

June 6, 2024

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

Sub: Transcript of Earnings Conference Call held on May 31, 2024

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 Friday, May 31, 2024, post declaration of the Audited Financial Results (Standalone and Consolidated) for the quarter and financial year ended March 31, 2024.

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 Kadam
Company Secretary and Compliance Officer
(Mem No: ACS31215)**

Enclosure: Transcript of the earnings conference call



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“AGS Transact Technologies Limited
Q4 FY '24 Earnings Conference Call”

May 31, 2024

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 31 2024, 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 –
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MR. VINAYAK GOYAL – EXECUTIVE DIRECTOR – AGS
TRANSACT TECHNOLOGIES LIMITED
MR. SHAILESH SHETTY – MANAGING DIRECTOR –
SECUREVALUE INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to AGS Transact Technologies Limited Q4 FY24 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 may involve risk uncertainties that are difficult to predict.

From the management side, we have with us Mr. Ravi Goyal, Chairman and Managing Director and Mr. Saurabh Lal, CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Goyal, Chairman and Managing Director. Thank you and over to you Mr. Goyal.

Ravi Goyal: Thank you. Good afternoon everyone. I would like to thank each one of you for joining our Q4 and FY24 earnings call on behalf of AGS Transact Technologies Limited. Joining me on this call are Mr. Saurabh Lal, our CFO, Mr. Stanley Johnson and Mr. Vinayak Goyal, our Executive Directors and Mr. Shailesh Shetty, the Managing Director of our wholly-owned subsidiary Securevalue India Limited. For your reference, we have uploaded the investor presentation and financial results on the corporate website and stock exchanges. FY24 was a year of resilience for the company.

We successfully navigated a challenging macro environment and made significant strides in enhancing our business operations. As we look ahead, we are very optimistic about our business model and are committed to building on this momentum to drive sustained growth and value for our shareholders. As one of the leaders in our segment, we have secured significant large contracts from leading public and private sector banks in India to various RFPs.

We are on track to complete the execution of the SBI order for 1350 ATMs under banking automation and 2,500 ATMs under the outsourcing model which is worth INR1100 crores over seven years and we will be completing it by H1 of FY25 and Q3 of FY25 respectively. Key driver for our growth outlook is the digital payments business. We anticipate a promising FY25 with several exciting new launches in the pipeline now.

Before I continue, let me take a minute to explain our digital payments business. The company offers a unique digital payments ecosystem, Ongo, designed to shift payments from a service to a convenience for corporates, merchants and consumers built over a period of seven years by leveraging AGS world-class payments tech infrastructure.

Ongo comprises of a secure, agile and scalable digital platform providing merchant acquiring and issuance services. As a non-bank, prepaid payment instrument, Ongo also offers dedicated open-loop prepaid solutions for consumers. Currently, AGS digital payment business

contributes about 20% of the revenue of the payment solution business segment. It is focused on three key growth areas.

First, the National Common Mobility Card or NCMCs launched by the Government of India under the vision of One Nation One Card. These are open-loop prepaid cards backed by the RuPay platform which can be used to make online and offline payments including multi-purposes such as; bus, retail, fuel, toll and parking. As of today, more than 47,500 NCMC cards have been issued for Bangalore Metro Rail Corporation. We are in the process of exploring similar opportunities with other metro railways in the country.

Second, the open-loop co-branded prepaid cards in collaboration with leading brands. These prepaid cards are compatible with all RuPay acceptance points across India and a convenient solution for mitigating growing online frauds. We are working towards integrating more features on the Ongo PPI platform to provide added convenience to the users. Further, we believe the solution has the potential to transform expense management for corporates.

Third, is the first of its kind, the open-loop contactless fueling solution for our Ongo platform. A pilot tested at select fuel outlets of leading OMCs, this solution has on-boarded over 1,000 fleet vehicles with plans for a nationwide roll-out. The potential market for fleet fueling alone is estimated at over INR1.6 lakh crores annually.

Overall, we are developing an asset-light digital business model focused on expanding our PPI infrastructure and leveraging our digital payment ecosystem, Ongo through strategic collaborations across the FMCG, mobility and fueling sectors, among others, to drive innovation and growth.

This segment will contribute substantially to our profits in next three years. The sustained growth in cash-in-circulation is reaching approximately INR35.15 lakh crores alongside the exponential rise in digital payments across channels underscores the increasing importance of an omni-channel payment system in India. The recent initiatives by the RBI, such as enabling third-party apps for UPI payments via PPI wallets and rolling out CBDC's interoperability with UPI reaffirms this trend.

Furthermore, the rapid expansion of the bank branch network and the widespread adoption of cash recycler machines are expected to further drive growth of in AGSTTL's core cash payment business. We are also actively working to further strengthen this segment through multiple contract renegotiation at improved rates currently in pipeline.

Now, I will take you through updates on our key business segments. For our cash management services offered through our wholly-owned subsidiary, Securevalue India, we will continue to focus on improving our overall efficiencies and revenue margins through route optimization and cost reduction.

During FY24, we started scaling down various low-margin and capital-intensive businesses with a focus on maximizing revenue and cost reduction. This process has come to completion,

having an overall revenue impact of approximately INR200 crores to-date. Further, the share of revenue from service to overall revenue has increased to more than 90%.

Over the past few years, India's payment ecosystem has witnessed a unique synergy. The growth of the digital ecosystem in India has been driven by a number of factors, including the government's push towards digitalization. The government, in collaboration with RBI, has proposed initiatives such as enabling UPI for cash deposit facility, UPI access for prepaid instruments through third-party apps, offline payments in UPI to increase the speed of small-value transactions on UPI, expanding the scope and reach of e-Rupee vouchers, linking RuPay credit cards to UPI, interoperable cardless withdrawals, popularly called as ICCW at ATM to boost the digital payments industry in India.

In line with the key initiatives undertaken and the growth landscape in the industry, the company is strategically focusing on increasing the revenue contribution from the digital payment solution segment by utilizing its core expertise, leveraging its PPI license and strengthening our foothold by leveraging the large customer base created over the years. The ATM outsourcing and cash management business, which is our core business, works on a fixed or transaction fee basis and contributes to nearly 67% of our consolidated business.

The tenure of the contracts in this segment is between 5 to 8 years, which helps us in generating recurring revenues on a year-to-year basis. We are in the process of renegotiating contracts and service agreements with the clients, shifting our focus from a pure transaction fee-based business model to a mixed model of fixed fee and transaction fee, in addition to revisions in the contract prices.

The ATM's outsourcing business complements our cash management business, managed under our own wholly-owned subsidiary Securevalue India. The revenue contribution in this segment is approximately 14%. Securevalue services to more than 38,400 ATMs and CRMs and accounts for 47 vaults and 400-plus spoke locations.

We have about 940 pick-up and doorstep banking points and a network of 2,300-plus secure cash vans across 1,800 cities and towns. During the year, we completed the deployment of 270 dedicated cash vans of order value INR250 crores. We are also focusing on doorstep banking business, which is a retail cash pick-up and cash deployment.

Now, I would request Saurabh, the CFO of AGS Transact Technologies to share the financial highlights of Q4 and FY24. Saurabh over to you.

Saurabh Lal:

Thank you Ravi. Good afternoon, everyone. Now, allow me to take you through the financial performance of the company for Q4 and FY24. In Q4 of FY24, the total income of the group stood at INR3,568 million versus INR4,349 million in Q4 of FY23.

Talking about the EBITDA number, in Q4 of FY24, the adjusted EBITDA margin stood at 26% versus 24% in Q3 of FY24.

Our adjusted EBITDA stood at INR934 million in Q4 of FY24 and INR913 million in Q3 of FY24 and INR1,231 million in Q4 of FY23.

The adjusted EBITDA margin for Q4 of FY23 stood at 28.3%. From the profit after tax perspective, we recorded a loss of INR44 million as against the loss of INR154 million in Q4 of FY23. Coming to the full year number of the group, the total income in FY24 stood at INR15,088 million versus INR17,075 million in FY23. The profit after tax stood at loss of INR800 million in FY24 as compared to profit of INR370 million in FY23. There has been a decline in the revenue during the period as we have scaled down other automation and other businesses and product businesses as we have told earlier also.

Going forward, we anticipate an increase in revenue both from the existing and new customers with the new contracts in hand and certain contracts in the pipeline. As Ravi mentioned, we are also in process of renegotiating some of our key contracts with the customers as well. We have provided approximately INR100 crores in FY24 on account of certain delays in payment by various customers due to pending reconciliations and other deductions.

We as a company along with the team, business teams and everyone are working with the customers to reconcile and recover the same as well. During the year, our operating cash flow generation remained healthy. We recorded an increase in net cash flow generation from operating activities to INR3,492 million versus INR2,493 million in FY23. We have also reduced our debt and the total net debt has come down from INR6,769 million in FY23 to INR5,707 million in FY24.

Just to give you a quick update on our subsidiary's full year performance, Securevalue India Ltd., which is into a cash business reported a top line of INR4,456 million including AGS on a gross level with EBITDA margin of 16.5%. Its non-AGS business, which is a business coming from the customer outside the AGS network, is close to 48%. ITSL, our digital payment subsidiary, recorded a top line of INR1,763 million with EBITDA margin of 5.6%. GTSL, our foreign subsidiary, generated a revenue of INR754 million in INR terms with EBITDA margin of 25.3%. With this, we conclude our presentation and open the floor for further discussion. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. First question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor:

Namaskar team and thank you for the opportunity. Sir, firstly, if you could explain our business model wherein we have to book loss allowances on trade receivables to the tune of INR116 crores for the current fiscal. So, if you could just explain the nature and what are the due diligences that needs to be followed in order to revert the same?

Saurabh Lal:

Sure. Sir, with respect to loss allowances, this is a total allowances of INR116 crores which we have taken into the financial year FY '24 over a period of various quarters sir. So, we have taken certain provision in Q2, then we have got certain recovery and then do net provision in Q3 and similarly we have done certain provision in Q4 also, sir.

So, these provisions are basically for certain receivables which are as per the normal accounting parallels and as per the implementation of ECL guidelines by the India's accounting standards are delayed and beyond the normal cycle of the collection, sir. So, since these payments are getting delayed though there are communications and conversations are happening between business and the banks and the customers on a regular basis for the recovery of those amounts but as these amounts are getting delayed beyond the normal timeline, we have started providing the provisioning and the allowance and return of these amounts in the balance sheet.

So, since these are items which we feel that they are exception in nature because these amounts are expected to be recovered over a period of time, we have shown it as a separate line items for a proper interpretation that on a sustainable basis, the company EBITDA margins are much higher as compared to what has been recorded in the financials after taking into that adjustment.

Saket Kapoor:

Sir, my question is more towards the nature. We are into the digital part of the payment system and also we are dealing with, I think so, B2B also and B2C also as a percentage of our total revenue profile. So, what can lead to these delinquencies firstly, wherein we are left with the receivables or just if you could explain the nature of our business wherein we are left with these amounts being receivable, if you could explain what leads firstly to these and again, I am repeating, we are into the B2B business, I think so on a higher side. So, if you could just explain kindly more in detail?

Saurabh Lal:

Sure, sir. So, as we said, we are more into B2B business. We deal with various customers from the banks and everyone and those customers basically give payments to us. There are certain disputes that arise on those payments and when these disputes arise there are payments which get on hold. Now, there is a process of detailed reconciliation that happens between us and the banks for those amounts to be recovered and that reconciliation takes some time from a business perspective, sir. Other than that, sir, we have a business which is basically a non-digital business and this is not B2C business and we are purely into right now into B2B business with the banks and other customers.

For B2C business, sir, as Ravi also mentioned that we are getting into various forms of issuance business like prepaid card and everything, there we will definitely have a B2C customer for a period of time, sir. But as I said, sir, just coming back to your point of these kind of deductions, these are basically reconciliations, sir. In case you are requesting for more detailed information, we can ask our agencies to definitely reach out to you and we can give you more details that what are the natures and what are the details of these deductions, sir.

Saket Kapoor:

Okay. And next point is on the depreciation and the amortization expenses?

Saurabh Lal:

Okay, sir.

Saket Kapoor:

So, sir, when we look at our net assets, current assets of property plant is around INR310 crores on a standalone basis, wherein we are booking depreciation and amortization to the tune

of INR158 crores. So, if you could just explain the nature and the rate at which the same are being depreciated, just to understand what goes into this?

Saurabh Lal: Sure. So, sir, just as you referred this as a standalone financial, sir, if you see there are two types of assets in our books. One is this property plant equipment, which is around as you said INR310 crores.

Then there are another form of assets in our balance sheet, which is called ROU assets, sir. So, there is a ROU asset also sitting in our financials, which is another INR200 crores approximately, sir. So, total FA book of the company, including ROU and PPE is around INR500 crores, sir. And the depreciation that you see in the P&L is a mix of both. One is the depreciation on the tangible assets which is in PPE and the other depreciation is being charged on the ROU assets also which is again sitting in part of the PPE book.

Moderator: Saket do you have any follow-up question?

Saket Kapoor: I will join back here no issue.

Moderator: Thank you. Next question is from the one of Aasim from DAM Capital Advisors. Please go ahead.

Aasim: Hi, Ravi and team. So I heard your comments on renegotiating these agreements wherein you are saying that you would want to move from a 100% transaction link to a more fixed transaction model. First of all I just want to get your sense from a thought process how are you looking at these renegotiations?

Does the fixed fee ideally cover the entire opex at least or maybe the fixed fee covers more than the opex, so you do have some positive ROCE for ATM and then the variable bit pulls up ROCE higher to say 15%-20% or whatever ROCE you target for ATM?

Saurabh Lal: **Saurabh this side.** So as you rightly said definitely, but we always thought banks the large banks which we have in our portfolio we always used to have a normal contract which are transaction fee-based contracts or fully transaction fee-based contracts. But we have seen over a period of time is that definitely there are certain fixed costs which are definitely required to be covered in the contract so that we should take care of either the inflation that is going to hit us over a period of time or there is a possibility that over a period of time the asset is not generating the expected number of transactions when we have bid the contract over a period of time.

So now as we said and as Ravi also mentioned we are trying to get into hybrid-based contract with them which covers the mix of both the sides like just to give you background that we have various types of ATMs in our portfolio. One is called on-site ATM, certain ATMs are off-site ATMs, certain ATMs are additional ATMs, then we have honest.

So we are trying to mix it in such a way that we should be able to cover a maximum cost wherever we have an ATM like ATM installed at the branch level where most of the

customers of the branch come and not other customers come. So we wanted certain banks that okay if you can do it with a fixed fee pricing then it will be helpful for us and then we take some upside from them.

So definitely since we are saying it's not purely fixed it's a hybrid, there is always a component of transaction benefit that will accrue to us. So automatically as a transaction goes up we will definitely keep on seeing higher growth is coming on that amount, but yes on the other bottom side it helps us to protect our certain costs and certain losses, all costs are definitely not covered, but I think substantial portion of costs are getting covered on a portfolio basis, but on certain ATMs we are ensuring that each and every cost gets covered and we should get additional revenue in the form of fixed fee revenue.

Aasim: So hypothetically assuming there are no transactions at all the fixed fee will not cover the entire opex, but it will reduce any losses that may come from an ATM, that's the broad takeaway. It's not that the fixed fee will cover for the opex so you may have 0% ROCE, that's not the case?

Stanley Johnson: So yes what you rightly said that if it is a zero transaction ATM across it will not cover the whole amount as a fixed fee, but a majority of them would get covered across, that's how we have remodeled that.

Aasim: Got it. Just a follow-up of your current brown label estate are all the ATMs on this variable transaction model right now?

Saurabh Lal: So I think there are few contracts, few large banks that we have in our portfolio which are on the transaction fee-based model and other banks are on fixed fee-based model.

Aasim: But are the fixed fee-based model like at least some say 20%- 30% of ATM base right now or is it a smaller number?

Saurabh Lal:: No, I would say approximately it is around 35% of the revenue comes from a fixed fee contract.

Aasim: Okay got it. Second, I mean, not pertaining just to you, but basically yes I want to get your thoughts on, is the transaction link model flawed in the current environment where ATM deployments would perhaps be increasingly in suburban or smaller markets where footfalls may generally be lower hence even your plan to reprice contracts with a fixed, with a hybrid model, per se?

Stanley Johnson: So what we are seeing across is except metros, your semi-rural and rural where deployments are happening, the transactions level are pretty good enough across except in the metros where you have an impact of some of digital on it. But overall across on the semi-urban and rural it has a good set of transactions. So especially so when you get into a hybrid model, it balances off across the metros and the semi-urban part of it.

Aasim: Okay. And just, I mean, would a hike in interchange fee make this business more viable whenever it comes and if you heard anything on that interchange fee hike?

Stanley Johnson: So there are talks going on across in various forums on the hike of the interchange. Definitely, when the interchange increased the deployment pace and the deployment across by banks would always increase. So we had seen that when it increased 3 - 4 years back deployment rose across, same way we would see it once it goes up again.

Aasim: Got it. Just one last question I just forgot to ask you. When you are repricing your contracts with your existing clients who were on the variable model, I mean, just want to understand do the banks also -- are the banks pushing back like they would not prefer the fixed fee model per se or is it that there are too, I mean, the number of players in this space is getting less. So banks don't have a choice, so they are agreeing to the hybrid model? Just want to get a sense on that?

Stanley Johnson: So the answer is both you answered that across correctly. The players getting reduced across and they are seeing that increasingly where they are metros are losing transaction it becomes very difficult to manage the cost across. So banks are also aligned and tuned to it for this hybrid model.

Aasim: Okay. Thank you very much. Wish you guys all the best.

Moderator: Thank you. Next question is from the line of Ravi Shah from Opal Securities Investments. Please go ahead.

Ravi Shah: Yes thanks for the opportunity. Sir in slide five you have mentioned about strategic initiatives undertaken by the company. So when will the implementation begin and how will this drive the future growth of our business?

Saurabh Lal: So Ravi with respect to the various initiatives so there are various initiatives which already has been made live. Like as we said we have already initiated the Bangalore metro card where almost 47,500 plus NCMC card has been issued. So that project is already live. Now with the new regulatory guidelines which has come from the regulator where the zero KYC NCMC-based card can be issued.

So we and metros people are working together to ensure that immediate rollout of those cards and we are targeting to issue more than 2 million cards approximately in the next 2 years' timeline. The other one is Ongo fuel which is again we are running a pilot right now. Right now the pilot is at the Mumbai level and everything and I am sure as we move forward this pilot will go out on all India basis and then it will become a full-fledged rollout.

The other one is the issuance of prepaid card with one of the FMCG group. Again, there is an alignment. I think as Ravi also mentioned on the call I think this year all these three projects will be go live on a full-scale basis like NCMC is already go live, but definitely maybe in quarter 2 and quarter 3 we will be able to share with you the more substantial growth in the

number perspective and similarly growth in the revenues and the bottom line. And other two projects, specifically FMCG and the Ongo fuel and there are other things which are in pipeline which may have not been able to disclose today those things also get activated and will go live as we move forward.

Ravi Shah: Understood, sir. Thank you for such a detailed answer. Sir my second question would be about the demerger. So what is the strategy behind this and how is it going to help our company overall going forward?

Saurabh Lal: Yes, sure, Ravi. So Ravi with respect to this demerger. Ravi just a second. With respect to the demerger that we have done with the ITSL as a company which is basically our wholly owned subsidiary. So what has happened is that as Ravi also mentioned strategically we are focusing more on the issuance of the card businesses which is primarily linked to the issuance of card through NCMC, issuance of card through Ongo fuel, issuance of card through various retail tie-ups that we are doing with FMCG groups and everything.

So, all the issuance is happening through the subsidiary ITSL which has been given a PPI license by the RBI. So that license helped us to grow that business. Other businesses which ITSL is doing mostly on the acquiring side which is a POS acquiring business where we are deploying this merchant POS and everything which is very well linked with various common customers which AGS also has whether it is like OMC marketing, whether you talk about the various other corporates, whether you talk about the banks.

So, we thought that it will be very synergistic for us that though we wanted to create an independent entity, but now we realize that there is a possibility that when we do these businesses together like when we get a contract from oil marketing company we get a complete automation solution contract which is a payment including payments also. So we were getting the contract in AGS and doing the subcontracting in ITSL.

So, with this, I think we are now targeting that let us merge all these businesses in AGS. Let us try to avoid the overlapping roles happening on both the sides, both on the sales and operations and other fronts and put more immediate attention or I would say detailed focus only on the ITSL on the issuance side and everything and over a period of time, definitely it will bring synergies in the form of as I said overlapping functions, common functions, support functions and other execution strategies and faster executions of the rollout of both the AGS and ITSL business which is happening independently today, but once we have a merger together, they will do proper rollouts and allocation and deliveries together.

Ravi Shah: Understood sir. Thank you so much and all the best, sir.

Moderator: Thank you. Next question is from the line of Nitin Gandhi from Inoquest Advisors. Please go ahead.

Nitin Gandhi: Thanks for taking question. I would like to assess management's view for recovery of this, INR116 crores in the timeframe within which you expect this to be done. And going forward

what kind of expectations have been for FY25-26? Are they still pending which needs to be reconciled and provided for? If they are, what would it be to the tune of?

Saurabh Lal:

Thank you. So, Nitin from the recovery perspective as we said these are long-pending reconciliations and these are continuous processes happening in the discussion with the banks. We and business and operations teams are continuously engaging with the banks and other partners and other people in the system. These discussions happen at various levels, HO level, LHO level, branch level, regional level. So we are confident that there will definitely be a recovery.

Time frame definitely is a very difficult number to put it on exact frame, but I am sure we will see a good recovery happening in the near future which is maybe in quarter 2, quarter 3 and 4 definitely we will see some recovery. From a going forward basis, I think this reconciliation got created over a period of time because of certain processes followed by both the side be us or the customers also.

Now those processes have been automated to the great extent, and we believe that with the current processes and current reconciliation processes the delay will not be as such or the numbers may not be as big as we have provided in the last financial year.

Nitin Gandhi:

Was there any incident in Q4 which needed the provision?

Saurabh Lal:

Sorry?

Nitin Gandhi:

Was there any incident or reconciliation issue which resulted in provision in current quarter?

Saurabh Lal:

Nitin as I said, this is a continuous process of reconciliation. The total number of ATMs that we are managing with the banks, the reconciliation happens on a daily basis and it is a continuous operational job. The major reconciliation generally happens in automated systems and software now. So we do not see a major difference coming in the future for this quarter or last quarter and everything.

But yes there are certain overhangs or old amounts which were pending over reconciliation with various customers which got delayed or I would say got delayed beyond the normal timeline. Still as we said we are very much confident of recovering certain amounts from this amount that we have written off, but as we move forward I think the process is quite automated.

It is very difficult to think whether it is zero and everything, but I think most important is that we have a clear visibility and clear roadmap with us that we see that these reconciliations should not pile up over a period of time and we have the right mechanism systems in place so that we can kill it before it becomes too big for us.

Nitin Gandhi:

Are there any insurances available in such kind of practices worldwide or how does it work overseas?

Saurabh Lal: So from an insurance perspective Nitin we have insured ourselves from all types of frauds, whether it is frauds of cash theft or everything or cash in ATMs or cash in transit and including these cyber frauds also. So if it comes out to be that the kind of fraud which has been debited to us falls under any of this category whether it is a hack-based fraud like a cyber fraud or it is a cash in ATM, it got stolen or the cash in transit, those type of loss are covered, but specifically, reconciliations with the customers and everything which is probably the major reason of this fraud are not covered.

Nitin Gandhi: Okay. All the best. Thank you.

Moderator: Thank you. Next question is from the line of Nishi Shah from RH Invest. Please go ahead. Due to no response we move on to the next participant. Next follow-up question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Yes, sir. Thank you for the opportunity again. Sir when we look at your other expenses line item for the quarter and for the year as a whole I am now referring to the consol part that substitute large sum of INR717 crores on your revenue profile of INR1470 crores. So if you could just explain to us what are the key components and that will suffice?

Saurabh Lal: Sure, sir. So if you see sir the presentation of the financial statement has two, three heads under which we can put all the expenses. One is the cost with respect to the inventories, Second is the employee benefit expenses and then there is a cost which is basically covered expenses which are more than 10% or other expenses. So as we said sir our largest business as Ravi also mentioned, is the ATM outsourcing business.

So all the costs related to ATM outsourcing business which is related to various cash management costs, various consumers costs, various paper roll costs, various connectivity costs, AMC costs, maintenance costs, electricity have covered, consumers, insurance and any other costs related to other companies maybe transportation, maybe travel costs, not travel transportation, logistics costs, connectivity costs.

So all these costs which are related to that business directly is part of the major head of other expenses. Plus all the other SG&A of the companies financial administration expenses are also part of this head of other expenses.

Saket Kapoor: But sir in percentage terms that is a very sizable amount, means 717 on a top line of 1470 means 48% of your total costs or your revenues are in the form of only expenses. Just as an investor or a shareholder point of view just to understand what is left for us as investors to understand and participate in the model wherein 48% of your revenue generation is spent on other expenses, a good part goes into your employee expenses, then there are issues with receivables. And then you are in your presentation did allude to the fact that in 5 years you will be repaying back your debt.

But when we look at your previous 5 years you have been maintaining the same debt levels over the same period going up by INR100 crores and getting reduced by 100 crores it has

remained in that bank. So for me as an investor I am unable to make a point of case of investment, looking at the profile of your revenue and the expenses and what is left for investors to take home post the numbers. You are doing a good job in terms of digitalization and participating in the economy in whatever possible way, but for investing communities the story remains unexplained at least on my point of view?

Saurabh Lal:

Sure sir. Sir just to allow me to explain more details since this is a presentation of expenses as per the Schedule 2 and Schedule 3 of the companies this is how it is. But sir when we share the detailed financial statement with the shareholders, with other investors and the outside community you will get the complete schedule of all the other expenses which are part of this expense.

There is a detailed note that covers every head of the expense. But as I said, sir, just to give you background as we said ours is a service company. We do not have a product business and everything. So if you see all of the product sites the costs are very limited. So most of the costs that we incur in this business is related to the service of the business. For example when I start a new site or put a new ATM there is a cost of rent that goes inside.

I have to pay an electricity bill for that site. I have to pay a consumer for that site. I have to take insurance of that site. I have to take connectivity of that site. I have to take other housekeeping, maintenance of those sites. And all these costs are part of that segment and that is why this is going under other expenses.

And there is a detailed note that will be shared as soon as we release the final financial statement with covering all the notes and schedule for this purpose. So even if we are taking into account all these expenses and everything that is how we have represented that our EBITDA margin or adjusted EBITDA margin generated on the business is the way we request you to look at our numbers sir.

So since as you said we are a service company, most of our expenses will always come under the head other expenses only except for these three heads which is employee benefit expense and other is just change in inventories and change in purchase and other raw materials.

Saket Kapoor:

Right. And last point on the borrowing aspect. When we look at you as a service company, as articulated by you, our long-term borrowings are to the tune of INR423 crores. So if you could just explain that the nature of the same that leads us for long-term borrowing and that too also to the tune of INR400 crores on top line of only INR1400 crores, INR1500 crores. So what are we building in terms of these large amounts of borrowing into the revenue profile?

Saurabh Lal:

So sir borrowing as you said we have a large asset that we deploy on the balance sheet, the ATM that we deploy. So most of the loans that we have taken is in the form of accreditations of those receivables or basically given a charge for those assets that we have created over a period of time. So, all these assets which we deploy on the site like we put an ATM, we put a UPS, we put a VSAT and everything.

So all these assets ask for certain capital expenditure that we do. So most of those capital expenditures have been funded through these borrowings only which is in the form of long-term borrowing and that will get repaid over a period of time as per the defined schedule that we have agreed with the financial institutions sir.

Saket Kapoor: Sir when Mr. Ravi alluded to the fact that you will be debt free in 4 years to 5 years, can you explain us the roadmap taking into account the current business profile, what are the changes that will happen in the cash generation cycle that will lead us to repay all our debt going ahead? And if you could give us the maturity schedule also when you are pensioning in a 5-year story of net debt to go to zero?

Saurabh Lal: Sure. So sir if you see from a debt perspective, I think Ravi also mentioned sir, though our core business which is ATM outsourcing will continue to grow like continued like this. We have a plan to increase our other revenue streams and profitability from an asset-light model of digital payments where Ravi also mentioned that we will install all this issuance business and everything which will be an asset-light business where we don't foresee any big debt that has to come to our balance sheet size and balance sheet business sir.

Other than that sir the debt schedule as we mentioned is approximately we have a balance maturity of around 3.5 years to 4 years approximately pending with us which will allow us to repay this debt and everything. And as we grow and move forward as our business revenue gets transferred from normal ATM outsourcing business to more digital business which is an asset-light business.

So automatically that is what Ravi wanted to cover that we have a roadmap that we should become debt-free in the next 4 years to 5 years time horizon. And the ATM business will continue to generate this cash and that cash will help us to repay this debt and as I said again the future business that will continue in the form of non-asset heavy business will definitely support us to not leverage the balance sheet again.

Saket Kapoor: Then?

Saurabh Lal: And then automatically as we said we will grow more of the non-asset-heavy business automatically and the existing cash flow is sufficient to repay the existing debt. So automatically I think our horizon for the next 5 years is to become debt-free on a full balance sheet basis.

Moderator: Saket Kapoor can you hear us. Due to no response, we move on to the next participants. Next question is from the line of Aditya Sen from RoboCapital. Please go ahead.

Aditya Sen: Hi, thanks for the opportunity. Sir will we see a normalized EBITDA in FY25? Earlier in the call you said we will see some provisions this year also. So is it possible for you to quantify in terms of how much will it be in terms of last year's number of 106 cr higher than that, lower than that?

- Saurabh Lal:** Sorry Aditya I missed the last part.
- Aditya Sen:** So I am saying will we see a normalized EBITDA in FY25? Will we still take provisions on the receivables this year also? And if yes then what will be the quantum more than last year, less than last year where will it be?
- Saurabh Lal:** So Aditya I think that the intention is that these are the old outstanding on which we are still working on to collect. But yes, since there is a time value of money which has got lost or I would say implementation of various other regulatory guidelines the requested us required us to start providing for these provisions. But as we speak, I think from a FY25 perspective or future perspective we do not see such a large provision coming up in the balance sheet.
- And I think as a management, as a company, as a business we are targeting that whatever is the normalized EBITDA should be the actualized EBITDA for the company.
- Aditya Sen:** All right. And how much growth do we anticipate for the coming few years FY26-27?
- Saurabh Lal:** So, from a business perspective, as we said, though we have scaled down many businesses in last 2 years that is why you have seen there is a shrinking in the EBITDA margins also. Now, I think the loss of costs has got rationalized. I think from next year onwards we have a couple of contracts to deliver from an ATM outsourcing like SBI contract we have in hand, a couple of other contracts in pipeline plus we have a digital strategy with us.
- So, I think we are targeting a good growth in next one year. I think maybe quarter 1 end and quarter 2 will give us also more confidence and conviction to go ahead and declare. And I think market will also be able to see what kind of growth we are targeting. It is very difficult to give you the exact number at this point of time.
- Aditya Sen:** All right. No worries. Thanks for the answer.
- Moderator:** Thank you. Next question is from Savi Jain from 2Point2 Capital. Please go ahead.
- Savi Jain:** My first question is on your receivable write-off. So is this because there was a disagreement on the service level expectation from your customer that you are not able to deliver on those standards and therefore they are delaying the payments or was there some reconciliation issue and the cash itself that was -- the cash levels were different in the entire ATM cash register business?
- Saurabh Lal:** So, sir, most of the amounts are of reconciliation nature only. Most of the amount, I am not saying all the amount, but yes most of the amount that we have written off, taken up provisions and written off is of the reconciliation nature only.
- Savi Jain:** There is no insurance on this like if there is a differential amount due to theft or some whatever reason, so do you not get compensated by your insurance contracts?

Saurabh Lal: So, definitely, as I said, the insurance covers each and every aspect of the cash, whether the cash is in the ATM, whether the cash is in the transit or whether the cash has got siphoned off due to the cyber fraud or anything, all these forms are covered. But in case of specifically in reconciliations definitely it becomes sometimes very difficult to give the documentation and to give a supporting to justify that under which category this reconciliation falls. Basically, these reconciliations are generally of very small value wise.

And because of the small value item wise it becomes practically impossible for us or to the customer to share the details with respect to those amounts from where it has been taken out, what kind of fraud it has happened and whether the customer was genuine or customer was ingenuine. But wherever we have been able to demonstrate to the bank, that is why we are saying even though we have taken up provision and everything, we are confident that we are able to share those communications and confirmations both from the customer perspective and both from the technical perspective that this cash was returned back to the bank and we have a right to reclaim this money from the customer bank.

Savi Jain: Okay and what was this amount last year like FY23?

Saurabh Lal: FY23 this amount was approximately around INR49 crores.

Savi Jain: Okay, and these are mostly with respect to I mean all of these issues occurred in this year itself or they have been much earlier issues, but you have finally written them off right now?

Saurabh Lal: So, these are definitely pending issues with the customers for long now. And since we were able to demonstrate certain collections, certain communications in the past and there was a trail available with us for the recoveries and everything. So we have been able to take it to the next level, but yes now since it has become too late for all of us, for the management, for board and for the auditors as well, that it is getting too late that there is a time value of money required in the ATMs, sorry, in the financial statements and since the money is not coming as early or as fast as we were expecting we have started, we have provided those provisions.

Savi Jain: Okay and you said next year also it should be a similar amount?

Saurabh Lal: No, it should not be.

Savi Jain: But there will be some amount?

Saurabh Lal: So that should be as I just answered that it should be a normalized EBITDA. Our endeavor is to ensure that our adjusted EBITDA and actual EBITDA should be falling in the same line. They should not be this line item.

Savi Jain: And secondly I just wanted to understand see there is another company, listed company CMS in the exact same business, but they have very different financial profile, EBITDA margin, cash flow balance sheet. So being in the same business, is it that we have done a lot of transaction-based contracts we have taken up which is leading to losses because of decrease in ATM usage because of the digitalization that is happening. So those guys are doing more of

fixed price contracts. Is that the reason that the financial profile of the same business is very different?

Stanley Johnson: So the comparison is not apple-to-apple because the other entity is more on the cash management business. It is not on the ATM outsourcing business across. They do a lot of cash management business and their volumes on cash management business and on their pickup points are all different metrics which is not similar to what the ATM outsourcing is.

Saurabh Lal: So, just to add, if you compare we have a subsidiary Securevalue India Limited which is a standalone subsidiary. So that stand-alone subsidiary is similar to that business that CMS is also doing it. So those metrics are definitely we can share with you those standalone financial statements of our subsidiary Securevalue. That will help you to map the metrics more meaningfully when comparing it with the consolidated financial of AGS.

Savi Jain: But in hindsight do you think it was better to focus just on the cash logistic business and not on the ATM outsourcing business given what has happened over the last few years?

Stanley Johnson: So I will put it this way. We are now getting in more on to hybrid contracts across than transaction-based contracts. So you will see much better revenue and all across from fixed contracts coming across. Yes, we are also increasing our footprints on Securevalue and the cash management business.

So you will see a scale-up across in Securevalue for ATM replenishment, for doorstep banking, for DCV all across. So our focus is there and primarily more on hybrid contracts and growing up Securevalue.

Savi Jain: Current contracts which are already in force there we cannot do anything. We have to continue to execute them despite making losses on them?

Stanley Johnson: No, it is not so. So there are current contracts which are getting renegotiated and which is moving into a hybrid form of contract.

Savi Jain: But the banks and all a lot of these are PSU banks you think they will, I mean, they are willing to renegotiate...

Stanley Johnson: So our mix is more on the private sector bank. Our PSU is majorly our fixed contracts except State Bank of India. But if you see our mix, we are more on the private sector bank. On the public sector banks our contracts are mostly on fixed basis.

Savi Jain: This interchange fee you think after the election this can change? Is that a possibility?

Stanley Johnson: We would wish it happens.

Savi Jain: But you have any indication from like...

- Stanley Johnson:** No, there are various bodies which are representing this across. We will have to wait and watch.
- Ravi Goyal:** See last time it took almost 4 years to 5 years for rate to revise. But hopefully I think this should happen much quickly and we are all very hopeful that it should happen.
- Savi Jain:** Sorry?
- Ravi Goyal:** See last time it took quite a bit time for the rate revision, but this time, I think everyone has represented to RBI and hopefully it should happen. But again we are not sure when it should happen.
- Savi Jain:** And are you seeing increased outsourcing of ATMs? I think there are still a lot of ATMs which are still with the banks. So do you see those coming out for outsourcing in the next couple of years?
- Stanley Johnson:** Yes we are likely to see a good number of banks which have not outsourced it coming out with RFPs on this model across.
- Savi Jain:** Okay great. Okay, thank you. Best of luck.
- Moderator:** Thank you. Next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** Yes, sir. I missed your net, the peaking of debt numbers. So we can assume that this quarter numbers are the net debt has peaked for us and it will be only on the declining trend going ahead?
- Saurabh Lal:** Sir from a repayment perspective definitely we are targeting and endeavor is to repay our debt as the repayments are coming up. But definitely as we said sir we have one project of State Bank of India which we need to execute. So if there is a timing difference between the cash flow we may take some debt to fund that expenditure in the form of capex and working capital for State Bank of India.
- Saket Kapoor:** What is our current rating currently and when it is due?
- Saurabh Lal:** Sir, our rating is A + with CRISIL and India rating both.
- Saket Kapoor:** And our cost of funds, sir?
- Saurabh Lal:** Sir, cost of funds approximately in the range of around 10.5% to 11%.
- Saket Kapoor:** 10.5% to 11%. That is significant.
- Saurabh Lal:** Sir the price the cost of borrowing has increased in the last one year sir I think by 100 basis point.



Saket Kapoor: Thank you, sir. And we will get in touch with SGA for all the follow-up and thank you for all the elaborate answers.

Saurabh Lal: Thank you, sir.

Saket Kapoor: Thank you.

Moderator: Thank you very much. Ladies and gentlemen that was the last question for today. I will now hand the conference over to the management for closing comments.

Ravi Goyal: Thank you all once again for joining us on this call. Before we sign out I would like to quickly summarize our outlook for FY25. Our near term objective is to grow and scale the digital business by building an open loop PPI infrastructure through the issuance of cards and wallets and pivot from payment as a service to payment as a convenience through the Ongo card ecosystem.

Also, a large part of the revenue comes from the service business and all the service contracts are of long-term in nature whether it is ATM outsourcing business or cash management business or it is the AMC contracts for various assets. Going forward, we will see a good visibility of the revenue on a quarterly basis. I once again thank you all of you. Thank you.

Moderator: Thank you very much. On behalf of AGS Transact Technologies Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.