DATAMATICS

February 14, 2024

To,

Corporate Communication Department	Listing Department
BSE Limited	National Stock Exchange of India Limited
Phiroze Jeejeeboy Towers,	Exchange Plaza, Bandra Kurla Complex,
Dalal street, Mumbai - 400 001.	Bandra (East), Mumbai - 400 051.
BSE Scrip Code : 532528	Symbol : DATAMATICS

Sub.: Transcript for Q3FY24 Earnings Call

Dear Sir/Madam,

Pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we would like to inform you that the Company has held a conference call with the Analysts / Investors on **Friday, February 09, 2024 at 05:30 p.m. IST** for management discussion on Unaudited Financial Results for the quarter ended December 31, 2023.

Please find attached transcript of the call on Unaudited Financial Results for the quarter and half year ended December 31, 2023. The same can be accessed on the below mentioned link:

https://www.datamatics.com/about-us/investor-relations/earnings-call

Kindly take the above on your record.

Thanking you,

For Datamatics Global Services Limited

DIVYA KUMAT
Digitally signed by DIVYA KUMAT
Date: 2024.02.14 17:06:36 +05'30'

Divya Kumat
EVP, Chief Legal Officer and Company Secretary
(FCS: 4611)
Encl.: As above

"Datamatics Global Services Limited
Q3 FY24 Earnings Conference Call"

February 09, 2024

MANAGEMENT:	**MR. RAHUL KANODIA - VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER** **MR. SANDEEP MANTRI - EVP AND CHIEF FINANCIAL OFFICER** **MR. MITUL MEHTA - EVP AND CHIEF MARKETING OFFICER**
MODERATOR:	**MS. ASHA GUPTA, E&Y LLP - INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to Datamatics Global Services Limited Q3 FY24 Earnings Conference Call. 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 this conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from E&Y Investor Relations. Thank you, and over to you, ma'am.

Asha Gupta: Thank you, Nirav. Good evening to all participants in the call today. Welcome to Q3 FY24 earnings call of Datamatics Global Services Limited. The results and presentation have already been mailed to you and you can also view it on Datamatics website. In case anyone has not received the copy of press release or presentation, please do write to us and we will be happy to send you the same.

To take us through the results today and to answer your questions, we have with us the top management of the company represented by Mr. Rahul Kanodia – Vice Chairman and CEO, Mr. Sandeep Mantri – EVP and Chief Financial Officer, Mr. Mitul Mehta - EVP and Chief Marketing Officer. Rahul will start the call with the brief overview of the quarter on the business, which will be then followed by Sandeep, who will take us through the financials. We will then open the floor for Q&A session.

As usual, I would like to remind you that anything that is said on this call which gives any outlook for the future or which can be construed as forward-looking statement, must be viewed in conjunction with the risk and uncertainties that we face. These risks and uncertainties are included but not limited to what we have mentioned in the prospectus filed with the SEBI and subsequent annual report which you can find on our website.

With that said, I will now hand over the call to Mr. Rahul. Over to you, Rahul.

Rahul Kanodia: Thank you very much and a very warm welcome to all of you on the Call. Thanks for joining our Q3 FY24 Earnings Call today. We wish everyone a Happy New Year and we are glad to have you on the call today.

I will briefly discuss some of the key quarterly performance highlights while Sandeep will provide an update on the financials, after which, of course, we will open the floor for questions and answers.

We have completed the nine months of FY24 and witnessed a revenue growth of 9% and an EBIT growth of 14.8% on a year-on-year basis. The performance has been even across all the three segments.

Regarding quarterly performance, our revenue declined 0.9% on a year-on-year basis and 2% on a sequential basis. Q3 is generally a weaker quarter in the industry, and we are no exception to this trend. The decrease in revenue during Q3 is attributed to a delay in the commencement of new projects, while the ramp-up of operations has already kicked off. We have noticed slowness in decision making of large deals in the Western markets. Nevertheless, we continue to add new customers at a steady rate. We added 12 new customers during Q3 of 2024 and our new deal pipeline continues to remain healthy.

We are happy to be in the Forbes Asia 200 best under a billion-dollar company. The list comprises of the top 1% of 20,000 listed companies in Asia. It is a recognition of our outstanding corporate performance over the years by enabling enterprises to go deep in digital to create operational efficiency, superior customer experience, and sustainable competitive advantage. I take this opportunity to thank all our stakeholders, including employees, customers, and shareholders for being an integral part of our journey.

With that, I will now hand over the call to our CFO, Mr. Sandeep Mantri. Sandeep, over to you.

Sandeep Mantri: Thank you, Rahul. Welcome everyone and thank you for joining us in Q3 FY24 Earning Call.

Let me start with the financial performance of Q3 FY24 and then I will take you through the 9-months numbers as well:

Our Q3 FY24 revenue stood at INR 369.3 crores which is a slight decline of 0.9% on a Y-o-Y basis and 2% on a sequential basis. Our consolidated EBITDA for this quarter was at INR 52.6 crores which is decline by 10.7% on a Y-o-Y basis and sequential basis as well. Our EBITDA margin for the quarter is at 14.3% as compared to 15.8% in the last year same quarter and 15.6% on a sequential basis.

Our consolidated EBIT for the quarter was at INR 43.7 crores, which is down 12.9% on a Y-o-Y basis. EBIT margin for the quarter was at 11.8% as compared to 13.5% in the last year same quarter. Our quarterly PAT after NCI was at INR 41.3 crores which is 10% decline on a Y-o-Y basis. PAT margin for this quarter was at 10.9%. Our tax rate for this quarter was at 23% compared to 25.3% on a Y-o-Y basis. The primary reason for the decrease in tax rate is normally change in the profit mix of various legal entities. EPS for the quarter was at INR 7.01 per share, which was lower than last year same period which was at INR 7.78 per share.

Talking about segment wise revenue performance, our digital operation revenue for the quarter was at INR 160.4 crores which is a growth of 4.9% on a Y-o-Y basis. Digital operation EBIT margin was at 16.5% and its contribution to total revenue was 43%. Digital experience revenue was at INR 57.5 crores, a decline of 6% on a Y-o-Y basis. EBIT margin for digital experience was at 15.4% and contribution to total revenue was 16%. Digital technology revenue was at INR 151.4 crores which is a contribution to total revenue of 41%. Revenue declined by 4.6% on a Y-o-Y basis. The margin in this segment was at 5.5%. We continue to maintain a healthy balance sheet as of December 31st.

Our total cash and investment stood at INR 595 crores compared to INR 581 crores in the last quarter. So, there is a slight increase in the cash balance. Our DSO was at 60 days as of December 2023 as compared to 63 days in the last quarter.

In terms of geographical footprint, US remains our largest geography with 54% coming from US followed by India at 24%. The rest of the world including the UK and Europe was at 22%. In terms of industry footprint, BFSI continued to remain the largest segment for us, which includes 26% of our total revenue, followed by Technology and Consulting which stood at 24% and post that Education and Publishing stood at 13%, Manufacturing, Infra and Logistics at 12%, Non-profit or non-governmental organization was at 11%, Retail contributed 10% of our total business, and other segments are 4% of our total revenue. If we talk about client concentration, it is very healthy with the top 5, 10 and 20 clients contributing to 23%, 35% and 49% respectively.

Now coming to 9 months financials, our 9 months revenue was at INR 1,137.2 crores which is a growth of 9% on a Y-o-Y basis. Our EBITDA was at INR 179.3 crores, which is a growth of 13.2% and EBITDA margin stood at 15.8%. Our EBIT was at INR 151.9 crores and EBIT margin stood at 13.4%. The tax rate for nine month was at 19.2% compared to 22.3% last year in same period. Our PAT after NCI was at INR 145.6 crores compared to INR 129.2 crores, which is a growth of 12.7% on a Y-o-Y basis. EPS for the full nine month was at INR 24.71 per share as compared to INR 21.92 per share. So, there is a growth of 12.7% in terms of EPS for 9 months.

If we see segment-wise results for the 9 months of FY24, Digital operation revenue was at INR 491.9 crores, which is up 10.9% on a Y-o-Y basis. Digital operation EBIT margin was at 18.4%. Digital experience revenue was at INR 182.2 crores, which is again up 14% on a Y-o-Y basis. Digital experience EBIT margin was at 18.8%. Digital technology revenue, we were at INR 463 crores, which is up 5.3%. The EBIT margin was at 5.8% for this segment.

With this, I will now pass on the call to operator to open the floor for questions. Thank you for your patience and continued interest in Datamatics. Thank you.

Moderator: Thank you very much. We'll now begin the question-and-answer session. First question is from the line of Shubhankar Oja from SKS Capital Research. Please go ahead.

Subhankar Oja: I have listened to the initial remarks. So, I was asking about you commented on the delay in some projects which is why the revenue declined by 1%. Can you give some detail on that? And where is it now with respect to the commencement of the project?

Rahul Kanodia: The projects have taken off more slowly than expected. So, they are not going at full steam. They are but softer than we had expected. So, two-three things are happening in the decline. One is the projects are taking off slowly. Some of the decision making is slower. In any case Q3 tends to be a little weaker quarter for us, particularly because we are ramping up for Q4. So, some of these things are really outside of our control in terms of the slowness in the decision making. That's the primary reason.

Subhankar Oja: So, now with 9% growth for 9-months, what is your expectations now with respect to FY24 all growth guidance?

Rahul Kanodia: Q4 of this year, which is Jan-Feb-March, we expect that we will grow in the vicinity of about 11% to 12% on a sequential quarter basis. And therefore, that means for the year, we should end up somewhere between 4.5%-5% roughly in top line basis for the full year.

Subhankar Oja: I missed that. Did you say 12% on a sequential basis for Q4?

Rahul Kanodia: Yes, sequential basis we are looking at somewhere around 11%-12% sequential quarter growth and therefore the year should end up at about 4%-5% for the full year. Because Q4 of last year also we grew at about 11%. Yes, so the base is high basically for quarter, for last year.

Subhankar Oja: And with respect to the use of cash, is there anything that you want to update us with respect to the inorganic growth?

Rahul Kanodia: Yes, so as we mentioned earlier, we have been in dialogue with some companies. We have looked at as to date over 200 companies. Right now, we are in active dialogue with a few of them. But obviously it's too early to say anything, but we are in active dialogue with some companies. And hopefully if that goes well and it matures, we should have some transaction, but it's a little early for me to say that. The good news is that there's an active dialogue, we have been in touch with them for some time.

Moderator: Thank you. Next question is from the line of Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah: Sir, I wanted to know what's the outlook going ahead across various segments. And we see margins stabilizing in the segment where we were finding this is tough compared to year on year. If you could tell us how each of these segments are looking while you laid down the outlook for the entire year?

Rahul Kanodia: So, each of the segments has had an even performance. We are seeing this behavior of slowdown across all the segments, so there's no particular segment standing out. In the customer experiences as you know two quarters back one project came to an abrupt end. So, that has continued the impact on digital experiences. As far as the margins are concerned, we have stabilized the margins. In fact, next year I expect an improvement because we have done some degree of automation. So, I'm speaking a little out of turn, but next year we should see healthier margins because of the automation but in terms of the revenue performance so far for the year, all three segments of ours have been approximately evenly impacted.

Grishma Shah: But the digital technology segment has seen some margin stabilization, right?

Rahul Kanodia: That should improve.

Grishma Shah: If you could tell us what's happening in that segment, and how do you see margins for that segment, say maybe next year or directionally over medium term?

Rahul Kanodia: Yes, so for that segment, we are using AI to automate and we expect that should improve productivity. So, we are tightening our belt in terms of productivity, and I do expect the margins on digital technologies to improve in the next financial year.

Grishma Shah: And we did win some contracts between Q2 and Q3. So, anything major that you could share for the outlook going ahead?

Rahul Kanodia: So, in the contracts we won, we did announce one large deal. But that is, as I said, going a little slower than we had anticipated. And therefore, it's not showing up in the revenues as actively or as aggressively as we thought it would. Having said that from a pipeline point of view, last time we had talked about $290 million pipeline. That pipeline is fairly healthy, and we are at about $245 million right now. So, that remains roughly at a healthy rate. This year, this quarter, we've closed 12 new customers. So, the closure of customers is at the same pace that we had earlier as well. It is just that they're slower in deciding and they're slower in ticking off. But we've closed 12 new customers. The run rate has been roughly in the same range in the previous quarter as well.

Grishma Shah: And what's the feedback on the product side? How is that segment picking up?

Rahul Kanodia: That segment is picking up well. We're getting a lot of interest. We've been in active dialogue with companies like Microsoft. Even they've given very strong feedback on the products. So, we've closed a few deals as well. So, that is looking quite good.

Mitul Mehta: Yes, also last quarter we went live on Microsoft Marketplace, which is transactable, so that's also a channel which will help us reach out to a larger Microsoft customer base.

Grishma Shah: And what about the bidding for the metro projects in India? What's the progress on that?

Rahul Kanodia: So, the metro projects are all going well. We are right now in dialogue with three prospects in India and two in the US. So, we are trying to put more efforts in the US market, and we should be quoting for some of them. These are long gestation projects, so it's not that every quarter something happens, but we are well-placed for some of these projects that we're doing. As you know, we've almost completed Kolkata Metro, we made good progress in Delhi-Meerut RRTS corridor by NCRTC. . Mumbai Metro of course line 2A and 7 have gone live, line 2B is just about to start. So, I think we are well placed with that.

Grishma Shah: And in general, price increases for next year would be difficult to come by?

Rahul Kanodia: Yes, I would imagine so. I don't think the markets will respond to a price increase. I think the key focus next year will be for improving margins, the productivity more than the price increase.

Moderator: Thank you. The next question is from the line of Parvati Rai from Equentis Wealth. Please go ahead.

Parvati Rai: I just heard you speaking on the margins that next year it should be an improvement, given the automation and the other work, so I would like your thoughts on what would be the exit margin for this year that you're looking at on EBITDA?

Rahul Kanodia: This year we are at about 14% something. So, I think it should be a little better. But we are right now, as I said, in the planning phase. We will spend this quarter, planning our numbers for next year. So, maybe in the next call we could probably give more insight into that space. But it should certainly be better than this year.

Parvati Rai: And the other point that you made on margin is that especially with respect to digital technologies, where you did mention that it's kind of stabilizing. In the previous quarter, you did highlight while it will be low single digit for now, you're also looking at a 7% to 8% range. So, does that still stand and by when are you looking at that range achievable?

Rahul Kanodia: Certainly, next year we should be in that range.

Parvati Rai: Some more outlook from the deal perspective or the macro-outlook because since you mentioned that decision making is slow and delay in large deals and given the revenue growth has been far timid from last quarter we did pull back on the guidance. So, for the next couple of quarters, how are we kind of expecting the market outlook, macro situation?

Rahul Kanodia: So, we still have to see in terms of the macroeconomic scenario as to what happens with the US, with the war in Israel, and the Ukraine-Russia war. So, all of that is still sort of a little unknown. Having said that, as I mentioned, we are right now doing our detailed planning for next year. So, probably in the next two months I should have a handle on that.

Moderator: Thank you. As there are no further questions, I will now hand the conference to the management for closing comments.

Rahul Kanodia: Thank you very much and thank you all for participating in today's quarterly call. I look forward to engaging with you once again in the next quarter and I'm sure we'll look forward to a good next year. So, thank you very much for being on the call.

Moderator: Thank you very much. On behalf of Datamatics Global Services Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.