2nd February, 2023

To,
Deptt. Of Corporate Services- Listing
BSE Limited.
1st Floor, Rotunda Building,
Dalal Street, Mumbai – 400001.

Sub: Transcript of earning call held on January 25, 2023 for the Q3 FY 2022-23

Dear Sir/Madam,

In accordance with Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find transcript of the earning call held on January 25, 2023 for the Q3 of FY 2022-23.

Kindly take the above information on record and confirm compliance.

Thanking you,

Yours faithfully

For Aurionpro Solutions Limited

Ninad Prabhakar Kelkar
Digitally signed by Ninad Prabhakar Kelkar
Date: 2023.02.02 17:17:43 +05'30'

Ninad Kelkar
Company Secretary

Encl: as above

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Aurionpro Solutions Limited
Q3 / 9MFY23 results
January 25th, 2023

Moderator: Ladies and gentlemen, good day, and welcome to the investor call of Aurionpro Solutions Limited to discuss the Q3 and 9-months FY '23 results. Today, we have with us from the management, Mr. Ashish Rai - Vice-Chairman and Director; Mr. Vipul Parmar - Chief Financial Officer; and Mr. Ninad Kelkar - Company Secretary.

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 this conference call, please signal an operator by pressing "*" and "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aashvi Shah. Thank you, and over to you, Ms. Shah.

Aashvi Shah: Thank you, Niraj. Before the call, we would like to point out that certain statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

The investor call may contain forward-looking statements based on the currently held beliefs and assumptions of the management of the Company, which are expressed in good faith and in their opinion reasonable.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company or industry results to differ materially from the results, financial condition, performance or achievements expressed or implied by such forward-looking statements.

The risks or uncertainties relating to these statements include but are not limited to risks and risks for expansion plans, benefits from fluctuations in our earnings, our ability to manage growth and implement strategy, competition in our business, including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, and our ability to win new contracts, changes in technology, availability of financing, our ability to successfully complete or integrate our expansion plans, liabilities and political instability, and general economic conditions affecting our industry. Unless otherwise indicated, the information contained herein is preliminary indicative and is based on the management information, current plans and estimates.

I now hand over the conference to Mr. Ashish Rai for the opening remarks. Thank you, and over to you, sir.

Ashish Rai: Thanks, Aashvi. Good afternoon everyone, and welcome to this Earnings Call for Q3 FY23. The results for Q3 continue our strong growth momentum of the last three years, reflecting an exceptionally disciplined execution from our team at a time when we are seeing a significant growth in demand across most of our key offerings. During the quarter, we saw very healthy growth in our key business lines which ensures that we remain firmly on track to meet the 30% growth target for top line and earnings.

I am sure, by now you have received the Investor Deck that details our performance in the quarter. Allow me to briefly summarize the key performance highlights.

The revenue for the quarter stood at Rs. 169 Cr, a strong 30% growth YoY and 9% on a sequential QoQ basis. EBITDA grew 23% YoY to Rs. 37 Cr, and PAT stood at Rs. 26 Cr, which is a growth of 30% YoY. EBITDA and PAT margins for the quarter remain at 22% and 16% respectively, in line with the same quarter last year.

On a nine-month basis, the Company has posted a revenue of Rs. 469 Cr, which is a growth of 27% YoY. EBITDA for the nine-month period was higher by 30%, and the PAT was higher by 39% YoY.

EPS for the quarter stood at Rs. 10.97, and for the nine-month period, it stood at Rs. 31.69, which is an increase of 40% on a YoY basis.

This growth is the result of strong performance across all our core business segments, with exceptional growth in the TIG segment on the back of accelerating execution against the order book. We are very proud of this execution from our teams, especially in the backdrop of a tough global environment and I think it’s a great validation of the competitiveness of our offerings and the resilience of our chosen strategy to build world-class IP-led software products and platforms products.

Q3 was a significant quarter for us in terms of achievements across several business lines. Transit business had phenomenal successes in the quarter and an especially proud moment when Her Excellency President Droupadi Murmu launched the cutting-edge open-loop ticketing system in Haryana, powered by Aurionpro. Launch in Maldives together with Mastercard and MTCC was another significant achievement for the transit business.

Banking and Fintech business saw the launch of AuroDigi, a significant investment from Aurionpro to create the next generation of Corporate Digital Banking. Aurionpro Fintech in US also signed the largest order win till date for us with a USD 18 Mn win, with one of the largest payment facilitators in the US.

Aurobees' signing with the BSE E-Agricultural marketplace, that we announced and Auropay launching B2B payments and partnership with global leaders such as FIS Worldpay and Stripe provide great proof points on the impact and success of our bets on next-generation Fintech platforms.

We have also seen a healthy expansion of pipeline in the last quarter as well as a strong expansion in the order book. The signed order book now stands at Rs. 760 Cr, a very large part of which will be executed over the next four to six quarters. We have been expanding our capacity to execute this order book, including a net addition of over 400 staff over the last two quarters. We are confident that this sets us up to have a sustained growth over the next few quarters and beyond.

This quarter also saw a significant expansion in our sales force with some exceptionally well-regarded sales leaders joining us across India, Southeast Asia and the US. These leaders are building out the next phase of expansion of our sales channels. I am confident that these additions will really deepen our leadership pool and over time contribute to accelerating our growth momentum in these markets.

If the last 12 months have taught us anything, it's that we can't accurately predict what the macro environment will be in the short term. While any significant deterioration in the economic environment can throw challenges for the industry, we believe that our strategy of creating a well-diversified portfolio of highly differentiated, IP-led products and platforms will allow us to continue to outperform our peer group and grow at rate significantly faster than industry growth as we have been doing the last three years.

The competitiveness and depth of our IP portfolio is thanks to the dedicated efforts and focus of our teams over the last several years. This gives us a very strong defensive moat and will allow us to continue to clock above average win rate when we compete and a pricing power way above the average undifferentiated offering providers. We feel confident that our IP portfolio will allow us to grow the earnings power of our business much faster relative to the industry and will help us to significantly expand the intrinsic value of our business over time.

All our key segments continue to witness strong demand momentum and we will remain sharply focused on execution to keep expanding our market share and create significant value for all our stakeholders.

That's all from me for now. I hope this has given you a useful overview of the overall business context, and our strategy and performance. I look forward to addressing any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Hi, sir. Thank you for giving me this opportunity. I have a few questions. So, first, if you could just give me the cash position and receivables as on 31st December? And along with that, if you could just help me understand, you know, what kind of orders have you bid for in Q3? And how does the bid pipeline look like, if you could give a number to it?

Ashish Rai: Hi, Swechha. Good question. So, look, overall, so we published a half-yearly balance sheet that gives you the kind of cash position. We had a bit of issues with DSOs in Q2 as we mentioned in the last call. We have resolved most of those now and overall, I think the DSO has remained stable. It's not materially changed from where we were end of Q2. We will publish the balance sheet again end of March, and there you will see the accurate positions, right. But I think some of the sort of execution issues that we had pointed to the last quarter have now been resolved, and the DSOs are stable at where they were.

The pipeline and the order book, so as you would have seen, the order book has grown quite materially from three months back we were talking about. So, that points to how strong the execution has been. The pipeline has grown for us quite significantly. There is a reason why we do not publish pipeline numbers. In our business, there tend to be some very large deal sizes that will, we believe, put a misleading sort of representation of where it is. So, that's why we like publishing signed orders instead of pipelines. But I would say, the pipeline has climbed up significantly over Q3, and we see very strong momentum on a few places.

I think the transit side of the business is doing very well. The Fintech business in the US is doing very well. And some of the latest initiatives that we have had around banking products, both on the lending and transaction banking side, we see increased momentum on the pipeline.

It's also partly because our sales channel has expanded. So, last time around, we were talking about increasing the sales force on the ground. Now as I mentioned, we have added more feet-on-the-street and experienced leaders in India, Middle-East, Southeast Asia, and the US over the last three or four months. And part of the pipeline increase is coming from that. I would say it's materially, it's become quite a bit bigger over Q3, but we will not publish a number.

Swechha Jain: Sir, my second question is, you know, actually if you could help me understand the order book split between Banking and TIG. And also, if you could give, if you could help me understand the order book split between software services and equipment and license? The reason I am asking is because, you know, we report our revenues in the presentation, we have given software business and equipment, and then we have given revenue split in Banking and Tech Innovation and I am sure there might be some overlap. So, if you could first give me the order book split and also understand what kind of revenue is billed in what? Because we report in these two ways, and I'm just trying to understand as to, you know, what's going where.

Ashish Rai: Sorry, Swechha, I got the first part of your question. You were asking for the order book split. Can you repeat the second part? I didn't get it.

Swechha Jain: So, second part was, in our presentation, we gave a revenue split in two ways, right? One, we report as software business and equipment license, how we report in our this thing. And we again split the same revenue between Banking and Tech Innovation, right. So, I just want to understand, you know, when we look at the revenues in these ways, what exactly goes in software business and equipment, and what exactly goes in Banking and Innovation? Because I understand there might be some overlap, correct? Tech banking also would have software and equipment, and tech would also have software service, right?

Ashish Rai: So, just coming to the software service and equipment and product licenses, that is more or a revenue type split. So, there are three types of splits that we publish. One is a split between the businesses. So, that is Banking and Fintech and TIG. Second is a split by revenue type. That is the other disclosure we do, which is the way to look at it is more of what is a one-off versus what is more of a continuing service more or less. So, that is the second disclosure. And the third way we started disclosing now based on the last feedback was on geographies, right? So, the way to look at it is, these are three, all of these three overlap with each other in the sense that they are three independent, mutually exclusive distribution of revenue, right.

Coming to the question on order book, roughly, right now it is split 40% for Banking, 60% for Banking and Fintech, and 60% for TIG. And the reason for that is Banking has a deeper base where we sign orders more frequently, especially a lot of the AMC contracts and recurring service contracts that get signed every year. So, the size of the order book doesn't need to be a lot bigger to deliver, because the execution cycle is very tight. On the TIG side, the size of the order book is bigger. And also, as you would have seen from the Investor Deck, the growth in the business is a lot more. So, that sort of explains the disproportionate share in the order book.

Swechha Jain: So, just a small clarification, sir, between Banking and TIG, can you give the revenue split, like, into Banking, how much is on the software side and how much is on the equipment side? And in the TIG, what would be the software component and what could be the equipment component for this quarter?

Ashish Rai: That we will have to come back to you on that.

Swechha Jain: Fair enough.

Ashish Rai: Honestly, I think, broadly, the licenses component is a bit heavy on banking. We will come to look at it, but I don't believe that really will give you materially different information in terms of quality. Because ultimately, I think the split would more or less be the same across the businesses. So, when we sell, it's important to understand a part of our sale ends up being one-off, which is especially when we are acquiring a new customer, which is where there is a license sale or an initial setup, and then the rest of it is implementation. Typically, you would split a third on the one-off, a third on the service, and a third on the ongoing AMC, and more or less that split sort of adheres. But we will see if we can get a split on those lines for the sub-segments.

Moderator: Thank you. A request to all the participants. Please restrict it to two questions per participant. If time permits, please come back in the question queue for a follow-up question. The next question is from the line of Danish Jain from Assie Capital. Please go ahead.

Danish Jain: Congratulations for a good set of numbers. Sir, I have two basic questions. The first one is on revenue guidance for a range of next two to five year on the basis of the company extending new employee base, as well as the strong order book plus company having a very robust pipeline. So, I want to know, how long it takes to convert into numbers, if you could provide the long-term guidance for revenue growth. This is my first question.

The second question is on segment revenue side. If you see, the sale of the equipment and product licenses is down in the December quarter is it like that the company is focusing more on product license to maintain the growth trajectory or is this just one-off and it will improve in the coming quarters?

Ashish Rai: Well, let me attempt to answer that. So, first, about the revenue guidance we do give out an outlook, especially in terms of our target, more in terms of our plans 12 months out. So, that we have given, which is grow at about 30% or thereabouts this year. We do not really give out a long-term three to five-year guidance. But I think I am happy to explain the philosophy that we have overall, right. So, if you see, when we started the strategic pivot for the enterprise three years back, we had an ambition to create a global IP-led products and platform vendor that is a leader in a few chosen spaces not a leader in India or Southeast Asia, but essentially, a global leader in those spaces, right? And we set about saying, one is it my chosen space, the right space with the right size of the market, and a long enough demand run rate, right? Second, if I find that segment, can I build an absolute tier one product in that space that can go and compete globally, example, lending, we mentioned that last time around in Chartis , we are in the Leaders Quadrant on corporate loan innovation, collateral management, limit management. So, it is not Leaders Quadrant in Asia or in India, but Leaders Quadrant globally competing with the biggest vendors in the world.

Similarly, on the transit side, like we mentioned, wins in places like California, which are some of the most competitive RFPs in the world, tells us I can go and compete anywhere. So, the idea was tier one IP in segments which are big enough, and then I want to get to a leadership position in those spaces, right? So, these are very large spaces and the leadership position in those spaces can be very large numbers. Hence, the hesitation to really try and chalk out a three to five year thing.

Our ambition right now as an enterprise is to grow in the range of 25% to 30%. We have now been doing it for 11 quarters, and we expect to continue to do that. I do expect we will have an inflection point, at which point our platforms are really ready to compete globally, and are acquiring scale, and the growth rates can go up. As and when we get to that inflection point, we would come in and advise the shareholders and investors on that. At the moment, I would say, a good ballpark in terms of our planning is to continue to try to grow at between 25 and 30%, both on the top line as well as earnings, right. So, that's the first part.

The second part in terms of how much and I will apologize if I did not get the question right, how much of this growth comes in from, for example, one-off kind of services, sales in licenses and in equipment, and is the growth dependent on that. So, typically, a lot of our growth comes in from the existing base, which is where, once we are in with the client, especially with, let's say, a very large size bank like the largest bank in Southeast Asia, for example, that we work with, and we are providing a mission critical system to them, they will need us to provide an ongoing service. And a lot of growth for us comes in from the existing relationships, just adding in terms of a new functionality needed or a service needed to maintain and things like that, right. So, I think there is less dependence on one-off.

A part of the growth comes in from new sales. And new sales, one-off is a portion of that, right? So, I would say, it's hard to assign a number to it. But I would say roughly, 35 to 40% of our revenues come in from new sales and a portion of that, with new sales as in net new sales, and a portion of that comes in from the one-offs. It's not a such a significant, you know, it's something that will always be there, but it's not a significant portion of the overall growth that one should think we will not be able to continue or will change in either direction by a huge number, right, either positive or negative. Hope that makes sense.

Danish Jain: Yes, sir. Thank you very much for your detailed answer. All the best, sir. Thank you very much.

Ashish Rai: Thank you, Danish.

Moderator: Thank you. Next question is from the line of Neha Jain, an Individual Investor. Please go ahead.

Neha Jain: Good morning, sir. Congratulations on a good set of numbers. I just had couple of questions. So, the first one is regarding the TIG business. Can you throw some light on which are the new state governments we are planning to tie-up with for that business segment?

Ashish Rai: So, look, I think typically we will not talk about deals which are in place for various reasons, including both confidentiality as well as competitive reasons. We have had our share of success in the Indian transit space. The goal that we have for the transit business is to create the most integrated end-to-end offering in the space. And I think we have succeeded there. We operate today with the most integrated solution stack as being the most cost-efficient provider as well, including the hardware stack, right? So, I think, that is very, very important, which makes us very competitive. And you have seen the success in terms of on the Metro side, Nagpur metro, Noida metro, Kanpur metro, Haryana transport, UP transport. So, we are very competitive in

India. We are seeing a lot of success globally now including US, including LatAm, including Africa, a lot of places. The success in Maldives that we talked about. So, I think, the trick with the business right now is to balance the growth out. And we will continue to win a share of the Indian deals. But we are also trying to balance that out. We are going out and competing a lot more on the global deals, especially expanding our channel out in the US and a few other places, right.

So, yes, I think, I can't talk about specific deals, but we have been proven to be one of the most competitive players in India. We will continue to win some more business in India. But we are trying to go out and win a lot more globally now.

Neha Jain: Sir, just adding on to this previous question, sir since we are with the government, is there any lag that we see in our payment cycle, I mean in terms of receivable days? And is it impacting the working capital as well?

Ashish Rai: So, not so much on the mobility side. Mobility side, the payments are pretty transparent, whether it's the metro operators or the transit operators in the states. There is absolutely no issue at all in payments. On the Smart City side, which is a smaller portion of the business, it is dependent on the payment cycles in the government. So, yes, as an overall part of the business, it's not large enough to really move the needle. But from time-to-time, you know, the payment cycles may stretch in that business. But it's not on the transit side, more on the Smart City side, which is smaller.

Moderator: Thank you. Next question is from the line of Umesh Matkar from Sushil Finance. Please go ahead.

Umesh Matkar: Couple of questions. How are you seeing the global slowdown impacting business right now? And once the growth picks up globally, do you see growing at a much faster pace? And for that, are you done with the investments in people and technology or it could be that the investments are still at the initial phase? That is first. And you also spoke about doing projects globally and also in India. So, how are the margins on both the fronts? Thank you.

Ashish Rai: Hi, Umesh. So, first on the global slowdown. For us, we do not see a huge material impact. Now, any global recession, if things are really tough, it's a painful thing for the economy, and I feel for people who get affected. But for us, from a demand standpoint, I do not think it materially changes anything. So, there are two ways of looking at it. One is, if there is a widespread global slowdown, I think it affects everyone across. I believe given the nature of our model, which is where we are not a run-rate generic IT services company or a single-product, software products company. We are essentially a, one, we are an IP-led products and platforms company. Second, we are not just dependent on one product. We have got a diversified portfolio of products. So, I believe this model, regardless of what is happening to the industry, we will be able to outperform bulk of the players in the industry, purely because of the nature of the IP-led business, which is higher margin, more stable. And our biggest challenge right now is fulfilling demand, not so much demand itself, right?

The second part is, we are today a very small player in very, very large segments. So, we happen to be one of the most competitive players in the segments we chose, but we happen to be also very, very small. So, for us to keep growing, again, is more a function of how much of demand can be fulfilled, not so much the overall segment slows down. Because if the overall segment slows down, I think the weaker competitors will lose share, and we will get the opportunity to continue to keep on growing. And hopefully, you know, the capacity also shapes up in terms of growth so that we can continue to capitalize on it. So, I believe, an overall slowdown sort of allows the strength of the model to stand out a lot more compared to a normal situation where everything looks the same, right? So, I believe we have sort of built the model to outperform in situations like these.

The second is, you know, growth picking up globally. As I said, you know, as and when that happens, very good. Right now, we don't see a slowdown in demand in the first place. So, it's not really a material question overall. Our bigger problem right now is capacity, not demand. To address the other part to it, about the investments being done, we are growing at 30% now for three years which puts a lot of sort of need in terms of expanding the scale. I don't think we are done. I think our expense line will keep on climbing as we keep on adding people. But the revenue line will keep on climbing as well proportionately. And we will continue to invest. It's almost a continuous process. You know, if you keep on growing at 30%, roughly, I will say 50 to 60% of the growth we still need to add capacity. The other 40% we don't. So, it will probably not increase in line with the revenue growth, but it will increase. So, that's one.

On the technology side, I think, bulk of our investments are done. So, most of the products are fully built out. We launched new versions of the bulk of our products including on the lending side, the cloud version, so, that investment is done. The corporate, digital banking products, that investment is done. On the transit side, we have made bulk of the investments. What we need to do now is more incremental R&D investments, by and large. It doesn't mean we will not find a new sort of area to come, but I think our sort of R&D spend will remain stable for the next couple of years. I hope that I have addressed all the points.

Umesh Matkar: Just had one question on the margins. How are those if you compare global projects versus the Indian?

Ashish Rai: So, look, at the overall level, as you would have seen over the last three years, we have probably one of the better margins in the industry, probably one of the best margins overall. We intend to keep that stable at around 22% to 23% on EBITDA and 15% to 16% on net. The reason for that is we've been able to balance out the product lines and the geo split of the businesses. So, we do see the margins that we are seeing in US and Southeast Asia and Middle-East, they tend to be better than what we get in India, So, I think, that is one geo split. And second, there is a sort of marginal split across depending on the product and the service you are talking about. So, on the one-off license-based products, you will see a slightly better margin that quarter. On a recurring business, you will see a more steady-state margin overall, right? But balancing this portfolio out, today, we are one of the highest margin shops in the Indian IT, and we intend to continue to where we are, right, so which is at about 16% net.

As I said on the last call as well, we expense most of our investments. So, typically, there is always a R&D spend as a percentage of top line which is pretty significant, which goes on top of that. So, as we get more room to scale up the R&D spend, we will do that, and we will try and keep the margin stable.

Moderator: Thank you. The next question is from the line of Ganesh Shetty, Individual Investor. Please go ahead.

Ganesh Shetty: Sir, congratulations for a great Q3, also for taking the Company to a new great growth. Sir, my first question is regarding our acquisition in the US that is Hello Patients, is it contributing in any way to our revenue this quarter, or we may have to wait for some more time?

Ashish Rai: Hi, Ganesh. So, Hello Patients is more of a strategic long-term bet for us, and that's why, you know, we represent that as a part of the Fintech platforms. It's not material to our revenue at the moment. In terms of strategy update, what we are doing with Hello Patients is we believe it has an opportunity to fundamentally change the patient management, practice management space in the US. We have got a very experienced management team in that business, and we are working together to create the next-generation experience in that space.

We have got some sort of clients who live on the platform, but we are looking at creating a next generation of it and launch it very soon. As and when we are ready to launch the next-generation of the product out there, we will announce that. I think we are a few months away from it.

Ganesh Shetty: I just wanted to know about our data center business that is seeing a great demand across the country. So, how that business is shaping up? And what is the margin picture over there? Can you please?

Ashish Rai: So, look, data centers, we believe we now have one of the strongest teams in the business in this industry. We have invested heavily in that space. And I think, it is showing up in terms of some fantastic wins that we have announced from time-to-time, including some highly competitive, very prestigious wins where we have probably not been able to announce the client name because of confidentiality reasons, but like the most prestigious wins in the industry. So, I think we are very well-placed in that business, I believe for quite some time. So, that business will win more market share than what is in the peer group.

And, you know, the other thing is, you are totally right. I think there is an explosive demand in the country in that space in terms of new investments coming in, multiple players coming in, and a specialized player with very high-end consulting skills like us has a lot of share to win. So, I believe, for the short-to-medium term, that business will grow way above the enterprise growth rate that we have.

Ganesh Shetty: Sir, we all experienced that Aurionpro is moving from one stage of growth to second, the next to the third stage. So, now we can see a very explosive growth in all our products as we have an array of software products and platforms. So, how we position ourselves to make ourselves equipped to handle those challenges where the Company is shaping from a small company to a big company to a large, very large company? So, do we have certain plans for these initiative with us or we are yet to make all those decisions? This is just a qualitative question regarding our business.

Ashish Rai: So, we are being very deliberate in where we want to be. As I have said, we started this strategic pivot three years back. We were very, very careful on where we want to be, the kind of business we want to build. We are looking at the very long-term. We want to build a business that really materially enhances the long-term intrinsic value of the firm over extended periods of time.

So, we went in and carefully selected the segments we want to be in. And then we carefully selected the model that will allow us to perform over the long term, which means there were issues with the pure-play, single product software game, so we said we will diversify the portfolio out. There were issues with the pure-play services game, obviously in terms of increasing costs and all. So, we said okay, we will be very IP-focused so that we can always have a pricing power way above the commoditized IT services player, right.

So, we very deliberately chose the current model, which is where I am in the focus segments, whether it's banking, whether it's transit. I am creating multiple levels of leverage. Leverage number one, we create absolute tier one IP in the product space that we are in. That itself will allow us to win a lot of business. Then leverage number two, we wrap that IP up in a whole set of services, whether it's cloud, whether platform services to create platforms. For example, if you look at transit, it's an end-to-end platform, not just a single-product like an AFC or something, and across both hardware and software, which allows us to get even bigger pricing power and margin power overall.

And then a third level of leverage where we say, we will bet on the convergence of these platforms. So, we'll build, go and work with industry leaders worldwide to create ecosystem leverage, which explains the Fintech platforms we have like Aurobees, like Auropay, like Hello Patients, which is where the IP is ours. We have wrapped it with services, and then we are collaborating with industry leaders to make it even wider. So, those three levels of leverage in the chosen segments will allow us to command both growth, as well as pricing power disproportionate to pretty much anything else we see in the market. So, that is the game.

Now, are we ready for it? I think we have got three years track record in terms of what we have delivered. Second, we have shown some of this. We have a top-class management team that we announced. We had a significant expansion in capacity. And we believe, now we see increasingly we have become a magnet for the right kind of product talent to come in, because there are not so many alternate options who are doing anything similar, whether it's banking or transit.

So, I think, we are going about this in a very deliberate way. We are not trying to overstep by trying to grow at 50, 60%, because it's not a services game. We need to protect our delivery reputation. We need to protect the scale. So, we are going about growing in a very balanced fashion, grow at 25 to 30%, and grow our capacity. The management team is in place. I believe we now have the structure to support a much bigger business than what we have. So as a management team, we feel very good about our preparation for scale, our preparedness for it. And I think, our goal is to continue to log the growth rates and continue to show that we are ready for that leadership position that we aspire to.

Moderator: Thank you. Next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Thank you very much for providing me this opportunity. I wanted to understand that what is our Capex plan for the next one, two years and what is the net cash that the Company has as of 31st December 2022?

Ashish Rai: Capex plan, first, we're not really capitalizing any of the software investments, so, we basically expense them out. We are at the moment expensing at the rate of roughly about 7% of our top line. That may go up or down, you know, a little bit as we go. But as we said, we want to sustain the margin levels we are at so, it will typically be 6.5 to 7% and climb up slowly as the economic profile of the products keep on improving, right, as we get scale. So, no capitalization on the software side, barring some very specific situations, which are non-material in nature.

On the actual other Capex, I think it's more or less scaling with the expansion in capacity. So, it's not something abnormal. So we publish the balance sheet half-yearly, and we will publish at the end of full year. So, you know, we will not get to end of Q3 sort of announcement on where it is. But I would say, if you go back two years, three years, we had a large amount of debt sitting on the balance sheet. Now, that debt is very, very low compared to the size of the business. We have been publishing the debt-to-equity number. It's 0.12 or 0.1 something. It's not material in any case, and the cash position has steadily been building up.

So, I would not answer a specific question. But we will do a disclosure as we normally do with the full-year balance sheet when we publish. And I think, overall, the debt position in the business has reduced over time, and the cash position has gone up.

Keshav Garg: Sir, I am trying to understand that in this third quarter, our tax rate was 14%. And for the nine months of this year, it was 15%. So, sir, going forward, what will be the effective tax rate applicable to our Company on a consolidated basis?

Ashish Rai: So, typically, the tax rate, we will be between 17 to 20%. You will see a little bit of variance quarter-to-quarter, I mean, especially, depending on the skew of the global business. I would expect, let's say, to get to 17, 18%, but it depends on the mix of business over the quarter. And what is happening to the business overall is, I think, last few quarters, we have been overall steady. But as we increase the size of the global business, you probably see us climb down a little bit. But historically, I think we have typically budgeted for being at around 17, 18% and going up to 20%.

Keshav Garg: And lastly, I just wanted to touch upon one thing that, like you mentioned, that our operating margin and other parameters are amongst the best in the industry. Sir, but if you see at our valuation then, despite being almost debt free and with constant improvement on all parameters, we are still trading at single-digit price-to-earnings, which is the cheapest among the industry. And plus we are expecting a glorious future, and we are showing a steady growth rate of 25 - 30%. So, that makes the stock even cheaper. So, if the Company can buy back its shares and extinguish the same, so our EPS going forward will increase faster than the profit. And it will be a permanent thing for all times to come. Sir, if you could kindly consider that suggestion, it will be very beneficial for the shareholders. Thank you.

Ashish Rai: Yeah. So, look, I think we would consider it. Thanks for that. It's been around, look, valuation, ultimately, market is the determinant of valuation. So, the management has no contribution to that fact. Our goal is to play for the long term and to enhance the long-term intrinsic value per share for the shareholder of Aurionpro and we will continue to work on that. I think we could get to a stage where we saw the best use of cash to go and buy back the share. But I think we as a management team around the Board of Directors table, I think there is absolute clarity that we are managing this business for the long term. There probably is a short-term benefit to buying back shares, but the rate at which we are growing and the size of opportunities that exist in front of us, at least in the near term we believe the best use of our investment is to invest in growth. I think, that is what serves the interest of the shareholders the best. If you see over the last 12 months, even on the inorganic side, right, whether it's our investments in Toshi, our investments on SC Soft, our investments on Hello Patients, right, even the inorganic side, they have been to finish off the product stack. They have been to finish off the offering so that we generate incremental intrinsic value for our shareholders.

I don't think buyback would have, I mean, did we have cash to do that? Of course we had. But we would much rather go and use that to invest in finishing up the product stack, completing that end-to-end offering. So, essentially, in any part of the value proposition, we go for what is the adjacency, can I backward integrate. And whenever we do that, we extract more margin. That is the reason why we have one of the best margin shops today. We extract more margin, and we become more competitive on the chain. So, I believe, for at least the short-to-medium term, the management believes that is the best use of our investments. I think, if we got to a stage where we really had growth slowing down, or we had no other revenue to invest, I do agree that that may make sense. But ultimately, I believe the market would over the long-term value all prices fairly. Over the short-term, I don't think that valuation really matters a lot to the management team.

Moderator: The next question is from the line of Ankit, Individual Investor. Please go ahead. Aniket, may I request you to unmute your line from your side and go ahead with your question, please?

Aniket: Good evening sir, and congratulations on the good set of numbers. So, I have two questions basically. So, what is the current debt on the books? And are we planning to raise the funds?

Ashish Rai: So, debt number, as I said, we have progressively brought that number down. We will still continue to have, I suppose, some. There's a bit of long-term debt that we have a problem retiring, as well as we will continue to have some short-term debt to manage the growth, just the growth in working capital. But it's not material to the size of the business now. At the moment, we find no real need for excess capital to maintain our current growth rates on each of the lines of the business. So, as I said, product investments largely done, inorganic investments largely done. So, unless there was a specific opportunity to significantly expand value somewhere, we don't really see any use for excess capital the business is kicking up enough capital to reinvest back and continue to compound the growth in the business overall, and as I said, bulk of our investment cycles are done. So, now it's more execution mode for us to capture as much growth as we can. So, there is no immediate plan. I mean never say never, but unless it has to be some significant opportunity for value creation. So, at the moment, we don't see any need for it.

Aniket: So, sir, my second question is, as you mentioned about the global environment being recessionary, so as far as our business is concerned, what kind of slowdown are we seeing? And is it impacting our run rate for achieving our target for next two years?

Ashish Rai: Yeah. Look, honestly, we don't see any material slowdown anywhere. We hear talk like, you know, everyone on this call does about a recession possibility globally. If it happens, very good. The goal of the management team is not really to judge whether it's high tight or low tide. The goal is to swim as easily as we can, right. I think we are executing well. We don't see a slowdown in demand. As and when there is a slowdown in demand, I believe we will outperform our peer group. So, we will continue to convert when the weaker players have stopped converting. That is what we believe.

The other thing is, if you see what is causing this global sort of noise around recession, a large part of it is around increased interest rates in the Western world. Now, as the cost of money increases, as interest rates increase, a large part of our offering, if you see, for example, the corporate lending side, we believe banks will normally do well in a high-interest rate environment. Corporate loans is the heart of a wholesale bank. So, we believe banks will continue to spend on transformation there. Banks will continue to spend on the, for example, the corporate banking products that we have. So, we don't believe a high interest rate environment is necessarily bad for the parts of the banking industry that we address. I can understand it's bad for, for example, investment banking, the transaction volumes have dropped. There is no M&A. And I get that. But it's not necessarily bad for the corporate bank that we serve, right.

So, I would expect that demand to continue to hold. We would expect the transit demand to continue to hold. So, we honestly right now don't see a reason for slowdown. If we see one, we will come and talk to the shareholders about it.

Moderator: Thank you. Ankit, may I request you to come back in the question queue. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Sir, I have a follow-up. Sir, one was, I wanted to understand, what was our investments in SC Soft and Toshi Auto that we have done? I wanted to understand how do you think these two investments are going to help us strategically? And another question that a follow-up I had was from your commentary that you said that, you know, we have been maintaining a growth of over 30% over last 11 quarters. So, I wanted to understand, for how many more quarters do you see us growing at a 30% kind of a number?

Ashish Rai: So, we don't see a slowdown at all. So, we expect to continue to grow at 25 to 30% in the next several quarters and beyond. What we don't give is a forward guidance going several years out so, we don't want to do that. What we share is an insight into our planning for the next several quarters, and our performance target for the next several quarters is to continue to grow at the same rate as we have been growing the last three years. We don't see a need to slow down the growth rate at the moment, either from a demand standpoint or a capacity standpoint. We believe we can keep scaling capacity at the current growth rate. Of course, if we were to accelerate, it can become a challenge, and hence, our choice of growing 25 to 30%, which is where we believe capacity can keep up with our conversions. So, that's essentially the story there.

SC Soft and Toshi, that's a great question, Swechha. Look, I think, it's important to understand what we are trying to create on the transit side. Under the leadership of Sanjay who is the President of the business, we promoted, you know, we have built out today one of the most integrated end-to-end stack in the transit space. We believe it is a multi-billion dollar space globally. We see a huge momentum across the world in terms of transformation of transit payments from the legacy closed-loop systems to open-loop systems where we happen to have a cutting edge tech stack.

When we say we want to build-out the most end-to-end offering, it means we need to capture parts of the value chain where we are not there. And that explains SC Soft. SC Soft is a Singapore-based provider, very strong. A lot of our transit technology has come from there and being developed out of our R&D centers in Singapore and Istanbul, as well as in India, right. This is where the hardware stack comes in, which is the Validator and we are increasingly backward integrating that piece going down to a lower level, building more and more of our stuff and replacing the components. We will continue to build out global class Validator and tech stack from the Singapore setup. That's where SC Soft comes in. We have more or less finished the acquisition. We acquired 90% of it with a 10% that will put in the cash over the next couple of quarters.

Toshi fits in again in terms of completing out the offering stack in that business. So, where Toshi comes in is, a lot of the contracts come out not just for technology, but also for things like the turnstiles and the gates and the actual core hardware component. And Toshi will help us capture that portion of the contract, so when we go out, we can actually have an offering for pretty much everything that a bid is coming out. So, some bids come out purely for portion of the stack, so like just the Validators, for example, or just the software, AFC, or the larger transformation contract comes for everything end-to-end. So, it gives us the ability to play in the large turnkey contracts, as well as play in any part of that chain.

So, Toshi takes up the manufacturing side, hardware core manufacturing side. SC Soft provides the electronic manufacturing, the hardware, and the tech stack, right. And we bring it together with, wrap it around with a set of services that we have, and that is what allows us to go in and win a disproportionate share of business in that space.

Moderator: Thank you very much. I now hand the conference over to Mr. Ashish Rai for closing comments.

Ashish Rai: So, thank you everyone for joining the call. Hope it has been useful, and I look forward to see you back next quarter. Thank you.

Moderator: Thank you very much member of the management. On behalf of Auionpro Solutions Limited that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.