., and then there are new-age players like Thought Machine and Mambu. Thought Machine and Mambu come with architecture, and what Temenos and Flexcube and Finacle would come with would be the domain, the depth of the product.

Intellect has the great advantage that we have the depth as well as the architecture of these new platforms, and that's why, for example, we talked about this OTP deal and this OTP deal that we won against Temenos and Thought Machine was really because of both are architecture as well as the depth that we have, and that's what is resonating in the market.

Amit Chandra
And, Arun sir, my last question is on the GEM project. You know the GEM project will be there till December. But in terms, the bids that came up for the project were substantially low in terms of what we are operating at. So how do you see that? And also, in terms of our receivables, what part of our receivables is from GEM?

Arun Jain
There is substantial receivable, as we mentioned earlier, so that should cover it up. And second, at the TCS value, we will not be doing that business. We don't want to be in a loss-making business, and we don't see TCS can make money on it either. They want to win it, it's their joy of serving the government. But we have served the government for 4-5 years. It's a national project we have taken to solve the national problem. So GEM is no regret for us. GEM is cleaning up our eMACH.ai interest.

I would have expected some investors to ask questions about AI. AI is a hot topic right now, and AI, the kind of capability that Banesh has built for AI, is phenomenal. And that is not coming out as a separate space which we are differentiating along with the composability. And there is space in the contextuality of operation space. And this is a decision AI. Decision AI is very different from information AI. So when you talk about ChatGPT, it's information AI. You can't use it for any business decision from ChatGPT.
You can only take some information, and converting information to knowledge and knowledge to a decision is a three-step process of AI. With our seven years of investment in AI, if we separate the AI company, it should be the most valuable company in a global marketplace from that perspective. So this is where the AI platform, which I mentioned in the beginning, is the fabric platform of AI, which I described in eMACH.ai substantially. That is giving an entire boost to all the product lines.

Amit Chandra
And also, you mentioned the AI thing, so are we selling AI as a separate capability, or are we embedding AI into our existing products and platforms?

Arun Jain
Yeah, we are selling a separate product like Magic ESG. It's a separate product of ESG but not just embedded like Norges Bank is a $1.3 trillion fund management. It's a separate product so Banesh can highlight more on that.

Banesh Prabhu, CEO of IntellectAI
So thanks for that question. Let me explain it in two different ways. One is eMACH.ai. We heard a lot about eMACH. The combination of eMACH.ai - that is, the architecture along with the AI intelligence, is embedding this intelligence into our product lines in a way in which the customer can achieve a much higher level of AI implementation, whether it is in hyper-automation or hyper-personalisation.

So I think, for example, I'll give you a wealth perspective. Right from wealth, and as you probably have already heard, we won an award for, you know, for the most exceptional usage of AI across Pan Asia, which covers Asia and India from the Wealth-Briefing awards.

And one of the interesting things is MACH gives you the composability that, you know, Arun mentioned, of being able to compose for different segments, different product capabilities.

For example, we've just recently gone live with one of the largest private banks in India, they are using Wealth for this first part of the launch is about mass affluent wealth. Now, we all know that the penetration of mutual funds in India is growing significantly.

And how do they provide a technology architecture? And by the way, this architecture is on the cloud, it's on AWS. And the scale is very large. The ability to consume our eMACH architecture for wealth, along with the AI components that can make a difference to seamlessly deliver either a do-it-yourself capability or a very personalised capability for the customer, is one sort of example of how we can consume for different segments, whether it's mass wealth, whether it's ultra-high net worth or private bank.

So the architecture gives them the power to be able to consume for different clients, different products and different capabilities and experiences. Financial advisors or relationship managers drive some of them drive some of them. Or some of them just do it yourself. So that's the power of the combination of intelligence embedded in what we would say embedded AI for wealth.

Similarly, in the US insurance, the underwriting insurance, you know, recently Gartner had an underwriting, they don't have a quadrant for underwriting, but they have a very detailed paper on underwriting. Intellect Design was probably the best digitally engineered underwriting platform for using AI.

There we embed data in such a way that the underwriter can actually improve his speed and decision-making quality, and therefore, we've embedded AI into the underwriting workbench. So not only is it operationally efficient, but more importantly, it brings intelligence into the product for different lines of insurance business. So AI coming together, it's at a good point, AI today in the market where can be a huge difference in improving growth and operational efficiency as well as helping the client achieve, you know, revenue targets and compete more efficiently with their competitors.

Amit Chandra
Yeah, Sir. Thank you. That was quite helpful.

Praveen Malik
Thank you, Amit.
Next, we have Mr Rahul Jain from Dolat Capital. Rahul, please unmute yourself and speak.

Rahul Jain, Dolat Capital
Yeah, hi. Thanks for the opportunity. Firstly, if you look at the commentary from many services companies regarding the spending cuts and discretionary cuts by the banks versus what we see in our case for software companies, the view is quite divergent.

So my two questions are here. One is that banks now finally realised the importance of investing in core technology, which is keeping this as a priority aspect for them right now. Or is it also a function of being more present across the global market, which means that our exposure to more troubled economies is less, and that's why it reflects better growth for us? At the same time, services businesses are more concentrated on two or three markets in pain.

Arun Jain
Very good, Rahul. It's spotting the right thing. So a lot of IT spending has gone up in the last three years, which was a disproportionate increase happened in last three years was unnatural. This was to me, I mentioned in one of the calls, it was like a band-aid digital. You do the digital, which looks nice on the face of it. Like face makeup. But you don't make it change in the structural digital. Structural digital, you need to make a change in data design. You need to make a change in a data layer. You need to make a change in a product layer. You need to make a change in a process layer. All have to go together. So your question is, when COVID happened, and everybody wanted to sit from home, they did a very quick and dirty solution, and they wanted hundreds and hundreds of people to solve that problem.

So it's good for Indian companies that we made a lot of money out of this problem statement of band-aid digital. Now, the band-aid digital to structural digital, which Manish was mentioning, structural digital when the deal which we won in Asia Pacific Bank with Accenture, that's a structural change.
They're looking for a business transformation from digital transformation to data transformation. All three came together when the deal value was multiplied 5X compared to the band-aid solution, where the value is limited to 1X. That's the right analysis you have done, Rahul. For Wave 5, banks don't have an option. Like an electric vehicle, there's no option for all of us not to go to the electric vehicle. When we make a decision, it's our choice.

Rahul Jain
Right. Thanks for the clarification. Secondly, from a market perspective, is India now becoming very center stage from a global demand point of view in many industries? Would that be true for your business as well? If yes, then what's the strategy out there?

Arun Jain
In what context? For other industries?

Rahul Jain
I mean, yeah, even if you look at what's happening or what kind of a credit proliferation is, what the regulator is now pulling into the UPI ecosystem or small consumer loans or banking the unbanked database collateral, these kinds of things are now coming with a lot of NBFCs and banks are getting into their digital solutions with the lending partner, partnering the lending fintechs. One side of the story is where these companies would simply partner with fintech to distribute their lending or BNPL solutions. And the other aspect of the story would be where banks would try to modernise their solution and do it directly, like what possibly Bajaj is doing in India. So from that context, do you think credit is a center-stage aspect in India? Is that leading to a lot of opportunity here?

Arun Jain
Yeah, that's true. I think that two things are there, Rahul. I think this is the question here. We are undermining the security issue of the banking solution. When you take from a Fintech player, a lot of people who are still in India, like HDBC Bank or ICICI Bank, will take a holistic decision of buying the right solution at the right pricing. Today, still in India NBFCs are not investing sufficiently in cloud technologies. They are not investing in structural changes, and security is so complex in the eMACH.ai world that we are undermining the required investment. Almost 170 elements are there in security architecture, how you wire the security along with the transactional work. That's where India will go through two investment phases. One phase will invest as the band-aid solution, and the second will be a structural solution.

Rahul Jain
Ok. So at best, we will see the first band-aid one where all software companies would have limited participation, but then we may have a larger piece of the cake eventually. And the last piece from my side, which is related to wages or any other investment, if you want to say that from the current base. What are the investments required for this part of the later part of this year in terms of wage correction or people investment or any other investment from a cost point?

Arun Jain
Fortunately, because the software industry is in trouble, we are beneficiaries of that, so we don't focus so much on that particular thing, so. On the other side, on the investment side, just not to take it lightly, your question is, how much is the forecast on the cost structures? Cost structures are stable now. Last year, our cost structure became unstable because of COVID time and the industry issue. Our investment will be distribution, our focuses 3D's - distribution, distribution, distribution. We are now looking at it and spending time on it. So, our management team is in the US starting from Monday. So Banesh is sitting in New York right now. So our focus is deeply on distribution right now.

Rahul Jain
Right. And is this increment or whatever correction needs to happen already baked into the current cost and rate?

Arun Jain
At this point, yeah.

Rahul Jain
Yeah, OK. That's it from my side. Congratulations to Venkat for the new role, and also, Congrats Vasudha for this position. Thank you so much.

Vasudha
Thank you.

Venkat Saranu
Thank you, Rahul.

Praveen Malik
Next, we have Mr Narender. Mr Narender, you're there? He's not there. I think he's left.
Arun, we have only the two follow-up questions, then. No new question. Can we take them?

Arun Jain
OK. Just take them.

Praveen Malik
Yeah. Mr. Anil Tulsiram.

Anil Tulsiram
Thank you for your opportunity once again, I have two questions again. First, I understand existing customer base accounts for almost 80% of your revenues. So what I want to understand is what happens at the time of renewal. So how easy is this renewal? Or again, do we have to go to the RFP or other things or to put it another way, how easy or difficult is it for your customer to switch to another

vendor, and what are we doing to make these customers more sticky? That is the first question, and the second question is around 2021. We spoke about cross-sell opportunities that we will go deep in the top 10% of the clients, so what's the progress here? Thank you. That's the two questions.

Arun Jain
Manish, would you like to answer

Manish Maakan
I think, like Arun briefly shared, we are tracking the top ten banks in each of the markets, and what is up, we today have the top four of the 10 American banks, the top seven of the 10 European banks, the top seven of the 10 Middle East African banks, top nine out of 10 in India, five out of 10 in Asia Pacific. And this consistent focus right now is to be able to cross-sell each of our products. The difference between us and some of the other vendors is those term contracts our renewal goes in there because they are not partnering, they are just selling the license, and they get away. They're not partnering in the transformation of the bank and the growth of the bank. That's when the RFPs kick in. We've consistently been sharing, we're regularly upgrading our products and capabilities with our customers. So we face less challenge from that perspective. There are sometimes, from a procurement process, there's a closed bid done just to ensure that compliance processes are taken care of. Our journey is to be with long-term customers. It's a 15/20/25-year journey, and we have shown some of our customer's lifetime revenue coming from that. So it is always consistent to keep investing in customer success. When the moment comes to renew the contract, you're not then letting procurement take over. It's an extension of what you're doing.

Arun Jain
OK.

Praveen Malik
OK, Anil. Thank you so much.

Anil Tulsiram
Ok got it. Thank you. That's it.

Praveen Malik
Then we have a follow-up question from Vivek Taruga. Vivek, quickly, can you ask the question?

Vivek Taruga
Yes, Sir. My question is about the US last year. Arun ji said we have lost two deals. And given the current conditions, do you expect a similar growth rate to last year, like you guided 50% And what is the outlook on both the time to deal with closure and the insurance part - IntellectAI part, which you were very positive about last year? Thank you, Sir. Thank you very much.

Arun Jain
And we are as positive, more positive on IntellectAI on US growth. The US because of the setback of these two deals, we are looking in North America in the market. So Manish looks at Canada and US together. So the combined market, we have good potential. In the US, we have won one deal. So at least the year has started very well in the US.

Manish Maakan
Canadian banks are reasonably well, and we've just announced that for one of the large Canadian banks, the US piece of business. We were doing the Canadian, now we're doing the US side of it also.

Vivek Taruga
So the deal the things are not like because last quarter, because of that SVB crisis, you were more unclear. So I was just trying to understand.

Manish Maakan
We did lose 2 deals. SVB - First Republic has become JP Morgan. So we were doing some work for the First Republic, so it has gone into becoming JP Morgan. We are running the platforms we were already working with JP Morgan before. It gets our relationship. The upside is our relationship with JP has become a little bigger. Still, the commercial revenue loss on these two large deals would have given us another bump in this quarter, but that's the game we all play managing risk and portfolio. And I think, compared to some of the other software service providers, you're seeing their dependence on the US is very high. We've always talked of a portfolio which is balanced across products as well as markets that hedge us from this seasonality. It does give us a bump on the road, but it doesn't create a panic that has to stop hiring, have to get rid of people, have to create panic.

Vivek Taruga
Right, so IntellectAI will grow 50% like you said last year, Sir, this year also? Last question, sir.

Arun Jain
It's going substantially how much we come into books of account because IntellectAI business comes as a SaaS model, and it's not every month, but deal sizes are increasing. So we are getting even double-digit million dollar deals in the Intellect business, which will be we are at least 7-8 deals are there which is the double-digit millions of dollars, $10 to $20 million deals over the next five year TOC value, TCU value of the need. So those deals, we are now getting IntellectAI on how much will be translated that will come within 15 -20 per cent.

Vivek Taruga
Thank you very much.

Praveen Malik
Thank you, Vivek. Arun, can we close the call now.

Arun Jain
Yes, please. Please close the call now.

Praveen Malik
Thank you to all the participants for participating today. In case you have any follow-up questions, please do write to us or call us. We'll reply on the same. Thank you very much now. We can log off.

Thank you.