June 3, 2023

To, **BSE Limited,** Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400001 **BSE Scrip Code: 543451**	To, **National Stock Exchange of India Limited,** Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400051 **NSE Scrip Symbol: AGSTRA**

Ref: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of Earnings Conference Call held on May 29, 2023

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed, transcript of the earnings conference call held on Monday, May 29, 2023, post declaration of the audited financial results (standalone and consolidated) for the quarter and financial year ended March 31, 2023

The above information will also be made available on the website of the Company at www.agsindia.com

This is for your information and record.

Thanking You,
For AGS Transact Technologies Limited

SNEHA PRABHAKAR KADAM
Digitally signed by SNEHA PRABHAKAR KADAM
Date: 2023.06.03 12:44:20 +05'30'

Sneha Kadam
Company Secretary and Compliance Officer
(Mem No: ACS 31215)

Enclosure: As above

"AGS Transact Technologies Limited
Q4 FY '23 Earnings Conference Call"
May 29, 2023

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 29, 2023, will prevail.

MANAGEMENT: **MR. RAVI GOYAL – CHAIRMAN AND MANAGING DIRECTOR – AGS TRANSACT TECHNOLOGIES LIMITED**
MR. SAURABH LAL – CHIEF FINANCIAL OFFICER – AGS TRANSACT TECHNOLOGIES LIMITED

MR. STANLEY JOHNSON – EXECUTIVE DIRECTOR – AGS TRANSACT TECHNOLOGIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to AGS Transact Technologies Limited Q4 FY23 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 star then zero on your touch-tone phone. Please note this conference call is being recorded.

I now hand the conference over to Mr. Ravi Goyal, Chairman and Managing Director, AGS Transact Technologies Limited. Thank you and over to you, sir.

Ravi Goyal: Thank you. Good afternoon, everyone. A very warm welcome to each one of you and thank you for joining our Q4 and FY23 Earnings Call. On this call, I'm joined by our CFO, Mr. Saurabh Lal and our Executive Director, Mr. Stanley Johnson.

FY22-23 saw key regulatory developments come to the spotlight such as the MHA guideline on implementation of cassette swapping, introduction of digital banking units, interchange fee on PPI-based UPI transactions, and interoperability of PPI wallets by NPCI and more. We also saw a healthy reception to and strong adoption of CRMs, i.e., cash recycling machines by multiple banks. This has facilitated cash deposit in addition to cash withdrawals at bank branches, and we are confident that this adoption and switch towards CRM will continue at a rapid pace.

Banks are focused on expansion both in terms of geography and in terms of ATM and CRM network with the objective of capturing a wider customer deposit base and to achieve financial inclusion goals. We are setting up Digital Banking Units or DBUs that mimics a bank branch while minimizing the overall operational cost and providing 24/7 access to the customers.

Further, we are increasingly adding to the CRM network, which although requires more investment than a regular ATM, but offers better economics for players like us and higher cost saving for banks. This can be seen from the fact that fresh RFPs for procuring about 17,000 ATMs and cash recycling machines were floated in FY23. This year too, cash has retained its primary spot with cash in circulation steadily rising over the year. The cash in circulation, which stood at about INR28.5 trillion in FY21, has reached INR33.5 trillion in FY23, and it is projected to reach approximately INR35.5 trillion by FY24.

As a percentage of GDP, the current level stands at almost 13.7% of GDP. Talking about the cash management market, when we take the total ATM cash management, retail cash management, and dedicated cash and transit vans together, this market was approximately INR3,300 crores in FY22, which stands at INR3,920 crores in FY23, and is projected to grow to a level of approximately INR7,900 crores by FY27.

From a company standpoint, we have focused on further streamlining our overall business operations and services. From a steady performance last year, we had slight growth in the current year, going to multiple challenges in the macro environment, slower uptake of some initiatives, and spillover of our order execution by a quarter or two.

Having said that, the road ahead is promising, as conscious efforts over the year have resulted in a few major developments, which we look forward to seeing materialize in the coming year. In our core business, which are ATM outsourcing and cash management, continue to perform well. In Q4 FY23, we serviced approximately 74,501 customers touchpoint across 2,200 cities and towns in India during the quarter. We provided cash management services to more than 42,426 ATMs through our wholly owned subsidiary Securevalue.

As on March 31, 2023, AGS had installed, maintained and – or managed a network of approximately 74,501 ATMs and CRMs. Our CRM network has expanded from 4,072 to 5,178 in the last year. Our ATM outsourcing and managed service business, which complements cash management -- cash management part is housed in this standalone entity. This business faced some pressure in the business, especially in terms of provisions relating to loss allowance.

Going forward, we expect that both these businesses can give us an upside, as we recently announced winning an order of 8,000 ATMs and CRMs under managed outsourcing portfolio. Of these, we have already completed an integration of close to 2,000 ATMs, CRMs for Punjab National Bank. The integration process for the remaining 6,000 ATMs and CRMs is underway and is expected to be completed by H1 FY24.

Revenue growth in ATM outsourcing solution is dependent on volume of transactions. We expect a constant margin on the back of increasing share of capex light expansions. AGS TTL has also an automation product business. We are consciously looking to scale down due to lower margins and returns on capital in this business. However, we will continue the servicing for this business. This business is close to INR760 million in terms of top line and tends to be working capital heavy.

Scaling down lower margins and high working capital business lines and tapping high growth business lines with better profitability along with other initiatives will help us elevate the margin profile. On the digital front, we are taking advantage of the growing digital adoption in the country by rolling out point of sale devices with a focus on OMCs.

In addition, we have powered the Rupay National Common Mobility Card, what is popularly called NCMC, issued by RBL Bank for Bengaluru Metro Rail Corporation, the second longest metro line in India. More recently, we have also provided and implemented the automatic fare collection system for Kochi Water Metro.

In this quarter, we had announced launching Open Loop co-branded prepaid cards on our PPI license with a leading Indian FMCG conglomerate. These are Open Loop prepaid cards that can be accepted on any device on Rupay network. It will add to our already growing revenue stream for the digital payment business. We will continue to leverage our digital payment platform ONGO to provide payment as a convenience for corporates, merchants and consumers through our comprehensive portfolio mix, which includes all-in-one costs and value-added services like prepaid or loyalty programs.

Talking about our performance in terms of sales mix for the quarter, the ATM outsourcing business, which works on a transaction or on a fixed fee basis, contributed approximately 46% of our quarterly top line. Another 30% of the top line came from AMC services and updates. Our cash management subsidiary Securevalue which serves a mix of captive and non-captive ATMs contributed 16% of the topline from the non-captive ATMs.

This quarter, our service revenue inched up by 1% as compared to the same quarter last year, a depiction of our gradually changing revenue mix and in line with our strategy to move towards greater service revenue. For FY23, service revenue was hefty 93.7% and this income from these services is recurrent in nature and supported by long-term contracts.

Now I would request my colleague Saurabh Lal, CFO of AGS Transact Technologies to share the financial highlights of Q4 and FY23. Saurabh, over to you.

Saurabh Lal: Thank you Ravi. Good afternoon everyone. Continuing from the operational highlights and major developments that happened in the company as highlighted by Ravi also, let me now take you through the performance of the quarter and the year gone by. In Q4 of FY23, the total income of the Group stood at INR4,349 million versus INR4,050 million in Q4 of FY22.

Talking about our EBITDA number, the adjusted EBITDA which is adjusted for ESOP expenses and loss allowance for the group in Q4 FY23 stood at INR1,231 million as against INR1,160 million in Q4 FY22. The corresponding figure for Q3 FY23 stood at INR1,171 million. The adjusted EBITDA margin for Q4 FY23 stood at around 28.3% as against 28.6% in Q4 FY22.

In the quarter, we took a loss allowance of INR387 million which was on account of certain age trade receivables which management has assessed basis pendency due to certain service level credits, including reconciliation with the customers being banks, governments and large corporates having a very low credit risk.

Talking about our PAT level, we recorded a loss of INR154 million in Q4 FY23 which was INR483 million in Q4 FY22. Coming to yearly statistics on the same parameter, our total income for FY23 stood at INR17,075 million as against INR17,973 million in FY22. The adjusted EBITDA remained flat on the absolute level, growing by 2%. It stood at INR4,907 million in FY23 as compared to INR4,790 million in FY22. This has come with a simultaneous improvement in the margin, growing from 26.7% to 28.7%.

Our cash back before depreciation also saw an uptick, moving from INR1,807 million to INR2,751 million in FY23. On our balance sheet front, the company consolidated net debts to debt INR6,769 million as on March 31, 2023. Updating on our segmental performance for the quarter, our payment solution segment contributed around 80% of our revenue in FY23. This segment includes cash solution segments for 63% of our overall revenue. This covers the ATM and CRM outsourcing and managed services and cash management services.

The growth is largely driven by expansion in our cash management network. The digital solution business contributed 17% of our total revenue. This includes revenue from POS machines, switching, transactions and our ONGO G solutions. Our banking automation solutions comprise of sale of ATM, CRM and other currency technologies, products and self-service terminals and the latest services and upgrades. The segment contributes 12% of our overall revenue.

The last and the third segment, which is other automation solutions business segment, which encompasses sale of machines and related services and upgrades to the customer in retail, color and petroleum segment contributed 8% of our total revenue.

With this, we conclude our presentation and open the floor for further discussions. Thank you.

Moderator: We take our first question from the line of Jiya Shah from Wealth Securities. Please go ahead.

Jiya Shah: Hi, so my question is with respect to Securevalue, some of the metrics have reduced in comparison with the last quarter, like the number of vans, the ATM service, etcetera. So why is that the case, especially since the business is in a major growth driver for us?

Saurabh Lal: Thank you. With respect to our Securevalue businesses, the total number of ATMs and total number of vans that we service is basically linked to our revenue generation and everything. So these are the basically active vans which are right now being used for our servicing business and the total number of ATM which are actually generating revenue for us. So the numbers that we are reporting through the platform or through our presentation is that actual live number of ATMs and actual live number of vans that we have.

So if you see over a period of time, the productivity and the rationalization done in the business has helped us to grow this profitability of the business. So this is in line with whatever internal policies and processes that we are streamlining or trying to make it more robust and more strong, helping us to bring more and more productivity to the vans and profitability to the business also. So, there will be certain spare vans that we have in our portfolio, which as the business grows, as the number of ATMs comes to us, will help us to leverage our existing fleet of vans and other infrastructure that we have already created.

So on a number front, as you rightly said, this business is going very strong and very robust and that is also reflecting in our numbers also. But and the KPAs that on which we are working on, we are trying to keep on utilizing our assets in the form of vans and ATMs to the best productivity level that we have. And every month or every quarter, we are setting up a new benchmark. So that is why you will see a reflection of those benchmarks that have been set, that number of ATMs, actually the revenue generating ATMs or number of vans, which are actually live and which are generating revenue for the companies are on those lines.

Otherwise, from a business perspective, we still believe that we have a very strong growth and strong prospects of new customers coming to us.

Jiya Shah: So that's great. I agree with that. But there is some reduction, right, compared to the last quarter. So you're saying some of them are not active, these vans?

Saurabh Lal: So vans basically, yeah, so vans work on two parameters. If you see there are two, three businesses that we work in Securevalue. One is the ATMs that we services on the -- for which vans are required. Second is the DCV business, which is called dedicated cash vans businesses that we have with us. Then there is a third business called doorstep banking business. So we keep on -- we need these vans for all the three businesses put together.

So as we keep on rationalizing our route metrics and route planning and everything, these are, we keep on, I would say, not adjusting, but shuffling the vans for that purpose. So that is why we see those vans for a period of time. And if some of the vans reaches to that age of maturity, which is like seven years, eight years, nine years, we have to move them out from the business also.

Jiya Shah: Okay. All right. Fair point. Okay. My next question is that there was an announcement about the 1.1% of interchange fees on the PPI-based UPI transactions that was imposed, you know, in 1st April 2023. So how does this have an impact on our business? And if so, could you provide some details about the impact?

Saurabh Lal: So, from that perspective, as we said, we are already in, which is our IISL subsidiary, which has a PPI license through which we are into issuance of business also when we do acquiring. So as of now, largely our revenue stream goes on the acquiring side, but definitely on the issuance side, any interchange which will come to us, whether in the form of UPI or whether in the form of, I'm sure you must have heard there is an announcement that there will be interchange fees on the credit card also now. So all those initiatives from the regulator, from the government is definitely going to add a lot of value to our businesses also and to all people who are in this industry.

UPI, I would say, constitutes a large part of business to various merchants, but if you see our business is right now, our revenue is largely focused on the acquiring side, where we are getting, I would say, MDR as a percentage of share that goes to a merchant account and then out of that MDR, certain interchanges are distributed to various issuers also.

So I think this is a very, very positive move from the regulator, I would say, which is, they are encouraging that players like us or players like any other player, maybe a bank or any other fintech, they can invest on the infrastructure and they can definitely rely on this UPI as an income from interchange.

Jiya Shah: Okay, thank you so much.

Moderator: We'll take the next question from the line of, Achal Lohade from JM Financial, please go ahead.

Achal Lohade: Good afternoon, sir. Thank you for the opportunity. With respect to the receivable provisioning, what you have done, now if you look at the industry players, we do see that this kind of a large provisions on a recurring basis. So why is it, like this provision, what you've made INR38 crores in a fourth quarter, is that really one-off or is that recurring one? And any particular reason why it is played out in this fashion in the fourth quarter and the guidance for FY24?

Saurabh Lal: I think you started correct. I think I would start with that, what are these reconciliations and what are these basically, if you see, most of the players, either us or some of the competition in the market or similar kind of players deals with various banks and other financial institutions. And there are various forms of reconciliations and various forms of other adjustment, not the word adjustment, but yes, various actions happen between those parties. But inherent to the risk of this business, which is basically, we are handling cash and other components of the business, we see, there is a lot of reconciliation happens between us and our customers or cash management companies and the MSPs or MSPs and the banks.

But having said that, what we have seen over a period of time is that the business has matured over a period of time, the reconciliation which used to take years in the past, I would say three years, four years back, has now started happening on a monthly basis. There is a constant push from the regulators also, from the IBA also, that these reconciliations of cash, there has been guidelines issued by regulators that, these reconciliations of cash should happen on a periodic basis, with various periodicities fixed by them.

And even banks are upgrading their software and systems to ensure that, these reconciliations should be minimum as much as possible. But considering the nature of this business, like you have a cassette swap coming up very aggressively, in the future, all this will help us to reduce all these reconciliations. But till that, what the industry is right now doing is that we are trying to give whatever best resources to both the sides to ensure that, these reconciliations become fast and get minimum.

But keeping a factor of prudence of accounting or some form of expected credit laws, the time value of money, we have been advised and we have be able to discussed with our Board internally also that, we thought, let us make this provision, at any point of time, these reconciliations get concluded, we may get the final numbers and these are the numbers that, will get reflected automatically, in the future also, in case there is something plus or minus is required in the financials.

But as I said, from a probability or from the future perspective, the reconciliations of processes of the new transactions or the immediate transactions or I would say, the transactions happened in the last one month or quarter or yearly, they have become very streamlined now. So, from the market perspective, from the bank's perspective, that new reconciliations are going very strong, but there are old reconciliations, which is pending and will need to happen.

Some percentage of business will always carry a certain percentage of risk, which is cost of doing business, that percentage will always remain in the past and the future also. But these big numbers, I feel that those big numbers may not be a reflection of what has happened in the past or reflection of the future also.

Achal Lohade: Right. So, I am just curious, sir, if I look at the provisioning, what you have done in first quarter, it's almost nil, in second quarter 1.3%, third quarter 1.2% and in fourth quarter, it is 9% of your revenues. In fact, I am talking about the overall revenue for the segment will be even larger. So, if you could help us understand, is this provisioning done, at the end of the year, is it done on a more calculated fashion, on a quarterly basis?

And again, I am coming back to the same question, FY '24, would we see similar kind of provisioning possibility in FY '24, as well?

Saurabh Lal: As I said, the past may not be the reflective of future, definitely. But just coming to your point that, how does this provisioning happen, sir, what we will do is that there is a set discussions and communication that keeps on happening between us and the banks or us between the cash management companies and we keep on submitting this data points and reconciliation happening between all of us, as a party together.

In the first quarter, second quarter, we will be able to demonstrate that, there is a reconciliation which is happening, we have been able to demonstrate that, there is a money, which is getting transferred to both the accounts, on account of reconciliation. On the year-end basis, when we try to close the audits and books of accounts, as a management, we took this call that, okay, since this money is definitely a process of reconciliation and it is taking time to get clear a period of time, so we took that call that, okay, let us discuss internally and if this requires certain provisioning, requires certain adjustment to show that the correct amount get reflected in the financial, then it gives a right picture to the outside world also.

So, that is how, we took this call in the fourth quarter. But this reconciliation, as we said in our statement also, these are the old trade receivables, where the reconciliation is in the process and the latest reconciliations, we feel that they will not have such larger or big impact on the number and as we go forward, probability is that, definitely those reconciliations will be as minimum as possible, but that may not be confirmed by me or maybe by the business also that, whether it is confirmed or not.

But what we have done is that we have tried to ensure that, wherever we see that, there is a possibility of certain some deductions, which may happen or some reconciliation can happen, let us try to make it a maximum and then try to come out with the correct number, so that the financials get or reflect the right numbers both on the P&L side and the balance sheet side.

Achal Lohade: Got it. So, second question I had, if you could give us some sense, given the strategy, which is underway in terms of the revenue growth for each of these segments and the margins, sustainable margins. If we could look at for next couple of years?

Saurabh Lal: So, from a growth perspective, the best part, which we have seen over the period of time or in the history is that our kind of business that we have, we have a very-very strong recurring and long-term contract that, we would have. I think Ravi's speech also covered that, almost 93.7% of our revenue has become a service revenue, which is again a reflective of our recurring revenues also, be it the transaction fee, contract or be it a fixed fee contract or be AMC contract. That is a very-very important factor in our business, which helps us to predict, the revenue, at least on a constant basis.

From a growth perspective also, two large wins that, we had last year and which continues to get deployed this year is on the PNB and UBI, which is going to add additional 8,000 ATMs in our portfolio. So, that also helps us to give a good, good visibility. Again, as I said, it's a fixed fee long term contract. So, we have a clear visibility of growing this number. I think, what Ravi's speech also covered and what we have also shared in the investor call, I think more important for us from this year onward is that, we have built up a road map for FY '24, where we want to continue to grow our strong business lines like ATM outsourcing, securevalue business and other business lines, which we have seen in the past, have given us a good return both in the form of profitability and both in the form of return ratios.

And certain other businesses like, in case of other automation businesses or banking automation businesses, where the product line businesses have been consistently been going down also and we may have a other plan to scale it down further. So, from an overall revenue perspective, it will not be prudent on my side to give you that, this is a growth, we are expecting. On a profitability side, we would like to sustain and grow our EBITDA on an adjusted EBITDA percentage basis that we have generated in the past. That will be a right reflective for us or maybe a right KPI for us, to monitor us on FY '24 basis.

And the organization is working on to ensure that, as we scale down the businesses, which are heavy on the capital side also or lower on the margin also, let's keep on moving it down over a period of time, keep on building strong services, use it and let's get whatever internal operating leverages that, we get. So, that is what the plan for FY '24.

Achal Lohade: Just to clarify, when you say asset heavy, you mean the BLAs will be more asset light like the 8,000 orders, what you have got or what are your thoughts about the BLA, what kind of opportunities there and how do we see, we participating in that?

Saurabh Lal: So, as we are already a leader in the market, so we definitely get an opportunity to participate in various tenders, whether it is from the private sector bank or whether it is from the public sector bank. Since, we have a very, very strong base in private sector bank, we always get a, I would say not the offer but just definitely a preferred partnership approach is always there and they look like to have a strong long term preferred partner approach. So, from that perspective, we continue to grow our relationships with existing banks that, we have.

I just said not the asset heavy, I said, it was the businesses, which we are planning to scale it on are working capital heavy also. So, this is where we do. But if there is opportunity coming in our payment solution business or in any other businesses, which demand certain capital for us to be deployed and we see the return ratios are very effective and it is a long-term contract and it fits in our strategy to grow our service business further, our balance sheet will allow us to leverage us also to that extent.

Achal Lohade: Understood. Just one question, I had about the balance sheet. In terms of the credit cycle, what is the typical receivable days, in each of these three verticals? And if I look at your receivable days, I think three years or four years back, it used to be 90, today it is 200. How do we see it going forward?

Saurabh Lal: So, receivable days, I agree that there is an increase in the working capital cycle and specifically in the last two to three years. If you see before COVID, it was definitely in between 120 days and in the last 2 years - 2.5 years it has moved further, it has grown. Largely, as I said, which is one of the reasons as we have been discussing and we have been already explaining also is that one is that there is a reconciliation difference which happens between various customers and us which leads us to delay in those collections.

The second is that again it is coming on the product side of the business where we keep on selling certain products over a period of time and it has a milestone-based payment and those milestones have certain clauses which will only lead to the realization of those receivables into maybe sometimes six months, sometimes one year and everything.

Other than that, I think after the COVID what we have seen is that there was an increase in a cycle of almost 35 days between various customers and it has become a new normal to some extent. But trust me, as an internal team we are focusing very hard and we are striving to bring this back to the old days which we had pre-COVID days. I think we have been able to collect it and we are not going further on the collection days. Maybe by this year end or maybe by quarterly, I think we will be able to demonstrate those improvements to the market also.

Achal Lohade: Sorry sir, just a clarification on this. On one hand, we are seeing the reconciliations are getting faster, more automated so to say, efficient right. On the other hand, the credit days have gone up. So is it that the banks are able to leverage their strength to extract more credit out of us and also the other industry players or is it particularly more prominent for us?

Saurabh Lal: So ours is a very large scale of business which is into ATM outsourcing and other businesses where we are directly dealing with the customers which are banks and financial institutions. So our share of reconciliation is much higher because if you talk about the competitors or competitions, basically they are not dealing directly with the banks. They are basically dealing with the MSPs. So their reconciliation timelines and our reconciliation timelines are quite different from each other.

But on an overall industry phenomena, you will find that the debtor days are significantly higher but this business required a certain level of working capital because the process of billing and process of getting paid in itself is a long-term process where we build on monthly basis. We get a confirmation from the customer and those customers go for a billing and then it gets paid. So overall industry wise, this process itself is a long-term process.

But coming back to your point on reconciliation, as I said, definitely the reconciliation process has come down over a period of time but there are still certain age receivables which are sitting on the balance sheet with us. Some of the provisions we have taken but still there are certain amounts which may be more than 6 months, more than 9 months, maybe more than 12 months which are hold good for us which we have been able to demonstrate or businesses are able to demonstrate that these collections are definitely hold good for us and the credits are also good. But it needs some time to get reconciled and get paid and that bucket still continues to be part of my overall working capital cycle.

Moderator: Thank you. We take our next question from the line-up. Yash Dave from Unique Securities. Please go ahead.

Yash Dave: Okay, so I had a couple of questions. The first is we recently announced that we powered the NCMC prepaid Rupay cards for Banks Bangalore Metro and implemented the automated fare collection system for Kochi Water Metro. Are there any similar projects in the pipeline for the coming year?

Saurabh Lal: So, yes, these two are very very pioneered contracts that we have won over a period of time . So, like in case of Kochi, we are running full Kochi contracts with us for the last six years. So, like Kochi Metro is also powered by us. The Kochi Water Metro is an extension of that Kochi Metro only with us. So, now it's Kochi Water Metro and there is a possibility that another Kochi Phase 2 is also already announced and we are in the process of going ahead with that also.

So, there is again a possibility of more like this contract coming specifically on Kochi Metro. Bangalore Metro also we have seen the first phase of going live and there is another two, three more phases which is expected to get rolled over in the next two, three years. So, definitely we see a good pipeline of such contracts with us. There is another contract that we have like we also not only running Bangalore and Kochi, we are also running Punjab Bus Metro, bus road transport system also.

So, those are also one of couple of contracts that we have and there are more of the pipeline and the best part is what is happening is that even the existing metros where these are. So, basically our expertise lies in payment just. So, we help the bank or sorry these transport companies to integrate their payment to make the convenience to the consumer seamless, the transportation becomes seamless, the gate opening becomes seamless.

So, even though the old metros or existing metros which are running with their old payment systems are also in the process of upgrading their systems. So, I think as a market we see a huge opportunity, but I think our thought process is to go along with partners like banks where we know the banks also have expertise and the hardware and infrastructure with them in the past, oh sorry with them and we bring in our expertise of the payment processing systems and everything and this will continue, but yes from a business side we see a good opportunity coming in, but yes we like to go asset light business in these kind of businesses where we are only acting as a service provider and taking our pie of shares.

Yash Dave: Okay sir, one more I wanted to ask that presentation mentions cost rationalization measures for more streamlined operations to drive operating leverage. Just wanted to understand what were these measures and if you could quantify the savings as a result of that for this year and going forward.

Saurabh Lal: So, yes if you see our results for FY '23 on a year-on-year basis you will find though that we have taken certain provisions which was exceptionally high as compared to previous years also. So, if we adjust those provisions our profitability of the company from operating metrics level has been consistently strong also. So, having said that, what we have done is that like we have our presentation also cover is that and Ravi's presentation also covers that.

There are certain businesses on certain operations like product sales and everything where we see the margins and the other working capital deployment is quite heavy. We have been scaling it down. One of the questions raised by the madam also is that though we see a reduction in SecureValue ATMs or reduction in van utilization, but still we see a profitability of these businesses growing.

So, these are the all the measures that we have seen and this is what the reflecting in our financials also if you see our consolidated financials on year-on-year basis you will see the my employment cost which used to be 2,660 million in FY '22 has come down to 2,400 million. So, approximately INR26 crores has come down from that perspective. Similarly, other factors like third party cost, other cost has also come down.

So, those are the savings and I think with more and more rationalization, with more and more I would say focused businesses that we want to grow further in the markets and has to scale down whatever we agreed I think this rationalization will continue and will help us to generate more operating leverages.

Yash Dave: Okay sir, one last question on debt. The company's consolidated net debt as on 31st March is INR 6,769 million. What are the plans with respect to reducing these debt levels and how much can we expect to repay in the coming year from internal approvals especially since we are moving more towards asset-led operation?

Saurabh Lal: So, that is what we are doing is that right now the debt level of the company to compare either from the December quarter or other quarter we have been repaying the debt to some extent depending on the basis the current repayment schedule and everything. The current EBITDA level of the company which if you say adjusted a bit of a last year which was around INR490 crores I think we have a sufficient cash flow generation and happening internally on that side.

From a current perspective, the current business perspective, the current order book with perspective and this deployment of non-cash capex heavy ATMs I think we are good to continue with the repayment and may not leverage further ourselves. But if you see opportunity coming in future which asks for more capital to be deployed in the business because accrual will take its own time to get realized, we may leverage, we may take a leverage for some extent but I think from a current situation perspective, current level perspective with the current business in hand, I think we will keep on repaying every quarter on quarter and we will see a debt reduction happening over a period of time.

Moderator: Thank you. We take the next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Hello, good afternoon, sir. Thank you so much for taking my question and congratulations on the great set of results. Sir, I just wanted to ask, as you mentioned, our revenue guidance we may not have because of product cost changes but in terms of our margins, the two factors that, the factors that hit us most are maybe provisions and due to our streamlining, those may not reoccur or what could be the lag maybe in the next year in terms of our provisioning and what kind of operating profit that we might see maybe next year. Could you help quantify that?

Saurabh Lal: So, Darshan, thank you. Just to, as you rightly said, definitely as a company has come out with a roadmap for FY '24 where we are focusing more on the servicing business, recurring businesses and try to get into more of a flight model so that the deployment of capital get more and more returns for all of us together and we scale down certain product businesses where we see the margins are not that great but having said that, certain provisions will always be part of the business and I think that whenever we do a planning for FY '24 when we sit with the business, those factors are always considered.

These are some of the, I would say, outliers which were spending for some point of time, which we are trying to reconcile. We were all, we are still discussing with the banks and everything but I think with the prudence and other accounting principles, I think as a management and as when we went to the board also, I think it was advised that let's take the provision and whenever there is an option for us to get those credits, those will automatically be reflective in the balance sheet.

So, I think, as I said, the past may not be a reflection of the future but yes, there will be certain provisions which will continue and I am sure those provisions are adequately taken into account with the consistent margins that we are generating in the last three, four quarters or quarter-on-quarter which is around 27%, 26%, 28%. So, I think those are inbuilt into those numbers. So, that is one.

Second, I think, from a business perspective, I think, there is, as we said, almost 93% of the business is a recurring revenue business for us which gives us a good, strong, I think, starting point for every one of us including us and our business also that this is how they have to perform and this is what the delta is. So, keeping that in mind, I think, FY '24 looks to be good for us also and we have two orders which are getting executed, as we said, the PNB and UBI which is going to give us additional revenues. Market is also expanding and Ravi has also covered various initiatives by government, digital banking units, new CRM deployment, cassette-swap implementations.

These are two, three big initiatives from the regulators also which gives us a strong belief that those contracts as required by banks to get deployed, we will all definitely get certain percentage of share being one of the large player in the market also. So, I think, those lines will definitely give us the confidence that the future definitely is very, very bright for us and we being a strong player, we will definitely get a pie of those revenue numbers.

It will be difficult for me to give you exact number but I think, from various initiatives, as I just said, is already there, various regulatory requirements which are already there. I think, the possibility and the probability of getting those new contracts is quite strong as compared to the other business lines that we have.

Darshil Jhaveri: Okay, sir. So, our new contract that you are saying of 8,000 ATMs, so how much of that revenue would have come in this and what kind of additional revenue will that give us in FY '24? Because I think, we said only 2,000 we have been able to go. So, we will have a good enough new increase also. So, how much that would help us, that would be my question and another, what kind of risk that we may foresee that might impact our next year, if there would be any?

Saurabh Lal: So, approximately, these 8,000 ATMs approximately will give us around, I would say, INR 7,000 to INR 10,000 revenue per ATM on per month basis, which is the average revenue that we are going to expect on these ATMs now. That is how the full-blown ATM and I think, as per the business and other updates that we have, we are targeting that by H1, we should be able to keep, deploy this full, full 8,000 ATMs and take the benefit from the H2 onwards on the full-blown basis.

So, that is one additional revenue plus other opportunities, as I said, cassetteswap and everything is a part of the internal strategies which business is building up and planning up and loading it out that how they want to shape this year, next year onwards. And the second point which you said with respect to?

Darshil Jhaveri: The risk that we might foresee or something that can be a hindrance on our part to do it.

Saurabh Lal: From a business perspective, I think the risk, there are definitely macro-level risks that which always be there because of a regulator being involved in this kind of businesses, the kind of directions it gives to the banks and in turn, those directions come to us. And certain businesses that we have like ATM outsourcing or maybe a cash business, it has an inherent risk of cash, which is always part of it. But having said that, our cash is always fully secured from the insurance perspective at all levels, right from the point it comes out of the bank's vaults and it still goes to the ATM and still it gets dispensed to the customer. Every part and every segment of the cash is secured.

Other part of businesses that we have is a digital business which is again, I would say, it's regulated to some extent and there are various directions which come from the regulators and from various bodies with respect to the interest rates. So those are the inherent risks. But otherwise, from a positioning perspective, Darshil, I think we believe that we have been, we are present across all the value chain, across all the payment, be it the cash and digital. And we command a very, very leadership position in all the businesses that we have, be it the ATM outsourcing, CRM outsourcing, cash management, and even digital powers where we are one of the largest deployer of powers for all the OMCs in the country. So I think from that perspective, I think we are positioned quite good.

Risk, as I said, are part of the businesses, definitely our business is taking absolute cognizance of that and then taking the right calls and taking the right contracts.

Darshil Jhaveri: Okay, so this is...

Moderator: I'm sorry to interrupt, Mr. Jhaveri. Please come back in the question queue. Thank you. We take the next question from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead.

Sanjeev Damani: Namaskar. Sir, thanks for the opportunity. Actually, I would put it simply this way because I mean, we understand your business to be managing ATMs, giving ATMs on rent or a lot of allied activities. It is still not comprehensively clear to my mind, how we totally give other services other than cash handling and supplying some security staff, etcetera. I'm not very well aware.

But my question is that from the time of IPO to this situation, what has gone substantially wrong that our share prices have come down so much? So if you can elaborate, you know, anything negative that has happened or something beyond control of the management that has happened. And I'm thankful that you have really clarified about the future in so many ways that we are going to improve only from here. But if you can elaborate so that we can understand, you know, what has gone wrong? So kindly, if you feel like appropriate, please reply.

Saurabh Lal: Thank you, sir. I think, sir, as a management, whether it's Ravi, it's me or Stanley or the full team of AGS, we are absolutely responsible for delivering the right numbers, right business and everything. It will be very difficult for any of us and it will not be right on our part to comment anything that's happening in the market and everything by the price is there. But I think what we have seen is that we have built this business from scratch. Ravi is the first-generation entrepreneur. He's built this company from scratch. And today, this is where we are, sir.

From a business perspective, the contracts that we have with us, whether it's an ATM outsourcing business, which definitely whenever we get time, we'll definitely like to host you in our office and we'll definitely give you full explanations that how does this ATM operations actually work. It definitely from a consumer perspective, it's just the cash that needs to be dispensed. But there's a whole lot of machinery that works at the background to ensure that the consumer gets the right quality, right quantity of note and everything is there available uptime and everything is available.

Whenever you, me or anybody went to the ATM, the ATM has to dispense that currency. That's the only objective of our business. But yes, there's a complete chain of people who work around the clock to ensure that this happens seamlessly and effortlessly for a consumer.

So, sir, from a business perspective, I think the contracts that we have, the businesses that we have, they are very, very strong with us. We've worked with almost all the banks and largest of the banks in the country. Similarly, we have a subsidiary, Securevalue, which is a whole new subsidiary. Cash Management is also now second largest cash operator in the market which handles the cash handling on behalf of ATMs and other businesses.

On the digital side also, sir, we have a very, very strong footprint in specifically of providing this acquiring businesses to the OMC market, which is oil marketing companies. So I think from a business perspective, I think we've been, we believe that we've been trying to do right things. And that is how we are trying to build the roadmap for FY ‘24 by scaling down heavy businesses like, heavy working capital, heavy or less margin and put more focus on high margin businesses and to get good return on the capital for everyone who is involved in this company.

So this is what we are controlling. This is what we are targeting to do that. I think what provisioning and other things which we have done over a period of time is what I said also is not the reflection of our past and the future. Those are the reconciliations which is happening with the company, with the bank, and then all the processes are largely streamlined. We are, I don't think, it's zero, but we have seen the possibilities of those things happening is quite remote.

So from a future perspective, the only good thing for us is that or the best thing for our kind of business is that we have a recurring revenue, which will help anybody, either you, my, me or Ravi or business to build the base case scenario and then keep on building the future opportunities like I said, cassette swap opportunities is there, CRM opportunities is there, MHA opportunities is there, digital banking unit opportunities is there, various initiatives by regulators to promote digital payments like, madam asked, UPI interchange, credit card interchange on RuPay cards and all those sectors are definitely a good reflection and we as a company, under the guidance of Ravi, believe that the segment in which we are targeting are the right segment and they will continue to prosper and grow in future.

Sanjeev Damani: Thank you very much, sir. One more thing I want to clarify that apart from volume growth in this new year, are you also going to get a price rise for the services rendered to various banks and others?

Saurabh Lal: Sir, in most of the contracts, which whenever it goes under hammer, whether it's a PSU based contract or in case there are private sector bank contract when it goes for a bilateral renewal, we have seen certain percentage of increase in the revenue, increase in the rate for that purpose. Otherwise, our contracts are largely fixed for a long-term basis.

Sanjeev Damani: I appreciate but the costs are rising, sir. For everything, we have to pay more every year, I think, salary, staff, etcetera.

Saurabh Lal: This is where operating leverage has to kick in and scale helps us to mitigate those factors which has to be built in, which are part of the business.

Sanjeev Damani: So, can we take it this way that it's a very competitive business where we cannot bid higher to get a higher price from our customers?

Stanley Johnson: So, what happens across what is in -- So, sir, most of the contracts which comes in, we factor in some part of the cost price when we bid across. But there are services which comes across as additional, which then is, we bill them extra across, which is not part of contract. So, all these guidelines of mandatory guidelines which comes across throughout the year as upgradation and all is separately billed on to the customer.

Sanjeev Damani: Okay, sir. Thank you very much. I have taken enough time. Thank you very much and wish you all the best for the future. Thank you very much, sir.

Stanley Johnson: So very much, sir.

Moderator: Thank you. We take the next question from the line of Aditya Sen from Robo Capital. Please go ahead.

Aditya Sen: Yeah, hi. Thanks for the opportunity. Sir, can you please share the bifurcation of digital revenue in POS and toll transit for the last quarter and the last year?

Saurabh Lal: So, Aditya, on an overall basis, the digital revenue for financial year 2023 is around INR280 crores or INR2,800 million. Out of this, digital revenue of the POS is approximately around, I may not have a right exact number, it's in the range of INR196 crores to INR200 crores approximately. And the balance of the revenue comes from other businesses, which is transit businesses and switching businesses around INR75 crores to INR80 crores. So this is on the year-end basis. On quarter-on-quarter basis, FY ’23 quarter 4, which is, we have total digital revenue of around INR72 crores to INR73 crores. INR52 crores to INR55 crores has come from the digital POS. And around INR20 crores to INR22 crores has come from other transit solutions and switching solutions.

Aditya Sen: Okay, thanks for this. This is great. And there's one more, what will be the, any, any approximate guidance as to what would be the ATM addition in FY '24? Like, for first half, we know 6,000 will be done and for the second half?

Saurabh Lal: So, Aditya, as I said, we have two ready contracts with us. We believe, and I think this is what's happening in the market also, that even the customers, which are banks and financial institutions with whom we are dealing, they are also expanding very rapidly their network of branches and their network of retail footprint and everything. So with the help of the strategy which banks are also working with, they're expanding their retail networks, they're expanding their branch, we are confident that we'll definitely get a pie of our share of additional ATMs that are required to either support the branch network on an on-site branch or additional ATM to support their retail footprint.

So that is one opportunity which we see from the bank side coming up to us. I may not be able to put the right number, but I think the opportunity is big for all of us, including us and other players in the similar business. Second, if you see, there is a specific regulator guideline, which has come from the DBU, Digital Banking Unit, which calls for deploying the digital branches or creating more and more digital branches. 75 DBU has been inaugurated last year and what we hear from the market is that the regulator is trying to push more and more digital branches this year.

So that digital branch itself is nothing but the deployment of more and more machines over there like CRM, ATM, cheque deposit machines, passbook printing, and those can be managed by outsourced players like us. So those are the two big opportunities, which will help us to get good possibility of or I would say, good predictability of the numbers going forward on ATM outsourcing. As I said, the ATM outsourcing will grow automatically. It has a direct or a complement services that, will come to securevalue, in the form of servicing the cash of those ATMs.

So those are the two things, which will go hand-in-hand together and which will help us, AGS, to have a strong pipeline of revenues for the future also, other than the 8,000 ATMs that, we have in our portfolio.

Aditya Sen: Okay, sir, understood. And if I can ask a last question, what is the proportion of fixed realization and transaction-based realization for the ATMs? Thank you.

Saurabh Lal: So approximately, in case, this is not the correct number, I will definitely come back and correct you, but it's around 35% to 40% of the revenue is on the fixed fee-based side and around 65% of revenue comes from a transaction fee-based contract on an ATM outsourcing business.

Aditya Sen: Okay, sir, thank you. That was my question. Thanks a lot.

Moderator: Thank you. We take a next question from the line of Hena from DAM Capital. Please go ahead.

Hena: Yes, hi. Thank you for the opportunity. One of my questions was on, what you would expect from banks in terms of BLA, RFPs. I guess you've answered that. Secondly, what I just want to clarify was, you said, you will be focusing on more working capital light businesses. So would that mean that, while taking on BLA bids, you would probably take a lower position in the bid?

Saurabh Lal: No, what we said is that in case of product businesses, the working capital cycle is longer than our service-based businesses because it has various milestones and various retention-based components. So, as we go down the path, which we have more of our service-based businesses, it will help us to reduce the working capital gap, which has resulted over a period of time, specifically on the product side of businesses.

Hena: Sure. So, if it's more specific to the product business and the BLA business, that you would bid for as you do normally?

Saurabh Lal: Correct.

Hena: Okay. Thank you so much. Thank you.

Moderator: Thank you. We take the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Thank you for the opportunity, sir. If you could clarify in terms of the RFPs for the new ATMs, what is the quantum, what are the timelines? Are you seeing the banks delaying this, awarding these contracts? If you could help us understand that.

Stanley Johnson: So, if you look at private sector banks, they have a fixed rollout with their plan across and they go on quarter-on-quarter. The number of branches they open across is determined at the start of the year and corresponding off-sites, in accordance to the number of branches are determined. While it's a little bit slow in case of a public sector bank, because that goes throughout the year across. So, private sector bank in a way is predictable and it is the figures of the number of branches and the number of off-sites, which are to be deployed is already known at the start of the year across.

While in case of public sector banks, yes, depending on various queries and the way, the RFP is designed, it takes a little longer. So, if you look at it, there are RFPs, which are out from Bank of Baroda for 4,000 new BLAs, State Bank is coming across, PNB is coming across. So this year, already there are two RFPs in addition to what, we have won in likes of PNB and UBI, there is Bank of Baroda's RFP, which is at present, in process, PNB and two other RFPs are in queue for the quarter 1, lined across.

So this year, we are seeing that RFPs are already in process, in quarter 1. While in the last year, it only came in quarter 3 across.

Ravi Goyal: Also, just to add, what we are seeing is, there is a lot of physical branches being rolled out although the digital payments have been growing, but we continuously see the expansion of the physical branches by major private sector banks like HDFC has already announced that, they will double in three years, their branch network, similar is with the lot of other private sector banks. So, we continuously see the growth of the physical branches and that obviously means that, there will be a growth of self-service equipment, ATMs, CRMs and Kiosks and also we see good expansion in DBU, that is digital banking units in the coming years.

Achal Lohade: Understood. The second question I had, was with respect to the compliance level, for the route and the cassette swap. Can you help us understand, as of March, what is your sense about the industry's compliance for the MHA and the cassette swap?

Stanley Johnson: So on the MHA, all vendors have complied as of 31st March for all routes across. In case of cassette swap, the industry is somewhere around 10% to 15%, but there is active talks going on between IBA, RBI and the banks to complete it in phases. So June is one of the phase, where around 1/4 of the ATMs are committed that, it could happen across. So that is still under discussion, but probably throughout the year, we feel that the whole cassette swap would be under regulation.

Achal Lohade: By end of this year, you mean?

Saurabh Lal: Yes.

Achal Lohade: And how does it impact us? Is it margin accretive; is it margin dilutive and what is the incremental realization?

Saurabh Lal: So, as we also covered that, whenever there is an additional scope of services, which is being requested by the regulator or maybe a bank, it has an additional component of revenue for us. So on a cassette swap basis specifically, there is a rate, which has been agreed between the banks and the MSPs and the cash-management companies also. So, the incremental revenue that, everyone is expecting or we are expecting is a rate of around approximately INR5,000 to INR5,500 per ATM per month basis that, we will get incremental revenue to us also.

So, this is a rate which has already been discussed and negotiated between various banks depending on their size, scale, operations, first ATM, second ATM and everything. So this is what we are expecting. As Stanley, has covered that approximately 15% of the industry is already covered. In our case, it will be slightly higher because since we deal with more of the private sector banks, they are more faster in deploying those services.

So, in our case, approximately around 20%-22% of the revenue is covered under cassette swap and everything plus and we are expecting, it will be grow faster for other private sector banks also as when, they require. So, on a unit economics basis, it is a good proposition for deploying more and more cassette swap and not only from unit economics, but from the compliance perspective also and from the risk perspective also, it is definitely a very-very strong and good move from all sides. It will definitely help to reduce reconciliation and reduce loss of cash and everything and other. I would say, global best practices will become part of this system.

Achal Lohade: Right. Sir, pardon me if I am harping on this. If I look at last four quarters run rate in our payment solutions business, it is pretty much in INR335 crores- INR340 crores number. Now on one hand, if we are seeing the compliance is increasing, which is driving the realization higher, how do we reconcile this flattish revenues, for last four quarters? Ideally, we should have seen fair amount of growth there.

Saurabh Lal: So definitely the other way around is that we can share more granular information on various revenue streams that, we have on those outsourcing. So as I said, we have MS contract, we have outsourcing contract, we have cassette swap revenues. So there are certain lines of revenue, which gives you the visibility that, okay, this number is growing. Certain lines of revenue, which we will see is getting reduced over a period of time like, there is one of the contract of one of the PSUs that, we have with us, it is already due under renewal stage. So, some of the ATMs are starting moving out of the portfolios that is one of the reasons. But at the same time, we are getting additional revenues in the form of like cassette swap, we got new revenue, we got this PNB new contract, so automatically, some percentage of revenue got added into this.

So from that perspective, we can share certain more details with you, with respect to that, what has gone inside this number, that how this has moved in various buckets of full capex ATM, non-capex ATM. So from that perspective, you will see, there is a number growing but yes, from our next quarter basis, we are confident that, we are able to see the incremental growth happening on that base number also because of these two new contracts that, we have in our portfolio.

And as both Ravi and Stanley has also covered, the deployment of new ATMs and new CRMs is definitely going to add more revenue.

Achal Lohade: Understood, this is very helpful sir. Just one last question, if I may with respect to capex for FY '24 and '25.

Saurabh Lal: Capex will definitely be there with respect to the new deployment, we have but number will be, it will be difficult to give me the exact number but yes, we can estimate that, this number will be in a similar range like, we have the last year.

Achal Lohade: Got it sir, thank you and wish you all the best.

Saurabh Lal: Thank you. Also to you.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session. I would now like to hand the conference over to the management for closing comments. Over to you sir.

Ravi Goyal: Thank you everyone for joining us today on our Q4 and FY '23 Earnings Call. We appreciate your interest in AGS Transact Technologies Limited. If you have any further queries, please contact SGA, our Investor Relations Advisor. Thank you.

Moderator: Thank you members of the management. Thank you gentlemen. Ladies and gentlemen, on behalf of AGS Transact Technologies Limited. That concludes this conference call. Thank you for joining us. You may now disconnect your lines.