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February 06, 2025

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-l G Block
Bandra-Kurla Complex, Bandra(E)
Mumbai -400051

SYMBOL: ALLETEC
ISIN: INE0M2X01012

Subject: Transcript of Q3 and 9M FY'25 Post Earnings Conference Call organized on January 30, 2025

Dear Sir/Madam,

With reference to the above-mentioned subject, kindly find enclosed herewith a copy of a transcript of the Q3 and 9M FY'25 Post Earnings Conference Call held on January 30, 2025.

The transcript may also be accessed on the website of the Company at https://www.alletec.com/investors-alletec

Kindly consider this for your record and information.

Thanking you

Yours truly

For **All e Technologies Limited**

KANAK GUPTA
Digitally signed by KANAK GUPTA
Date: 2025.02.06 13:15:31 +05'30'

Kanak Gupta
Company Secretary and Compliance Officer
Membership No.: A74117

ALL E TECHNOLOGIES LIMITED

Q3 & 9M FY'25

POST EARNINGS CONFERENCE CALL

January 30, 2025 2 PM IST

Management Team

Dr. Ajay Mian - Managing Director
Mr. Rajiv Tyagi - Executive Director
Ms. Ritu Sood - Executive Director
Mr. Sandeep Jain - Chief Financial Officer
Mr. Sandeep Salman - Head of Cloud & Managed Services

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q3 and 9 Months FY '25 Post Earnings Conference Call of All E Technologies Limited. Today on the call from the management team we have with us Dr. Ajay Mian, Managing Director; Mr. Rajiv Tyagi, Executive Director; Ms. Ritu Sood, Executive Director; Mr. Sandeep Jain, Chief Financial Officer; and Mr. Sandeep Salman, Head of Cloud and Managed Services.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements which may involve risk and uncertainties. Also, a reminder that this call is being recorded.

I would now request the management to run us through the investor presentation for the quarter and nine months ended FY '25 talking about the business and performance highlights for the period, the growth plan and vision for the coming year, post which we will open the floor for Q&A.

Over to the management team.

Ajay Mian: Thank you very much Vinay. Good afternoon to all of you who have joined this afternoon, and thanks for spending your time with us. I hope you will find it worthwhile. This deck was uploaded last evening, so some of you might already have taken a look at it. We have divided the content into four sections. We talk about the numbers, what's been happening behind, and then of course what has been consistent and the standard annexures.

So, let's go to the numbers. The revenue for this quarter stood at ₹359.9 million, which is approximately ₹36 crores. The total income was at ₹38.13 crores. The EBITDA for the quarter, for the first time, crossed ₹10 crores. The net profit came to ₹7.2 crores, the net profit margin rose to 18.9% and these figures basically mean that while we had only a very slight change in the Q-on-Q revenue numbers, the Y-on-Y was close to 20%, however the profitability rose.

If you look at the nine months numbers, the revenue crossed ₹105 crores. The total income from operations crossed ₹111 crores. The EBITDA stood at ₹27.59 crores. Net profit crossed ₹20 crores. The profit margin for the nine months now has been 18% which means an operational revenue growth Y-on-Y is 22.3% the repeat and recurring is around 93.9%. We added nine customers in this quarter, and over the nine months we added 38 customers. The total team size continues to be around 360 people, though we will have a new batch of campus trainees joining in about four to five-weeks' time.

Let's look at some ratios. If we look at the quarterly Y-on-Y performance, the revenue growth is 19.8%. EBITDA has grown Y-on-Y 37.6%, the EBIT growth is 38.6%, net profit growth Y-on-Y is 34.9%. The EBITDA margin stands at 26.4% and the net profit margin, at 18.9%.

The quarterly performance Q-on-Q, the revenue growth is of only 0.2%, but EBITDA growth is 10.1%, EBIT 11.1%, net profit growth is 7.8% Q-on-Q, the EBITDA margin is 26.4% and net profit 18.9% as we mentioned. So, for those of you who might be thinking- how is it that for roughly the same revenue the profits have increased - this is because the proportion of services in the revenue increased in this quarter, and a good part of it was international services.

So, this is just evidence to the fact that if our international services continue to grow, we have more opportunities to improve our overall margins. The nine-month performance - total revenue growth, 22.2%, EBITDA growth, 41.7%, EBIT 42.3%, net profit has grown in nine months 41.5%, EBITDA margin is 24.8% and net profit margin for nine months is 18%.

And here are some charts for visual analysis. For operational income, we spoke about it. We spoke about the EBITDA. We also spoke about the profit after tax. The one thing we did not speak about before is our earning per share. As we can see in the last quarter it was ₹3.31 per share, which has grown to ₹3.57 and for the nine months period it has grown from ₹7 to ₹9.93 … slightly under ₹10.

So, what has been happening – (what's) the story behind? During this period from mid-November to mid-January, it's been a trying period. Some of it was expected as there is this whole New Year and Christmas holiday season, which starts to impact. But I think there were other things. There were some political reasons, maybe the elections in the U.S., maybe some war sentiment impacting. But overall, what we experienced was that from at least mid-November, if not a little bit earlier, till like about a week ago or about a week and a half ago , we have sensed a very cautious and prolonged decision-making process by both customers and prospects.

So, customers for anything (which is) new (projects) ... new logos that we are trying to add, . the new projects (for existing customers), and you can see it in the numbers ... it resulted in lesser than the usual number of customers that we add in a quarter.

In this quarter we had only nine new additions. And vis-a-vis earlier (periods), on an average we have been adding like 14 to 15 per quarter. I'm not so much disturbed about these number, if our revenue per customer keeps growing and we still have a lower number of customers additions, I think we are still fine.

But what has happened is while this mid-November to mid-January saw a little bit of sluggishness in the market, in the process, our pipeline became healthier, so we still had customers and prospects (who are interested in the solutions) ... they continued conversations. So, our pipeline became healthier, and we are expecting ‘some’ conversions to happen ... over the next four to six weeks..

The other thing that has happened is - we have experienced in this quarter the Middle East business (has) gained momentum (for us). We have growing number of opportunities from the Middle East at this point in time, we have at least four new projects which are at a very advanced stage of signing up. We expect that we have received, at least for some we have received email confirmations, but contracting and so on will take over the next couple of weeks. And in view of what we have been experiencing this quarter, also a little bit last quarter, the ALLETEC Board decided that we should set up an operation in the UAE. So, this is something that is now being taken up, will probably get done in the next four to six weeks time or eight weeks time.

Overall, in the conversations and the opportunities that we see, the enterprise applications remain the anchor, businesses still need to have ERPs to modernise their operations, to enhance their operational efficiencies. They need the customer engagement solutions to enhance their customer intimacy and serve them better. The retail and digital commerce is an area which continues to have significant interest in the market. And then, of course, the one thing which is gathering momentum now, and I had mentioned it in the last quarter is the area of Data Engineering.

We have over this period of time expanded our (Data Engineering) footprint. We are now doing these projects for more customers. And as you see, Microsoft Fabric is something which has several components. So, for some we may be doing data warehousing, but for some others, we are doing the real time intelligence, and other data engineering aspects. So, this is gathering momentum, and we expect this to strengthen in the coming quarters.

If you look at our **Services** revenue geographically, in this quarter, the revenue from the Americas has been 59.5%. India is now at 23.6%. APAC at 5.1%, Africa 8.1% and Europe 3.7%. For the nine months period, these figures are 61.7%, 24.3% for India, APAC at 5%, Africa for 5.5% and Europe is at 3.4%. If you look at the customer engagements, in the Q3, you will see that our top 5 customers contributed 17% of the revenue, whereas our top 10 contributed 26.6%.

You will see that these figures are a little bit lower than what we saw in the last quarter, which is a good sign, which means that we have less reliance on just a small number of customers. We added, as I said, nine new logos in this quarter, five of them were domestic and four are international. And if you look at our overall new customer adds so far, it's been 20 domestic and 18 international so far. This is the breakup of various industries that we serve. Roughly similar to what we have been seeing so far, not much change. So pretty steady in that respect.

Microsoft has been gaining strength. And it is continuously ahead of the competition in most areas of our interest. From an operational updates point of view, the international customer acquisition in the last quarter - it remained a little slow, but we expect it to improve in this and then the next quarter - based on the pipeline that we see, and more customers are now talking about data engineering, which includes activities around RPA as well as the Copilots also.

M&A is work in progress and some of you might think that this is always work in progress. Yes, this is indeed the case, because we have to be cautious, but there is at least one sizable company which is under active conversation with. Our growth drivers have not changed the comprehensiveness of our offerings, the Microsoft Business, our international focus, our IP led solutions these are what keep us ahead of the competition. They find us a place on the table for conversations. And, inorganic growth is high on our mindshare, we continue to work on that.

The rest of the slides are what you have seen before. We will incidentally be completing 25 years on the 1st of July this year. The rest of it is what you have seen earlier. The solution areas stay the same. This is a stack that our solutions are built on, the Board of Directors, the lead management, everything remains the same. The annexures are already on the NSE site, at least, you can look it up there.

So, I think in the interest of time, and in the interest of not becoming monotonous in my conversation, I would stop presenting this slidedeck and open up for conversations. Is that okay, Vinay?

Question-and-Answer Session

Moderator: Sure sir, thank you so much. All those who wish to ask a question may use the option of raise hand. In case, you are unable to raise hands, just drop a message on chat and we will invite you to ask a question.
We'll take the first question from Aastha Jain. Aastha, you can go ahead.

Aastha Jain: Yes. So, my first question is, do you think your customer additions this quarter will be very high, like in Q4 will be very high due to healthier pipeline? And since the quarter 3 was quite normal, like, quite softer, so in terms of customer addition, do you think that our Q4 will see good traction?

Ajay Mian: Well, you have to understand this. When I say good pipeline, this means these are conversations which are at advanced stages. But you see, we are already one month down in Q4 and it is only in the second part of this month that many of the conversations - which kind of appeared frozen (over the past 2 months) - have started warming up again. Now, contracting takes time. And because these projects are very important, customers take time to get ready for it.

We cannot say that how many shall we actually sign up? But I think this is something which we are fairly ..... it's looking quite healthy. And

I think it's (inappropriate) saying that it will be very high and so on .... We are not in retail business. We are B2B. So, if you look at the last quarters, we had like 14, 15 customers being added every quarter. But look this year, this quarter we added only nine, but we still had the same revenue as we had in the last quarter. So sometimes it might be lesser number, but with bigger tickets.

So that might happen, but I would only say that at a macro level ... and some of these things are not good to track, even as an analyst ... I mean, you can track it, but it won't give you any insights, if you track it on a quarterly basis ... because usually when you are talking of an enterprise application the project analysis and decisions can take anywhere between six to nine months. But the broad answer to your question, is yes, but if you think - will it like become 2x, 3x, 4x, the answer is probably not.

Aastha Jain: So, is it right to say that it takes generally six to nine months for a client conversion on an average?

Ajay Mian: In our business, yes.

Aastha Jain: Okay. My second question would be...

Ajay Mian: First of all, before you take that answer from me and try to do any analysis on that, you have to have a very good idea of what is it that we do. Now because our business is about enterprise applications - these are applications which impact the entire business - the operations, the customer engagement, the analysis, the growth drivers, everything. So, these are decisions which are not taken by one person or two people. These are decisions which are taken often by a team comprising of six, eight, ten people, and they have to carry the entire organisation with them. They have to be sure that what they are going in for really is what they will get.

As I have mentioned on some of my calls in the past, what we do is not something which is tangible at the time that a customer is signing a contract, customers buy on trust. They get what they need many months down the line. This is the reason for them to be cautious. If somebody wants to, for example, buy an iPhone, he knows what he wants to buy. He can touch it, feel it immediately, and after paying money he will have access to it immediately.

In our case, however, he will pay the money, he will wait for a couple of months. He will have lot of challenges, because people have to be trained. There is change management. He will start to get benefits of it after a long time. So that's the reason it takes six months, nine months.

Aastha Jain: Understood. My second question would be, could you give me a revenue breakup for service and product revenue for Q3 and for previous quarter?

Ajay Mian: Sure. So, in Q3, the product and services have been about 42% product, and 58% was services. In the previous quarter, the product was 45%.

Aastha Jain: And my last question would be, could you give us a guidance for FY '26, like do we see our margins getting expanded or on revenue terms?

Ajay Mian: I think I have provided all the information which impacts this. And as we have said, and we have seen it, as the percentage of our international services in the business grows, our margins improve. And that is something that we continue to work on, we continue to invest on.

Aastha Jain: Okay. Thank you. That's all from my end.

Ajay Mian: Thank you.

Moderator: Thank you. We'll take one member from chat Mr. Gaurav Didwania. Please go ahead.

Gaurav Didwania: Congratulations on the great set of numbers. I've also been an ex-client of yours.

Ajay Mian: Really. Which company are you from?

Gaurav Didwania: Absolutely. I used to (be at) TresVista, it's been six months I've moved to, I've run my own PMS firm called Qode.

Ajay Mian: All right. Very nice.

Gaurav Didwania: Great. So, I have a couple of questions on the cost side of the business. First is - what's the split between the revenue generating team and the other part of the team? And what is the utilisation rate for the services side of the business?

Ajay Mian: See, we have always run the business very frugally. And if you see the billable team, the delivery team, out of this 360, the billable people would be in somewhere around 310. So, our sales, marketing, admin and sales also includes not just the people on the field, but also people who are doing inside sales job and did other work. So, all of that is the remaining people.

And in terms of utilisation, well, it's odd to say, but we almost never have people sitting twiddling their thumbs. So, if they have some time available, we put them on ... training, which is an important investment. So, we time those trainings based on their availability or we put them in building some IP, because that is also an important investment. So, because our business model is not that of resource augmentation, so we don't differentiate between people on projects and people on bench. As a result of which I would say the utilisation is high, barring days of vacation and maybe any health reasons. Otherwise, people are engaged at least 95% of it.

Gaurav Didwania: Got it. So, the 300 people that you mentioned, is there a further breakup between product side and services side? Or is it fairly the same team working?

Ajay Mian: So, when you say product side and services side, you are probably wanting to know that how many people are involved in building IP, is that right?

Gaurav Didwania: That's right.

Ajay Mian: Okay. There is a core team that works on building IP. And then there are other people who may help them from time-to-time. So, the size of the core team is about four to six people. And I'm saying four to six because sometimes these people may also work on any specific projects when the IP is being deployed. But some other people may come in and help them from time-to-time. So really, that's the breakup.

Gaurav Didwania: Got it. So, the reason why I was asking that question is when I just do the math of the services revenue upon the average billing rate and the number of hours in a day, I get close to 55%, 60% utilisation. That's the reason for my question...

Ajay Mian: That computation is bound to be incorrect. And the reason for that is you have to see (that) how do we compute utilisation. Now if you compute utilisation based on the revenue generated divided by the average billing expected from one person, there are several other variables that we miss out if we look at it in this fashion. And therefore, this is a faulty view of it.

Gaurav Didwania: Got it.

Ajay Mian: The first thing that we have to see is that our team, people who are engaged in deliveries are also the people who are engaged in presales. because these activities or these projects take a long time. You have to do various demos; you have to do consulting sessions. Sometimes you have to do assessments. These are being done by the same team who is involved ... the consulting team. So, some part of it goes in sales and presales.

The other part also you have to see is that we have India business and we have international business. The billing rates are totally different. And if you get X, I have mentioned it at some point in time, the margins in India would probably be in the range of 20%, 25%, whereas margin internationally can be in the range of 45%, 50%, occasionally more. So, there is no simple way in which you can compute the utilisation. There is no arithmetic that you can so easily put there.

Gaurav Didwania: Understood. Got it. I'll go with my second question. You mentioned that there are 360 employees. Now are those divided into different entities? The reason why I ask is when I check the numbers on the EPF website, it just shows some 360 dropped to 300 over the last couple of quarters, and now it's close to 330. So just wanted to check that.

Ajay Mian: No. We have only three people who are full-time employed in the U.S. Other people are ... on contract.. Then we have one more entity called All E Consulting, where we run the MasterVAR programme, which is owned 100% by the All-E Technologies, so that has a couple of people, but most of the other people are in the main entity. So, they are not really divided into different entities.

Gaurav Didwania: Got it. That's it from my side. Thanks a lot for answering the questions.

Ajay Mian: Thank you.

Moderator: Thanks, Gaurav. We'll take the next question from Vidhi. Vidhi Shah, you can go ahead.

Vidhi Shah: Hello, good afternoon.

Ajay Mian: Good afternoon, Vidhi.

Vidhi Shah: Can I get a breakup of your revenue from how much you generate from SaaS, cloud, from ERM, CRM. Can I just get a breakup from them? Can I know which of these contributes to the highest margins?

Ajay Mian: Okay. If you look at, ... when you're talking about cloud versus non-cloud, we are essentially talking of the product part of our revenue. So, a lot of customers are still in the transition stage. But I would think that at this point in time, nearly 60% to 70%. I would think about 60% because most of the MasterVAR is yet to go that (to cloud). About 60%, 65% of the product revenue has moved to cloud. There may occasionally be one large deal that might come on-prem like what we had last year.

So, this large project that we had signed up in Nigeria, they were still reluctant to go to cloud, because of local issues there. So that kind of tilted our last year's revenue a little bit towards the on-prem, but broadly speaking, I would say 60% - 65% is cloud. The remaining are in the transition phase. But I think the more important question that you should ask really is that where are the new customers going? So, because many of these customers are there for the last 5, 10, 15, 20 years, and some of them might be continuing on-prem. But I would say 9 out of 10 new additions go to the cloud.

Vidhi Shah: Fine. Thank you Sir. And I just have one more question. So out of these, like as you mentioned, you recently got into AI and cloud pilot. So, out of that, like which of these is contributing to the highest margins looking forward and which of these are we focusing on more?

Ajay Mian: Well, I think the answer to that … first of all it depends on where the customer is. If the customer is in India vis-à-vis the customer is in the U.S., we will have very different margins. So more important than saying whether it is AI or RPA or is it ERP … and when you're looking at it from a margins point of view - more important question is the geography. But if you compare the same, I would still say margins are better on the ERP business at this point in time, because the other side of it, which is the data engineering side or RPA side … for most customers, they are currently doing small projects on it. They are not that large projects yet where we can say that they make a significant shift one way or the other.

Vidhi Shah: All questions answered. Thank you.

Moderator: Thanks, Vidhi. We'll take the next question from Rohan Mehta. Rohan, you can unmute and ask your question.

Rohan Mehta: Thank you so much for taking my question. So first, I wanted to ask about the update on the U.S. acquisition where the due diligence was paused for about six months, so has that resumed or…

Ajay Mian: No.

Rohan Mehta: The initial update you gave was for a different company?

Ajay Mian: **(Yes)** Different company. That (old one) has not resumed yet, but we have a different company that's on the table right now.

Rohan Mehta: And in terms of your team cohort, I wanted to understand what part of your team cohort is into specialised teams focusing on AI, data engineering? And what part of it is in the generalist mix?

Ajay Mian: Well, we have no generalists at all in the company, okay? So, you will have large teams which are, for example, specialised on one ERP and another team, which is specialised on the other ERP, because Microsoft Dynamics has two ERPs, Dynamics 365 Business Central and then Dynamics 365 Finance and Supply Chain Management. And then we would have a team which is focused on the CRM product line and the Power platform. And then there is a team which is on data engineering and RPA, so they're all specialised. We don't do generic software development work.

Rohan Mehta: Right. Got it. And can I also know what part of your team right now has experienced above 5 to 10 years? I completely understand there's a new batch of campus trainees, which you just mentioned when they are joining?

Ajay Mian: Yes, sure. I get it. But I would say that, and maybe Ritu can answer that question better, but my guess is maybe 25% of the people or 30% of the people are less than 5 years. The rest of the company, all people are above 5 years. Is that right, Ritu? You have an opinion?

Ritu Sood: That's the range.

Rohan Mehta: Right. That's all from my side. Thank you so much.

Ajay Mian: Okay. Thank you.

Moderator: Thanks, Rohan. We'll take the next question from Bhavesh Bhatia. Bhavesh, you can unmute and ask the question.

Bhavesh Bhatia: Thank you for the opportunity. Congratulations on a good set of numbers. My first question is with respect to the marginal increase in the finance cost. So, it's around ₹53,000. What exactly it is?

Ajay Mian: Sandeep, do you want to take that?

Sandeep Jain: Yeah. This is the interest cost we paid on buying one vehicle for the company.

Bhavesh Bhatia: Vehicle? Okay. So, going forward, we won't see any further increase in the finance cost?

Sandeep Jain: No. It will be more or less similar.

Bhavesh Bhatia: Okay. My second question is with respect to the cash and cash equivalent. What is the current cash in hand with the company?

Ajay Mian: Sandeep, do you want to take that?

Sandeep Jain: Yeah. Currently, we have around ₹126 crores of cash in hand.

Bhavesh Bhatia: Perfect!.. And Ajay sir, this is with respect to the increase in the PAT margins. So, going forward, do we see a stabilised margin, or do we see an increase in the margins?

Ajay Mian: See, if we succeed in increasing our services portion of the business from international customers, we will see a further increase in margins. So, it's very clear - at the bottom (of this is) - most of the times, the services delivered from India. Next is the product margins that we make or rather I would say, the product margin that we make from our MasterVAR side of the business. Although our investment in that is now very small. That's at the bottom (in terms of margins). The services delivered in India are the next. Above that is the product margin that we make overall, be it India or U.S., and globally. And finally, are the international services. In that order (is) our margin on the revenue.

Bhavesh Bhatia: Understood. That's it from my side. And all the best. Thank you.

Ajay Mian: Thank you very much.

Moderator: Thanks, Bhavesh. We'll take the next question from Deepesh Sancheti. Deepesh, you can go ahead.

Deepesh Sancheti: Yeah. Just wanted to understand since you're talking to a lot of U.S. clients, what is your outlook of the entire Trump effect on business?

Ajay Mian: I think it would probably be too much for me to ascribe any of what we experienced to such a large event of a government change in the U.S. We are just a little dot on the canvas. However, I would still say that when we..... so if you are talking to 10 people and if their decision-making is getting delayed, it's very hard to say whether it is for one reason or the other, because this Trump effect was also combined with the New Year and Christmas vacation and so on. But overall, I would say we have more customers in our pipeline eager to resume conversations, be it because there is a new government - and it’s not about Republicans and Democrats. I think it's about stability.

But you are right, large parts of the U.S. population sees Trump as trade friendly. So, they expect their businesses to move and they want to invest to be competitive. So, conversations are today more actively happening than they were happening before. But I'm still staying short of trying to say that this is really an impact of the Trump administration, because that is too big a phenomenon for me to say that we are directly impacted by it.

Deepesh Sancheti: All right. My other questions were actually answered before and also in your presentation, detailed presentation was really good. Just have a question, when do we plan to shift to the main board?

Ajay Mian: I think we still have to be on the SME board till December of this year. And in December of this year, we will cross those criteria of three years. And once that happens, we will shift to the main board.

Deepesh Sancheti: And as you said that we are completing 25 years in this July, investors should expect something?

Ajay Mian: Well, if the company continues to perform well, you will expect something...

Deepesh Sancheti: We always expect something (laughing). I'm just trying to understand that. Do we expect the Board to actually announce a bonus or maybe a good dividend? We have a good cash on our reserves, I mean that's why.

Ajay Mian: You see my view on these are a little bit at divergence with how some people think (laughing). And I think the amount of investment somebody makes in the company is, I would say much larger. And whether the dividend is ₹1 or ₹2 or ₹3 is really very small in comparison to the overall business gains that we see. So, we have very cautiously tried to secure our funds to use them for appropriate purpose. So, I think, I would be happier if the business as a whole delivers more than what you are even thinking of in terms of a little dividend increase here or there.

But some of the questions that you have asked, whether there can be a rights issue or there can be something else. So, all of those are topics of conversation, which are kind of looked at from time-to-time, and it will be inappropriate for me to talk about any of these before the Board of Directors has brought it up and have thought about it.

Deepesh Sancheti: Absolutely. I just wanted to understand since you're doing...... I mean, I'm sure with the cash, if you are doing an ROE of about 18%, I think it's more than I mean, we are fine about it. But can we maintain this ROE to, I mean, plus 20% in going few quarters and years?

Ajay Mian: You see, we know what it takes, and we are working towards that, and we are trying to invest towards that. Incidentally, you probably know it already, but when we look at a U.S. company, and now I have looked at three companies very closely in the last six months, those companies do not make this level of margins. So, it is not as if our acquiring a U.S. company will immediately increase margins.

It will not. Briefly, it might actually reduce, but that will give us the ability to turn it around because we will be able to get into those companies and move a lot of delivery operations to India, which therefore, will enable us to increase the margins of that business and the overall business. So, this is precisely the reason. If you look at our presentation, which were maybe made in the Q3, Q4 of last year and you compare it today, you will see a shift in the percentage of business from the international services.

And it's no magic. I mean, we know this is how it happens. We have been working at it. We have been getting some results out of that. We will continue to work at it. We will try to keep improving it. It's very hard to say that when or how much of this be accomplished because it's not just a mathematical solution to something. You need to have clarity and you need to keep working at it.

Deepesh Sancheti: Right, fine. Great, all the very best.

Ajay Mian: Thank you very much.

Moderator: Thanks, Deepesh. We'll take the next question from Suvendra. Suvendra, you can go ahead please.

Suvendra: Congratulations on a very good set of numbers. And thanks for giving me this opportunity. As per the presentation, you mentioned that there are like four projects which are in the advanced stage of kind of signing up. Can we know what are the sizes of those, please?

Ajay Mian: Yeah, sure. So, the smallest one is in the range of about $100,000 and the largest one of them is about $600,000.

Suvendra: Okay, thank you. That's all from my end.

Moderator: Thanks, Suvendra. We'll take the next question from Akshay. Akshay, you can go ahead please.

Akshay Bharde: Hello, congratulations on the great set of numbers, especially on the margin side. I wanted to ask a different question. So, with the advent of DeepSeek now, how do you see the AI adoption happening going forward? How fast do you see it's happening forward? And so, with the kind of projects that are coming to us, do you kind of sense in the market that there is more need for the AI applications going forward? And are we prepared? And how are we prepared for that happening?

Ajay Mian: Absolutely. So, AI is here for everyone to see, experience and gain from. ALLETEC is not a company which is dependent on driving one particular technology. We are in the business of helping customers consume solutions which are building up and evolving. So, when AI is maturing, as AI is maturing, we are trying to help our customers gain from that.

So, AI is definitely changing the landscape, our customers are needing different things, and we are in the business of helping them gain from what's new on the market. So, this trend will continue. And as this trend continues, we will keep on adapting and adjusting our offerings to still keep helping our customers consume it and gain from it.

Akshay Bharde: Great, thank you. Just a quick follow-up question on that. So does the AI application side of things have the similar scale of the enterprise application side of things, like, let's say, there's a computer enterprise application that we are building using Microsoft Dynamics. And if it's on top of that, if AI application is required to maybe increase the efficiency, do you see the same sort of scale in that side of things as well?

Ajay Mian: You see, the Dynamics 365 applications already have AI embedded in them at different degrees. So, for example, all Microsoft products have this Copilot now built in, whether you look at the browser or you look at

Microsoft Office or you look at any of the other applications. So, these Copilots enable users to enhance their efficiency.

They (Copilots) make them (Users) fast, they make them more productive. But now in addition to that, the new generation of AI capabilities are becoming available. So, this whole concept of agents, which is coming up. Now for example, the Dynamics 365 Business Central has agents which enable you to do things which are way different from how you would have done them otherwise or even with the use of Copilot. So, these are all stages.

So initially, it was everything being done by a human. And then the next stage is where Copilots are helping them do the same thing. And in the agentic world, many of these things will become autonomous and the adoption of this is basically ... conceptualising what is possible to do, building those products and then enabling people and businesses to consume them. So, this is a journey, and the journey is (has been) already ... it's been on for the last, I would say, at least two years, and it's only gaining speed.

Akshay Bharde: Perfect, perfect. Thanks a lot, and all the best and we are delighted as shareholders. Thank you very much.

Ajay Mian: Thank you very much.

Moderator: We'll take one more question from the chat from Shashank Rastogi. Shashank, you can go ahead please.

Shashank Rastogi: Hello, yeah sir, thank you for the opportunity. Just one question from my side. With the DeepSeek advent in the technical arena, our revenue portion comes from the cloud business as well. So, this open-source AI, will it impact our cloud revenue of Azure from the Azure side? So just want to know a little bit about it.

Ajay Mian: I think you probably need to take a step back and look at what is DeepSeek or for that matter, what does OpenAI do? Or what are the large language models? What are they doing? So first of all, a very important thing is that these models require the cloud even in order to get the data and get trained and so on. If you look at the Azure offerings and services that we currently look at, people are moving their on-prem applications to the cloud, which enables them to leverage their data in a manner where they can do better analytics with it and they can train their models with their own data to leverage them for some kind of better automation and even machine learning and then AI.

So DeepSeek is another model, which basically has enabled humanity to train these large language models with a significantly lower level of compute than one had thought of earlier. So, for example, a large language model like ChatGPT, I think it takes approximately 25,000 GPUs, I think it is A100 category of chipset, whereas DeepSeek was trained with only 2,048 GPUs.

So that is the scale. And it's just a new way of solving the same problem. So, these will help people do more analysis. But this is not taking the cloud away. It is, in fact, going to reinforce the advantages that cloud brings.

Shashank Rastogi: Just because I was having a feeling that it needs a hardware side for the development of the software rather than the cloud side. So that is why I asked this question.

Ajay Mian: You see our customers are in the business that they are in, whether somebody is in manufacturing, or professional services, or travel, or EPC and they want these applications to run their business. Now to run their business, they need applications, and they need infrastructure to run those applications. These applications are becoming increasingly more intelligent. They are throwing up more data. The cloud infrastructure helps to capture that data at a significantly lower cost than it was available before, right?

So, this is where you will have some usages of things like a ChatGPT or Owen model from OpenAI or the DeepSeek, but it is not going to fundamentally change the business that the customers are in. Our customers are not the companies like, OpenAI is not our customer. We are not in the business of providing people to these large tech companies. We are in the business of helping other businesses, that you know of in the physical world, or digital businesses for that matter, we are in the business of helping them become more efficient, more competitive. So, these are good things for us because these things will increase the demand and awareness for people to use technology.

Shashank Rastogi: So, that means our cloud business margins will remain intact and no threat on them as such?

Ajay Mian: See, margins are dependent on a lot of things. Margins are dependent on pricing; margins could be dependent on the OEM policies. But I would say, it would be wrong for me to say the margins will be same or less or more. But I would say the cloud business itself will only increase because there is more and more applications which are available from cloud, and this trend is only going to grow.

So, our cloud business is going to grow. Even if you look at the Microsoft results that were announced yesterday, you will see their cloud business has marginally grown. The Azure Plus business as last quarter grew at 30%, but now it is at 31% or something like this.

Shashank Rastogi: Yes, yes. Its expectation was 31.8%, just a little bit it came down, but yes, almost in line.

Ajay Mian: Yeah.

Shashank Rastogi: Thank you so much.

Moderator: Thanks, Shashank. We'll take the follow-up question from Vidhi Shah. Vidhi, you can go ahead please.

Vidhi Shah: So previously, last quarter, the U.S. contribution was around 61% to our revenues, and this year it was around 59%, so looking ahead by FY '26 and FY '27 and the years to come so what percentage of revenue are we expecting from U.S. versus the other countries?

Ajay Mian: It becomes a little impractical to kind of either forecast or track these numbers at such like, fraction of percentages level from that point of view. One project here or there or one milestone being done earlier or later can make this difference. And I get you. From your point of view, you have only these numbers to see and kind of try and make a forecast from. But I would only say these fractions of decimals one way or the other are no trend. That’s fairly impractical.

What you have to see, though, is while you are looking at this fractional difference between last quarter and this quarter, and whereas you see that the revenue in the last quarter and this quarter is about the same, the point which you have not seen though is that in this quarter, our services component grew substantially in comparison to our product component.

So even though percentage point-wise, it may appear down by a fraction, but in absolute, it increased in a very healthy manner. And as I said, we very clearly know where we want to go. Will we always get there in any forecasted period of time? That's what we keep trying, but nobody can ride these things to a very high level of precision in stone.

Vidhi Shah: Got it. And in the previous con calls, you were given a guidance of 20% to 25% revenue growth year-on-year. So, are we still intact on those numbers for FY '26 and '27?

Ajay Mian: Well, you see, when you take a target, it's not right to keep switching it. We don't do it. And as I said, maybe we are a percentage point, a little bit down or a little bit up, which is okay. But we can't just change these numbers based on our convenience. We still want this to be what drives the people towards it.

We will see what does it take us to get there. We will do everything that is needed for us to get there. Whether we get there, we fall a little short or we go a little further, we will see when we come to that point.

Vidhi Shah: Okay, thank you.

Ajay Mian: Thank you.

Moderator: Thanks, Vidhi. We'll take the next question from chat from Ravikiran Hegde. Ravikiran, you can go ahead please.

Ravikiran Hegde: Thank you, Ajay Sir. Thanks for the opportunity to our interact. At the outset -- I mean, great set of numbers, great results. Thank you so much and thanks for being so transparent and sharing the business. Two questions I had from the business viewpoint. One is now as we are competing in the U.S. for clients, speaking to clients and competing against like other American service providers, I'd like to know how we kind of compare with the competition there you're seeing. And so obviously, we'll be price competitive being a company from India.

But apart from that, how would you rate our company in terms of the various parameters? And any interesting cases you could share in terms of getting those deals etc, it would be interesting to know for us.

Ajay Mian: Sure.... The area that we work in, in that area, the cost of the project is not really what the customer pays us. A significantly higher cost is what the customer incurs in change management, in getting their people trained, in aligning the organisation with a new solution. So, the cost of failure is very high. Because of that, nobody compromises on the project outcomes simply because something else is cheaper.

What that means is that being a little bit cheaper or being cheaper from the local competition gives us a competitive edge, but that by itself is not a winning mantra. Winning require that you still are able to instil the faith and trust in the customer that his objectives will still be met and his project will succeed and he will get the desired outcomes from the project impacting his business. And if you are able to do that, only then will be the question if you are able to do that at a price point which is better than the price point being given by local people. You (then) have possibly a winning proposition.

There will always be some, who will say that maybe we have 5% risk in trying to go to somebody who will do on-site, offshore, and all this kind of stuff, and he says, I don't want to take that risk, and I would much rather pay 50% more or 100% more and go only to a Big 4. Well, yeah, sure, you will have those kinds of people. But you will also have a lot of other people who would say, I want what it takes for me to succeed, but I also am very conscious of my price, and I want to go and do it at the best price possible, but nobody compromises on an outcome.

Ravikiran Hegde: Thanks. I mean, yeah, that absolutely makes sense. But then how do you convince your prospective clients in terms of, is it -- I mean, I'm sure there will be client referrals and so on and so, but anything you could share in that regard?

Ajay Mian: Well, it's very simple. As I just mentioned in this call also, in our business customers buy on trust. Now this trust is not something which is kind of instilled in one conversation. Our opportunities take many months. And what happens over these months are several conversations, demos, solutioning, and talking to several people from different departments. And it is this process of talking to people, showing the product, and showing them the solution, which gives them the comfort that you understand their business and you understand how the solution needs to be delivered. So, this is a process. And when they get that faith, then they think, yeah, you probably are somebody that they can trust and have faith in. That is when you get an opportunity to progress..... It's all consultative.

Ravikiran Hegde: The second question from a business perspective is in terms of the service revenue, right? So, we would have a service component, I understand for most of the deals. And so, the proportion of the service income would increase over time as we have more and more clients on board, right? So, if you could help me understand how that would play out in terms of over time?

Ajay Mian: Yeah, sure. So, you see, the service rates that you realise in India are different from the service rates that you realise, for example, in the U.S. The product pricing, however, is roughly the same. Now what happens in India, if I just average out over many customer wins, in India, our product to services ratio stays somewhere in the ballpark of 55-45 or maybe 60-40, the higher one being the product, but if it is a medium-sized customer. But if it is a very small customer, maybe the product price is lower.

But comparing apple-to-apple, for the same customer in the U.S., the product will probably be 25% and service is 75%. So, this ratio is not likely to change simply, because we get more projects. But what is likely to happen is that if you get large customers who have a large number of users, the product component may go up. The service component may not scale up in the same proportion, though, you will end up doing more things for those customers because their needs will also be in proportion to their scale.

Ravikiran Hegde: Right. So, the more complicated the organisation there would be, I imagine, more customisations, more things you need to take care of to make it suitable for the customer, right? So, service component shouldn't that be more?

Ajay Mian: You are right, but those things don't change the value of the project that much. Comparing a very simple to, let's say, a little complex, the price difference will be not more than maybe 20- 25%. But let's say, if you have an organisation which has 10 users versus an organisation which has 100 users, the product price will be significantly different.

Ravikiran Hegde: Right. Okay. Got it. Thank you.

Ajay Mian: All right.

Ravikiran Hegde: I have one more question, but I probably go back in the queue. Thanks.

Moderator: Thanks, Ravikiran. We'll take the next question from Bobby Jay Jay. Bobby you can go ahead, please........... Bobby?........ Okay. We'll take the next question from Harsha Karanth. Harsha, you can go ahead, please.

Harsha Karanth: Congratulations, first of all, to all the Board members to have been making so far together. It is very rare to see all of you together like this. So, my other questions have all been answered. So, I just have a small question here. Of all the companies that you were analysing to acquire, okay? Hypothetically, if I have to ask you, if you had acquired a company, would it make our company vertically integrated or horizontally integrated? Just some lines on that. You've been analysing so many other companies to acquire, right? So, I just wanted to know what sector do they cater to which makes our company vertically or horizontally integrated? Just some colour on that.

Ajay Mian: Correct. So even though we have looked at many companies, the companies that we have advanced, I would say, to a serious level, so far have all been doing exactly what we do, but in the U.S.

Harsha Karanth: Okay

Ajay Mian: What that basically means is that we are looking at the same customer type. We are looking at the same technology. We are looking at the same nature of solutions. So, if that would happen, we'll kind of get joined at the butt, and we will be able to deliver more of those projects from India, which will over a period of a couple of quarters, enable us to increase margins in that business.

Harsha Karanth: Okay. Thank you. That's it from my side. Thanks for answering. If I have any other queries, I may write up to you.

Ajay Mian: Thank you.

Moderator: Thanks Harsha. If anybody else wish to ask question, then please raise hand……. Yes, Bobby, you can go ahead please.

Bobby Jay Jay: You mentioned that before clients can use generative AI, you need that data to be on cloud. So, do you help your clients do that?

Ajay Mian: So, the data is in cloud for most of the customers now. And it's not just ERP data or CRM data or data from other applications, barring a few customers who may be still continuing with their on-prem ERPs, as I said, most of the new projects are all cloud-based projects. One of the core offerings, and you may look back at our presentation, one of the slides was showing the six offerings that we have. And one of that is digitising the core. And that includes the cloud transformation. So, it's a very important offering from us.

In fact, my colleague, Sandeep, who is here with us in this meeting, he runs the cloud practice and Azure infra platform, managed services and many other services that go from Azure is what he runs, now probably for close to about 100 customers.

Bobby Jay Jay: Right. So, what do you mean is you create a data warehouse where different departments of the organisation with their varied data, it all consolidates into one sort of a warehouse, which you can use inference models for artificial intelligence?

Ajay Mian: Yes. But you see this thing has evolved in the last couple of years. So, when you talk of data warehouse, most of the data warehouses are all gathering structured data. So, data warehouses would typically get created, let's say, with a SQL data warehouse. But organisations increasingly also have data, which is not structured data. This may be data from, let's say, your social media. This could be data from, let's say, your e-mails and there could be various other types of data, which is also very, very important.

And when you need to bring all this data, you have to move to other technologies, which are now known more as the data lakes or even the data lake houses. If you have streaming data, for example, you can't store it in a SQL type of a database. So, you have other technologies. And as data has become more important and as more -- for example, IoT data, you can't store IoT data in a SQL server. So, you have to move to a data lake or a data lake house for those data sets, which is all now a part of the Microsoft Data Fabric. And yes, this is what we do.

Bobby Jay Jay: All right. Great. That's all. Thank you.

Ajay Mian: Thank you.

Moderator: Thanks, Bobby. We'll take the follow-up question from Ravikiran. Ravikiran, you can go ahead, please.

Ravikiran Hegde: So, I'm sorry, I had joined late, so I'm not sure if the question has been asked. So, we had talked of a little slowness in the customer decision-making leading to affecting the deal making. So subsequent to the quarter end, how are we seeing things now in terms of closing of the deals already in the pipeline?

Ajay Mian: Indeed, we did discuss this a little bit. As I had mentioned that from mid-November to somewhere like mid-January, we saw a little bit of a freeze, but we started seeing some warmth happening in some cases ... defrosting happening in the last couple of weeks ... things are warming up. Several conversations are back on table. So, we do anticipate some or several of them getting converted in the coming weeks.

Ravikiran Hegde: Okay. Thanks. And just a last small question pertaining to -- I mean, you had shared your thoughts on the kind of prospects you are looking for in terms of acquisition. I mean I understand the opportunities for margin expansion with that strategy. But the only downside I see is the limited cross-selling opportunities in that case. So, I'd like to know your thoughts on that.

Ajay Mian: Sure. If you look at our overall set of offerings, and there's a slide in the deck, which will give you a view of it, our offerings are not limited just to enterprise applications, so it's not just ERP, CRM and commerce applications. Our offerings go beyond this. Now data engineering itself is a very vast area. And it is very adjacent to our other offerings. So, this is something where opportunities exist for all growing companies. So, while we see that organisations of typically of this size in the U.S., 10 million, 12 million kind of remain focused on their core, but that is what brings us the opportunity because to the same customers to the same companies, to their customers, if they are bringing only an ERP or a CRM, we have the ability to take to them and bring opportunities from data engineering.

We have opportunities to talk commerce applications or portals to them. So, we may get from them a customer base and how do we bring our other offerings to that customer base is then for us to figure out. This is not going to happen on day one. This will probably take like a year, sometimes a little bit more, depending on the customer base and the size and the specifics of that organisation.

But other than this, there are two other areas in which we have been continuously either evaluating other companies and gradually building up ourselves, and that is an area of digital commerce, but also the area of data engineering. So, we have our own team, but in terms of acquisition, if we come across companies who are at least a couple of million dollars, have some international customers, we are happy to look at that and make investments to strengthen this area. We are also talking to candidates who could come in, senior people who would come in and give a further boost to this. So, we are looking at all the areas which are associated with our core. So, it's not just one thing.

Ravikiran Hegde: Thank you so much. Thanks a lot, and appreciated.

Moderator: Thank you. We'll take one follow-up question from the chat with Devendra Rawat. Devendra, you want to go ahead.

Devendra Rawat: So, I was asking, do we have like ongoing engagements with research firms like Everest Group and Gartner kind of firms, right? Because a lot of time, many of the clients start looking for potential partner through these forums?

Ajay Mian: You are right. And my answer to you at this point in time is - no. And it's not because we have not looked at it. But sometimes you have to do a good amount of ROI analysis in terms of what is it that you are getting at what price. So, Gartner typically comes at a very, very high-ticket price. It is something that is under ... I would say - conversations, but we have not yet bitten the bullet.

Devendra Rawat: All right. Thank you.

Moderator: Thanks, Devendra. I believe that was the last question for the day. Would you like to give any closing comments before we end the call?

Ajay Mian: Well, yes, thank you very much, all of you for taking your time and joining us this afternoon. Overall, this period has been a little bit different from how we have seen the last couple of quarters, but we think that things are warming up. It will get better. At a macro level, I think we are placed very well. It takes a lot to establish a business in a completely different geography.

Sometimes, we may think that, oh, okay, if you have to set up in U.S., you can send somebody, one person there or you can hire somebody there. It doesn't happen that way. You have to have a lot of customer engagements. You have to have reference cases. You need to be well connected with, if you're working with Microsoft, people have to know you. So, you have to log in a certain number of years before you become of any relevance in these geographies.

So fortunately, we have come a long way in doing that. So, we are now a business which is in serious contention for leadership positions in some of these geographies. We will continue to push that. Well, the next several quarters, they are not going to be easy, but I think we will have opportunities for us to go up gear. So, I'm very optimistic for the next couple of years. I think we are doing what the market needs. We are in the geographies that are growing, and so we are all set.

Vinay Pandit: Sure. Thank you Sir. Thank you to all the participants for joining on this call, and thank you to the management team for giving us their valuable time. This brings us to the end of today's conference call. Thank you very much.

Ajay Mian: Thank you very much.