Our intensity.
Your agility.

Ref: ITL/SE/2023-24/43

Date: November 04, 2023

To,

The Manager, Corporate Relation Department **BSE 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
Scrip Code: 532326	Symbol: INTENTECH;

Sub: Transcript of Earnings Conference call

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

Dear Sir/ Madam,

In terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the Q2 FY 2023-24 Earnings Conference Call held on October 31, 2023.

The same is also uploaded on Company's website: https://in10stech.com/investors/earnings-call

This is for your information and records.

Thanking you,

Yours Faithfully,

For **Intense Technologies Limited**

PODUGU PRATYUSHA
Digitally signed by PODUGU PRATYUSHA
Date: 2023.11.04 17:27:53 +05'30'

INTENSE TECHNOLOGIES LIMITED SEC'BAD

Pratyusha Podugu
Company Secretary & Compliance Officer

"Intense Technologies Limited
Q2-FY 2023-24 Earnings Conference Call"

October 31, 2023

MANAGEMENT: **MR. C.K.SHASTRI : FOUNDER AND MANAGING DIRECTOR**
MS. ANISHA SHASTRI : WHOLE-TIME DIRECTOR
MR. ANIL KUMAR VENGAYIL : COO
MR. NITIN SARDA : CFO
MS. PRATYUSHA PODUGU : COMPANY SECRETARY
MR. LOKESH : FINANCE TEAM

Intense Technologies Limited
Q2 FY24 Earnings Conference Call Transcript
October 31, 2023

Moderator: Ladies and gentlemen, good day and welcome to Intense Technologies Limited Q2 FY24 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 star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you.

S Rangnekar: Good afternoon and thank you for joining us on Intense Technologies Second Quarter FY24 Earnings Conference Call. Today, we have with us Mr. C.K. Shastri, Managing Director; Mr. Anil Kumar, Chief Operating Officer; Ms. Anisha Shastri, Director; Mr. Nitin Sarda, CFO; Ms. Pratyusha, Company Secretary and Mr. Lokesh from the Finance team.

Before we commence, please note that some of the statements made on today's call could be forward-looking in nature and a note to that effect has been included in the earnings release of the Company, which is also available on the stock exchanges website.

I would now like to invite Mr. Shastri to give us a brief overview of the Company's performance and to introduce the team. Over to you, Mr. Shastri.

C.K. Shastri: Thank you, Siddharth and good afternoon to all our investors. Thank you very much for taking time for this Earnings Call. It's always a privilege to engage and interact with our investors because your critical feedback always helps us improve and do better and better as we move along as a Company.

As such, I'm sure most of about Intense Technologies, but for those who do not know about Intense Technologies, we've been an enterprise product Company for a very long time and rechristened ourselves today into a tech enabled services in the last nine months or so, and we are building, as I've shared in the last meeting, we have very marquee customers, whether it is banking, we have customers like Axis Bank, HDFC Bank, IDFC First Bank, IndusInd Bank, YES Bank. And similarly, in the insurance sector, we have the who's who, as our customers, same is with the telecom, we have Jio, BSNL, Vodafone to name a few. And we have started onto a path where we would want to expand from our existing product to tech-enabled services, which is seeing good results, which my colleague, Anisha would be sharing with you, a detailed overview of this.

I'm sure we are seeing the investments what we are making, progress in the right direction, where we wish the Company to go forward and the results are the reflection of the same. We had a year-on-year growth on quarter-to-quarter basis at a 55% growth, Rs.32.78 crore is what we have done in the Q2 FY24 vis-à-vis Rs. 21.16

crore. Similarly, half yearly Rs. 56.73 crore to Rs. 36.32 crore. There also we have seen a significant growth of 54%.

EBITDA as you can also see that we have Rs. 7 crore vis-à-vis Rs. 6 crore last year which is again increased by 15% and same goes with the Net Profit and EBITDA which are already published and they're with you.

I would not want to take much of your time so that we'll have more time for your questions. I will hand over the details to be provided by Anisha on the Company overview and what we see the Company and the investments what we have made in "Project "Butterfly", how it's panning out and what is the way forward as a Company. Over to you, Anisha.

Anisha Shastri: Thank you, CK and thank you all for joining the call today. My name is Anisha. I'm an Executive Director here at Intense.

So, for those of you who have been joining this call for the last couple of quarters, you will know that in Q4 we started something called "Project Butterfly." This was our initiative to ensure, #1, how do we leverage all these marquee customers that we have and how are we able to farm. Now, the intention of Project Butterfly was to see how do we create more revenue streams for the organization. Erstwhile, we were only selling our license and services. So, we added a lot of large marquee names to our credit, but we were only selling that one license and services around that license to our customers. So, Project Butterfly was all about adding new revenue streams so that we are able to farm our existing customers better and we're also able to provide significant value to newer customers that we're adding on to our kitty as well.

We also further decided that we would focus purely on BFSI, telecom and government. These are the domains where we have our expertise and we said without deviating and without diluting our focus and our resources across all verticals. We will focus predominantly on BFSI, government and telecom.

Third, we were in a good position from a cash standpoint where we finally had the appetite to make investments into sales. As an organization, I'm sure for those of you who have been following us for a long time now, that sales and marketing has always been our weakness. And so, we wanted to definitely critically address these pain points. So, from Q4 onwards, we started adding additional people in our sales engine. In fact, as a matter of fact, even this quarter we added four additional sales personnel with pointed focus around being able to cross-sell, up-sell these new revenue streams that we've added.

Apart from the IP assets that we already had that we use to service our customers, what we did was, we expanded horizontally and vertically around the skill sets that we have and around the IP that we possess. So, we added in terms of new revenue streams, we added communications governance beyond just communications, designing and presentment, we added data services, data quality, data remediation, data governance services, we added transmission services to complete the last mile of the communication piece, we added cloud services to manage our customers, cloud infra, migration from on-prem to cloud environments, migration across hyper scalers like AWS, Azure, etc., those kind of capabilities. We have a lot of product-minded talent with us, which the world as opposed to conventional services organizations, this product mindset really helps in delivering solutions in a much more generic manner which customers are able to reap benefits in the longer run. So, we added those talent services and government managed services. We forayed into government, we finally had the appetite to take on government and so, we added government managed services also to our revenue streams. We also added strong partnerships with companies like AWS, Oracle, etc., so that we are able to look at how we can expand in international markets, more economically. For us, erstwhile adding one salesperson to man an entire continent, those models were not working out for us, and so our focus has been around how do we add partners that can help us get to these regions and help us sell our services and IP-based services in those regions.

So, in fact, if you look at some of these green shoots that we've added, I'm proud to say that even the few projects that we've already closed over the last couple of quarters, our customers have seen significant benefits.

For example, on the communications governance front, today, we help a bank save about $10 million every year in their communications spend because of the way they're able to govern their overall communications strategy across the entire bank, pan bank. Similarly, if you look at the data quality issue, now, if you look at a bank for instance, they're selling hundreds of products across CASA, credit card, loans, demat, they have so many different offerings that they're selling to their customers and regulatory penalties are huge when your data quality is an issue.

You are not able to upsell, cross sell to your customers because your data quality is an issue and your operations costs are heavy because you're trying to service customers, but you have poor data supporting all your analytics. And ultimately for any organization, you how important analyzing your operations, analyzing your data today is. But your analytics are only as strong as the data that is fed into it. Like in Java, there is this terminology saying garbage-in, garbage-out. So, if you don't have relevant data that you're feeding into your analytics engine, then that is going to cost the organization a lot in terms of their decision-making and their ability to cross-sell, up-sell to customers further. So, we solve such kind of mission-critical problems for our customers and all of these services are seeing great traction in the market, both with existing customers and with new customers.

Similarly, if you're also doing things in government around managed services, automating processes, helping bring in cutting edge tech to government processes to ensure citizen services are smoother, they're able to, say, provide welfare schemes to citizens better, more accessible through WhatsApp, through more citizen-friendly platform.

So, all of these kind of green shoots that we've added are definitely helping us understand the kind of potential and the value that we can also offer to our customers better. And I'm happy to say that some of these things are also paying off. You will have seen it in the form of our results as well.

From a hiring standpoint, we have continued to invest in sales and we're doing very sharp shooted sales hiring. We're not hiring generalists, we're hiring people who can help expand on each of these individual revenue streams that we've added and we've fortunately found some good talent, let's see how this pans out.

So, overall, strategy per se, what we started in Q4 last year continues to remain the same. We are pretty bullish about what we set forward, and of course, like all of our strategy takes some time to pay off. But we are very confident in what we had originally set forward and we want to continue on the same path and hopefully it will reflect in our year-on-year results. So, my request to all of you also is don't look at us like a quarter-on-quarter organization. Our focus is year-on-year growth which we are gunning. Our annuity revenues continue to support us and the green shoots are also adding to our annuity revenues.

So, thank you for your patience in us and we look forward to continuing to put in the efforts to see how we can grow year-on-year. Thank you so much. And now I think we'll open it up for questions if anyone has anything else to add?

Moderator: We will now begin the question and answer session. We have our first question from the line of CA Nihar Shah from Crown Capital. Please go ahead.

CA Nihar Shah: This was just in the reference to the guidance on the last concall. In the last concall, we said that we are expecting around 30% EBITDA growth and 20% to 25% revenue growth. So, are we in line to do that for the year or has there been any change because our numbers have been great, so is there any change or are we in line to do that?

Anisha Shastri: While we are investing significantly in all these additional revenue streams to pay off, we will continue to spend on our sales efforts and marketing efforts. So, I would not want to commit anything on numbers as such. We may be requiring to continue to make these investments to see that these green shoots pay off. But from a growth standpoint, we are hopeful that all our strategies will pay off in the long term and we are gunning for it.

CA Nihar Shah: Any sort of outlook for FY25 or '26 from your end?

Anisha Shastri: It's only been about two, three quarters since the Butterfly actually started kicking off and we are slowly able to see the results of it. We hope to continue on the same trajectory.

CA Nihar Shah: How much percentage of customers we already have, are we cross-selling or up-sell something like that like conversion ratio, do we have a conversion ratio where we use the Project Butterfly for the clients and they have converted and we have been able to sell more?

Anisha Shastri: I probably don't have a number around the conversion ratio. What we have done is, we have segregated all our accounts into strategic, growth, active accounts, etc., We've set targets for each of those accounts and our account managers are now consciously working on what all they can cross-sell into existing accounts.

Moderator: We have our next question from the line of Rajesh Aynor from ITI Limited. Please go ahead.

Rajesh Aynor: Sir, my question is around the margin profile because we have an existing -

C.K. Shastri: Your voice is very low, Mr. Rajesh.

Rajesh Aynor: The question was around margin profile because we have an existing business and then we are also required to make lot of investments in the upcoming area, which is on the Project Butterfly. So, can you give us some sense of where exactly the margin would be heading and after the ramp up phase, or how long can this phase be where we are growing at a higher rate?

Nitin Sarda: Nitin here. From a cash and liquidity standpoint, see, when we closed financial year in March '23, we were sitting on our liquidity of about Rs.25 crore, and it has Rs. 12 to Rs. 45 crore for this quarter end. When I say that it is inclusive of our fixed deposits with banks, mutual funds and the cash balances lying in our bank account. So, we definitely have a higher appetite. But in terms of the expected investments, we have to make in our Project Butterfly. It's more of an exploration journey. We do have it like Anisha has mentioned, we are going for hiring talent on a sharp shooting basis where we see people who have relevant expertise and experience in this particular segment, we are trying to onboard them… talent with experience definitely comes at a price tag. So, in the short run, these investments will have to be made to ensure that we are successfully able to navigate this transformation stage.

C.K. Shastri: To further add to what Nitin said, what we are saying is that the investments will be in the next six months to a year, thereafter the margin growth you could see.

Rajesh Aynor: What kind of margin profile does the underlying business have?

Anisha Shastri: All the revenue streams are at multiple margins like for example the transmission services is a lower margin business, but ultimately it covers the last mile. So, it improves stickiness on the customers premises, right? So, some of these are lower margin, then the data is a high margin business. So, whatever green shoots we've added are a combination of multiple margin.

Rajesh Aynor: But that part you're saying will be relatively clear after we are done with this investment phase, all these expenses will be getting loaded?

Anisha Shastri: Yes.

Rajesh Aynor: What is our export business currently and are we really focusing on export also because we have a lot in the domestic business itself?

Anisha Shastri: We have added partners internationally with the endeavor to focus on export business. But in terms of sales personnel per se, our focus has been more in India.

Rajesh Aynor: How much is exports currently for us as a percentage of top line?

C.K. Shastri: It's around 20%.

Moderator: We have a next question from the line of Sumit Kothari, an individual investor. Please go ahead.

Sumit Kothari: Expenditure item which is called the IT infrastructure cost which is shot up to almost six crore in the current quarter, which is like 6x year-on-year and still a substantial increase even from the last quarter, can you give some detail on this cost and the trajectory going forward for this?

Nitin Sarda: So basically, if you remember from our last quarter, a lot of investors and analysts have been asking questions on our operating expenses as to reasons why it has shot up. Previously, what we were doing is, since we have also magnified our offerings, there's a lot of composite deals that we engage with our customers wherein there is also a component of supply of IT, hardware. So, what we used to do earlier is to club this in operating expenses and that's where if you look at our earlier results, you'll see that the operating costs shot up and there were a lot of questions on that. So, what we have done is to provide better clarity. We have carved out this from operating expenses and mentioned it separately for the previous periods as well. From a trajectory standpoint, these are deals, we cannot say for certainty, this depends on how the engagement progresses, the delivery progresses.

Anisha Shastri: Typically, in most government deals, these are all always composite. So, you have to provide hardware, software, managed services, maintenance, all of that as part of an overall tender, right? So, like even BSNL, etc., all of these accounts and even the accounts that we've added in government in the last quarter, they all have a component of hardware, a component of software, and managed services AMC. So, that's why you see that number go up.

Sumit Kothari: The next question is regarding the margins. I know we have spoken a lot about margins, but see, I've been invested in Intense probably for the last decade, a pretty large investor And I've always seen that the margins have been in the range of 30% to 35%. Now, I know that we are evolving ourselves from an enterprise product Company to a tech enabled Company and we are making huge investments and the margins are lower currently around 18% to 20% range. So, what we are saying is that probably after six, eight months when we are done with our investments, will we go back to a 35% kind of EBITDA margins in the long run?

Anisha Shastri: That is the hope, but like I said, in the new revenue streams that we've added, some revenue streams are low margin but high stickiness businesses and some are low volume, but high margin businesses. We've added both as a combination and the strategies, I mean, you understand with the intention of improving stickiness with our customers, with the intention of improving longevity of deals, etc., right? So, given the fact that we are adding a combination of margin businesses, I may not be able to comment at the moment as to how much that number will be per se, but our endeavor is to see that we are able to maximize on it.

Sumit Kothari: Even if we have some clarity on the direction, if not the absolute number, is it fair to say that the 18%, 20% is like the rock bottom in terms of margins and it can probably only go up from here, do we have at least that clarity? I know we are looking at a consolidated mix of different products here, but can we say with full confidence that this 18%, 20% is bare minimum that we will clock?

Nitin Sarda: Like we said even for the current quarter if you see 70% of our revenue continues to come from annual engagements and 30% is something that we have started to see come from TaaS, government services, transmission services. So, it would be safe to say that 18% to 20% would continue to be delivered on quarter-on-quarter basis. And also, see, the Project Butterfly is something that we have put in place. It's a multi-year transformative strategy, and as an outcome of that strategy once we have in place, overall depending on the weightage of the revenue coming from each of the segments, right, you will see that our absolute number will definitely be higher from every year performance.

Sumit Kothari: The operating leverage should come into picture maybe once we have some streams. Nitin, if you can highlight something on the top line front at least? So now we are changing our strategy from enterprise to tech enabled service Company, so I expect at least the revenue predictability to be much higher than what we have seen in the earlier days like because it was a product Company, the cycles were longer and we were not sure about giving any guidance for the next quarter or for the next year also, but now we have some predictability in terms of revenue, so can we say that this 32 crore that we did in this quarter, so there's at least like the base revenue that we have or can it be very volatile even the revenue part?

Nitin Sarda: See, I'll address your question in two parts. So, first thing is quarter-on-quarter results that we declare. I would request you to not perceive us from that prism. Kindly evaluate us from year-on-year basis. We have done Rs. 32 crore in this quarter. On a year-on-year basis we'll definitely deliver growth compared to the prior years. But, it also depends on the traction that we've seen from each of the segments like I mentioned.

C.K. Shastri: Just to add to what Nitin said, this is not pureplay people resources, like you hire number of people and number of people like any traditional services, these are all niche technology-based services and it has also its own selling cycles.

Sumit Kothari: I was just trying to reiterate the guidance that you have given. So, the Rs. 32 crore if you annualize it, you come close to Rs. 120 crore, Rs. 90-odd crore you have done in the last financial year. So, is this a fair number to have in my valuation sheet, Rs. 120-odd crore?

Nitin Sarda: I understand you have been joining us from all quarterly earnings calls, right? So, while we had mentioned -

Sumit Kothari: Much before that, I've been there for a long, long time.

Nitin Sarda: Correct, correct. Basically, in Q4, traditionally looked at our results, Q4 was lumpier wherein 50% of our top line is to come in Q4. But what we have started to do is, wherever contract is coming up for renewal, we are really finding the milestones so that the revenue gets recognized in the straight-line basis and which would address your volatility factor. But having said that, from a year-to-year basis, since we are redefining those essentially same contracts with marginal growth in some cases and good growth in some cases, I would not really extrapolate this quarter's performance to the whole year. While our ambition and objective are to achieve those, but we definitely are looking at what you had mentioned 20% growth year-on-year.

Sumit Kothari: What do you think where will we be needing some investments, as you are changing the strategy. So, which year would you think will be the best year some time like FY25, FY26. If you can throw some light because we can see it happening because we are making some investments, so, based on some assumptions we can see it happening. So, can you say with some confidence that FY25 will be the year for us or FY26, if you can say -

Nitin Sarda: I would say with a lot of disclaimers here, because FY25, '26, two, three years is a very big time for the macroeconomics and microeconomics at play, which are definitely not in our control. But FY26 is where we'll see the total outcome of our Project Butterfly because we are in the advanced stages of its implementation, so I'll put it that way.

Sumit Kothari: Because of the change in strategy, can we expect the payables from the debtors which are there to change now you have like almost Rs. 40-odd crore of receivables, so because of the change of cycles, because it's more like a service Company now, can we expect the receivables to be received much before and the working capital cycle to improve or is it going to continue for some more time?

Nitin Sarda: No. See, like I've mentioned, the definitely the collections will improve. Even if you look at from March, although the reported numbers have gone down only marginally from Rs. 53 crore to Rs. 51 crore, right? As we speak today, we have actually realized more than 20% of outstanding from September and we are expecting to have higher collections in this current month as well. So definitely we'll see improvement in collection cycles, better working capital management.

Moderator: We have our next question from the line of Namit Arora from Indgrowth Capital. Please go ahead.

Namit Arora: Sir, my question was on competitive landscape. If you could give us your thoughts on some of the companies' you run into typically as competitors? That was one, second is that how do you position yourself in terms of differentiators or what do you think is your competitive advantage vis-à-vis the competitors? And the third related question is that, are there any larger companies that you sort of respect or admire which may be sort of role models or aspiration? I would be very grateful for your thoughts on these questions.

C.K. Shastri: That's a very good question, sir. The thing is that we are talking about niche areas in the technology side. So, this is not a pureplay services game, which we have planned to play that we are talking about. We have built IP assets in the data side, we have data deduplication, data extraction, data quality tools, all these things. Even our low code platform and some of the things which we have built the digital engagement platform which have been deployed at scale, these tools help in delivering faster and at a better cost to the end customer. So, our value proposition we being for last 1.5 decade plus, we've built a lot of IP assets being the product mindset as a Company and we are now monetizing all these assets in terms of providing tech enabled solutions, tech enabled services. So that's the key differentiator and you will find very few people with these kinds of capabilities. Of course, there are niche data, only data services players, only low code players only transmission players and so on and so forth. So, we are giving a combination of the value what we deliver in terms of time to deliver and in terms of cost advantage.

Moderator: We have our next question from the line of Yogesh Bhatia from Sequent Investment. Please go ahead.

Yogesh Bhatia: Sir, actually this is my first time attending the call for Intense Technologies. I wanted to know how do we work in the sense do we have any sort of order book that we look like or do we have some contracts or how does the revenue, how do they work for us?

C.K. Shastri: See, the farming or the existing annuity revenue comes from the existing contracts what we have with our customers and the new logos, new customers or the new contracts that come in. So, existing contracts comprise of the old ones, some of them have licensed AMC, some of them are. complete managed services where you get paid monthly basis, some we have on a SaaS model. So, existing contracts, we have a mix thing, but we are looking at building most of our contracts into our annuity-based revenues.

Yogesh Bhatia: So ideally, when Intense Technologies goes and gets a client or a logo, it's more like a three-year, four-year, five-year annuity sort of business that this is the kind of service that we are going to provide for the next four to five years?

C.K. Shastri: Absolutely.

Yogesh Bhatia: Are we able to ascertain certain value when we get the contract, see, this is the amount of work that we are going to do for them over the period of next four years, five years?

C.K. Shastri: Typically, yes. With this new strategy, we could see some upside to it by cross-selling and upselling other services to the existing clients.

Yogesh Bhatia: Ideally, what is the size of these kind of engagements like Rs. 10 crore -Rs. 5 crore sort of client is what we look at annually or its larger and what sort of resources usually we deploy, I mean by the number of engineers or man hours that we deploy for this engagement?

C.K. Shastri: That's what I said, the difference here is just it's not people versus the revenue, it's not like a typical 100% services organization, where number of people per head = earnings is what it is taken into. Here, we bring in the IP. With the IP and the services, a number of people required will be less because of using the IP. The margins are better.

Yogesh Bhatia: What is the ticket size of a logo that you have -?

C.K. Shastri: It all depends, the size, we take deals right from we have customers who pay us Rs. 1 crore year to a $1 million a year to $2, $3 million a year also. It all depends on the size of the deal, size of the work, the engagement, what we take up. We have a mix of all of these. Some have just purely -

Yogesh Bhatia: You say that you will do 25% growth or 30% growth or some number that you have envisaged as a Company, but we as investor community, how do we track that, how do we get a sense that this is going to happen or these are the chances because most of the IT companies that we understand, they work on order book basis or they have some contract value basis, how do we as analyst investment community try to track that for a year for Intense Technologies?

Nitin Sarda: So, to answer your question, Yogesh, see, like we mentioned, we have our annuity engagements, which typically see a growth of 20% year-on-year and -

Yogesh Bhatia: Is it fair to assume that Rs. 90 crore turnover that we did last year, in which how much percentage is annuity? How does as an investor I know that?

Nitin Sarda: I understand. Rs.60 crore was coming from annuity engagements, and from year-on-year you can probably assume that we will be able to deliver 15% to 20% to be on the safe side on our annuity engagements. And since we have forayed into new services, it would be very difficult for us to put any number because the market traction that we are receiving for it looks very promising and it's going to be only a better year-on-year performance, I'll put it that way.

Yogesh Bhatia: If you can break this number for me for this quarter of Rs. 32 crore how much was annuity and how much was new business?

Nitin Sarda: About Rs. 25 crore has come from annuity and the balance has come from our TaaS services, government services, data services and a bit from transmission services. This has started to come in just after two to three quarters of our offerings.

Yogesh Bhatia: The project butterfly. What you mentioned?

Nitin Sarda: Yes, yes.

Moderator: We have our next question from the line of Milan Shah from Urmil Research Consultancy. Please go ahead.

Milan Shah: My question is understanding the infrastructure cost, which is increased in half yearly from Rs. 3.5 crore to Rs. 8.99 crore. What is the trajectory for full year and now what is this investment -- is it like a cloud services?

Nitin Sarda: So, if I have understood your question correctly, you want to understand the nature of this cost and what it is going to be for this financial year, right? So, basically to answer your first question, these are a hardware procurement cost that we also deliver as part of a composite contract with our customers. And these are very deal-specific, Milan. So, if there is any other deal that comes up from government or from other customers that requires us to supply some hardware, servers then this definitely would go up and the recovery cycles again is pretty quick we realize, our invoices within 30 to 45 days max. So, it would be very difficult for me to give you a trajectory. This is very deal specific.

Milan Shah: What is the margin in this investment? We have incurred 10 crore cost. We got any sense of margin in these investments?

Nitin Sarda: See, it varies from contract-to-contract.

Milan Shah: Combined of our services, right?

Anisha Shastri: It will have a combination of service and software and this piece. So, while the margin on this front will be low, the margin on the software services part will be higher to cover up, so it works like that.

Milan Shah: My second question is intangible asset is Rs. 20.9 crore. It is depreciated in long run or gradually it is going to be written-off?

Nitin Sarda: These are our software that have been under development for the Company for quite some time. Marketing communication hub called which we call it as “Reach.” We are also developing Blockchain. So, these all softwares are being developed based on our on the ground feedback from our customers which ensure that there will be economic benefits that we definitely are going to realize. For a few of our solutions we have reached at the cusp of deployment. We are in UAT testing phase. So, we will see some of these being deployed in the current year. So, once we are able to license them to our customers, deploy them in the customers environment, we'll start amortizing it. And at that point of time, definitely, we will try to evaluate what would be the economic life of this and then we'll amortize over a period of such useful life.

Milan Shah: And congratulations for Nitin. After his joining our Company’s cash flow is increasing, and you see he is going to be making good efforts in collecting dues, but I want to understand in this call from any USA Company we are going to acquisition or in negotiation stage. It is in development in this stage?

C.K. Shastri: We are in talks in terms of partnership. We've I think made a press release. We had tied up with the Natsoft to be our strategic partner for us, to take our products and solutions to the market. But from a strategic perspective, that is only a sales and marketing agreement, but not financial investment or anything which has come up as yet.

Milan Shah: CDR India is making very, very good announcement. I want to understand after AGM is completed one month before, and the disclosure to extend is after one month. What we are going to do in one month. So, to be careful and I suggest Company has to do some presentation to Bombay or investors community to make any investor conference in Company.

C.K. Shastri: It's a very good input. We're definitely planning to have a presentation and a roadshow post-Diwali is what we are looking at. We are coordinating with CDR to come and present; what we intend to tell you what we are doing in our Company as a project butterfly and what are the solutions we have, what are the IP assets we have, what are the customers we have, all those details.

Milan Shah: Sir, can you give me any detail in sector wise, any banking, government services and insurance, any aggregate number, I didn’t want a perfect number, how percentage wise we are going to service these industries?

Nitin Sarda: We don’t have that bifurcation at hand –

Milan Shah: No problem, sir. I will mail for that one. But it is better to understand which sector we are going to -

C.K. Shastri: We are focusing a lot on the banking side, BFSI side from what we were hitherto in the beginning, we were more or less known as the telecom Company, but in the last one, one and half, two years we made great foray into BFSI and made significant progress in that.

Milan Shah: My last question is what is the manpower strength right now, any reason to hire or maybe restructuring for the same?

Anisha Shastri: We are currently at about 565-odd people. All investments predominantly in this year have been made only on the business development, sales, etc., So, any new additions also will more or less be in these directions. To service our existing customers, I think we have enough people. We won't need to add significantly on that front. Investments will largely be on the sales front only.

Milan Shah: We can be confident if we are going to see more growth in next one or two years?

Anisha Shastri: That's the hope.

C.K. Shastri: That's the reason we are making these investments and we are already seeing some green shoots and that it's quite encouraging to see that and we hope we definitely do much, much better than what we do this year.

Moderator: We have our next question from the line of Aejas Lakhani, an individual investor. Please go ahead.

Aejas Lakhani: I have just two follow up for your opening remarks and then a couple of questions. So Anisha, first, there are two points which were quite clear that you sort of articulated at the start. I want to refer to both of those. One is that you mentioned the new streams of revenue. So, are these all built out on the NXT platform in the plug-and-play format that we've been historically following? That's one on your opening. And second is you spoke and the words that were distinctly different in when you spoke about the cash being used to make sales which has been a weak function. You spoke about be more pointed, be more very vertical specific in your approach of sales. Now, having seen the Company over many years, we've had this kind of an approach when we won the Vodafone deal and I think 2016 when we had the European… our sales function head there, who was also trying to cross reference the India to the Vodafone or with Anil coming on board and managing the large PSU project. I'm really trying to understand that in the erstwhile approach of sales versus the current, what has really changed and how do you measure it and manage it?

CK Shastri: One big difference before Anisha answers that. See, what we were doing then was only selling license and services around the license. But now we've expanded our offerings completely. Over to you, Anisha.

Anisha Shastri: The first question that you asked around the NXT platform. So, in a lot of these implementations, yes, we do use that underlying IP to be able to optimize those processes, service the customer faster, better, etc., But it's not necessarily a hard-and-fast. Like for example, In the case of data opportunities, we have our own proprietary data IP for deduplication, for quality, ETL, etc., But if the customer comes and says, no, I already have Informatica licenses and I want to use that. Then we're comfortable with that as well. So, I think that's to answer your first question. Your second question, yes, while we did hire sales people in the past to support the region or something like that, now what I meant when I said focused sales hiring, is for instance, if I'm doing say transmission services, then hiring someone who has the experience of having sold transmission services in BFSI in the past or say data services. Then someone who understands the data domain to be able to do solutionized selling in data services. So not a generalist salesperson to cover a continent or cover a region, but someone who has experience in each of these individual lines that I'm hiring for specifically. Like we hired someone for cloud services, someone who has been selling for AWS, Azure, etc., in the past. Then we hired someone for talent services, someone who was managing these competency centers at IBM where they were placing people and doing managed services. So, basically very pointed people who have had experience in exactly that service stream in the past.

Aejas Lakhani: Anisha, how do you measure these sales people?

Anisha Shastri: Their experience for sure, number one -

Aejas Lakhani: I'm sorry I mean in terms of how do you measure their outputs like do they have like farming targets or hunting targets or a combination of both, could you just walk me through the measurement of their output?

Anisha Shastri: We have broken our teams down into farmers and hunters. The hunters are not involved with any of our existing accounts at all. Farmers are given individual account targets on how much they should be meeting. So, we have specific targets that we agree upon collectively at the beginning of the year as part of our GTM, and then we have weekly calls both to track progress of invoicing in the quarter as well as their pipes for the years. So, both ways.

Aejas Lakhani: May I ask or learn who takes the reporting -- is it Anil, you, CK sir?

C.K. Shastri: Both of us, Anil and myself.

Aejas Lakhani: My next question is for Nitin. Shastri sir has mentioned maybe 2-3 years back that he's trying to pivot from the license to the SaaS model and as the licensing deals and you also alluded to this in one of your remarks that you're trying to pivot to the SaaS. But the number you just quoted, look, out of your Rs. 90 crore revenues last year, 60 crore is annuity, you said that can grow at 20%, but 30 crore would still have the component of the upfronting licensing that is taking place. Is that understanding firstly correct? Point #2, is there a pathway for you to be able to pivot that into out of that Rs.30 crore say migrate some of it into the SaaS format in this current year and the year ahead? How does this all sort of piece meal work?

C.K. Shastri: See, what you said is correct. If you really look at the Rs.70 crore and the balance Rs.20 crore, Rs.20 crore are the new licenses, new sales which have happened. Most of them have the opportunity to convert into if not for the hardware part, the others have an opportunity to convert into annuity revenue or add more revenues through upsell, cross sell opportunities if not straight away annuity. Some of the contracts are long-term contracts which are 4-5 years contracts like the BSNL, like the Inmarsat, like the Vodafone ones which we have. So that's how it pans out. I hope I've answered your question.

Aejas Lakhani: Shastri sir, just a follow up. So still 20 crore is upfront licenses that we are booking and selling year-on-year broadly including the hardware.

C.K. Shastri: Not in licenses, it includes also hardware.

Aejas Lakhani: If you were to give me the cut between, say, the hardware and the licenses breakup? Maybe Nitin can get back to me. Nitin, two questions to you. Typically, the hardware element, we've seen with the earlier engagement with the PSU that the working capital sort of gets blocked up. So, your comments and thoughts on that? And point #2, you mentioned some time back that you're trying to improve the working capital cycle. But, we have known time and again that it's very difficult for the customers who are used to the long payment cycles to start paying earlier than what is desired or what the Company would intend or like, so how do you really sort of get these old folks who we've been dealing with for multiple years with a certain payment cycle to make them paying earlier?

Nitin Sarda: So, to answer your question, see, if you look at Q2 of last year the DSO was about 214 days and which we've been able to reduce to 197 days by the March '23 financial year end and if you look at today, it is somewhere around 171 days. So, what is also important is the composition of my total receivables. We do have some receivable from government, but we don't see any challenges in collections there, we should be able to optimize it further –

C.K. Shastri: Especially to add that we had a few problems, we have still problems that we are reducing the business, we are tightening our terms, for example, Nigeria was one place where we had to face a lot of difficulties in collections. So, we have decreased our exposure towards such countries in such opportunities.

Aejas Lakhani: But how do you improve the receivable days?

C.K. Shastri: See, typically, if you really look at it, 70% of our collections come in within 91 days. There are some sticky customers, government customers where it takes a longer period.

Aejas Lakhani: Shastri sir, what I can decipher from what you're saying is that you're trying to focus more on the 70% business, which gives you the monies in the 90 days. Over the government business, which is elongated to sort of a year or so because that's how the average will come up to say 170, 180 days. Is that understanding correct?

C.K. Shastri: Absolutely right.

Aejas Lakhani: But sir, we have a focus of doing more government-oriented projects as well, right, the three areas you mentioned, banking and government was a part of that. But then –

C.K. Shastri: We have to factor in your costing on these things. They have better margins compared to the others.

Anisha Shastri: So, not all government deals come with poor receivable cycles. We've not noticed that across all PSUs. Some PSUs are troublesome.

Aejas Lakhani: So, one large PSU with which we won the multi-year deal, the deal size has got truncated and there were a lot of further opportunities coming out there. So, in our experience now is it that you will be far more cautious in picking up such kind of business?

C.K. Shastri: Yes, yes, definitely, we'll be very cautious. So, we have now a complete process which we have set up for risk assessment and all of that before we take up the things.

Aejas Lakhani: Sir, second half continues to be a seasonally better half than the first. Is that trajectory is continuing even in the newer format of the more annuity stream?

Nitin Sarda: Yes, I mean, we've tried to straight line our Q4 across the financial year. The idea is to at least replicate what we've been able to perform, but that would also depend on a lot of contracts which are under negotiations to materialize before end of the financial year.

Aejas Lakhani: Shastri sir, earlier we had the regiment of having that one large licensing deal for which we were subject to different timelines because of which you could not commit to how the year may pan out for you. As you have pivoted more to SaaS model, as an investor, is there any way that you and your team can potentially figure out and even quantify the extent of the order win, the duration of the order win, because earlier at least you would give out a broad ballpark number of the licensing deal possibility and the one that you have won. But today, your revenue traction is improving, but the underlying of what is resulting is known to you but not to us. So, there is a gap that needs to be sort of filled.

C.K. Shastri: What happens in a typical enterprise grade license sales are that you have the architecture review business sign off, budgetary provisions, POC, pilots, these are all long drawn. And sometimes you do everything, the entire team changes, the new folks come. So, those were the risks which we have seen. But when it comes to pureplay services, it's not much of them, they just see the capabilities what we have, because these are faster, outcome-based opportunities which definitely don't have the hangover of the ones like selling the enterprise product sales.

Aejas Lakhani: Sir, if you could in your annual report even just give out the new cut of these revenues, which are more quicker than the long-term process, even your team can figure some way of giving better disclosures like much appreciate the infrastructure cost, disclosure which has been bifurcated, that's very helpful to us, so just maybe you can sort of consult with the team?

C.K. Shastri: Sure.

Moderator: We have a next question from the line of CA Nihar Shah from Crown Capital. Please go ahead.

CA Nihar Shah: One clarification. We talked about annual growth of around 20% year-on-year. So, can you just give me the drivers for such growth, like what has changed over the years because we haven't seen this much growth over the years, but now we are expecting around 20% growth.

C.K. Shastri: That is what we've been talking about, the project butterfly, where we have increased the number of lines of revenue streams. If you really look at the data services, they were not there, translation services were not there, the cloud services were not there. These are all the new revenue streams which we have added to our portfolio and that's what will be the result in what we expect the growth to come from.

Moderator: We have a question from Ketan Phatak, an individual investor. Please go ahead.

Ketan Phatak: I have a few questions. Most of them have been asked by previous people, but I wanted to understand we have done Rs. 56 crore in H2. So, would it be a fair assumption or is the aspiration for us to be in the range of Rs. 120 to Rs. 125 crore for this financial year?

Nitin Sarda: We would definitely be refraining from committing any hardline number. What we can at this point of saying is we'll definitely outperform last year's published numbers, because like I said, there are lot of contracts which are under discussions, negotiations, lot of it depends on whether we are able to conclude those contracts by Q4 and that would sort of drive our numbers as an organization.

Ketan Phatak: No, I understand that. But, as an organization, you have been talking a lot about the project butterfly for the last few quarters. So, as an organization, there would have been an aspiration of being a Rs. 200-250 crore Company over the next three, five years.

C.K. Shastri: Aspirations are there, ambitions are there. We are making the investments towards that, but we don't want to commit a hard number sir, that's it. We definitely have aspiration. As Nitin said, we would want to outperform what we have done last year.

Ketan Phatak: My next question was sticking to what we did last year because we are not talking about absolute numbers for the current year or even for H1, the Rs. 56 cores that we have done, what would be the breakup of license to services in this?

C.K. Shastri: It's a composite thing that as what I mentioned. Most of our contracts now we are moving them to composite deals like license services, for example in BSNL, we provide operation support, we provide customization services, all of that at a transaction-based price. In another engagement, we have a combination of all this sort of monthly fixed price. The licenses revenue is the most minimalistic, but if you really look at it as a complete managed services, it's a combo, all that combination of everything.

Ketan Phatak: So, are we saying that we are not really pursuing any license-specific deals?

C.K. Shastri: Those are very minimal sir because what we have seen is that even in the interest of our Company the composite deals are more profitable and better, these things are licensed, world has changed now because of the SAP coming in a big way. Enterprise licenses people bargain quite a lot and you don't get the actual value what you need to deserve to get because annuity is predictable revenue for them, predictable cost for them and predictable revenue for us. And it's win-win for both the client and the vendor.

Ketan Phatak: What I wanted to know is, I'm sure there could be some legacy customers who will be only license-specific –

C.K. Shastri: They are there. Those continue, but then they also take our support services, they also take our operation support, change request. I agree with you.

Ketan Phatak: So those customers who are legacy customers who are only license-specific, what was the licensing model for them -- was it a perpetual license, was it a subscription-based license?

C.K. Shastri: The license with AMC, some customers, 15%, some 12%, some 18% and there are some customers where we also have given growth licenses. The more customers they add, they pay additional license fees.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

C.K. Shastri: As always, thank you very much for taking your time to participate in this earnings call, I really appreciate all the inputs and the suggestions given by every one of them. We'll take it internally and consider all your valued Input. Thank you very much and hope to see you all in the next quarter earning call.

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