02nd June, 2023

To,

BSE Limited
Corporate Relationship Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001

Scrip Code: 540735

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No C/1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051

Symbol: IRIS

Dear Sir / Madam,

Sub: Disclosure of Material Event / Information under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of earnings call with the Investors / Analysts.

The Company organized an earnings call with the Investors and Analysts on Friday, May 26th, 2023.

A copy of the transcript of the earnings call held with the Investors and Analysts is enclosed herewith.

Kindly take the same on record.

Thanking You.

Yours faithfully,
For **IRIS Business Services Limited**

SANTOSHKUMAR JAISHANKER SHARMA

Digitally signed by SANTOSHKUMAR JAISHANKER SHARMA
Date: 2023.06.02 14:24:19 +05'30'

Santoshkumar Sharma
Company Secretary & Compliance Officer
(ICSI Membership No. ACS 35139)

"IRIS Business Services Limited

Q4 FY'23 Earnings Conference Call"

May 26, 2023

MANAGEMENT:	**MR. S SWAMINATHAN – FOUNDER AND CHIEF EXECUTIVE OFFICER – IRIS BUSINESS SERVICES LIMITED** **MR. K BALACHANDRAN – CO-FOUNDER AND CHIEF FINANCIAL OFFICER – IRIS BUSINESS SERVICES LIMITED** **MS. DEEPTA RANGARAJAN – CO-FOUNDER – IRIS BUSINESS SERVICES LIMITED** **MR. P K X THOMAS – CHIEF TECHNOLOGY OFFICER – IRIS BUSINESS SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the IRIS Business Services Limited Q4 FY '23 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. S. Swaminathan. Thank you, and over to you, sir.

S. Swaminathan: Thank you. So we have with us today my colleague, Balu, who is CFO of the company. We have Deepta and we have Thomas. So thank you very much for joining the call. We have made our filings at the Bombay Stock Exchange and National Stock Exchange and press release, which also should have been filed by now with the stock exchanges that will summarize the essence of our performance.

I think on the whole, we're quite happy with what we've achieved in the last one year. We are happy for the increase in revenues. We are happy for the improvement in profitability. We're also happy for the financial situation we are in. And before we go any further, in terms of providing an overview, Balu will just do that and then we'll get questions after that. We will leave as much time as possible to take questions. So to start with, over to you, Balu.

K Balachandran: Thank you, Swaminathan. Glad to meet all of you once again after a gap of 6 months. Ihope that some of you at least might have seen the investor presentation that we did uploaded on the exchange websites at around 4:00 P.M. Anyway, I would dwell on the highlights of the financial year FY '23. Then of course, we can have the question-and-answer session.

So let me now quickly run through the highlights of the financial performance for the year ending in March '23. Like in the previous meetings, I will dwell more on the movement of our annual numbers because as we have mentioned this in the past as well, the quarterly print might not really reflect the underlying business dynamics.

Now coming to the numbers per se. You will see that we moved pretty much in line with our 9 months trend for the 12-month period as well. Over the full year, our topline has moved up by around 21% compared to the corresponding period. Now you should see this in the context of our overall sales growth trend. Over the past 5, 6 years, we have been talking an average growth of 18% to 20%. Except for FY '22 when hit by the COVID pandemic and the poor demand conditions, we could only grow at about 8% in FY '22 over FY '21.

This year, we have come back to our so-called secular growth trend, or whatever we have performed at this point, up to till now. And correspondingly, with increasing growth, our profitability has improved as well because this particular business has a good degree of operating leverage. So you'll see our EBITDA moving up by as much as 38%. Of course, PBT and PAT are at a much higher level on a proportionate basis.

So coming back to the P&L, while the revenue moved up by 21%, overall expenses increased, including depreciation interest moved up by 18% as well, within which employees costs moved up by around 17%. Now the employee costs, we have been spending a little more than what we were in the initial years. Of course, the tech environment was a bit tight over the last 2 years, things are easing now. But we have been investing to make sure that we get the right people. Actually, we need to get and retain the right people within the company. So that process is on, and that has paid us a good dividend as well.

I just also want to mention that from a 5- to 6-year time frame right from the IPO days, our topline CAGR has been at around 18%, while the expense growth has been hovering between 11% to 12%. So that trend we are maintaining this year as well on the whole.

Now let me look at the segmental revenues. You will see that, happily, the Collect segment has come back to the growth zone. We closed about 15% growth in revenues in the Collect segment, where we serve regulators with our regulatory platform license and implementation offerings. The Create segment, which has been the bulwark of the company, has continued robust performance in terms of growth.

On the whole, the annual recurring revenues also moved up by about 17% to 18%, while the share of recurring revenue is at about 75%, a bit lower than 78% in the previous year. That's because when the Collect revenues start going up, there is a bit of onetime implementation revenues also coming in, which at times lowers the proportion of recurring revenues.

If I look at the revenues for this year for FY '23 from a geographic perspective, I would say that our Indian revenues this year have dipped compared to the previous year. We are at about 38% this year compared to about 45% in the previous year. On the whole, revenues across all geographies have moved up. Maybe India, not so much, but other geographies more than with respect to the Indian growth.

Before I move further ahead, I just also want to mention in the context of the revenue growth. Some of you might have noticed in our balance sheet, our receivable levels are a little on the higher side for March '23. I think we're at about INR 24-odd crores compared to INR15-odd crores in the corresponding period.

One reason has been that we did raise a couple of, I would say, relatively substantial invoices in the Collect segment in the month of March because we did get a couple of wins and there were invoices raised against those wins. But money which was raised through invoices has coming to the company and now the receivable levels are more or less at our normal numbers. So that is another point I thought I'll mention in the context of our results.

Now another very important development this year has been or I would say, late into the financial year, we did win a couple of important orders in the Collect segment, due to which our order book is much more robust compared to our previous numbers. So I would say that we are at a point where we need to execute well. And if you can do that, I could say that our revenue growth could enter into a new trajectory as well.

So that is a quick summary, and we can, of course, look at different aspects of the business as we get into the questions and answer session.

S. Swaminathan: Thank you, Balu. Before we take any questions, there's 1 interesting tidbit. So how is it that with the 20% growth in revenues, there's a fourfold increase in profits? That's where the magic of products lies. So when you win these 2 contracts overseas from those central banks and you license those products to them, when you book those revenues, so it's the magic of the product revenue, where there's no corresponding increase in cost.

So you license the product because in all our implementations, the first thing that we do and consistently is to first license the product to them and get the payment collections and then start implementing the product at the on-premises of the Central Bank. So whether it be the Bhutan Central Bank which is called RMA or whether it be the Central Bank in South Africa, which is called SARB, so that's I think the licensing of the product and the billing of the revenues against that is what happened in the last quarter, which is what led to the disproportionate increase in profitability compared to revenue.

So 20% of revenues and a fourfold jump in profitability, and for which we are grateful. And the reason I'm stressing this is because many of us in the course of IT are used to looking at services companies, where often there's a linear relationship between the two. Between the expenses and revenues, you have billable resources, which you bill out, that's what how this business actually grows.

So what it also means is that the increase in the revenues from Collect also means that if going forward in the next 1 year, at least, if you're looking for quarter-on-quarter growth, it will not necessarily be the right way of looking at this. You should look at the year as a whole because that's how billing actually happens in billings based on certain milestones. So while the segment that we have call Create where we sell CARBON may lend itself more easily to a quarter-on-quarter comparison. In the case of Collect, it's more an annual comparison that's more appropriate. So keep that in mind going forward.

So the best way to compare it is to basically say what happened during the year as opposed to next year. It's an important way of looking at the company, and that's how we look at it within the company. I'm going to go for it now and take any questions because I'm sure there are things that you would have seen, which I have not seen for which you want a clarification going forward.

So Deepta will be taking questions. Thomas also will be taking questions. So please, by all means, the floor is yours.

Moderator: First question is from the line of Rohith, an individual investor. Please go ahead.

Rohith: Thank you for the presentation as well. And it's heartening to see the numbers that the company has published this time around. It will be great if you can start with the Collect segment. I mean, we are firing up a 2, 3 years right now. Particularly on the Bhutan and the South African deal, could you share what you can share in the call, I mean, keeping in mind the competitive dynamics as well on what is the tenure of the implementation of the deal, what is the size of the deal in revenues, and how will the revenues be recognized, that would be great?

S. Swaminathan: Sure. Balu, over to you.

K Balachandran: Rohith, see, individual contract size will be difficult to divulge. But having said that, I would say that the South African Reserve Bank implementation is much, much larger compared to the Bhutan implementation. Bhutan is typically our normal size. It is about $1 million to $2 million. And that Bhutan implementation, which is a collection platform and analytics for the Bank of Bhutan, we plan to execute in a year's time, actually could extend a little bit if certain requirements don't come in in time. But on the whole, I think, that is our plan to execute that in about, let's say, 12 to 18 months.

The second win, which is a very substantial win from the South African Reserve Bank. That's much larger project. And here, we are still in the contracting stage. We have a partner as well. So that is going on. But my current estimate is this could be a 3-year to 4-year implementation Of course, there are different parts to the billing. And there is a license part where we license out our iFile platform, along with our automated data automationsoftware as well.

Then there is an implementation part, customization and implementing for a very specific requirement. Itnot completely supervisory data collection. This is a combination of supervisory and operating data collection. So this, I would say, over the next 3 to 4 years, the revenues should be equally spread out. So there is a milestone-based revenue approach. I'm hoping since the contracting is not complete and the pattern is not fully visible, but I would say that, broadly, we could see it evening out over the next 3 to 4 years' time. But from a size perspective, the size of this contract will be, I would say, a multiple of what is there in Bhutan.

S. Swaminathan: Rohith, part of the reason we're having difficulty with the numbers, but please appreciate one thing, we have a local partner as well. And while we are working on this implementation here, and I can tell you what an iFile will actually cost and so on and so forth, the dividing of the work between us and the local partner is still going on right now, and that's taking a bit of time, which is the reason why it's difficult to come up with a precise estimate as to what the proportion for each of us would be going forward.

And they are a local partner, who will be responsible for local implementation. But it would have been easy if you have a local partner not doing very much. Here, the local partner will actually be performing a substantial role in the whole implementation part. And that's the reason why it becomes difficult to come up with a very precise estimate.

As I said, I think, hopefully, by the next quarter, once it's signed, we will have a very good idea as to what the total share would be. Because what I certainly don't want to do is to give you a number, which I have to recant a quarter later because the contract did not go in a certain way. The implementation started. The iFile that has already been licensed. It's a deposit insurance system that Central Bank wants to build out.

Once it is done, it has applications across Africa and across the world. And in the context of the reason for bank failures in the America, the need for a product which looks at deposit insurance is huge. So we're actually using it to use iFile to create a deposit insurance system. So the value of this to us is basically goes beyond just the South African implementation, but the possibility of creating a deposit insurance product for Central Banks globally, so that is the value.

So by next quarter, hopefully, I will give you a much more precise answer.

Secondly, you see the nature of the contract here with the SARB is while we have won the contract on the basis of certain wins, once the discussions actually started, the scope of the work also starting to be expanded to some extent. It's moving in one direction as opposed to another direction, which again leads to a situation where precisely coming up with the number becomes difficult. But let me tell you that it's attractive.

I mean, hopefully typical contract, for example, is about $1 million, $1.5 million in terms of implementation as it is in the case of Bhutan. And this is like a 4-year project. This is relatively evenly spread out. And therefore, the numbers will certainly be much, much higher than a single year implementation. I hope I have answered the question to some extent. But as of now, that's the best I can do.

Rohith: No, no, this is very, very helpful, and thank you for providing the qualitative color as well. So effectively a normal implementation like Bhutan is between $1 million to $2 million for us. So that will be including the license fee as well. Here, the total license plus implementation amount would probably be much higher spread over 4 years. So that is helpful. Is that right, the conclusion that I drew from your answer?

S. Swaminathan: Yes and no. But it's not that 1-year revenue will be spread over 4 years, but it will be revenues of a similar order every year of 4 years.

Rohith: Sure. So that was helpful, sir. So a follow-up on this is, like what about Collect, are other regulators coming up with new tenders? And how is the pipeline looking there?

S. Swaminathan: So there are about 4 or 5 regulators around the world who have actually gone down this path and have started expressing their interest in moving this direction. So the answer is yes. And we have about 4 or 5 proposals that are currently pending and which are being evaluated by the 3 countries. So it's taking its own sweet time.

So I think some countries are making up for lost time and trying to move very fast. Some countries are moving at their own snail'space. There's no uniformity in terms of the speed that they actually move. We also trying to evangelize and make certain things happen in certain countries by offering creative solutions. As I said, I think the good news is the flow of business that used to be there before COVID has now reached the same stage as before COVID.

Therefore, if earlier 3, 4, 5 countries would basically go in the RFP direction before COVID, we are now reaching the stage where we can reasonably say that there will be 3, 4, 5 countries going in the direction post-COVID.

Rohith: Okay. Great. I mean, I'm not saying that we'll win everything, but will we see the 4, 5 countries that you referred to this year, will we see a resolution to these tenders in this financial year? Or do you think it will spill over? Just to see if we will win more Collect deals this year, that was a broad question in general.

S. Swaminathan: So we will win more Collect deals. And we're also looking at other markets. Like in the U.S., as you know, the whole G2G reporting is moving in the direction whether they need for a Collect product. So there are increasing opportunities across the world. And we are as good if not better than most others who are actually getting into it. The competition that we have as before is from a preference that customers have for bespoke solutions, we need to surmount that. Therefore, we're also looking at building up more partnerships to be able to license people.

So we also have develop what, i.e., for want of a better phrase, call it, iFile in a box, which we actually air drop into any country with minimal implementation to get them started. We've not sold a single license of that, but in countries who have a very simple implementation something like that may actually work.

So there are some creative solutions we're actually looking at to be able to getting into speed very quickly. I think budget is still a constraint for many countries. I think the COVID is actually left many countries broke, and COVID actually caused a lot of financial disturbance across the world within governments. So I think we have to be flexible in terms of pricing, and that's what we are doing. So I'm reasonably confident that we will have a strike rate that's no inferior to what we used to have earlier.

Rohith: Fair enough, sir. That was very helpful. So I just want to move to Create and I think given what's happened in the last quarter, I just wanted to hear your thoughts on ChatGPT and if a company can file in XBRL using the ChatGPT that is out there?

S. Swaminathan: So we did a little pilot a few days ago, I think it offers possibilities. It offers tremendous possibilities. But I think it's too early to basically expect ChatGPT to replace human intervention. I think it's too early to basically expect that everything can be automated. We're still playing with it. So maybe what I will do is Thomas, are you on the line? Let Thomasactually take that question, please. Is Thomas there?

Moderator: We should move on to the next question.

S. Swaminathan: 1 second, wait, wait. Thomas, are you there? Sorry, I don't think Thomas is there. So we did a pilot a few days ago, Rohith. And what we actually found is that while it works to about 85%, 90% of the time, there is a 10% where it does not really work. And when it comes to filing, you can't be 90% accurate, you have to be 100% right. So I think it offers interesting possibilities. It does not mean that self-filing will start. It does not mean that companies won't need products.

It just basically means that we have to tweak our products to offer a higher level of automation. I think if we do that, I think it's quite possible that tomorrow people might actually ask for a lower cost. We are well positioned for that. I'm not certainly concerned about it, but it's an uncertain territory where the uncertainty is something that we need to go through. I don't know what the final answer will be.

We're running some pilots, we're doing some experiments within the company. And we also have a team that's working on what is basically needed. It means more automation. And so we have people in the company who are experimenting with it to see what the outcome could actually be. We are confident that the impact it will have is not on losing a customer, but perhaps on price.

Moderator: We'll take the next question from the line of Prashanth, an individual investor. Please go ahead.

Prashanth: Yes. So one thing, what are we doing in terms of pipeline, just like an extension of the previous question, to accelerate the deals that come through, especially with a lot of change that's happening in the way everything being covered by ChatGPT. It's a mix of both questions that I was trying to be getting covered in the previous question.

And how we plan to get it? Of course, Collect is doing well. How are we doing to grow in Collect being everywhere and with reference to competitors also? You made the statement we are as good as them, if not better. Yes, we're ready to cut down on pricing, but maybe to the other thing is that we are trying to do to get the deals as quickly as possible because I also heard the statement at the beginning that we might get on a different growth trajectory. So what are the things that we are trying to leverage on? What are the pluses that might work in our favor? How is this creative solution that is it all about cloud or I mean, automation, cloud innovation, these are different areas that I want to look.

I wanted to see, I'm asking these questions with the intention that IRIS grows best time considering what it has gone through. So some different perspectives that can give the strength to investors to hold on and also think through. I think we are going through different times now. And everywhere we hear ChatGPT is going to change everything, touch the everyday life, I guess. And that's what I wanted to ask?

S. Swaminathan: There were a lot of questions in there. So I'll try to see how much of this I can answer with some understanding. I think the way we look at the whole thing and we had an internal assessment, what automation will actually do will not take away the need for a product. What automation will do is that, the features of automation, the benefits of automation have to be incorporated into the product. That's number one.

Number two, what automation will do will also compel people to basically go out and create their own filings in more of an increasingly do-it-yourself situation as opposed to a service-oriented thing. Third, what automation will actually do is not to get rid of the domain expert. The domain expert is still very required. And many of these automation depends on some kind of learning algorithms being built in, which may then lead to benefits to the customer in terms of productivity enhancement and so on and so forth, which is why I said much of the automation will lead to a pricing issue going forward.

I don't think it will basically mean that people don't need a CARBON. I don't think it means that people will not need any of the other products they're actually using. It basically means that every product has to constantly keep abreast of technology, stay ahead of technology and incorporate the technology which is meaningful in order to be able to deliver a customer experience that meets the best available today.

Now as far as Collect is concerned, which is where we work with regulators, so what does that meanIn terms of the context of the regulator, what we believe in automation will actually do is it has to ultimately lead to productive efficiencies and regulatory efficiencies, as far as the regulator is concerned. Where will it play out, how will it play out, these are all questions that we need to ask.

So when you look at inputting deep AI into regulatory environment, what we should try to do is to basically empower the regulator even more so that we can figure out problems before it happens and try and support problems in the market before it actually happens. So I think it's inevitable and imperative that every one of us in this space, leverage these technologies and incorporate them in our respective products. I don't think the products will basically lose the demand. And I think the products will basically need to be enhanced. And we have to turbocharge projects with these technological advances to be able to stay relevant. I think Balu would want to add something here.

K Balachandran: I just want to add that my sense is with automation coming in a big way, which I think is around the corner, the adoption across countries also would accelerate significantly. So from a regulatory perspective, more and more regulators would certainly start looking at connecting structured data and through documents, where they can convert the data into the structured format much more easily using a combination of information standards and this kind of automation tools such as LLM models.

S. Swaminathan: I think what Balu is also saying, Balu, correct me if I'm wrong. He is actually saying at the end of the day that the complexity that often has been found daunting by regulators will actually go away with the automation.

K Balachandran: And regulators might feel more comfortable expanding the mandate across large and small companies. Now they're doing in a much more gradual fashion.

S. Swaminathan: So what is the business that we are in? The business that we are in is basically delivering a solution that creates structured data for consumption by the regulator. So that is still the basic premise. So you use better automation to deliver better structured data, faster structured data and structured data in more formats and otherwise. That's basically the answer. Thank you for a great question.

Moderator: The next question is from the line of Rohith, an individual investor. Please go ahead.

Rohith: I just wanted to continue on to Create. So one observation was that I knew the first time in many quarters that you've seen a year-on-year decrease in the Create revenues as far as the 4Q numbers are concerned. So I'm not talking about the annual basis. But this quarter, revenues, if I see on a year-on-year basis, the Create numbers have come down.

Should it briefly allude to it that the India numbers went down. So at least in the previous calls, my impression was that with all the things that are happening in the India front, where we have been appointed one of the IRPs, we are doing e-invoicing, etcetera, I mean the impression I had was that this is a geography which would grow rapidly in the years ahead. So if you could speak about that a little more, why did India slow down? So what is happening in Create in terms of growth going forward?

S. Swaminathan: I think one of the things that happened, which we actually mentioned even earlier, is the drop in the number of companies, the clients we are servicing in the U.K. market. There, for example, all the customers actually came through one partner and that partner is increasingly deciding to take those things in-house. So there's been a drop in the number of companies that we're actually servicing in the U.K. market. That's one very important factor.

The second thing I want to mention in the context of the IRP, those revenues, it's just starting. It is starting off in a small way. And the basic IRP offering itself is free. It's the value-added stuff that we can actually charge for. The e-invoice has to be provided for free because that's the condition of the license itself. But other value-added stuff, which I think will kick in over a 12-, 24-, 36-month period. So I would not hold my breath to expect significant growth in terms of revenues on the GSP front of the e-invoice.

I think the number of GSPs in the country has actually dropped, and that's also introducing possibilities. So some churn happening in the market. So that something will happen. But the e-invoice impact, which will lead to offering of value-added offerings, whether it be on credit and other things, you will see that happening over the next 12, 24, 36 months. Balu will add to what I've just said.

K Balachandran: So on the question on the Indian revenues, I would hasten to add that Indian revenues haven't slipped and there has been an absolute increase, but that increase is small compared to other geographies. And when you talked about the drop in Create revenues this quarter, I suspect there will be two reasons. One is that in the CARBON segment from Europe, there are a few companies this year, which could be filing in Q1 instead of Q4 because they're taking the time to do their annual filings. So this is a shift from one quarter to another. And last year, we had slightly disproportionate number of companies filing in Q4.

Secondly, last year, we had some revenues coming from the e-invoice mandate, where there was a onetime component. And in e-invoice mandate up to INR10 crores was rolled out in previous March and April. So there were some revenues coming in through that route, which has a onetime nature as well. So these two could have played a role in the growth from a quarter-to-quarter point of view in the Create segment.

S. Swaminathan: And there's also a drop in the number of companies filing in South Africa. The number of companies currently mandated to file in South Africa has actually dropped, but we've got a bigger market share. But having said that, the mandate has shrunk to some extent. I think COVID led to some kind of rethink in certain countries in terms of who needs to file and so on and so forth. It's not very, very material. This was small-level company. It's not very material for us, but that's also been a factor that's led to some kind of rethinking of these things.

Rohith: Great. That was helpful. So just want to understand more on the UK bit. So like based out of India, our USP has always been that we provide high-quality offering at a very low price, right, which sounds like a very unbeatable combination. So how is it that a U.K. player through whom we were getting all these customers, how are they taking it in-house? Because I would have thought it would have been more expensive for them.

S. Swaminathan: So it's obviously not a very low price at which we offer it. Then how would they do it at a much lower price? And they are one of the big 4. And I think they also have a center in India, which they probably are using to create the documents. And they probably have spent some time developing a software of their own. It's not rocket science. So it will be multiple factors. So this company initially had multiple vendors, and they have been rationalizing the number of vendors, and they have come down to, I think, 2, if I'm not mistaken.

Deepta, do you want to take that question in terms of the rationalization of the universe of vendors that this company want to do it.

Deepta Rangarajan: Sure. So actually there is one partner that over the years, they have started consolidating. They didn't see this entire the HMRC or XBRL opportunity being as large as they initially thought it would be. They had their own team apart from working with 4 or 5 vendors outside. So over the years, over time, they started kind of consolidating the business. So finally, it was landed up with them and us. We were the only ones left. So they are not going to focus too much on this, but since they already have a team based out of India, like Swami said, they wanted to take whatever there was in-house and therefore, they started transitioning from us as well.

S. Swaminathan: I want to just dissuade the notion that we are primarily competing as a low-cost provider. That's not the case.

Rohith: No, no. So I'm not saying we are a low-cost provider, but sitting out of India with our cost base, we have the ability to give very high-quality products at a price that will be difficult to match while making enough profit for us, that's how I think of the offering that our company provides.

Deepta Rangarajan: This particular customer of ours already had a base in India. So they had capacity, let's put it like that. Because they weren't looking at growing this business in this particular area, and they had capacity built up over the years, they may have done the math a little bit differently.

Rohith: Okay. So we use the partnership approach to win customers in Europe and U.S., right? So do we see some sort of a similar risk played out with who we partnered with in case of the U.S. power industry, so is this partnership approach that we follow or does it have an inherent risk that the partners could take them in-house?

S. Swaminathan: Go ahead.

Deepta Rangarajan: Sure. So in most cases, no, because in most cases, the partners they don't have the capability to kind of offer XBRL either as a solution or as a service in Europe or in the U.S. So in most cases, the answer is no. Also our partner network is also far more diversified. So in the case of the U.K. we had one partner and that partner was, like Swami mentioned, one of the big fours offering the service and they had built up a certain amount of capacity and then were ramping up with a series of other providers like us basically.

So I would say the U.K. piece is kind of a little bit more of an exception than what we would expect with other partnerships. In the U.S., I think you referred to, Rohith, kind of the energy sector and the partners over there. So in that particular case, that was a partner who was a start-up, who had connects in the energy space but had aspirations to build a solution also. Most other partners don't have such aspirations to build such solutions at all. And therefore, the partnership broke.

We actually landed up transitioning or retaining almost all the customers bar one. So we don't see this as - I mean, we don't draw an inference from this across all our partner network. In fact it has not happened with any of the other partners that we have, and we have a mix of partners across the U.S. and Europe.

S. Swaminathan: I want to add to that one, Rohith. We are constantly living in paranoia what is the possibility of losing customers because of these things, it can happen. And Deepta has her ears closer to the ground than I do. But it's a question that keeps bothering me constantly. I think there are certain kinds of partners who believe that they should take it away and create capacities and do whatever. Then there are partners who don't believe it's worth their while to do it. But I think this is why the entire strategy of ours to keep on pampering partners and staying as close to partners as possible. At the end of day, being nice to partners, it actually pay off.

So it's worked for us, but it's inevitable. It's inevitable, and we have to basically keep track of these things. So which is also why we have a blend of a strategy even when we work with partners, we should have some kind of a direct connect to the customer because the customer is the one who needs to make a decision in terms of which product they use. If the customers that were making up his mind on terms of which product to use, a partner cannot disrupt that relationship, which is how, for example, in the case of the energy market in the U.S., even though our local partner has had an aspiration to venture out on his own because he saw the market being much bigger, the customers, all of them, except, I think, 1 or 2, decided to stay with us because of the visibility of our team to that customer. So I think building that visibility to the customer and saying, keeping the connect is the approach to take to ensure that the customer stays loyal to you.

Rohith: Perfect. So now if you could talk about growth in Create. So we spoke briefly about disclosure management in the past and the ESG mandate and the expansion of the power industry mandate in the U.S. and winning newer customers on the old SEC mandate, which has been existing for a long time from our big competition out there. So could you speak about what are you excited about in terms of scaling up Create over the next 2, 3 years?

S. Swaminathan: Deepta, one more question for you.

Deepta Rangarajan: Sure, sir. So, Rohith, excited about all of them. So in terms of ESG mandates or the energy sector phase 2 mandate, for example, there is an element of timing in the sense of the mandates have to be officially announced, the date has to be set by the regulator. Of course, there's a lot of early marketing seeding and engagement to get the name out and even get some early pilots out, and those kinds of things. So there is definitely excitement about that. Over there, however, there is the question of timing, when over the next few years or coming year, which mandate will start rolling out, both in the U.S. and in Europe.

The disclosure management, also, we are excited, and our disclosure management offering has been rolled out in the market officially at the beginning of this year. And we have already kind of enhanced our offering as we always do. So we get early customers, get feedback, do agile development, enhance, build the road map, reach out to a wider audience.

The advantage on the disclosure management side this time is we already have an existing customer pool and a partner pool through whom we can reach it out plus, of course, reach newer customers and partner networks because the disclosure management can actually go beyond mandates. It doesn't have to restrict only to enterprises that need to file in XBRL. It can be anybody. So we're excited about that as well. And the activity for that has also started in earnest. So in short, we're excited about all and working to build up our pipe in all of these areas. It's XBRL and disclosure management side.

S. Swaminathan: So also one thing I must add to it is we already have about, I think, 50, 60 customers for our DM offering. So this whole thing is worked on a Freemium model, which basically means you offer it to the customer at throwaway price, get them hooked on to it and try and move them to a price model going forward. And with about 6,200-odd customers that we serve currently, we see that as a catchment area.

In fact, a lot of customers come to us for adjacent offerings. For example, the customers in India, who come to us and say, "You know what, we're using a product for our filing that with new requirements on, say, related party transactions, do you have a module just for that?" And there are people who come and say, "Can you look at some other modules for us?" So there are adjacent products that people are willing to use. And once you win the trust of a customer with one core offering, the customers are willing to do more.

So the whole DM thing will actually work with multiple modules where people can pick and choose whichever module they want to use depending on what situation they are in. And we see that as a huge possibility going forward. And the initial trial that we're running with about 50, 60 paying customers, not a lot of money, but they're still paying customers is actually huge in terms of learning for us and trying to deal with different sets of requirements from different sets of people.

But as you rightly said, DM is going to be very important thing for us in terms of going forward. And basing on the 6,200 customers we have and offering it to them is where our starting point is.

Rohith: So I wanted to hear more about the disclosure management platform. So it is reminiscent of the ESMA offering that we did with IRIS CARBON where we started off the first year fee for a lot of the small customers, and then you started charging them. So in that context, do you think the 50, 60 customers we have, the major revenue portion will start for the next year onwards, is that how it is working? And what is the pricing of the disclosure management software versus the IRIS CARBON for ESMA filing? So is it comparable? Is it higher? Is it lower? It will be great to hear that as well.

S. Swaminathan: First of all, price discovery is still some time away. I think we have enough points to come up with a reasonable price discovery algorithm to figure out what people would be willing to pay for. So we are in the process of getting those answers. I think we will be wiser over the next 6 months from a lot of people using it.

So the model that we're actually looking at following is to basically say, you have a basic product for which you pay a certain amount of money. And then for each additional modules that you take, you pay a certain extra amount of money. And that's really the model we are actually going to follow.

So it will be comparable. It will be comparable and it will actually be to increase revenues because currently, CARBON does only one kind of filing for people. But by adding more and more modules, we expect the revenue per customer will actually go up significantly. So we will charge separately for ESG, separately for ROC, separately for capital markets, separately for something else. So that's the model we're going to follow. And I think it will be comparable, if not better.

Rohith: Okay. Understood. Okay. So this will not be subsumed under the IRIS CARBON offering. This will remain a separate offering, is that right?

S. Swaminathan: So look at IRIS CARBON offering as a module of DM.

Rohith: Okay. IRIS CARBON will be module under DM. Okay. Understood. Perfect.

S. Swaminathan: This is also for IRIS CARBON. DM is also for IRIS CARBON only.

Rohith: Okay. Understood, sir. Understood. My last question, could you speak about U.S. in general on the winning customers from the competition in terms of SEC filings and the muni opportunity, which we have referred to in the last couple of annual reports, the municipal filing opportunity that seemed exciting in the last 1, 2 years?

S. Swaminathan: So as far as the muni opportunity is concerned, Deepta will take that question. And filing, let me just tell you that we've not even started attacking that market at this point in time. And we need to start attacking that market. As you know, we're still not well funded enough to be able to attack that market. We didn't have the marketing muscle to do that. So we're working on a few creative ideas to figure out how to do that.

But as far as municipal market is concerned, 2 of my colleagues have been traveling extensively in the U.S. and attending various conferences. And we've already done pilots with about 4 different states. We get invited to all the states. So we are already visible as far as 5, 6 states are concerned. We're also working with XBRL U.S., which is the agency which is promoting this whole offering. There is resistance among various states. Deepta, do you want to take it forward and give a more detailed answer?

Deepta Rangarajan: Sure, sure. So, Rohith on the ACFR opportunity, or the municipal, state and government reporting opportunity, we still remain excited. But like we mentioned in the past as well, it is going to roll out state by state. And it's also under the larger ambit of the Financial Data Transparency Act. So like everything else in the world of mandates, one has to wait for the mandate to officially announce but there are pilots, which happen ahead of time. There is outreach marketing. And so as we have already mentioned even in the past XBRL US has been using IRIS CARBON as default tool when they demonstrate to the various states.

So like Swami mentioned, we have just participated in a couple of events in the U.S. right now, government-related events where different state governments and municipalities have also come together. So the marketing activity is going up. The outreach is going on. Early pilots are being done. But much like in the case of the ESG opportunity or in the FERC Phase 2 we need to wait till the official mandates are rolled out.

That said, we now know how the pattern works even before the early mandate rollout it's important to be there in that market space and start getting the name known and start doing those early pilots and so on, so forth. That's what's happening there.

Just to add to what Swami said both on SEC and on the muni market opportunity, the disclosure management module - So if you think of IRIS CARBON now, there is IRIS CARBON disclosure management, and IRIS CARBON XBRL, right? With both of them kind of connected, or independent, as the case maybe. The disclosure management offering is also something that we can sell both in the new markets and of course, to SEC filers as well.

So once we launch disclosure management with the flavor for U.S. SEC reporting, we think that will be an inflection point to go much deeper into the U.S. SEC XBRL market. Right now, we have been adding customers, but like Swami said, the speed has been slower because, a. it's a market where we need to steal from other people and b. we certainly need to have the disclosure management module specifically for the U.S. market for us to ramp it up there.

So once that comes in into the roadmap and it’s available, we think that will give us point to jump in further deeper into the SEC market as well.

S. Swaminathan: So one more data point I'll give you, Rohith, which is useful in the context of SEC filings is most companies look at switching vendors only towards the end of the calendar year. When they need to prepare their annual report, their 10-K, that's once we finish the 10-K for the year, that's when they start switching vendors. We're looking at the numbers in terms of company switching, we actually find about 1,000 companies look for a new vendor every year.

So we're actually looking at the churn and saying, which of the churn can we actually bring in. Fighting for customers to replace an existing vendor is always more difficult than where there's a new mandate. So we have to come up with some creative ways. So we now know which companies are happy to constantly churning vendors and so on and so forth. So we will attack them to start it. And that's really how our growth will happen with that market.

But it's very happening from our point of view that there are at least 1,000 filers who change vendors every year. And the fact that we are ranked very high as a DM provider. In fact, in the chart that you might have seen, unless you've seen it, which we will have it in the annual report for sure. Workiva is ranked rank number 1 and we're at number 2. I think being number 2 in that market is good enough for us to be able to capture a significant portion of the business going forward. And it's like a marathon race where if we running constantly ahead, but you need to stay with the frontrunner. And if you stay with the frontrunner, I think finishing number two is not a bad situation to be in.

So we're actually trying to see how we end up in the consideration set of any buyer, when they buy, they need product. We'll want to see more than 1 product. And as long as we are in the consideration set, our objective is achieved.

Rohith: And sorry, one last question. If you could speak about the fund raising in general, and that's it from my end.

S. Swaminathan: I don't have any update as far as fundraising is concerned at this point in time. I think while we have not completely abandoning the rights issue here because that's certainly for the Board to do that, only the Board can decide that. But I think we are in that direction. There are options that we keep discussing. And I don't want to stick my neck out and see what will happen finally. But we obviously need to raise money.

And the fact that we are throwing up cash makes it slightly easier. It means that some of the marketing can actually happen, some of the brand building can actually happen. But it is something that we need to do. I know it's almost like a bad joke. The amount of time that you have spent in talking about raising money, but not doing it. But it's something that we need to do sooner than later if we want to get on to a much higher growth path. But otherwise, we'll start with this 15% to 20% growth every year.

Rohith: I mean, as always, my job is easier than yours, and I really appreciate the amount of time and detail with which you answer all the questions. And all the best to all of you.

S. Swaminathan: Thank you, Rohith.

Moderator: The next question is from the line of Rahul Bhansali from Bhansali and Company. Please go ahead.

Rahul Bhansali: Sir, I wanted to ask whether the barriers to entry for somebody wanting to compete with us, has that decreased? Or can that decrease going forward because of these developments that have happened in artificial intelligence over the last 1 year or so? And whether some big players like, let's say a Zoho or someone, can just offer our kind of services just for free or something as one of the products that they give as a package? So is that possible at all? Or do you think our services and our software is too indispensable for our customers?

S. Swaminathan: I think it's a great question. But I must tell you that we are constantly even paranoid when it comes to competition, we're always looking over our shoulder to see who is coming along. Zoho already has some offering which competes with us in certain areas. I think there's a market for everybody. The market is big enough for everybody quite literally. Technology by itself will not kick us out. I think what we need to do is to be mindful of how technology could actually affect us.

And as I said even earlier, what I think technology will do is to basically change the way we engineer our products. It will also cause a pricing pressure on us. That's where we think it will happen. And I think if we are blind to it, I think we'll end up getting knocked out of the market, but we're not unmindful. We are constantly evaluating what the impact will be.

And having people like Thomas available as CTO of the company allows us to do that. So could the big player come and do whatever? Very often big players have a certain turfto protect. And when new developments happen, big players try to gett into it, but don't necessarily always succeed. Zoho is a fantastic company and Zoho is the example we actually use andhas offerings similar to us in certain areas.

And they've had some success, but we've never encountered them in the manner in a manner which would actually scare us. What I think will happen is at the end of the day, it's quite possible that a big company, which want to get into it, may actually make an offer to acquire us at some point in time. If we get successful, I think a big company will actually come and say, are you up for sale? It hasn't happened, but I would never rule that out.

Rahul Bhansali: Understood, sir. That was really helpful. And just one question finally that we read the statement that our sales growth could be significantly different from what it has been for the last 2, 3 years. So which segments and which geographies are you the most excited going forward, which parts of your business do you think would this growth come from?

S. Swaminathan: All of them actually. And also the other thing that's very interesting is our GST business when seen in conjunction with the compliance filing when you look at them together, I did not think, for example, that a lending opportunity, though we will not become a lender. Enabling lending through APIs could actually be something so exciting. So I think every business that we are in is exciting in its own way.

Sometimes, we actually think that when I look at my segments, I say each segment is capable of being a multibillion-dollar segment. It's easy to say that when it will be implemented. But I think every segment excites us. I think the GST is a huge opportunity, the banking funding is a huge opportunity and not just CARBON and not just iFile I think they're all equally great opportunities to get into. So if you meet a colleague of mine who works in one segment, you will think that's the be all end all of the company and that's the way it should be. So we have very committed people working on each segment. Each of them will tell you that their segment is the one that's going to drive everything going forward. So they're all exciting.

My job is to allocate capital. Balu's job is to allocate capital resources and that's exactly what we do, trying to see where to allocate capital resources to get the maximum benefit for the buck.

Moderator: Thank you. Sir, we do not have questions in the queue.

S. Swaminathan: So I just close by saying that when you look at a company like IRIS, don't take a quarter-on-quarter view at this point in time. We're not at that stage yet. Take a year review. And I think if you take a year review, you will get a much better appreciation for what we are doing as opposed to taking a quarterly view.

Having said that, one very big thing that's actually happened in the last 1 year is our customer concentration actually come down dramatically. So earlier, we used to have the top customers contributing to a significantly high proportion of revenue, and that's basically because our Collect segment was much, much bigger than the Create segment. Today, when you take a look at the whole thing, the Create segment is much, much bigger, smaller ticket, but larger number of customers. So our customer concentration coming down. Obviously very, very well for the company.

So the large, large numbers will actually work for us. And even if a few customers leave and a few customers come in, I think they are all set. That's not a major issue at all. We also found that the question that Rohith asked earlier, the dependence on partners. We're very, very mindful of that and which is why building direct hooks to customers is a very important thing, which again is possible when it comes to, if we deliver good customer services as we actually do.

But again, the overarching message, don't look at us on a quarter-on-quarter basis, look at us for a whole year and look at what we do in the course of the year. And I think what we have done, I think now that we are completely out of our crisis mode, now that we are financially strong, I'm hoping that it will become easy to raise the capital that we actually need to raise to be able to fund a better and get on to a much better growth path than we were on until now because marketing requires deep pockets. All of our competitors have deep pockets. I was loathe to raising money earlier because of what it would cost to raise money at that point in time.

I think there was also a much lesser appreciation for our business than there is now. I think more and more people are going to appreciate the value of our business. There are Indian states currently looking at implementing XBRL, which will again lead to a significant visibility for what we actually do.

The IRP things would kick in, I think, in the next 12, 24, 36 months, which again will be very, very valuable. So I think all in all, we are confident that we are in a good place. We are actually in a very happy place. And so that's where we are and that happened due to every one of you for being part of this call. I also found out that all of the people who actually came in IPO, most of them continue to be shareholders.

So we owe them a deep debt of gratitude. And we also need to rise up to deliver on the faith that they have in us by holding on to the stock. So we need to deliver on the promise that we made to them at that point in time.

So I'm hoping that though we don't have a control over the price of the stock, but we have control over our performance. And I think what we will do is control on performance of the company, which is where we are completely focused between Balu, Deepta and me and Thomas. We also have a few other recruitments happening going forward to strengthen leadership team in the company. And I'm hoping that with all this stuff happening, we will be able to get the company on a higher growth trajectory going forward.

And that is when we get more details about SARB, we think we will certainly talk about it. And as and when any good news comes out, which has a significant impact on revenues, we will also talk about it. And I'm grateful to each one of you for participating in the call and the questions that you actually asked. Rohith, always special thanks, and I'm sorry for the short notice that we had today because of the filing of results and the conference call, but I have some travel coming up so we had to finish this up today.

So thank you once again, and we'll meet again on the next call, which will happen 6 months later. The reason we don't do a quarterly call is because we believe a 6-month call is more appropriate than a quarterly call. So on that note, thank you very much for being part of the call today and have a fantastic evening. Bye-bye.

Moderator: Thank you. Ladies and gentlemen, on behalf of IRIS Business Services Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.