

24th February 2022

To, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400001 Email ID: Listing.compliance@bseindia.com 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 Q3 & 9M FY2022 Earnings Conference Call held on 16th February 2022

Dear Sir,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our earlier intimation vide letter dated 12th February 2022, please find enclosed, the transcript of Q3 & 9M FY2022 Earnings Conference Call held on 16th February 2022.

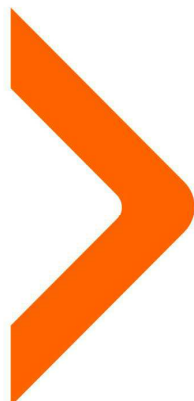
The above information will also be available on the website of the Company at www.agsindia.com

This is for your information and record.

Thanking You,
For AGS Transact Technologies Limited

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

Enclosure: As above



AGS Transact Technologies Ltd.

www.agsindia.com

REGISTERED OFFICE

601 - 602, B-Wing, Trade World,
Kamala City, Senapati Bapat Marg,
Lower Parel (W), Mumbai - 400 013
Phone: +91-22-6781 2000

Fax: +91-22-2493 5384

CIN-L72200MH2002PLC138213

CORPORATE OFFICE

1401-A & 1402,
One International Centre,
Tower-3, 14th Floor, S.B. Marg,
Prabhadevi (W), Mumbai - 400 013
Phone: +91-22-7181 8181



“AGS Transact Technologies Limited Q3 & 9M FY2022 Earnings Conference Call”

February 16, 2022

Disclaimer: This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.



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



AGS Transact Technologies Limited
February 16, 2022

Moderator:

Ladies and gentlemen, good day and welcome to AGS Transact Technologies Limited Q3 and Nine Months FY2022 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the belief, 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 “*” then “0” zero on your touchtone phone. Please note that this conference has been 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 Mr. Goyal!

Ravi Goyal:

Thank you. Good afternoon, everybody. A very warm welcome and thank you for joining our first earning call post our listing. On this call we are joined by our CFO - Saurabh Lal and SGA, our Investor Relations Advisors.

Let me begin by giving you a quick snapshot of our company and then we will take you through the operational and financial performance. Digital payments in India are growing at an encouraging pace; digital payment is a key focus area for us as well. We have been very, very focused on the acquiring side that is the PoS acquiring side we have created a world-class platform and infrastructure called Ongo. We are deploying these PoS machines directly and we offer end-to-end processing of PoS payments which includes merchant PoS, transaction processing, settlement with Master, Visa, RuPay, and different card schemes, reconciliation of funds, and transferring the same to the merchant account through sponsor banks. Our major success in PoS deployment came from the deployment of PoS for oil marketing companies that is IOCL, BPCL and HPCL. We pioneered an integrated payment solution for the oil marketing companies and today over 22% of fuel retail outlets in India use PoS services offered by us. We intend to continue our penetration in this segment. We have contracts from all three major oil marketing companies and have an order book of approximately 50% of retail outlets across the country. The size of the fueling industry is around Rs. 8 lakh Crores wherein right now only 30% transactions are digital rest are still in cash and out of this 30% digital business approximately 60% is done via point of sales systems using various card schemes of Master, Visa, RuPay, American Express and these transactions account to approximately 160,000 Crores annually and it is consistently growing and as we see more and more digital penetration we will see this Rs. 160,000 Crores also increasing in future.

We target to have approximately 50% of this GTV through our POS in months to come when we finish our complete rollout at all the oil marketing company retail outlets. I would also like to highlight that PoS penetration will receive a boost from the adoption of more digital payments and also through Ongo value added services offering. On VAS front our PoS machines are offering various value-added services like cash at PoS, Micro ATM facilities, selling of insurance policies mainly for two-wheelers and what is going to be the most interesting would be loan against card receivables platform. Now this loan against card receivables platform is being built so that the merchant can avail the loan through our digital platform in fraction of minutes and it can be done digitally, it can be prepaid digitally, it can be for one day, it can be for a month, it can be for a year depending on the credit history of the merchant and this we are very excited to roll this platform and we see a very, very good business opportunity there.

Also, the government policies have been incentivizing OMCs and their customers toward digital payments like 0.75% digital incentive, which is also driving a shift in the payment methods at fuel stations and as I mentioned that this 30% digital transaction that the fuel outlets should grow substantially in days to come. Also, there are some good initiatives from Government of India on RuPay, incentives to be provided to the acquirers and issuers and that also would benefit us in a long run.

Going ahead we expect strong growth in our digital side led by our very two strong digital platforms one is Ongo and second is Fastlane. We had received a PPI Card from RBI on a perpetual basis and we are creating a platform where we are attracting more merchants and consumers to join our Ongo ecosystems by pivoting from payment as a service to payment as a convenience. Ongo ecosystem basically allows consumer to use one single payment system to make payment at PoS terminals through various modes of payment including cards, RFID, QR Code, UPI, etc. We have also entered into a strategic agreement with RBL Bank in relation to a proposal to provide an integrated prepaid card solution based on NCMC technology at Bangalore Metro Rail Corporation and this includes even the issuance as well as acquiring of the NCMC cards which would be issued. This card obviously has NCMC National Common Mobility Card it could be used primarily for transit but being a RuPay Card this can be effectively used for online and offline payments. We also have a very innovative product called Fastlane which is a fueling mobile app, which we have deployed for HPCL at their Mumbai and Pune outlets, right now approximately 144 retail outlets are live, we intend to grow this concept of controlling the whole fueling process through a mobile on a PAN India basis with various oil marketing companies.

Talking now about the cash we have seen that the cash in circulation has been consistently increasing. The pre-demonetization used to be around 18 lakh Crores, we have seen everything has come back, in fact there is an article today which talks about 30 lakh Crores plus of cash in circulation which is approximately 14.5% of GDP one of the highest and every month this cash in circulation is growing. We have seen that the reason being there have been lot of approximately 43 Crores Jan Dhan accounts being opened and that is also bringing more and more people into the banking channel, also we saw a lot of money coming into the financial channel during demonetizations, at the same time we are seeing that direct benefit transfer is growing which used to be few years back to around Rs. 75000 Crores has already reached to around Rs. 5 lakh Crores, so we see more and more money coming into the bank accounts and obviously the customers are going and withdrawing money either from bank branches or from an ATM. We have seen that in India still around 1.6 times the cash in circulation is being dispensed with an ATM, this is still quite less compared to Russia and Brazil which is talking about six times plus ATM dispensing compared to cash in circulation. So, if we are talking about around Rs. 20 lakh Crores as a cash in circulation then we would dispense around Rs. 32 lakh Crores through ATM channels, so we see that it is a very, very important channel for cash being dispensed through the ATMs. For banks still the ATM is the most cost-effective channel for cash dispensing like if a customer walks into the branch it costs bank approximately Rs.60 to provide that infrastructure whereas if the customer walks into the ATM it costs them only around Rs.17 and apart from providing a 24x7 convenience to the customer. So we expect the volume of cash payment transactions and consequently the demand of ATMs and what we call it as a CRMs it is a cash recycling machine which has been very recently been very popular to continue to grow in countries. Cash recycling has been particularly very, very popular because it provides again 24x7 convenience to the customer for cash deposits and what we have also seen the focus from bank side to convert more transactions from physical to electronic by providing what they call it as an electronic lobby they want to basically reduce the size of the physical branch, reduce the number of physical tellers and provide 95% of the transactions on to an electronic channel which would be like just outside the branch what we call it as an electronic lobby, having ATMs, having a CRM that is a cash recycling machine, having various types of kiosks like check deposit kiosks, passbook kiosks and internet banking kiosks so that customers can really walk in and do 95% of the transaction which they would have done it in the branch by 24x7 and provide a good convenience as well as less expense to the banks.

Being one of the largest and most integrated players in the ATM/cash management business gives us a significant competitive advantage in winning long-term mandates from banks, given our integrated offerings we are very well placed to benefit from both surge in digital



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payments as well as cash in circulation. AGS has created one of the largest integrated Omni channel payment platform in the country. We provide cash payments and digital solutions to banks and corporate clients. On the cash payment side we are very strong in the ATM outsourcing business offering long-term contracts with majority of the banks from 7 to 10 years where we deploy ATMs on behalf of the banks either on a transaction model or on a fixed monthly model. One important component of this ATM outsourcing is cash management and we have our wholly owned subsidiary called Securevalue which is specializing in cash management, it manages cash for our captive ATMs as well as for other managed service providers. Securevalue is completely compliant with all the regulatory guidelines of RBI and MHA on a PAN India basis and we continue to see a good growth in this business. Our longstanding relationship with our technology providers Diebold Nixdorf and ACI have played a very critical role in attaining our market position and enabling us to be a leader in the payment solution industry. Equally our deep relationship with our customers across industries puts us in an advantageous position for new business and cross-selling opportunities and enhances our market reputations.

Over the years strategically we have grown the share of our service revenue from 83% in FY2019 to approximately 88% in FY2021. When we talk about the service revenue what it means is a kind of recurring revenue which is in nature and it is backed by long-term contracts. We manage ATM for all three largest private sector banks and the largest PSU Bank in India, we have a strong order book of approximately 50000 PoS from OMCs under our digital business, what we have seen is that the platforms which we created on digital side Ongo and Fastlane as well as the success in ATM outsourcing we have found a big, big opportunity in Asian markets and we through our wholly owned subsidiary called Global Transact we have invested 90% in Novus Technologies based in Singapore and we have a presence in five countries. In Sri Lanka where we have won the largest outsourcing contract of the country by deploying digital branches what they call it digital branch and what we call it here is an electronic lobby, we have deployed more than 200 digital branches for People's Bank a bank of Sri Lanka and is one of the largest in that country. We have also formed a joint venture with a subsidiary of BCA Bank for deployment of point of sale in Indonesia and that is going to be our focus area for the next financial year. We have also won a major contract with a joint venture company called BP-AKR, the BP-AKR is one of the big oil marketing companies in Indonesia it is a joint venture between British Petroleum and AKR and there we have won the contract for rolling out the complete automation as well as the complete payment system and our Fastlane products in that country. We have already deployed in more than 20 outlets, and it is going to be rolled out throughout the country in next one year's time. Our other success has been in Philippines where we have tied up with one of the largest private sector banks called RCBC for deployment of point-

of-sale solution in that country and the focus has been mainly for financial inclusion for their rural cities. We have also started our presence in Cambodia, and we are working with a few large banks for deployment of point-of-sale solution in that country. So, we plan to continue to leverage the technology and the products which we have developed in India and provide these to these five countries which I mentioned.

Coming to recent developments and our business performance in the quarter, as of December 31, 2021 we have approximately 227,940 total number of PoS terminals which we have deployed out of this approximately 40,000 PoS terminals are deployed at OMCs, we have approximately 32,485 ATMs and CRMs under our managed service portfolio and we have been providing cash management service to approximately 45,000 plus ATMs through our wholly owned subsidiary Securevalue. For nine months ended December 31, 2021 we processed approximately 923 million switching transactions, we have processed around 140 million merchant transactions with a GTV of approximately Rs. 228 billion. During the nine months ended December 31, 2021 we successfully expanded our operations to cover more than 2,200 cities and towns servicing approximately 450,000 customer touch points. With a healthy growth in our network and transactions we delivered a strong financial performance nine months FY2022 with total income of approximately Rs.1392.3 Crores, 26% year-on-year growth in EBITDA and 59% jump in digital payment solution revenues. We have closed the quarter with a healthy order book with all leading OMCs in India under our digital payments and with banks under ATM outsourcing and banking service business. Typically, we experience a lot of purchase orders getting closed in the last quarter of fiscal due to budget closures and year-end closures. Accordingly, Q4 forms the largest quarter in the financial year in terms of revenues, in Q2 we were very optimistic about our Q4 performance, but in January because of Omicron there could be a spillover of certain orders including orders from PSU OMC. With combining of these factors, we expect to close the year with a total income of approximately Rs. 2,000 Crores plus in this financial year.

After completing our IPO in January the company has redeemed the outstanding NCDs which was part of the object of the offer, of the total OFS of Rs. 680 Crores we have infused Rs. 650 Crores back to the company to deleverage, as a result the company's debt has come down from around Rs. 1,100 Crores to Rs. 486.5 Crores as on January 31, 2022 with the reduced debt levels the company's debt to equity as well as debt to EBITDA is going to be less than 1, the company will save approximately Rs. 100 Crores in interest cost which could be reflective in FY2023.

To summarize our near-term objectives will therefore be to grow and scale up digital business, revert from payment as a service, to payment as a convenience through Ongo Card and ecosystem, continue focus on the cash side with our ATM and outsourcing and managed services along with cash management services, focus on improving cash flows and profitability and grow our leadership position in ATM business while growing other verticals thereby making the business highly scalable and profitable. That is all from my side. I would like to hand it over to Saurabh Lal, CFO to discuss the financial highlights.

Saurabh Lal:

Thanks a lot Ravi. Thank you everyone and good afternoon, everyone. So with respect to the business I think Ravi has given you all the updates we will definitely like to take some questions in the Q&A round especially on the business side, but I would like to take you through the financial performance of the company.

We will start with the consolidated performance of the company starting from Q3 which is December quarter for FY22. So, from the financial number the total income which company has generated in Q3 it stands at Rs.493 Crores for Q3 FY22 as against 469 Crores for Q3 FY2021 which is a 5% year-on-year growth. If you see our businesses we discussed on various business which Ravi has also explained, so when we as a company see our business internally we have three major segments under which we value our business or measure our KPI, the first business is a payment solution business which has two subverticals one is a cash business which take care of ATM outsourcing business and our subsidiaries cash management business, second business under payment solution comes with a digital payment business which is primarily driven by PoS acquiring happens to have a wholly owned subsidiary ITSL and our switching business with our tie up with ACIs where we offer switching solutions and transit and toll businesses where we have again expertise in providing payment solutions in transit and toll. The second segment in which we see our business is banking automation solution business which is primarily driven by sale of various banking and ATM product we have a manufacturing setup for ATMs and service revenues and upgrade revenues and totally maintaining the lifecycle of those ATMs till the expiry of those ATMs. The third vertical which is called Other Automation Solution vertical in our business which is primarily again driven by sale of various automation products to retail industries, color industries and the petroleum industry, which means retail store color companies like our Asian and Berger and the petroleum automations on behalf of HPCL, IOCL and BPCL and again running a lifecycle contract for maintaining those machines and servicing those contracts for life. So our total income includes considerable other incomes also which we want to cover which is part of other income, but if you see in other income our two of the most critical component that comes in other income is income from the insurance and the income from the deposit of lease. We would like to give an

update that since our total revenue have these two components so these are primarily a business revenues for us why because insurance income is taken as a income because of the nature of the business and in case of any loss happens to because of the insurance like we handle cash in the ATM, we handle cash in the van, we handle cash in the vaults, so all those losses if they happen, is taken as a P&L item in the expense side, so that income we classify them as other income though because of the accounting standard requirement, but we internally track this as a business income. Similarly as we have adopted Ind AS 116 way back in 2019 from that year onwards we have a lot of leases in our book where we have put it in our ATM and our outsourcing contract, so all the deposits that have been given to the landlords or any other deposit that company has given so that interest income on that deposit under the Ind AS 116 also qualified as other income, but since the expense of rent in the form of depreciation and interest is going in the P&L we also track this internally as a business income. So, while computing EBITDA we would take this as a normal business in our revenue streams. Now coming back to the EBITDA if you see the EBITDA which company has generated in Q3 of FY2022 is standing at Rs.127.6 Crores versus 121.6 Crores in the Q3 of FY2021 which is again a Y-o-Y 5% growth, the EBITDA margin of the company for this quarter ending FY2022 and the quarter ending 2021 was absolutely strong and we continue to maintain the EBITDA margin of around 25.9% both the quarters. As I said we have Ind-AS impacted our revenue on our balance sheet and financials, if you see our EBITDA excluding the Ind-AS adjustments specifically on the lease part our EBITDA for Q3 period for FY2022 stands at Rs.89 Crores versus Rs.78 Crores for Q3 of FY2021 which is a Y-on-Y growth of 14% on the EBITDA excluding the Ind-AS adjustments. Similarly if you see the finance cost of the company which is at Rs. 60.9 Crores in the Q3 of FY2022 it has component of lease which is around Rs.11 Crores of interest in that lease part and also as we said we have repaid that NCDs the NCDs also have a considerable portion of the interest which is around Rs.25 Crores that is what we are targeting that is by FY2023 we will have this Rs.100 Crores of saving from the finance cost. The company's net debt position is also very healthy now with respect to the net debt of the company stands at around Rs. 486.5 Crores as of January 31, 2022 after redemption of NCDs. The cost of finance for the NCDs will stay there for us in Q4 because of the make-whole call provision in our NCD redemption claim that we have to repay them for the 12 months make-whole, but from the Q1 onwards or FY2023 onwards we expect a saving of more than Rs.100 Crores approximately I would say more than Rs.100 on the interest side on this part and which will definitely convert into very healthy debt to equity ratios and very healthy debt to EBITDA ratios also.

Moving to the breakup of various revenues which we said Q3. So if I distribute our revenue into three segments that we discussed that our payment solution segments constitute around

75% of the revenue of total 100%, if we further dissect this 75% revenue 60% of the revenue comes from the cash solution which is ATM outsourcing and the cash management business of our wholly owned subsidiary and the digital business constitute 15% of the revenue, our banking automation solutions contributed around 5% of the revenue and other automotive solutions consisting of retail automation, petroleum automation and color automation constitute approximately 19% of revenue on the Q3 of FY2022.

Now I will take you through the nine-months performance of the company on a consolidated basis for FY2022. On a nine-months basis ending December 2021 the total revenue of the company stood at Rs.1,392 Crores versus Rs.1,238 Crores in nine months of FY2021 which is a growth of around 12% on year-on-year basis. Our segment mix of the revenue the payment solution constitutes 76% in this revenue 61% came from cash solutions and 15% constitute from the digital solutions. Similarly banking automation constitutes total 10% of the revenue mix and other automation contributed 14% of the revenue. The EBITDA of this nine-month period stood very strong with Rs. 354 Crores of EBITDA in nine months versus Rs. 280 Crores of EBITDA in Q3 of FY2021 the growth of 26% year-on-year, similarly the EBITDA margin has also improved significantly it has moved to 25.4% margin on nine-month basis versus 22.6% on the corresponding period. The nine-month EBIT has also increased 100% it has moved to 167.6 Crores versus Rs.85.8 Crores with nine months FY2021 which is a growth of 95% year-on-year. As I explained EBITDA before Ind-AS so if we take EBITDA without Ind-AS one month adjustment on a consolidated basis the EBITDA stands at Rs. 243.6 Crores for nine months ending December 2021 versus Rs. 158 Crores nine-months ending December 2020, so this is a growth of 53% on year-on-year basis. If you see on the cash flow basis of the company performance for last three years our operating cash flow to EBITDA generation is more than 85% to 90% level and that there is no difference in nine months period also we continue to generate a very high level of cash flow in nine months so we believe that this strong cash flow and the central balance sheet of repayment we are ready to capture all the opportunities and all other business strategies that we have planned and all those strategies which have already been executed whether it is a digital strategy or a cash strategy. So with this I would like to give it to the team Chorus to take us on the Q&A from the financial performance we have shared in detail.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra:

Sir, thanks for the opportunity and my first question is on the ATM business, so what kind of recovery we are seeing in the number of transactions on per ATM per day, so are we near

to the pre-COVID numbers which was around 105 to 110 transactions per ATM per day and also on the realizations part are we witnessing any uptick from the change in the interchange fees, which was effective October and also structurally on the ATM business now what will be drivers for this business as the number of ATM that this system level is almost having a low single digit kind of a group and next question is on the CRM business so we have added around 462 CRMs in the last nine months and currently we have around 4000 CRMs. So, I know CRM is a growth driver for the company so what is the target in terms of the number of CRMs we are going to add in the next one year and if you want to explain the unit economics, the revenue model and the profitability of the CRM machine is it similar to the ATM business?

Saurabh Lal:

Thank you Amit. I will take one-by-one. Specifically with respect to the performance of the companies of the ATM outsourcing business, so if you see on the nine month basis or with the nine months last year our total revenue on the ATM outsourcing business which is again part of our payment solution business we call it as a cash business which covers both ATM outsourcing and cash management business put together for our subsidiary, from that perspective I would say some growth is there with respect to cash and ATM outsourcing. Since we have both the contracts in our hand, we have a transaction fee-based contracts, also we have a fixed fee-based contracts also. So, on a fixed fee-based side definitely we have seen the growth because of various like you said CRMs which we have deployed over a period of time, many of those the CRMs constitute our fixed fee-based revenue also, so we have seen a significant growth in those fixed fee revenue. On a transaction fee-based side we have seen the transactions if I take you through the transaction history that we have seen from the pre-COVID level when it happened in March 2020. From March 2020 till March 2021 when we reach we saw the transaction almost coming back to the pre-COVID level then there was a second wave started off unfortunate for all of us in April 2021 and then we saw a dip in the transaction in April 2021 and again the uptake was there immediately and we have seen the transactions were inching back to the pre-COVID level, so if I distribute this ATM transaction fee based contract the CRM is contract we have seen the CRM has almost crossed to the pre-COVID level because there the rush at the branch and deposits are going parallelly. If I distribute my revenue into three contracts like PSU Banks or Public Sector Banks, we have seen the largest public sector bank which is in our portfolio has almost reached to the pre-COVID level. On the public sector bank side we have seen the transactions are coming back to the normal but I think it has still not reached to the pre-COVID level of 100% I think by end of this March and I think by end of April and maybe the new session, when all the offices are opening up, the transactions are coming back, cash and circulation is almost back we believe this transaction will come back to the pre-COVID level. Now coming to the CRM deployments so as you rightly said we are

continuously aggressively deploying the CRM, we have a good, good order book in hand from the CRM deployment also, banks are also going aggressively to ensure that all the branches should slowly, slowly get covered through CRM deployment so that they can transfer those people who come to the machines, and they can simply get the credit and deposit immediately. With respect to unit economics on the CRM side there are two types of contracts that we have one is on the fixed fee basis and another is on a transaction fee-based contract. On a transaction fee based contract our revenue comes from both side of transactions that means the CRMs are getting utilized for a transaction or the withdrawal also and for the transaction for the deposit also, but wherever the CRM and the other CRM contract where the CRMs are only utilized for the deposit of the cash there we have only fixed fee contract because still we are also in the process of getting more and more people accustomed to this kind of deposit machine, but wherever the machines are available that can be used for withdrawal I think we have the contract with the bank which is on the transaction fee based model. So, the unit economics goes on very, very market driven pricing I would say which has a rate for per transaction for a cash withdrawal, rate per transaction for cash deposits, rate for transaction for non-cash deposits and everything. So, unit economics wise from the IRR perspective they are very healthy contract generating IRR as I said it is a nine year contract, 10 year contract the healthy IRR ranging between I would say around 30% plus to 35% to 40% plus on the CRM side, on the deposit side as I said we are only deploying it only from where the fixed fee contract the IRR is different because right now the machines are only using for deposit functionality.

Amit Chandra:

My next question is on the OMC business which I think falls under the digital category, so we have a tie up with the OMCs and we intend to add PoS across all these OMCs and there were aggressive targets in terms of adding PoS machines across the OMCs, but based on the current monthly run rate in terms of additions we are falling behind and in terms of the GTV also that we are generating per month is only around 3.6 lakhs YTD so now what is happening there if you can have some more color on that?

Saurabh Lal:

If you see on the OMC side as I said we have a very, very strong long-term contract with all these three OMCs, with this contract we have a clear visibility of covering more than 50% of the retail outlets over a period of time, but we have seen is that the deployment was definitely going on as per the plan, but because of this Omicron wave which started off way back I would say last week of December and continued for the full month of January and it started easing out now what we have seen is that there is a slight I would say not a delay but slight push of the execution of those PoS machine deployment by all these OMCs and considering the nature where we deploy these PoS machines at various retail outlets all across the country the communication with respect to the delivery, the communication with

respect to the executions has slightly pushed the deployment so the target that we have kept in line by deploying more and more machines by March 2022, but we could see that it gets pushed maybe by another quarter maybe by June 2022 we will have complete deployment, but the most confident thing for us is that we have a complete order book visibility in our hand and with this order book visibility we have a clear visibility of the total revenue that will come from the OMC once we get the full deployment. As Ravi has also mentioned we have deployed around 39,000 plus PoS machines and we have another visibility of 50000 PoS machines which are getting deployed in this balance OMCs. Coming to the GTV part, if you see the total GTV which company has achieved the release which we made along with our results is around Rs17000 Crores of GTV which we have generated in last nine months again the total deployment of 39900 PoS versus 28000 so if I take 39000 as a base for Rs 17,000 GTV comes out to be around Rs.490,000 as per our working and if I take average of the deployment which generally happens because this deployment of 11,000 PoS happens over gradual period of last nine months but GTV comes at to be around Rs.570,000, in case there is any disconnect between the values and we can definitely share with you our workings also through SGA and we can correct that Rs. 360,000 figure that you just mentioned.

Amit Chandra: Okay Sir thanks for the clarity and all the best for the future.

Moderator: Thank you. The next question is from the line of Manik from JM Investments Limited. Please go ahead.

Manik: Thank you for the opportunity. Just wanted to understand what caused the slight weakness in terms of the payment solutions business in 3Q on a sequential basis and if there are any one-time cost there and if you could also help us understand what is happening on the cash management side given the fact that generally there is an expectation in the industry that the realizations would be in line with regulatory requirements?

Saurabh Lal: So far if you see our financial performance with respect to the payment solutions which constitute as you said ATM outsourcing and cash management business, so on a nine-month basis or on a quarter-on-quarter basis we have seen a significant improvement in our cash business specifically in the Securevalue, so we can share those segmental numbers also which covers our payment solutions. So we have seen a significant growth in our cash management business primarily because Securevalue happens to be the company which is compliant with respect to all the guidelines of RBI and MHA on all India basis and if you see in the last two to three years we have significantly added more than 20,000 ATMs in our portfolios, we used to handle around 28,000 approximately ATM in March 2019 and

today we have already touched more than 45,000 ATMs in our portfolios. So, from that perspective cash management business we think we believe that we are very well-positioned and we are commanding as we said we are the second largest cash management company in the country, we will continue to command that market share and we believe that the kind of geographical presence that we are covering more than 2200 cities we believe this penetration will continue to grow. Similarly on the ATM side also if you see on quarter-on-quarter or year-on-year quarter even though we have seen a lot of impact because of the Omicron wave or other lockdowns and everything we continue to maintain our revenue in matching with what we have so the number that I have with me like in payment solutions our total revenue is Rs. 332 Crores in December 2020 which moved to Rs. 365 Crores in December 2021, similarly if you see on a nine-month to nine-month basis our payment solutions revenue was Rs. 926.4 Crores in December 2020 which has increased to Rs. 1039 Crores in December 2021. If I further distribute this growth, this growth has primarily come from both the businesses one from the digital business which was Rs. 130 Crores in nine months ending December 2020 and moved to Rs. 200 plus Crores in December 2021, similarly our cash management business which was around Rs. 137 Crores in December 2020 moved to Rs. 176 Crores in nine months December 2021. So from that perspective I think from the business strong line and the business model perspective I think we have a very, very strong line of business with us and positioning ourselves as a integrated Omni channel payment service provider and integrated cash payment service provider offering all cash requirement, all the ATM requirements we believe that we will be continuing to gain the market share. In two or three larger private sector banks we constitute and manage more than 50% of their ATM network and 40% of their ATM network respectively and we will believe that we will continue that leadership position.

Manik:

Thank you for that answer, actually my question was related to the sequential dip in terms of revenues that we have seen in the payment solutions piece which has come down to about Rs. 366 Crores versus Rs. 375 Crores in the second quarter and also the decline in terms of the segmental profitability wherein we have seen the segmental profits for the payment solutions is going down from about Rs. 88.5 Crores in second quarter FY22 to Rs. 76 Crores, so if you could help us understand are there any one-off costs there and what drove the decline because you said the cash management business has grown, the digital business has grown, so is there a decline in terms of the revenues from the ATM outsourcing business?

Saurabh Lal:

If you see sequentially from Rs. 375 to Rs. 365 Crores our cash flow business has definitely grown, we saw, I would say a Rs. 10 Crores dip in our outsourcing revenue, which was 240

Crores to 230 Crores it is again primarily because of slight lockdown and Omicron impact on our revenue. Similarly on the digital side also it moved down from Rs. 79 Crores to Rs. 70 Crores as per the number which I have, so it is primarily because of two reasons if you see on the PoS deployment our revenues are directly linked to the sale value of the transaction so the deployment and the PoS value continue to grow but the major impact of this Rs. 5 Crores, Rs. 7 Crores which has come to our number is primarily because if you see that there is a reduction in the diesel price which happened in the month of December last year which was a reduction of around 10% in the diesel price so since there was a reduction in the diesel price it has a direct permutation to our revenue also because we get a percentage of revenue from the business of values which get transacted on the PoS machine. Now coming to the point with respect to the segment results, which have moved from Rs. 88 Crores to Rs. 76 Crores, so there are two, three costs which have come to us in this Q3 of December 2021, when that company has issued the ESOPs to the employees before this IPO and there is a ESOP cost valuing this ESOP at the fair value accounting so there is a incremental cost of around Rs. 5 Crores has gone to the P&L and payment solution constitute the largest pie of that business that cost has been noted in those contracts and there is a slight increase in the manpower cost because of the incremental which company has given to the employees and the third one as I said the cash business of the company has increased from a number perspective from Rs. 55 Crores to 64 Crores so cash business is directly linked to the manpower of the company, so there is a slight increase in the subcontracting cost where we have a third-party payroll hiring of the company, so rest all the parameter remain same, but having said that since cost is one time in nature I would say or it will not be a like ESOP cost will be not a perpetual cost it will be kind of a one time in nature over a period of time it will get over a period of time and as we continue to grow the operational skills will automatically kick in and this cost will not go in the same proportion and after Q3 to Q4 I think the return ratio will be better.

Manik: Sure, thank you for the detailed explanation and just one last clarification on the PoS deployment so out of the total outstanding order book of I would say close to about 45,000 or 50,000 odd PoS machines when do you expect to essentially complete the rollout for the outstanding order book?

Saurabh Lal: If you see we have already deployed around 40,000 retail outlet and we already touched across 17,000 Crores of our GTV and the rest 15,000 Crores is to complete in the pipeline and as you said our target is to close it by the June quarter.

Manik: So, you are saying about 45,000 PoS deployments by over the next five months?



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Saurabh Lal: Yes, absolutely.

Manik: Okay sure thank you and all the best for the future.

Moderator: Thank you very much. The next question is from the line of Nitin Sharma from Moneycontrol Research. Please go ahead.

Nitin Sharma: Thanks for taking my question. Two very quick questions. First of all, how should we see the banking automation segment both revenue and profits they appear to be volatile that is one question and then I have a follow-up.

Saurabh Lal: If you see on the banking automation side we happen to be one of the companies who is all into the manufacturing of the ATMs also and we have managed those ATMs once we sell those ATMs to either banks or to any other managed service providers who handles those ATM outsourcing contract on behalf of various banks, so the most important part for us and I am sure for the industry also in the similar line that whenever an ATM is sold it goes along with the AMCs or lifecycle maintenance of those contracts so whenever an ATM is sold to any of the parties as I said banks or the MSPs we will get a long-term contract for servicing those ATMs as well. Now in servicing those ATMs since we are the OEMs we happens to be the exclusive partner or vendor for the servicing of the ATM so we earn a consistent long-term service revenue from those contracts, so every year as I keep on increasing my sales share I will keep on adding those ATM in my portfolio where I earn this service revenue. Now many things which has happened in specifically last one year and we believe it will continue for next year or so also is that there has been a lot of requirements and regulations which have been mandated by a regulator that all these banks our MSP has to ensure that ATM network is compliant with respect to various requirements. The first one I am sure if you have noted out there is a requirement from regulator which says you have to comply with the cassette swap implementation by all the banks. So which means all the banks which is not under outsourcing contract business for our vertical where we have sold the ATM into the bank or any other MSPs where this ATMs may be managed by any other MSPs or bank directly the bank has to create an infrastructure or has to buy a cassette from us to ensure that cassette swap is immediately implemented on those ATMs. Second, there is another requirement from the regulator that they have to upgrade or there is another I would say not by regulator that they have to upgrade their software also like from Windows XP or Windows 7 to Windows 10 similarly they have to upgrade their software with respect to the terminal security which is anti-virus software and everything and many of those regulatory requirements or other IT requirements or compliances has to be met by banks. So from order book perspective we

believe or we have a very, very strong order book for banking services which we have delivered so far I would say on a nine month basis also and which are going to deliver for next 12 months as well, so if I give you a number perspective on a nine month basis banking automotive services has delivered approximately Rs. 110 Crores on service revenue and if I compare it with last year last full year revenue for banking service was Rs. 107 Crores, so still three months to go with very strong order book in hand and we believe that because of the sheer size of the ATM that we have we managed more than 25,000 to 30,000 ATMs under AMCs we believe that this order book will continue with us and we already have a strong order book so we will see a good visibility of banking service revenue at the same time banking automation will continue to grow.

Nitin Sharma: Just to understand how big is the current order book some idea and if you cannot share the number then probably order book kind of a metric if possible?

Saurabh Lal: So, I would say my order book currently stands two times of what we delivered last year as revenue.

Nitin Sharma: Okay understood thank you and the last question since there was some ESOP related expenditure P&L how should we see it going ahead will it be a consistent item then it is a bookkeeping question so will it be there consistently, or a certain portion is there?

Saurabh Lal: Nitin, the ESOP which has been given definitely the intention of the organization and for the management and the Board is to definitely one is to reward the employees and reward the future performance also, so that ESOP that we have issued they have a resting period of three years actually divided into 30%, 30% and 40% for three years and starting the vesting from August 2021. So basis that is we will have this cost coming up for the overall period of three years, but because of this weighted average cost estimate everything and the accounting perspective you will see that 50% of cost will get amortized in year one then around another 30% will get amortize in year two and 20% will be in the year three and as we grow as we move forward the management may come out with a new ESOP scheme and that it will be there totally on the recommendation and the approval of the Board and the shareholder how to take it forward and give it to the employees.

Nitin Sharma: Okay thank you.

Moderator: Thank you very much. The next question is from the line of Avadhoot Joshi from New Berry Capitals. Please go ahead.



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- Avadhoot Joshi:** Good afternoon, thanks for the opportunity. We have mentioned that OMC we have long-term contracts I would like to know what you mean long-term as you mentioned in the case of banks you have seven to ten years contracts what is the case in the case of OMCs?
- Saurabh Lal:** With respect to the OMC contract like we have contract with all the three OMCs and all the three OMCs have a different, different tenure of the contract, but just to give a ballpark picture the contract range between I would say around four years to seven years depending on the various deployment that we are doing on behalf of these OMCs.
- Avadhoot Joshi:** Secondly, on the fixed fee and the transaction fee could you please provide the split between this how much part of the revenue of a segment is into fixed fee and the transaction fee?
- Saurabh Lal:** So, largely the contract that we have with large private sector banks and the largest PSUs banks, we have a transaction fee based contracts with them and other portfolios bank that we have in our revenue stream they are on the fixed fee contract and if I split this revenue we assume that around 60% to 65% revenue come from a transaction fee based contract and around 35% to 40% approximately revenue comes from a fixed fee based contract.
- Avadhoot Joshi:** Again, I would like to know about the revenue share from the Global Transact and how do we see going further like growing that revenue going further because as you mentioned in the opening remarks you have a presence in five countries right now and we are deploying into other countries as I understand in Indonesia so how do we tend to grow it further that is all I would like to know?
- Saurabh Lal:** If you see our total revenue stream as we said we have got a very good position and we have got very good product both from the cash side and the digital side and we have I would say experience of delivering those products in Indian market be it be ATM, be it be CRM, be it be PoS Solutions and everything and as also Ravi mentioned that the product I would say the live product of PoS deployment, integration of PoS with the petrol stations, the integration of PoS with the retail outlet petrol stations, Fastlane product which we have developed or delivered with HPCL and already in the market, we continue to keep our focus on the same line and exploring those markets on similar line of products so that all those development which is done internally in-house by our software team or internally by our own team can be leveraged on those economies also because those economies are also growing with respect to various innovation space and various product lines, but having said that since if you see on the revenue stream side their contribution to the revenue of the company is around 5% right now and as Ravi said we have got all this joint venture

completed, joint venture done, the execution process has been already initiated, maybe for next one year the revenue may be in the similar line but I think go forward basis when those strategies come into play come into practice and actually implemented their share will definitely grow over a period of time.

Avadhoot Joshi: Understood thanks. Just one clarification about banking automation can we consider as and when you will sell the ATMs the revenues will be higher in that segment so banking automation revenue would be lumpy excluding the service revenue is that the fair understanding?

Saurabh Lal: On the product side you can say but services will make for continuous running revenue so that will always be consistent yes it will keep on going.

Avadhoot Joshi: As and when you sell more ATMs the services revenue will keep on going right?

Saurabh Lal: Keep on going, yes.

Avadhoot Joshi: That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: Yes, Sir thanks for the opportunity. My first question is on the cash automation part so on the cash business part so do we have an outstanding order book over there in terms of number of ATMs or CRMs to deploy over the next few quarters or months?

Saurabh Lal: Yes, as we say whenever we enter into a contract with the bank they would be public sector banks or private sector banks so generally how does it happen is that bank always gives us the indication that what is their strategy to grow the business because banks also run their own internal strategies, how they want to grow their network of branch, how they want to grow their network of CASA, how they want to grow the network of debit card, so we get a lot of intelligence from them and we always get a broad guidelines and understanding with respect to how much expansion and how much plan they have, but generally the agreement that we enter into contract always cover that these are the scope of services and everything and as banks continue to grow as bank continue to expand the network they keep on issuing us the purchase orders. So on order book side like we have contract with all the big banks we continue to run that order book and the moment those order books are near to the closure we automatically get an update order book, so on a consistent basis if you see we keep on adding around 1600 ATMs on every year on basis, so all those deployment always happens

I would say a structured planning with the bank so even though the exact PoS will not be in hand but the understanding and the guidance is there from the bank that we have a clear visibility of approximately how many ATMs or how many CRMs bank is going to get deployed in next three months timeline, six months timeline, nine months timeline or a 12-month timeline.

Nirmal Bari: Because the number of ATMs that I am looking at your press release and the number of ATMs have slightly decreased by about 350 odd ATMs in the last nine months so is this like a replacement between ATM and CRM that is happening?

Saurabh Lal: May not be necessary because only what is happening right now most of the CRMs which are getting deployed by many of the banks they are largely deploying these CRMs at the onsite which is basically means a CRM at the branch network and the ATMs that we deploy they cover both onsite and offsite so the slight dip which if you see from the ATM that we have deployed from 350 this is primarily because of many reasons because there could be a reason that it is in our interest also sometimes because the contract also gives us right and in case ATMs is not generating the right number of transactions over a period of time we have a right to close those ATMs or relocate those ATMs also, so that could be one of the other reason also where we might have closed those ATMs and looking for a relocation to a new site and the second instance could be a reason that if you see there is again a lot of places, a lot of locations, a lot of pockets we have those lockdowns also there, so since because of the lockdowns in the offices because we deploy those ATMs at various corporate offices, corporate centers of any of the big IT companies, any of the big retail stores also, so in case those retail outlets are closed so we will not build those ATMs with the revenue so automatically that will not come in my revenue accounts also, but the third one as you rightly said could be that bank is expanding the network and they see the huge demand coming for the deposits right now but right now banks are not replacing all the ATMs they are putting this as a second machine at the branch counter so that in case those deposit machines for some reasons are not able to function because as I said most of the banks right now are using these CRM machines for depositing the cash, they are not using this machine for withdrawing the cash, so except for one of the contracts or one of the bank where we have there we are using this machine for both depositing and withdrawing the replacement is possible but otherwise for all other contracts that we have since these machines are only used for depositing the cash so they are not replacing any of the ATM as of now.

Nirmal Bari: On the interoperability of CRM has that become operational or there is still time for that?

- Ravi Goyal:** So, a lot of banks have already gone into this platform but still the certifications are going on from the other banks so we hope that within a year's time I think all the banks would be on this platform like how it happened for NFS for ATMs so the certification is in process, but a lot of banks are already there on this iCD platform.
- Nirmal Bari:** One last question during your initial commentary you talked about loan to the merchants based on the PoS outstanding but since we are just providers we would not have access to this data right and secondly we are not an NBFC so we would not be able to get that loan on our books so how are we getting access to this data the outstanding of the peers billing data and then with whom have we tied up for this loan?
- Ravi Goyal:** We are doing the daily settlement for the merchant so we know exactly what is the amount and the number of transactions and the ticket size we are processing so that data is available and based on that we are not directly providing any credit but we are in the process of tying up with various NBFCs and the banks and it would be more on a referral model, but that data is definitely available to us and based on that data various loans would be provided.
- Nirmal Bari:** But we would be able to use that data is it?
- Ravi Goyal:** Absolutely that data is not an issue at all we cannot use the card data and other things but that is not a problem.
- Nirmal Bari:** The settlement data we can use?
- Ravi Goyal:** Yes, absolutely.
- Nirmal Bari:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Pushkar Jain from Sequent Investments. Please go ahead.
- Pushkar Jain:** I just have one question, I just seen year-to-year our payment solution business the revenue has grown but the profitability has shrunk a little bit as you said it is because of the subcontracting cost probably I just would like to know is there some operating leverage that we are not getting yet and because we are deploying more machines we might get it in the future I just want to understand the dynamics of covering some granularity about it?
- Saurabh Lal:** As I definitely said on a quarter-on-quarter basis there is a reduction in the profitability if you see on the segment side the segment result but at the same time if you see our nine-

month YTD number with a nine-month number for the last year there has been an incremental revenue for us so the EBITDA generation for the nine-month period is definitely improving from that perspective. So if you see on a holistic number Rs. 180.7 Crores of segment results has moved to Rs. 203 Crores of segment results but the percentage margins have remained same but on an overall value basis it has grown, so from a deployment perspective as I said because of this either because of Omicron or from the other factors we believe that this number will grow as we move forward because if you see on a FY2021 performance that we have achieved last year the March 2021 performance was much higher than this and as we move forward as we grow or as the lockdown will go out and the operational leverage or the other leverages that start kicking in towards the profitability will improve further, but on a nine month basis on the company's performance which have seen the COVID wave two and which have seen the COVID wave one or we have said the COVID wave with respect to Omicron specifically this nine month period this has got impacted, but I think we have sustained and maintained that margin which was there for last year to us and we believe this will grow further as we move forward and grow our cash and cash payment business both from the cash management side and ATM management side.

Pushkar Jain: So, we do not see any increase in subcontracting revenues?

Saurabh Lal: The cost is definitely proportional to the revenue only so at the moment if I see incremental in revenue then we can see that there will be some incremental cost but otherwise then there will not be any cost. So any increase in the transactions or any increase in the revenue stream coming from the transaction increase or as we discussed on the interchange price revision which has happened so automatically whatever increased transaction, incremental transactions or increase in the inter-change fees or any other revision from the contract or any other leverage will automatically go to my bottom line it will not improve my subcontracting cost any other cost.

Pushkar Jain: Alright, so we will get the operating leverage that is what I want?

Saurabh Lal: Absolutely.

Pushkar Jain: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of the Dipti K from Kothari Securities. Please go ahead.

Dipti K: Thank you for the opportunity, Sir. I just wanted to ask that can you give us some sense on FY23 guidance?

Saurabh Lal: From the numbers that Ravi has covered in his speech that we believe that we have already delivered a very, very strong performance on a nine-month basis but considering that because of the Omicron wave which has impacted some number in FY2022 we have a guidance given for FY2021-2022 to all the group. On the FY23 perspective we believe that we should close this FY22 with whatever we are targeting and the management believe and we would like to give more detailed guidance on FY23 maybe in the next call, but couple of things which is very critical for us and which is going to be very positive for us in FY2023 is that I think one which Ravi has already covered that there will be a substantial saving on the interest cost of the company and then there are a lot of other products like as we covered that we are going to deliver our full OMC platforms and OMC deployments for the PoS machine, similarly various other CRM deployments, there are a lot of other guidance as I said on banking service for delivering this banking service contract, upgrade of cassettes swap where upgradation of software, upgradation of lot of security software and MHA price increase, cassettes where price increase on the OS side, so from that perspective we believe that FY2023 could be there definitely will be a very, very strong year for us and should be and our guidance as we share more detail in the future will reflect those strong numbers also.

Dipti K: Okay, thank you so much.

Moderator: Thank you very much. I now hand the conference order Mr. Ravi Goyal for closing comments.

Ravi Goyal: Thank you everyone for joining today's call. I hope that we were able to answer your questions satisfactorily. If you have any further queries please contact SGA, our Investor Relations Advisor. Thank you so much.

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