February 14, 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 Q3 FY 2023 Earnings Conference Call held on February 8, 2023

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed, the transcript of Q3 FY 2023 Earnings Conference Call held on February 8, 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: 2023.02.14 23:38:14 +05'30'

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

Enclosure: As above

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"AGS Transact Technologies Limited
Q3 FY '23 Earnings Conference Call"

February 08, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8th February 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
MR. VINAYAK GOYAL – EXECUTIVE DIRECTOR – AGS TRANSACT TECHNOLOGIES LIMITED
MR. SHAILESH SHETTY – MANAGING DIRECTOR, SUBSIDIARY, SECUREVALUE INDIA

Moderator: Ladies and gentlemen, good day and welcome to AGS Transact Technologies Limited Q3 FY '23 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 participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference 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: Good afternoon, everyone. Thank you for joining our earnings call for Q3 FY '23. On this call, I'm joined by our; CFO, Mr. Saurabh Lal; our Executive Directors, Mr. Stanley Johnson, Mr. Vinayak Goyal and Managing Director of our Subsidiary, Securevalue India, Mr. Shailesh Shetty.

Our overall performance for the quarter gone by has seen marginal growth in terms of topline on a sequential basis. Having said that, our core businesses, that is ATM outsourcing and cash management delivered a consistent performance. In the third quarter, we serviced more than 479,870 customer touchpoints across 2,200 cities and towns in India.

We provided cash management services to 43,200 ATM through our wholly-owned subsidiary, Securevalue India Limited, which has a network of approximately 2,500 cash vans across 1,800 cities and towns and about 476 vaults and spoke locations. Also, Securevalue has serviced approximately 2,700 pickups and doorstep banking points during the same quarter.

As of December 31, 2022, we had installed, maintained or managed a network of approximately 73,719 ATMs and CRMs on a pan-India basis. Our CRM network has expanded from 4,072 to 5,071 in the last nine months.

The RFPs floated by banks indicate an order book for 17,000 ATMs and CRMs in the current fiscal year. Overall, these orders for new ATMs/CRM amount to approximately 6.5% of the existing total installed base in the country and more demand is expected to flow. Being one of the leaders in this industry, we are close to finalizing a couple of large order wins, including a large order for 8,000 ATMs and CRMs under managed service portfolio for two leading banks. These two orders will start coming on stream from the next quarter onwards and will be rolled out over the next 12 months.

On the macro front, positive regulatory guidelines, such as the inauguration of DBUs and increase in interchange rate are paving the way for growth in our topline. Additionally, the value of the currency in circulation stood at INR 31.3 lakh crores as of January 23, according to RBI data as compared to INR 17.7 lakh crores worth of notes in circulation pre-demonetization.

This increase, coupled with the formalization of Indian economy led by the government of India's continued commitment towards boosting the digital infrastructure will collectively propel the growth of overall payment ecosystem.

Now, I would like to highlight a couple of points from the Union Budget that are pertinent to us. As reaffirmed by the Honorable Finance Minister in her budget speech, the economy has become a lot more formalized with INR 7,400 crores digital payments made in 2022. Our industry will get a boost from various financial inclusion initiatives like cash transfer of INR 2.2 lakh crores to over11.4 crores farmers under PM Kisan Samman Nidhi.

Opening of the INR 47 crores PM Jan Dhan bank accounts, setting up of Payment Infrastructure Development Fund through which the RBI has incentivized the deployment of POS infrastructure, physical and digital modes in Tier 3 to Tier 6 cities and other under-served areas of the country.

Also, in the recent notification of MEITY, the government has reintroduced incentivization to the acquiring banks by way of paying a percentage of value of RuPay debit card transactions and low-value BHIM-UPI transactions for financial year 2022-23. This incentive scheme will promote digital payments by incentivizing banks to build a robust digital payment ecosystem across all sectors and segments of population.

Further, this scheme will provide financial incentive to acquiring banks and acquirers for promoting point-of-sale and e-commerce transactions using RuPay debit cards and UPI and person-to-merchant transactions of low value.

Further, the inauguration of 75 Digital Banking Units that is DBUs and the growing preference for e-Lobbies is set to give an impetus to digital banking. These initiatives will benefit us in the following way:

- CRM offers better economics for payment players like AGS in comparison to the ATMs or cash dispensing machines and also result in overall high-cost savings for banks
- The idea of DBU is to mimic a bank branch, while minimizing the cost and providing customers 24/7 access through digital banking services. Together, this will aid the growth of our ATM outsourcing and cash management businesses.

On the digital side, we are leveraging the growing digital adoption in the country by rolling out POS devices, especially at OMCs' fuel retail outlets. As on December 31, 2022, we have installed 2,46,427 merchant POS terminals across the country, which includes approximately 51,977 POS terminals across leading OMC fuel retail outlets.

On the issuance side, we are currently pilot testing, the open-loop Ongo prepaid card solution for fueling across fuel retail outlets of a leading OMC. And we look forward to replicate our open-loop co-branded prepaid cards on our PPI license with other clients as well. These initiatives will add to our already growing revenue stream for the digital payment business.

Having said this, we will continue to remain focused on creating one of the largest omni-channel payment platform by providing innovative digital and cash payment solutions to our clients across sectors.

The performance for this quarter and nine-month period was relatively soft going to changes in our revenue mix that is for nine-months FY '23, our adjusted EBITDA witnessed at INR 3,676 million, saw a marginal 1% uptick. However, our margin of 28% was almost 2% higher.

Talking about performance in terms of sales mix during nine-months FY '23, the ATM outsourcing business, which works on a transaction and a fixed fee basis contributed approximately 48% of our quarterly revenue from operations, another 14% of operations came from AMC services and upgrades. Our cash management subsidiary Securevalue, which serves a mix of captive and non-captive ATMs, contributed 15% of the revenue from operations. During the period, our service revenue is back to 94%, a depiction of our changed revenue mix. The income from these services is recurrent in nature and supported by long-term contracts.

We have further strengthened our overall expense management processes, which include optimization of manpower across business verticals. This has already resulted into substantial cost savings for the company in FY '23 and its further effect will be realized completely in FY '24 onwards.

Now, I would request my colleague, Saurabh Lal, CFO of AGS Transact Technologies to share the financial highlights of Q3 and nine months FY '23. Saurabh, over to you.

Saurabh Lal: Thank you. Ravi. Good afternoon, everyone. Let me now take you through the performance of quarter 3 FY '23. In the quarter, which has gone by, the total income of the group stood at INR 4,248 million, versus INR 4,930 million for quarter three FY '22. This was largely due to the delayed order execution under our other automation solution businesses. Talking about the EBITDA number, the adjusted EBITDA of the group for quarter three FY '23 stood at INR 1,171 million as against the INR 1,329 million in quarter three FY '22. However, our margin of 27.6% was 60 bps higher than the last quarter, the quarter-on-quarter.

We have made certain adjustments to the EBITDA towards a certain one-off and non-cash item, including ESOP expense of INR 14 million, impairment loss on trade receivables for INR 50 million, forex loss due to devaluation of currency of our one of the foreign subsidiary Sri Lanka which is INR 5 million.

We saw a reduction of 43% in our finance cost, which stood at INR 349 million in quarter three of FY 2023. Updating on our segmental performance for the quarter, our payment solutions contributed 81% of our revenue in quarter three FY 2023.

In this segment, revenue from cash business accounting for 62% of our total revenue from operations, which covers ATM and CRM outsourcing and managed services and cash management business. This growth is largely driven by expansion in our cash management network also.

Digital solutions, which contribute 19% of total revenue from operations. This includes revenue from POS acquiring machines, switching and other transaction processing services. Our banking automation solutions comprising sale of ATMs, CRM and other currency technologies products, and self-service terminal and the latest services and other upgrades, this segment contributed 11% of our revenue from operations.

The other Automation Solutions business segment, which encompasses the sale of machines and related services to the customers in retail, petroleum and colour segment. This segment contributed 8% of our total revenue from operations.

Coming to the nine-month numbers on some of the similar parameters - the total income for nine months stood at INR 12,726 million. The adjusted EBITDA for the nine months stood at INR 3,676 million, and the PAT for the nine months stood at INR 523 million. On our balance sheet front, the company's consolidated net debt stood at INR 7,000 million as on December 31, 2022.

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

Moderator: The first question is from the line of Amit Chandra from HDFC Securities.

Amit Chandra: Sir, my first question is on your comment that you made in terms of the deal wins. So you mentioned about 8,000 new additions in terms of ATMs that is going to accrue over the next 12 months. So these two wins as additional wins that we announced last quarter or this is the same deal that we're talking about?

And also in terms -- same on the interchange rate increase. So has there been an interchange rate increase after what we have seen last year? Or I want clarity on that. And also as these contracts are mostly like, kind of, PSU led contracts, and we earlier said that we are focusing on improving our working capital. So do you think that moving to more managed services PSU contracts, it will actually elongate our working capital requirement?

Saurabh Lal: So, thank you, Amit. I'll take one by one, three questions with you. On the specific point on these 8,000 ATMs, I think Amit, this is in continuation to what we have updated the investor community and the other analysts in the last call that these are the 8,000 ATMs, which is going to come in our portfolio under managed services. So those contracts at that point of time were at the very initial stage, I would say that was at a nascent stage because the contracts and other things that's getting executed.

Now the contract has been executed. It has been awarded to us and now these two contracts are under the takeover stage where we are taking over this contract from the bank. So we have mentioned in our statement that we will take another 12 months to close this contract. But I think as per the current run rate at which we are adding this to our portfolio.

And secondly, Amit, it's a managed service contracts, so there is no capex required from the company side on this. So the takeover is just from existing running contract of the banks or existing running ATM of the bank to us as one of the new MSP for this contract. So takeover will be much, much faster than what we anticipated at this point of time.

Since as rightly said, it's dealing with the bank and their other existing partners who have to hand over the ATMs sometimes hand over and other activities take time more than what we expected. Having said that, I would say, since these contracts have managed service contracts, there is no capital requirement from the tax front on this. The only capital that will be required on this contract to be done on a day-to-day basis is the working capital on the account of various costs, which we spend to run those operations.

But I think those will -- if you see on the overall bottom line additions or the additional revenue that we go, I think it will be a healthy composition for us to have a major mix where there will be a very, very less capital employed on these contracts. There will be a large number of ATM will be that added to our portfolio. It is a good chunk of revenue which will get accrued on a monthly basis.

And since this will not I would say, increase the capital, I would say, capital employed because of no capex, I think the return ratios on the capital employed will be better. Yes, there will be a marginal, I would say, increase in the working capital point to the nature of the contract or the nature of services which on an overall basis, definitely, we are trying to correct it with all other customers also including the PSUs bank.

Amit Chandra: So sir, in terms of the…

Saurabh Lal: One on the interchange rate. I think what we're trying to update to everyone, including Amit you and other community in the market is that from an interchange rate, from a banking side, there has not been any change right now from an interchange point of view. But yes, there have been a couple of incentives, which has been rolled out by MeitY other regulatory agencies to promote the digital payments.

So like as you said, the MeitY re-incentivizations on RuPay card and the UPI transactions have been reintroduced and it is effective 1st April 2022 now. So that change has come, which will definitely add revenue to both us as acquirer and the issuer and definitely support the market to grow the digital network. Otherwise, from the ATM side, there has not been any change from the interchange per as such.

Amit Chandra: On the transaction side, the transaction with ATM. So how those incidents performing? Because at an aggregate level, the transaction per ATM seems to be stagnant at around 80-85 levels, it is not increasing, right? So any update on that front?

Saurabh Lal: So Amit, I agree with you the transaction front on the ATM network has been stagnant or you can say it stabilized over a period of time. It has not yet across the pre-COVID levels. But having said that, if you see over a period of time, that is how we are also trying to change the mix of our revenues, not only depending on the transaction previous revenue, but getting into a more new contract like these two contracts, which is again a fixed fee contract to us, they will be from the transaction ups and down.

Second, we are also focusing on slowly and slowly and increasing our CRM base, which is, again, mostly working on the transaction front -- on the fixed fee and plus wherever there is a transaction fee coming on those CRMs, this is giving us additional revenue in the form of getting a revenue from the withdrawal of the transaction also and the deposit of the transactions also.

And over a period of time, which we discussed in the past also, I think with respect of implementation of cassette swap, MHA guidelines, those are the additional forms of revenues, which is helping us and accruing on those the same ATM networks that we are running either before COVID or before demonetization.

So those are the comforting factor for us with respect to the -- I would say, compensating factor for us in case the transactions are still not coming at the pre-COVID level or hovering around the number of 88 and 90, so that we should not incur more loss on those fronts.

Amit Chandra: Okay. As of these 8,000 ATMs that you mentioned, we also have the cash management for them -- that's included in the managed services contract or that is separate?

Saurabh Lal: No. So it will have a cash management component also, Amit. So contracts comes to the AGS as a managed service provider. This includes various services, including maintenance of ATMs, maintenance of sites, maintenance of AMCs, maintenance of up-keep cash and other things. So cash management is a primary responsibility of AGS. And then subsequently, AGS is authorized under the contract to subcontract those activities to the authorized people who certify or qualifies to be the cash movement company. And that is how it will go to Securevalue. Not all of the ATM will have the cash-movement services. There is a certain proportion of ATM will have a cash movement, but that will be a large chunk of revenue from additional revenue coming to Securevalue also.

Amit Chandra: Okay. And sir, in terms of our digital payment business. So, I know -- there has been an increase in the total transactions at an aggregate level. But at an EBITDA level, what has been the performance of the digital business. So, are we still a profitable there? Or we are still a breakeven

Saurabh Lal: So definitely, if you see the KPIs, Amit, there has been definitely a considerable increase in the GTV turnover. The turnover from the both -- from the POS transactions from the non-OMC POS transaction has been – there has been considerable change. So automatically, any increase in GTV automatically flows down as a percentage of revenue in our P&L also. And since these are the variable revenues, any increase in the variable revenue also goes down to the bottom line.

Secondly, as I just mentioned, that there has been an introduction of the Meity incentive which has been reintroduced by the Government of India. This has also contributed as to additional revenue and to the bottomline of the company. So all these factors put together has definitely helped us to have an increment revenue of ITSL - vis-a-vis quarter three and quarter two.

So if you see on the number front, -- there is an increment of approximately 90 million in the revenue of ITSL of quarter 1 and versus quarter 2 on a stand-alone basis, which was INR44 crores earlier it has moved to INR44 crores. And similarly, it has a considerable improvement on the bottom line. There is a significant impact on the EBITDA vis-a-vis quarter-on-quarter of ITSL and which has flown down to the bottomline also. And on a PBT basis also, ITSL has become positive because of all the development of increase in GTV and the incentivization rollout by the Government of India.

Amit Chandra: And in your OMC business, don't you think this UPI of -- and of be UPI gaining traction. A lot of payments there are being directed to the UPI channel. So the usage of cards has – or the PoS terminals is like declining at OMCs at an aggregate level. So do you think that is a bigger risk?

Saurabh Lal: So Amit, if you see the contract that has come from OMC, the contracts has a very, very.. they are basically ITPS-based contract, which is Integrated Terminal Payment Solutions. So all the merchants has been advised to use only ITPS terminal at their POS machines.

So what does it actually mean, Amit is that, if we are one of the partners for that retail outlet with that OMC, it will be our terminal where all the acquiring transaction will terminate. So if the acquiring transaction happens through the UPI mode or happens through a Visa or MasterCard or for any other RuPay Card. So for Master and Visa, the interchange rate for debit card and credit cards are very clear. This is already – already working on it. With this RuPay cards or UPI transactions happening on those retail outlets, if the transaction is terminated or getting concluded on our acquiring terminal, we will get this Meity incentive.

But in case those transactions are not routed through our platform or our client terminal definitely will. So if you see from the intent of Government of India or from the intent of oil marketing company, they want that the OMC retail outlet will only have an Integrated Terminal Payment Solution, which will be owned by or run or managed by players like us or some other players. So if this becomes holistically get deployed or get, I would say, communicated to them.

So, we don't see any risk of losing the transactions on specifically either on the RuPay front or UPI front, because if we become the only aggregator or only acquirer to conclude the transactions we will get the incentive. Is that definitely incentives will be – and there will be different, if it's the Visa transaction and it is a RuPay transaction.

Amit Chandra: Okay, sir. One last question. So, on an aggregate level nine months to nine months, if I see, we have an almost flattish by the top line. So, one of with these new additional contracts coming in, so what kind of growth - we can see for FY 24 on top line? And also in terms of our debt, how you are seeing our debt moving because the incremental contracts that we're getting is mostly the non-capex side. So, can we see some reduction in debt for the next year?

Saurabh Lal: So, Amit, I'll take the debt part first. So on the debt side definitely as we see more and more non-capex based contract will get guided. So definitely, it will not put pressure on us to have more and more capital base debt to secure this deployment plan and everything. But yes, there will be keep on requirement on working capital side with respect to the incremental revenue getting added as a business model as we work, there is a working capital cycle that will take time.

But having said that, since there – these are more of the fixed fee contracts that are getting added in our portfolio, the reconciliation process and other approval process are much, much I would say simpler than the transaction fee-based contract, but the confirmations usually take much larger time than this.

But having said that, if you continue with the same policy that we'll have more of the non-capex and the non-MDR capex – sorry, non-MDR not saying – managed service capex and everything, managed service contracts. So definitely requirement of capex will be lower and the debt will ultimately get reducing because we have a confirmed repayment plan of the term debt. And if you see the split of the debt of the company, term debt and working capital debt, I think the large portion of the debt is our term debt, which will have a secured repayment plan for next one year. And with the current EBITDA level and the cash flow, I think, will be – it will be sufficient for us to repay this debt and not to re-leverage ourselves unless until we need some debt for a reason, which can be a working capital requirement.

And now coming to your first question, Amit, it will be difficult for me to -- or even Ravi also to give you any guidance on FY 24. But having said, I think, our commentary covers that, there are large wins, and the large wins definitely will have additional revenues. And as we said always that, our revenues are always a service-based revenue, which is more than 90%, are recurring in nature. So it gives confidence to us also and show to you also that we have a continuous recurring revenue, which is very much predictable even for future guidance perspective also.

Amit Chandra: Okay, sir. Thank you and all the best.

Saurabh Lal: Thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Avadhoot Joshi from Newberry Capitals. Kindly, proceed.

Avadhoot Joshi: Hi. Thanks for the opportunity. First, just a clarification. The 8,000 ATMs, which would be -- we would be having, this whole contract is coming to us, is that 8,000 ATMs. Is that correct understanding on managed services business?

Saurabh Lal: So we are getting this 8,000 ATMs contract with us. Yes, so the numbers that we are representing in this commentary is the ATMs which are getting added to in our portfolio. The bank will have more ATMs. There will be multiple partners who will be handling these ATMs, but definitely 8,000 ATMs are adding in our portfolio of existing ATMs.

Avadhoot Joshi: Okay. Understood that. And second point about the cassette swap. What's the deadline for this cassette swap? I think it was delayed by one year last week last year, right?

Saurabh Lal: Avadhooot, we have Stanley with us.

Stanley Johnson: So the way cassette swap is going on across, the regulator has still -- to firm on the 31st March deadline, but there is talks with the regulator going across to do some part of it for another six months getting extended. But as of now, the regulator has said that 31st March is the hard deadline. This is as of last week, which the regulator has confirmed that 31st March. They have called all the banks and asking in for data and standing firm on the 31st March completion date for all the machines.

Avadhoot Joshi: Okay. This cassette swap will have impact on our employee cost as well, whether we will see reduction in over there, because of the operations were getting easier because of the cassette swap. Is that understanding correct?

Saurabh Lal: Avdhoot it will definitely -- Saurabh this side now.

Avadhoot Joshi: Yes.

Saurabh Lal: So it will definitely help us to automate a lot of processes because --

Avadhoot Joshi: Correct.

Saurabh Lal: Bank has said is that, definitely cassette swap is a regulatory requirement. But as you know, bank has already outsourced complete end-to-end operations of the ATM to player like us. So even though when the moment bank says, we have to implement the cassette swap, banks are totally taking -- or, I would say, asking MSPs like us to take the full responsibilities of this cassette swap management. So what bank will -- bank says, we'll continue with the same process of handling the cash to you through their currency chest. You take that cash to your vault and locations. You please fill up the cassettes, fill the cassette, load the cassette as per the indent and bring back the old cassette, reopen the cassette, recount the cash and do the complete reconciliation.

So as a process, this will be a complete end-to-end process getting transferred to players like us, MSPs and the cash management company like Securevalue. That is why they are going to give us additional compensation for this. So on an overall basis, this complete end-to-end process, revenues and everything will definitely have a very good healthy bottomline for us. But it will not directly de-link the requirement of manpower, but I would say that it will be other way around to handle this end-to-end process, we may need more people to handle that process.

Avadhoot Joshi: Okay. Understood. Just last question, the employee cost reduction, in the initial remarks Ravi sir mentioned about employee cost has substantially reduced. So on the -- how do we look at it going further, whether it will remain at this level or on the revenue, whereas, now and we have new contracts, on the revenue percentage-wise, whether it will go up going further, what's the sense on that that I would like to know? Thank you.

Saurabh Lal: Avadhoot as Ravi has definitely mentioned that there is a substantial optimization of manpower with respect to various businesses that we do. Now I think this is where, I would say, the operational efficiencies are coming up. The metrics are getting covered up. And since the operations, whether it's outsourcing business or whether it's a cash business, so all these efficiencies will definitely kick in to us. So we believe that with the new addition of ATMs, since these are all the managed services ATMs or even it's a capex ATM. These operations are working on an automatic mode where -- and if we keep on adding those ATMs, we will keep on sharing those loads because of the automation that we have.

So we believe the current run rate at, which we are working on, it will be a right run rate for us. And so any incremental revenue in the form of ATM getting added to us, or in case of any contract coming from our other payments business segment like Banking Automation Solutions, Other Automation Solutions or any other segment will not have a culmination or, I would say, direct impact on our manpower. I think plan is to continue with the same run rate and continue to show those – that those actualized savings over period of time and onwards also.

But having said that, there are a few businesses like Securevalue, which is a purely manpower driven business, where the cost of manpower will keep on increasing as we increase the number of revenue points over there. So the mix may not match the same way. But on overall basis, I think the plan for the management and whatever discussion we had with our Board and even with Ravi and other businesses, I think the current run rate will be built with the ideal run rate to plan it for one year at least.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Kindly proceed.

Deepak Poddar: Yes. Hi, sir. Thank you very much sir for the opportunity. Sir, I just want to understand first on the revenue growth part. I mean last two, three quarters, I think we are seeing revenue degrowth in the range of about maybe 13%, 14% on a Y-o-Y basis. And if I have to look some of the peers, they are consistently growing at 20% plus. So just wanted to understand, is there anything that our peers might be doing differently that we are not doing. So, some light on that would be quite helpful?

Saurabh Lal: So thanks Deepak. Deepak, if you see the revenue mix of the company over a period of time, whether it's Y-on-Y over period of last, I would say, couple of years, the revenue mix of AGS have even though on a total overall basis, the turnover has not grown very rapidly, or day on basis on quarter-on-quarter, it has sometimes shown the marginal degrowth also.

It's mostly because of the revenue mix that we have. So most of the revenues over the period of time is getting into a more of service based business, which means service and recurring revenues. And whatever is the reductions or major reduction, which we have seen either on a Y-on-Y basis or I would say, year-on-year basis also is primarily because of reduction in the product sales from us.

We used to have around 70% of revenue, which used to be service revenue. Now we have already crossed 90% plus on service revenue. And if you really see on specifically on nine months and nine-month basis, you will see our Other Automation Solution business, which was primarily a product-based business has actually got delayed in the execution, which is again because of the product delivery again, otherwise, on a service revenue basis, other revenue basis, I think we've been consistent, and we will do -- without having said that, it's not that we are not degrown was the composition of revenues has changed growing.

But primarily, the Y-o-Y degrowth on the front of the product mix or I would say, product sales, which has been delayed because of the product execution or I would say, the focus of the company is to get more and more recurring service revenue on a long-term basis. And as we keep on moving on the service-based revenues, which help us to predict the revenues also and it helps us to have a long-term visibility of those revenue, which again, help us to get the right EBITDA margin numbers also.

Deepak Poddar: And also is there any change in strategy we see going forward to come back to the growth that ideally the company like us should see actually, because it's a quite a good market to be in, right? I mean we have a lot of scope for growth.

Saurabh Lal: Absolutely, Deepak that is what the strategy is all about. That is what we just covered in our commentary, we also that this 8,000 ATMs come in our portfolio, which will be a non-capex based addition to our portfolio, which will give us the, I would say, will become one of the largest player again in the market from the deployment perspective, from the market size perspective.

And this large size of ATM portfolio adding to ourselves will definitely help us to leverage our existing network of people, network of strategy, network of infrastructure and everything in which will, again, automatically help us to build up the bottomline.

So I would say strategy is definitely on the two, three fronts. One is to be definitely continue with the ATM outsourcing business and continue with the CRM deployment, keep a right mix of fixed and transaction fee-based revenue, continue to focus on cassette swap business to make it cassette swap supply, because it will immediately help not only AGS, but our subsidiary secure value.

Third is to get into more and more acquiring site businesses and digital businesses, again, on the OMC side and on the issuance side also that like Ravi also covered where at the pilot stage where we are trying to implement the Ongo strategy on the issuance side for the fueling. And also, we have got an agreement with one of the largest FMGC conglomerate to launch the co-branded prepaid cards also. So I think the strategy is largely focused on digital payments also and cash payment also and largely linked to all these services revenue, which is a long-term basis.

Deepak Poddar: But I understand about the strategy part, but now with the lower base, I mean, these last two quarters, we have seen a degrowth. So, on a lower base, at least what sort of growth one can expect next year? Because I think if you see last four, five years, our revenue has been in the range of INR 1,700 crores to INR 1,800 crores, right? That is the range that we have been hovering around?

Saurabh Lal: I agree with you, Deepak, this will be difficult for us to give you any comfortable number or, I would say, committed number on this one. But yes, as a strategy, as I said, that is revenue with the new portfolio adding to us, we'll definitely have an incremental delta revenue coming to our portfolio, whether it's for 8,000 ATMs, whether it's for Meity incentives getting released by RBI because of this RuPay cards and everything.

Cassette swap getting implemented in the next one year. And as Stanley has said, as per regulatory, it has to be concluded by March '23. And these are all long-term recurring revenues. So I think from next year onwards or from this year onward, I think as you rightly said, we have a base of lower number. It will definitely add to a good growth probability for the next year.

Deepak Poddar: And this new delta revenue will start accruing from what April?

Saurabh Lal: No. So, some revenue will start coming in quarter four itself as we keep on takeover and as Ravi mentioned, the takeover out as a time line for 12 months. But I think from the current pace at which we will be, I think, maybe it will get takeover done by a much, much faster pace.

Deepak Poddar: And my last query is on your, we said in the last call that this FY 2023 will achieve highest ever PAT in FY 2023, right? So is there any change to that statement that we have made in the last quarter?

Saurabh Lal: Deepak so far, I think, I also covered in my commentary that we have achieved the total PAT of INR 535 million on a nine-month basis. So, with the run rate of contracts with the current run rate, I think we will still continue to hold that statement.

Ravi B Goyal: We will continue to hold, because I think in FY 2020, we achieved about INR 83 crores of PAT, right? So ideally, that leaves us for INR 30 crores of PAT in the fourth quarter 2020's PAT.

Saurabh Lal: I agree with that. Yeah.

Moderator: The next question is from the line of Raaj from Arjav Partners.

Raaj: Thank you, but everything is answered. Thanks.

Saurabh Lal: Thanks. Thanks a lot.

Moderator: The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade: In the opening comments, you did mention about the cost-saving initiatives, so can you elaborate a little bit on that, as to what is the extent of cost savings? And how much have we achieved? And any targets you have in for FY 2024?

Saurabh Lal: So Achal, as Ravi has mentioned that we have optimized our cost vis-à-vis revenues and everything, as we've been consistently also updating everyone exactly our revenue is largely into the recurring revenue or service-based revenues which will keep on either stabilizing or keep on increasing. And with the help of this getting automated over period of time, stabilization a period of time, I think it has helped us to automate a lot of processes internally, it helps us to rationalize our cost internally it help us to help us to optimize our cost internally.

So, if you see on the manpower front, Y-o-Y basis, you will be able to see significant reduction in our cost of two main sectors, if you see our consolidated financial, our employee benefit which used to be INR 201 crores, I would say, INR 2,017 million in nine months, December 2021. It has come down to INR 1,818 million in December Y-o-Y in 2022. So, there is an almost saving of INR 20 crores on employment cost on that front.

Similarly, if you see a second head, which is called subcontracting expense, which is again interact manpower that we have in our business, which was INR 1,968 million in December 2021, it has come down to INR 1,859 million and 0.6 lakhs in December 2022. So again, this is an approximately 19 million in that number also. So, these are the numbers on which the current run rate at which we are working on. So if you analyze those numbers, I think that there is a substantial saving which Ravi was referring also, and the savings will continue.

But having said that, I think I also answered, this savings will continue, even though we get added more ATMs in our portfolio. But having said that, except for one business, which is Securevalue which is directly linked to the manpower as we add more ATMs and more routes. It will have certain percentage of cost, but that is directly linked to the revenue.

If there is an increase in revenue, then they're able to cost our manpower. And then if for whatever reason, the revenue remains stable or same, there will not be an incremental revenue. And this is what the savings we're talking about and don't believe that at this current run rate of manpower, we were comfortable executing the current run rate of business and whatever expected and confirmed business that we have in our hand.

Achal Lohade: So the second question I had was with respect to compliance. If you could elaborate where are we in terms of from our preparedness for the cassette swap and the route compliance?

Stanley Johnson: So on the cassette swap across, we are committed to have all our banks to complete by March 31. And of this year and we are on road to that. You will see in numbers. So we have done a large portion in the month of January. So you will see a large portion of our ATMs getting converted into cassette swap.

Achal Lohade: Sorry. So you're suggesting that we will be 100% compliant or ready for compliance for these cassette swaps by March '23?

Stanley Johnson: So as on readiness, we are ready and we are compliant. We have started doing cassette swaps across all the banks, which have come forward and has asked us to complete. But as a whole, we will have to wait and see how much bank's readiness is there to complete it across. As of our readiness, we have done and we have already rolled it up.

Achal Lohade: And with respect to route compliance, how many of our customers or ATMs are already compliant on the route -- compliance in all?

Saurabh Lal: So I think, I have Shailesh also…

Shailesh Shetty: You are talking about the route compliance, right?

Achal Lohade: Route compliance, yes.

Shailesh Shetty: Yes. I'm Shailesh. I am representing Securevalue. So as far as our routes are there, we are 100% compliant on all the routes wherever we are manning ATMs.

Achal Lohade: But how many of our customers are already paying up for the compliance or because we have incurring additional cost, right?

Saurabh Lal: So I think since -- as we've already mentioned also and earlier also that the Securevalue was formulated earlier in 2012. We always started off with all the guidelines which were recommendatory in nature. So that is why, when the day one and with this MHA guidelines, which I think we're referring or the route compliance guidelines came into picture, we were the first company who was compliant on the India basis for all these compliances.

So a lot of banks have started -- a lot of customers have started paying us because Securevalue serves the MSPs like AGS and other MSPs and MSP in turn, service bank and they get paid from the banks to the MSPs and MSP to Securevalue. So the Securevalue revenues if you see year-on-year growth, quarter-on-quarter growth, all those factors have definitely helped Securevalue with their profitability and margin profile.

So on a number perspective, I think most of the customers have started paying off, the exact number may not be available with me or Shailesh. But most of the customers have already started paying up. There is a committee found by CLA, which is Cash Logistic Agency, who is handling this compliance and ensuring this compliance that implemented on all India basis and negotiating or representing all cash new companies to banks and to MSP and as banks are getting comfortable, banks are getting reports and confirmations from the agency. They have started paying us on all those ATMs.

So, a few of the ATMs, maybe some cities may be pending even though we are compliant, so we are incurring that cost from day one. The revenue may not be coming up because, since we are part of this association and agency and network, we get this data from the bank and the CLA and start billing them. But I think from the compliance angle, we are compliant from all India routes. From the implementation perspective, I think since these guidelines came, I think, more than a couple of years back, most of the routes and most of the banks and most of the vans are compliant as of now.

Moderator: Thank you. The next question is from the line of Ketan Athavale from Robo Capital.

Ketan Athavale: And I have just recently started following the company. I wanted to know on the ATM side, so do you just have assembly or do you have enough software for these ATMs -- what is the case?

Saurabh Lal: Correct. As we have our factory and where we manufacture our ATM, so we have a assembly line, where we bike the ATM kits in the form of CKDs and SKDs. We have assembly line, which has been developed, I would say, created as per the German standards that are followed. And basis that assembly line, we manufacture those ATMs. So whatever applications that software are required for that ATMs, we buy those software's and applications along with those kits and assemble those ATMs.

Ketan Athavale: And about software like, do you have enough software?

Saurabh Lal: Yes, yes, absolutely, absolutely. Ketan, if you compare the ATMs. ATMs are nothing but a computer itself, which takes all those command, process those commands and act on those commands in the form of. So all those softwares and applications are required to run a computer machines like Windows, OS and other stuff and certain other very specifically proprietary softwares to handle our internal hardware purpose. Those softwares come bundled with those SKDs and CKDs. Or in case we need to buy those upgrades like Windows 7 to Windows 10, Windows XP to Windows 7, we buy those softwares from the normal OEMs or other service providers or other sellers.

Ketan Athavale: How is the outlook on this ATM business, especially vis-a-vis online transaction behind everything?

Saurabh Lal: So from -- Ketan, from the outlook perspective, from the ATM business, I think with this ATM business continues to be one of the largest contributor of our revenues in the past and future and present. It was always the largest contributor to our bottom line in the past, present and continued in the future also.

It is the business which is actually generating the cash and helping us to grow our other strategies in the form of digital business and everything. So our primary focus will continue to stay there. We are one of the largest player in the market also. So we believe like banks like ICICI, AXIS, all those banks, they continue to be our preferred partners. We are one of the largest deployers. So I think we believe that this focus will continue to be there. But I'll request Ravi to just give you more

Ravi Goyal: Just to add to what Saurabh said, the ATM future, I mean, is going to be absolutely great as long as the physical branches also keep on increasing. I mean, we see that actually from the banking perspective, you can do physically -- you can do actually all the transactions using mobiles or internet. But even there, we find that there are a lot of physical branches which are getting added by all the major banks.

And when you increase your physical branches, it necessarily means at least minimum on the minimum side, two to three ATMs per branches. And we are also seeing a lot of shifts coming from banks to deploy more and more CRM and provide an additional CRMs at the ATM sites to ensure that the deposit functionality is 24/7 available to the customers. At the same time, it reduces their operating costs significantly. So, we continue to see growth in ATM. There was definitely a little bit less during the COVID time and the demonetization time, but we see the growth continuing in the ATM business.

Ketan Athavale: And can you like give any guidance on EBITDA margin?

Saurabh Lal: So Ketan, I think from a business perspective, again, we'll come back to that same point that we have long-term recurring revenue is coming from the existing long-term contracts. So, we continue to sustain and maintain that good EBITDA margins, which will be in the range of at least 25% over a period of time. And this is what we have achieved in the past also.

So, we believe that EBITDA margin will sustain even though the transaction is not coming, I think there are multiple other forms of revenues which are getting added to the same ATM network like asset swap, MHA guidelines, route optimization, route logic, and other stocks are getting CRM deployment, which gives us additional.

So, as Ravi just mentioned, like we have still covered ATM transaction from the withdrawal side. But with the CRM getting implemented and becoming deployed at all the branches and banks where banks are trying to cover up and ensure that each branch will have a CRM, so that they can direct people to deposit the cash at these machines instead of waiting for their turn at the teller, which will automate their process also, which will digitalize their branch network also, and it gives us additional revenues in the form of getting money paid for the deposit transaction because end of the day, the machines are processing those transactions. So, we believe all these new initiatives and new influx coming up, we will continue to maintain this healthy margins.

Ketan Athavale: And just one last question. So you mentioned you have debt requirement only for opex and will that be case for the next two to three years also? And is there any specific plan for reduction of debt?

Saurabh Lal: So, as I said, our debt is largely primarily consist of term debt, which have, I would say, defined a repayment plan. So, as we keep on growing our businesses, which is largely services business and there is not a significant capex that needs to be required to be implemented depending on the contract that we get.

But having said that, outsourcing like comes back and we believe contract, it will relieve the capex requirement, and that's a good long-term contract. We may require some more debt. But having said that, fixed contracts -- fixed repayment will help us to reduce the debt and whatever incremental revenue that is required our company is generating will help us -- which can be funded either through the internal approvals, but in case the internal approvals are being utilized for some other internal capex or other capex for which we're not in debt, we may need a working capital debt. That's it.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to the management for closing comments.

Ravi Goyal: Thank you, everyone, for joining us today on the earnings call. We appreciate your interest in AGS. If you have any further queries, please contact SGA, our Investor Relations advisor. Thank you so much.

Moderator: Thank you. On behalf of AGS Transact Technologies Limited that conclude this conference. Thank you for joining us. You may now disconnect your lines.