

Date: February 26, 2018

Symbol: NSE – INTENTECH; BSE Scrip Code: 532326

To,
The Manager,
Listing Department / CRD
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400001.

The Manager,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor; Plot No. C/1
G Block, Bandra Kurla Complex, Bandra (East),
Mumbai – 400051

Dear Sir/Madam,

Sub: Transcript of Investors' Conference Call – Q3 & 9M FY 2017-18 Results.

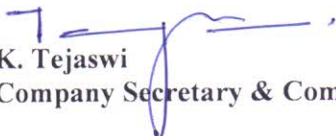
Please find enclosed the transcript of Investors' Conference Call organized on February 16, 2018 post declaration of Financial Results for the quarter and nine months ended 31st December, 2017.

This is for your information and records.

Thanking you,

Yours faithfully,

For Intense Technologies Limited


K. Tejaswi
Company Secretary & Compliance Officer

Encl: as above



Intense Technologies Limited Earnings Conference Call Transcript February 16, 2018

Moderator	Ladies and gentlemen, good day and welcome to Intense Technologies Limited Earnings Conference Call. 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' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Ms. Shikha Kshirsagar from CDR India. Thank you and over to you, ma'am.
Shikha Kshirsagar	Thank you, Bikram. Good afternoon, everyone. And thank you for joining us on Intense Technologies Q3 and 9M FY18 Earnings Conference Call. We have with us Mr. C. K. Shastri – Founder and Managing Director of the company, Mr. Jayant Dwarkanath – CEO and Mr. H.M. Nayak – Head of Finance & Administration. We will begin the call with brief opening remarks from the management, following which we will have the forum open for an interactive question-and-answer session. Before we begin, I would like to point out that some statements made in this call maybe forward-looking, and a disclaimer to this effect has been included in the earnings announcement shared with all of you earlier. I would now like to invite Mr. Shastri to make his opening remarks. Over to you, sir.
C. K. Shastri	Good afternoon, ladies and gentlemen. Thank you very much for taking time to join us on this earnings call, it is really appreciated. To begin with, I will give you some insights into us for those people who do not know what we are as a company. We are an enterprise software products company based out of Hyderabad, having presence in about over 45 countries with Fortune 500 customers using our platform. We are leaders in the telecom and life insurance verticals in India. To make it very brief, yes, 2017 has been a very challenging year for us especially because what we had envisaged, the game changing managed services deal has run into some unforeseen things due to these statutory guidelines which came in; that has really impacted our performance. However, we have taken several steps to ensure that we march forward positively ahead. We have taken up steps on cost optimization. We started engaging a lot with system integrators to increase our footprint across global services. Despite these investment constraints, we continue to pursue cloud and I am glad to tell you that one of the world's largest satellite company has chosen us on cloud for their platform and we are also looking ahead to ensure that the year is profitable for us. With this, I would like to hand over the thing to Q&A.
Moderator	Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of Khushal K, Individual Investor. Please go ahead.

- Khushal K** Could you just explain the dispute on invoices that you have mentioned in your results.
- C. K. Shastri** Typically, what we do is that as per the milestones, we always invoice to our customers and we had achieved the milestones as per the work order but the payments, because of certain disputes had not come in. As a matter of prudence we have taken the reversal, because what happens is that we pay the taxes, which is a huge amount, there is a time barring issue. So we had to take it up, but however, the opportunity we still believe continues to exist.
- Khushal K** What is the likelihood of these receivables becoming irrecoverable, is there a possibility or that will just get deferred?
- C. K. Shastri** What we are seeing is that we have actually restated this for the last year and these revenues will come in the coming years. The revenue opportunity has not been lost.
- Khushal K** And other question is that why is it that every quarter, there is some announcement that regarding tie-up with some big MNC or XYZ company, but it does not always show in the revenues. So since the past few quarters, it has been happening which is quite concerning.
- C. K. Shastri** I think it is a very good question, Mr. Kushal. You have to appreciate that for an enterprise product, the selling cycles are very long worldwide, but once we acquire a customer, he starts contributing revenue for AMC, operation support, professional services and so on and so forth. And the world is moving towards the cloud aspect of the business. So what happens in cloud is your revenues do not build up until unless you have multiple of them adding up. You would have seen Adobe, they said once they got into entire thing of complete cloud, they said that till next 3 years, you will not see the breakeven. We are also working on this because the whole world is moving towards cloud and we just made an announcement in these results that we have acquired one of the world's largest satellite company on cloud and the good part of the cloud thing is that it is predictable, it is assured, and it is all about a certain breakeven point, but it adds up to the bottom-line straight away.
- Khushal K** Yeah, but I mean there are so many cloud companies, so what is the differentiating factor that would like put us apart from the clutter?
- C. K. Shastri** The point is that in our space, we do not have many companies on cloud. Enterprise business integrating with their core systems and fetching data, it is a hybrid kind of a model which we have pioneered and have made successful. In fact, for the satellite company we had to go through the pilot POC even for a cloud requirement. Typically, cloud like ERPs or DMS or any one of these things, you just log in, sign up, use it for 30 days, then start paying. But in our thing, the value is also much better, the challenge also is integrating into their core system.
- Khushal K** And lastly when do we get to see like the actual growth that we are expecting since a very long time?
- C. K. Shastri** We had a Black Swan event this year and I am very confident despite that. It is a huge revenue which was supposed to come in for us and despite that by the end of this year, I am very confident that we will be profitable both on EBITDA and net profit and once this thing gets resolved and of which we are very confident, you will see a massive upside.

Moderator	Thank you. We have next question from the line of Aejas Lakhani from MMFT. Please go ahead.
Aejas Lakhani	Sir, again my empathies with challenging situation that you are placed in. Having said that, just wanted some clarity that we are already in the implementation of Phase-2 for the managed service contract.
C. K. Shastri	Yes, being a public sector enterprise, it has its own challenges, but we are very confident of getting over it both for Phase-1 and Phase-2. Phase-2 partially has been implemented. There are many things in Phase-2. There is loyalty management, there are coupons, advertisements and all of that. So at this moment, we have completed the billing advertisements, the e-bills and those parts of it. And we are pretty confident that it is a contractual obligation for them also to see ensure that they close this and move it and we are completely focused to see that we resolve this and move forward.
Jayant Dwarkanath	As a part of Phase-2, just to kind of build on what Shastri has been saying, as a part of Phase-2, lot of implementation has been done and test invoices have also been sent out. So to kind of iron out the entire process of invoicing for the future, what we have also invoiced them for the test invoices that have gone out into the two customers. The value probably is not relevant and significant at this point in time, but to kind of iron out the entire process itself, we have also invoiced them for all the customer invoices that have been sent out.
Aejas Lakhani	And sir just on the second point regarding that the prior period item, so that Rs. 10.5 crore of invoice essentially it is not written off, it has been withdrawn and you are going to raise it again after a particular period?
C. K. Shastri	We will take it as it comes in the coming year.
Jayant Dwarkanath	The opportunity continues to exist. The worry that we were having was because we had invoiced it and paid duties and taxes against it. Beyond a certain point in time, we would have lost the opportunity if ever, to probably claim back that tax and so we took the decision consciously to restate this and at least claim the taxes and duties back.
Aejas Lakhani	But you will raise this bill with them again in this year or the next?
C. K. Shastri	Yes.
Aejas Lakhani	So this Rs. 11 crore is not a write-off thing?
Jayant Dwarkanath	No, it is not a loss of opportunity.
C. K. Shastri	From a technical perspective, financial numbers of last year have been restated. It is not impacting the current financial year.
Jayant Dwarkanath	It is not impacting the current financial year. We have restated the last year statement and we are seeking a refund of duties paid.
Aejas Lakhani	And the settlement for the Rs. 10.5 crore will be raised in the next year or this year again?
C. K. Shastri	We are still battling with that since it is a disputed thing. It should come only in next year.

Aejas Lakhani	And sir just wanted to check whether most of your bandwidth is being occupied by the managed service contract?
C. K. Shastri	I will be lying if I say that our bandwidth is not occupied, the point is that it is such a big deal for us. It is a game changing deal for us. Of course, our bandwidth has been utilised. However, we have taken very prudent steps in terms of increasing our opportunities in the cloud space. The result of which is what you have seen in form of the large satellite company coming in. We are hoping to see that some large opportunities in Europe fructify this quarter.
Aejas Lakhani	And sir last quarter you had mentioned that you had given them the Aadhaar linking as a part of the package. So that has already been implemented or is going to be implemented?
C. K. Shastri	It has been implemented, it is being rolled out but they are continuing to use another application which is there which is the dispute which is going on. The point is that what has happened is that the current processes, there is something called reverification or the Aadhaar linking of old customers. That has come in as a showstopper for us because that was not a line item in the tender. So we have had to go back to them and tell them that we will do that free of cost and part of the overall coverage. Some of the guys had not taken it favorably, but we had many committees were formed and typical public sector things doing it, but we are seeing some resolution coming to it sooner. We continue to invest in that particular account and despite that, we are cash profitable if you take YTD and once that start contributing, you definitely can see a good upside
Aejas Lakhani	So sir you see all of this being resolved under this financial year or it will spill over into the next year?
C. K. Shastri	We are hoping that it will happen in this financial year. We have targeted ourselves. We have also given them ultimatum also to see that...
Aejas Lakhani	So sir if you were to attach your probability to it being solved in this year, you would say 60%-70% there is a chance.
C. K. Shastri	Yes. More than 70%, I would say.
Aejas Lakhani	And sir just one last question. From the receivables of the half year which were at around Rs. 36 crore, what will be the receivable position as on date?
C. K. Shastri	I exactly do not have the number now. I will provide you that.
Moderator	Thank you. We have next question from the line of Srihari Srinivas, Individual Investor. Please go ahead.
Srihari Srinivas	I have a couple of basic questions on the financial statements. You have posted Rs. 32 crore on revenues in the last 9 months. My question is what percentage of these revenues are from annuities and what percentage of these revenues are from new license contracts.
C. K. Shastri	I would say more than 90% of them is annuity revenues and the balance is the new contract licenses.
Srihari Srinivas	Now looking at your annual report from last year and you had I think around Rs. 106 crore on annuities in fiscal year 2017. You have mentioned that annuity

revenues are on track. So I am assuming that this fiscal year also you would attain around 46 crore on annuities. So that is correct?

C. K. Shastri

Yes. We are on target for that. But what happens is that as per new accounting standards, a lot of annuity revenues have to be recognized on a deferred basis. So that could have a slight impact, but otherwise we are on track, absolutely on track and as we add new customers, it added to our annuity revenues and other service revenues.

Jayant Dwarkanath

In fact even in this current quarter, there is annuity revenue which is accrued and probably money is being received, but they will get recognized in the subsequent quarter.

C. K. Shastri

So if you take that amount of Rs. 2.8 crore which we have already received payment, we will not be in negative what we have stated, but however, due to accounting standards in a way we have to recognize them on a quarterly basis. Those agreements with our customers had been that 100% advance.

Srihari Srinivas

And can you share some details on how much revenues our subsidiaries have earned during this fiscal year. I am asking the question because last year I think from a financial statement standpoint, your subsidiaries did not have any revenues.

C. K. Shastri

The point is that UK as I had mentioned always has been actually we have these subsidiaries created primarily for reasons for having our talent being there. If you are not a 100% subsidiary, you cannot get the visas for the trained resources for our products and platforms. So that is one of the reasons which is there. The major customer in Europe for us has been a large, one of the world's largest telecom operators with whom we have a global agreement with Luxembourg. So all the invoicing happens to the parent company. Only the expenses happened there in the UK subsidiary; whereas in the US, what happens is that US company invoices directly to the end customers and we do a transfer price as per the statutory guidelines of 90% to the subsidiary. So if you really look at it from that perspective, I would say that it will take a long time for the subsidiaries to breakeven.

Srihari Srinivas

And I have the question on the managed services contract, so I need more clarity on the revenue model. Let me explain where I am coming from because on one side, you have mentioned that this is a Rs. 150 crore contract spread over 6 years, but during the last conference call you have also said that Phase-1 and Phase-2 comprises of transaction based orders and that there is a profit sharing component. What exactly is the revenue model?

C. K. Shastri

I will tell you. The thing is that there is a component; 1) whenever we on board a customer, we get paid Rs. 5 and there are three categories a customer onboarding with a physical cap, with Aadhaar, with non-Aadhaar based thing. And for non-Aadhaar base, it is Rs. 3. Apart from that, they have their entire customer data lying across the country which as per the tender is about 7.5 crore of data which needs to get migrated into our centralized storage system which we have created on the customer premises. And the migration of each of these things were supposed to Rs. 3 per customer. However, we are battling with the dispute of the Supreme Court which says that you do not need the old thing, but there is lot of other statutory agencies like NIA, Home Ministry and other departments where there are guidelines to see that the data is maintained for 7 years. So they need to get into a centralized place, currently they are stored in the individual circles and in 20-21 locations in a very haphazard way which is very risky because customer profile data, you are talking about high VIPs and all of them and it is a data security issue which we have taken it up seriously. This is as per the Phase-1 is concerned. Phase-2 comprises of our bread and butter thing about communication. They have

about close to 1.8 crore landline customers and they have about close to 25 lakhs of postpaid customers to whom they send out bills. So our idea is to see that we send out digital bills and we also bring in advertisements into the digital bills and if we bring in the advertisements, whatever if we get Rs. 1 paid per bill by any of the guys like the advertisers, 60 paisa would come to us and 40 paisa would go to them. Apart from that, there is a thing of every communication which goes out, there is a 12 paisa; mobile communication whether it is WhatsApp or SMS or push notification, we get 12 paisa per notification. For example, we sent out a bill to you. So bill has been sent out, so for which we get paid 12 paisa per communication. Apart from that, we have proposed saying that we will be running a loyalty management system against which we will be redeeming the loyalty points through selling of coupons. It is a massive business and we have not put any value to it in our Rs. 150 crore what we have said. So this Rs.150 crore comprises of the migration data and the transaction data purely on the published date. But the upside of advertisement revenue and all that has been not taken into account.

Srihari Srinivas

Thank you for that information. One last question, so you have said that the resolution looks lightly. So I am looking at the notice that you sent to the exchange. You said that Phase-1 revenue resolution looks lightly in the near future. So just wanted to get a timeframe from you. So would that be during this fiscal year?

C. K. Shastri

It is completely hogging up the entire bandwidth. We have continued to invest in this thing for so long and we are putting all pressure possible and we are hoping that we would conclude within this financial year. And of course there has been some line items like the scanning which I forgot to mention in the Phase-1, there is about 7.5 crore of unscanned data which is lying which needs to get scanned which their contention is it will not be required once we do the reverification which we are willing to forgo.

Moderator

Thank you. We have next question from the line of Anirban Dutta from Jet Age Securities. Please go ahead.

Anirban Dutta

I have two questions. One is you write in the notes to accounts published that the first payment of 4.5 crore, you write when the form of payment was fully realized. So my question is this has been realized in the current fiscal year and how has this been booked, in which quarter was it booked or is it going to be booked in the current quarter?

C. K. Shastri

It was realized in the last financial year.

Anirban Dutta

After the restatement, it was realized. I am not able to understand the restatement and also the fact that it has been realized.

C. K. Shastri

No, the money has been realized. There is a dispute related to this Rs. 4.5 and Rs. 10.5 and they have asked us to refund that thing despite making the payment. So from that perspective, we had to do it.

Anirban Dutta

Second question is earlier there were some key initiatives from your side to look for a strategic partner. Is there any meaningful progress on that?

C. K. Shastri

We are pursuing it. We continue to pursue it. We have just little slowed down. We have appointed an investment banker and we are looking for the right partners to do go with. Obviously, this is a very critical and important decision for us, but what I have liked to tell you is that from a perspective, we are seeing some fantastic traction coming from system integrators. One of the very large system integrators even in making an investment and taking us into or putting our solutions in the Mobile World Congress, which is one of the largest telecom shows in the world and

very expensive. So at this point in time, we are pursuing, but not very aggressively. We are waiting for a right partner; and I would say that the valuation, the timing has to be right.

Anirban Dutta

And one final question, sir what kind of losses do we expect from subsidiaries for this fiscal for FY18? A ballpark number.

C. K. Shastri

It could be around Rs. 5 crore. We are also optimizing there. It should be about Rs. 4 to 5 crore.

Moderator

Thank you. We have next question from the line of Khushal K, Individual Investor. Please go ahead.

Khushal K

So regarding the big contract with the telecom company, so recently I had read somewhere that it might be optional to link it with Aadhaar, so what is your say on that and currently they are saying it is mandatory, but I read articles where they also considering...

C. K. Shastri

It will be very good for us.

Jayant Dwarkanath

Kushal, if it becomes optional, then it works in our favor because then my platform starts getting used.

C. K. Shastri

We have three likes of thing which physical also and contract. As per contracts, the physical cap management and the Aadhaar based and you scan all the three lines will be in use. So we do not get to lose anything in that.

Khushal K

But that will also result into reduced revenues?

C. K. Shastri

No, it is contractually we have the line item for that because this particular contract was finalized much before this Supreme Court order which came in.

Moderator

Thank you. We have the follow-up question from the line of Aejas Lakhani from MMFD. Please go ahead.

Aejas Lakhani

Sir, just wanted to check with after probably once dust settles on the managed services contract, I am sure that lots of other PSUs have opportunities. Are we going to pursue any further opportunities in the PSU space?

C. K. Shastri

If we had the bandwidth and if we had the required, as I always keep saying one of our biggest problems is we have got a great technology, great solutions, but then we require massive capital. One PSU itself has drained us so much. If we have some decent capital infusion, definitely there are massive opportunities, trust me. GST, just our robotic process auto machine reconciliation is a very powerful tool for financial reconciliation with GST which we are just trying to seek an appointment and go about it and do it. There are several opportunities like that. You can imagine we have only one sales guy in the US. US is a massive country. Europe, we have only one sales guy. And what happened is that because of this, investments into this, these constraints in investments have come in, we hope to get over it and we hope to start investing in the right places not only in the large PSUs, cloud and US and Europe markets.

Jayant Dwarkanath

In fact Aejas, all most of the PSUs and the government institutions are corporate customers of BSNL themselves and so when this entire deal was being put together, conversations also revolved around the platform not only serving BSNL and probably extending to the PSU customers.

- Moderator** Thank you, sir. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Over to you, sir.
- C. K. Shastri** Thank you very much all of you for taking time to participate in this earnings call. Really appreciate your time. we really look forward to being in touch and seeing that we together as all investors prosper in taking this company forward. Thanks.
- Moderator** Thank you, sir. Ladies and gentlemen, on behalf of Intense Technologies Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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