**23rd May, 2023**

To,
Deptt. Of Corporate Services- Listing
National Stock Exchange of India Limited
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400051.

**Sub: Transcript of earning call held on May 17, 2023 for the Q4 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 May 17, 2023 for the Q4 of FY 2022-23.

Kindly take the above information on record and confirm compliance.

Thanking you,

Yours faithfully

**For Aurionpro Solutions Limited**

**Ninad Kelkar**
**Company Secretary**

Encl: as above

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# “Aurionpro Solutions Limited Q4 & FY23 Earnings Conference Call” May 17, 2023

**Management Participants**
**Mr. Ashish Rai – Vice Chairman & Director**
**Mr. Vipul Parmar – Chief Financial Officer**
**Mr. Ninad Kelkar --Company Secretary**

**Moderator:** Ladies and gentlemen, good day and welcome to the Investors Call of Aurionpro Solutions to Discuss the Q4 & FY23 Results. As a reminder, all participants lines will be in a 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 this conference call is being recorded. I now hand the conference over to Ms. Aashvi Shah from Adfactors PR. Thank you and over to you, ma'am.

**Aashvi Shah:** Thank you, Vikram. Good afternoon, everyone. This is Aashvi Shah from Adfactors PR. We represent investor relations for Aurionpro Solutions Limited. On behalf of the company, I welcome you all to our earnings conference call for Q4 and FY23.

Today, on this call, 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.

We will begin the call with brief opening remarks from the management, followed by a Q&A session. Please note that certain statements made during this call maybe forward-looking in nature. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results or projections to differ materially from those statements. Aurionpro solutions will not be in any way responsible for any actions taken based on such statements and undertakes no obligation to publicly update these forward looking statements.

I would now like to hand over the call to Mr. Ashish Rai for his opening remarks. Thank you and over to you, sir.

**Ashish Rai:** Thanks, Aashvi. Good afternoon, everyone and welcome to this Earnings Call for Q4 & FY23.

We are of course very pleased to announce these results. FY23 was in many ways a landmark year for us in terms of execution on pretty much all aspects of our revamped strategy that we've communicated before and we can't be more proud of the disciplined execution from all our businesses.

We met or exceeded our targets on every operational parameter that we track actively. Both of our core divisions exceeded their operational targets for the year, which points to the exceptional execution from Aurionpro teams across the world.

I'm sure by now you received the investor deck that details our performance in the quarter, allow me to briefly summarize the key performance highlights: Revenue for the quarter stood at Rs.191 crores which is a growth of 39% on a year-on-year basis and 13% sequentially on a quarter-on-quarter basis which is one of the strongest sequential growth we have for some time.

EBITDA for Q4FY23 stood at Rs.40 crores as compared to Rs.30 crores in Q4FY22, which is a growth of 33% on a YoY basis and a 9% sequential QoQ basis. EBITDA margins for the quarter stood at 21%.

PAT for Q4FY23, stood at Rs.27 crores which is a growth of 23% on a year-on-year basis and 2% sequential.

In FY23, the company achieved its revenue target of Rs.659 crores, which is a 31% growth YoY. EBITDA and Profit after tax for FY23 were higher 30% and 35% respectively on a YoY basis. Earnings per share for Q4 FY23 stood at Rs.11 and for FY23 it stood at Rs.42.69, which is an increase of 38% on a YoY basis.

Let me move on to updating you on some of the key strategic priorities, especially around the channel and capacity, which are more immediate in terms of impact, as well as the product build which is more mid to long term in terms of impact. Over the last few quarters, we've highlighted our focus on building out the sales channel and expanding outside our established home markets, which is primarily Asia. We've gone about building this with a very sharp focus and I'm pleased to report that we've made very strong progress in building out an exceptionally high quality sales team across US, India, Middle East as well as core Asia. So the channel is more or less fully built out as well as bringing on board some incredible partnerships with tier-1 technology partners, which will greatly enhance our reach as well as impact globally.

What makes FY23 performance stand out for us and makes it even more special is that the teams achieved this while also meeting our long term objectives of accelerating R&D to create next-generation platforms. While our core platforms are pretty much fully built out across banking as well as TIG, as we expand our markets, there is a level of incremental build that does consume material efforts. So in FY23, we have surpassed pretty much every year in our history in terms of progressing on the product build and the new product launches.

If I highlight a few of these, we launched a brand new corporate digital banking product, Auro-Digi, that's already won its first client which is really encouraging for us. We launched SME platform, Aurobees during the year, that's again seeing significant traction. We've made some announcements on this from time-to-time. We went live with the payment offerings, B2C live in India, B2B in Singapore. We had great additions to our solution sets in lending and transit as well. On the platform services in India, we launched a hybrid cloud services offering that adds significant value to our existing platform offerings. So, all in all, a very large number of launches, probably the most we've had in our history in a single year. We also made great progress in adding capacity across the enterprise. We've added 500-plus people in the second half of the year that allows us to progress our product build agenda aggressively. We also added manufacturing capacity for the hardware divisions to allow them to scale more aggressively in the current year.

So if you take all of these together, these achievements now allow us to be ready for a phase of rapid as well as sustained growth, through both increasing our market share in the home markets where we are already quite significant in terms of our presence as well as expansion in the identified growth markets for each of the businesses.

So, as I look ahead to FY24, we started the year with a strong pipeline, thanks to both the direct sales channel as well as our partnerships now firing on all cylinders. We enter the year with a strong order book

of about Rs.820 crores. Most of the order book is executable over the next four quarters, so that gives us very strong visibility into the next four quarters. We also feel very good about the execution machine walking into this year.

We have driven strong growth for the last two years now. And while we needed a lot of work last year in terms of building out capacity, channel, as well as the organizational framework to handle the growth, this year we are a lot better placed in terms of both capacity and talent. We expect to maintain the growth trajectory going forward and we expect that FY24 growth to be in the range of 30% to 35%, which is a slight uptick on our growth last year. Building a technology business that can create and preserve value over the long term, needs one to have a durable defensive modes and an ability to adapt to the changes that we see in the industry from time-to-time.

We feel even more strongly now than before that our chosen strategic framework centered around highly differentiated products and platforms, allows us the ability to react much better to the demand environment as it evolves, which in turn will allow us to deliver medium to long term superior returns on capital compared to the industry.

We want to be in the top 10% of the tech industry in terms of both growth as well as margins. We've done that for the last two years and we will remain focused on continuing this well into the current year and far beyond.

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:** Ladies and gentlemen, we will now begin the question-and-answer session. We will take a first question from the line of Mitul Mehta from Lucky Investments. Please go ahead.

**Mitul Mehta:** Just wanted to get some sense on both your businesses with respect to working capital. So if I clearly compare it with the working capital of last year to this year, this year the working capital has slightly deteriorated. Last year, our cash flow conversion was significantly higher, this year that has not come through. So can you please make us understand as to where this working capital is stuck, I mean is it more in the banking products of business or your infrastructure business, which is the payment gateway business? Secondly, sir, we've invested some capital into building manufacturing capacity and capabilities. Are we going to further invest in that area, and if yes, how much? Is it possible for you to also help us understand the return on capital employed in both the businesses so that we can dissect a much better?

**Ashish Rai**: Working capital is essentially two things, right, so working capital broadly is inventory and its receivables, right. So obviously since we got into manufacturing the hardware side of the business, we are now carrying a bit of inventory which will add to the working capital in the business, bulk of it still is the receivables and receivables for us, our DSOs has gone from something like 94 last year to about 110 that it stands on right now, it had been going up to about 115 in September, it came down to 110 now. We'll

see that come down in another 5 or 10 days over the next six months. What is happening to the enterprise right now is, since we are growing at a pretty fast pace, in some cases we will use working capital as a competitive tool for the business, and in some cases we want to carry inventories, in some cases, we want to agree to their payment cycles. The product business typically would tend to skewed that way. The other side to it is, we are starting off way more projects than we can finish. And that again, given the kind of business that we built up, around essentially product deliveries and making customers live on the products, finishing projects is again very important. So, we've been building capacity through the years. A lot of that has been built out, so we feel the first half of the year would be a lot better in terms of actually finishing of projects and hence getting the DSOs down. I think our ability to generate return on any capital employed by the enterprise is very high. We believe we can drive pretty much industry-leading returns on capital. So we don't really get too worried about working capital getting stretched from time-to-time. So it's not necessarily a bad thing if we can drive 25%, 30% returns on any capital employed. So we will probably see it come down by another 10 days in the next six months, but in our business, I think one has to be prepared for DSOs staying at 90-100 day level at Least, right and then time-to-time, we'll use it as a competitive tool as we said. So that's basically on working capital. I can through the call maybe explain more if someone has another angle to it.

On the second question, so you're right, we made investments in two firms over the last couple of years; SC Soft in Singapore and Toshi, which is ADAPT, Aurionpro Toshi Automatic Systems now out in India. And both of them, we are building out in our heads the most integrated end-to-end stack when it comes to transit payments. So we don't want to sit in the box and say we make software or we make the payments back or validate this or we make the case, we essentially span the whole value chain, which gives us immense competitive power. Hence the reason to invest in manufacturing. The return on capital that you will get from it, will come from the transit businesses that we have across. So basically we believe we will be able to drive very high margins from the transit business in steady state, right now we're rapidly growing, but at some point in time over the next few years, the business acquire scale and it's a lot more steady. And then we believe it will match the 25% ask we have across the enterprise from all the businesses, the ROCE ask, the transit business as a whole will make that. So, manufacturing is a critical part of that chain. It allows us to be a lot more competitive and the overall business will drive the 25% ROCE.

The last part, “are we going to invest in scaling up capacity?” We announced a little while back expansion in Malaysia, we announced this tie up with contract manufacturers out in Malaysia, which allows the scale that capacity on the validator side. It's already kicked in; we did our first deliveries over the last couple of months and that really allowed us the way to scale significantly compared to where we were. The setup out in India as well, we will continue to expand, because we too see that growing at rates far faster than overall Aurionpro growth rates, although it's a small business right now. I hope I've covered all the points and through the call you know if there is any follow ups, I'm happy to take those.

**Mitul Mehta:** Let's say, this year we ended our sales at Rs.650 crores. Can you give us a break up between the two business, the transit payment business, I mean of course that includes the manufacturing business also?

**Ashish Rai:** Yes. So we published that. So look, I think the split is roughly 52% is banking and fintech and 48% is technology Innovation group which embeds the manufacturing assets, the transit assets, the smart mobility, smart city assets in India as well as the hybrid cloud and data center businesses. So it's essentially Rs.340 Cr for banking and about Rs.315 Cr for TIG.

**Mitul Mehta:** I'm assuming that both the businesses would be having similar margins?

**Ashish Rai:** Not really, banking is, let's say about four or five points more than TIG.

**Mitul Mehta:** The technology innovation margins would be approximately, let's say, 18%-19%, would be higher?

**Ashish Rai:** So look, I think in the range of let's say 15% -16% on TIG and certainly above 20s in the case of banking and fintech, so closer to 25 or so.

**Mitul Mehta:** I just wanted to understand your strategy going forward. Clearly, the technology innovation business seems to be a capital-intensive business. So how are you directionally investing in your business, would you be investing a lot more in your technology innovation business or you pretty more or less hit the peak in terms of manufacturing capacity?

**Ashish Rai:** Look, it's not a capital-intensive business I would sort of differ on that. I think it will consume capital at a little bit of an elevated rate, while we are growing rapidly. But in a steady state, if you look at the transit businesses that we run, and especially now we are going a lot more global, earlier we were doing contracts in India, now we are out in the US, Central America, Latin America, so we're out competing and winning globally, the business is extremely profitable. So, we believe from a capital intensity standpoint and given the fact that we can give high inventories off to contract manufacturers and stuff, we can run it in a fairly capital efficient fashion and still drive good margins. The thing about TIG right now is, there is element of business in India, which has elongated payment cycles and probably a little bit lower margin, but over time you'll see the mix changing. TIG is essentially the group in which we incubate a lot of different businesses, so there is always a few mature businesses, which can become independent divisions by themselves over time and then there are a lot of small businesses, where we are investing capital initially, and as they mature, it will really not be a problem.

I think one thing to understand about Aurionpro is by and large, we expense all our R&D spend. So we are not really capitalizing our assets. If we were capitalizing it, you will see profitability probably 9 to 10 points better than what it actually is. So in Q4 R&D is about 8.5% but it's going up. So the thing to look at is because we don't capitalize and we expense all R&D from time to time some businesses appear to have a different economic profile than what we think they will be long term when they're stabilized. So we

believe transit is a very strong business, we believe we can drive good margins on the hybrid cloud services, on the data center design business as well and I don't think it's seriously capital-intensive.

**Mitul Mehta:** Is there any retention money which is stuck in the TIG business?

**Ashish Rai:** So we have something of the range of Rs. 30 crores stuck as retention money.

**Moderator:** We take a next question from the line of Vivek Gautam from GS Investments. Please go ahead.

**Vivek Gautam:** Our company has been listed for quite some time now, but improvement in performance has been happening for the last few quarters. So, what is the change which has happened which is responsible for it and how is the future looking like in terms of opportunity size for us? And how's the competition scenario for us, who are our major competitors in both the segments we are operating in?

**Ashish Rai:** Thanks, Vivek. Good question. So yes, we've been listed since 2005, and we have evolved over time as the enterprise. I think what's more relevant to answering your question is, we started a strategic pivot about three years back as an enterprise, where we revamped our strategy and what we are focusing on is becoming a Global IP-led products and platforms vendors right, which is sort of focused on a few chosen segments, I will probably come to that. But first, why build out global products and platforms vendor? Our core thesis was one, we don't want to be a commoditized IP services vendor over the long-term as we feel margins in that business over time go down, whether it's because of structural cost issues, whether it's because of AI, whether it's something else, we don't believe we want to be a commoditized services vendor. So we said we want to be centered around IP and build our own. The second is, when we say we want to build out a product business, we said, we don't want to be a single product business, so we don't want to be a one trick pony because that exposes our shareholder in the business to a lot of lumpiness in revenue streams, cyclical sort of demand. So we said, we want to have multiple IP assets, right, we want to be diverse enough. Third, we said we don't want to be in a single sector and hence we said, what are the adjacent sectors we can be present in, right? So that sort of brought in to say, okay, you are centered on product, you are multi-product, second, you are across multiple sectors. For example, we use the same payment stack, but transit is slightly different in terms of economic behavior compared to banking. So, we went that way. So that is what brought to our ambition to become a global products player. Where are we in terms of banking? We've got absolute tier-1 assets again lending as well as transaction banking, you probably saw charges with tech leaders quadrant product on the lending side. There's basically no software provider from India or even Asia who is in the leaders quadrant and we are the only one. And similarly on the transit side, we believe we are building out one of the most integrated end-to-end stacks, what proves us, we are tier-1, California for example, total competitive Global RFP and we are one of the three winners in that and we are already rolling out in five-six Californian cities, so if I can win there, we can win pretty much anywhere. So, I think a lot of proof points as to why we believe we are absolute tier-1 in terms of IP?

So essentially the segments that we chose, one, the segment should have a very long demand runway, which is corporate loan origination which is transit in our view, etc., right? Second, we said, the leadership in the space should be contested enough for us to go for a global leadership position. So, it should be

fragmented and contested enough for us to go for it. Third, it should be a segment in which we can build out a tier-1 IP asset like I explained on the lending side right. So as long as it meets those conditions, we go in and we try and build a business out. So that's essentially what the play has been on the strategy side.

Who do we compete with? Banking, we compete with probably the largest global vendors, in some cases we collaborate with them, in some cases we compete with them, which is the likes of Fiserv, Finastra, FIS. On the transit side, we compete with most of the biggest players in global, Ellis, Wakes, a lot of players, right, but we also collaborate very actively with them. So, for example, we collaborate very actively with Finastra, we collaborate very actively with MasterCard. So we play on the global field, we are fairly small in very large spaces, but we have absolutely top class products to go out and compete. So we feel good about where we are.

The last point probably was what I'll close with is your point, the last two quarters we are doing well. Actually we put the strategy in place almost three years back. It takes us time to do the product build, product is not an easy business, services is a very linear business, I hire a 1,000 people, I can get 1,000 people of revenue, product takes capital to build, it takes time to succeed. It's harder, but still I believe at least 10 or 11 quarters of consecutive 25% to 30% growth and we feel we can continue this for a fairly long time. I hope that answers.

**Vivek Gautam:** My question is that, the slowdown in the very small banks in US getting impacted due to the recent banking crisis. Is it impacting us in any way? That was the number two and number three was about the opportunity size for our transaction banking, metro station, rapid rail transportation and other ticketing solutions we are offering, how is the opportunity size over there?

**Ashish Rai:** I take the first one. I don't know whether it's a banking crisis or not, but there is a high interest rate environment in the western world. There is a lot of talk around recession. We hear as much about recession as you hear about recession. If it happens it happens. We don't sell to small and mid-sized banks. The product we have is around corporate loan origination, which only the largest banks need. We believe a high interest rate environment is generally a good thing for corporate loan books in general for corporate banks. What we see at least so far, is the large banks that we serve are doing pretty well, able to drive margins and what also is happening is in a high interest rate environment, typically the investment bank side slows down. So, there is less fee income, there's less M&A transactions and banks seem to invest even more on the corporate loan side because I think that's the size of the bank that that is making money. So far from what we have seen, we only see an increased demand, we don't necessarily see any reduction in demand. Our pipelines are the strongest they've ever been. So we'll see if there is a worldwide global recession or even a big one in the western world, it probably affects everyone. But we would believe we have the ability to outperform the industry no matter what comes. So, I think that's number one.

Second part to it, I think there were several products mentioned, so probably it's hard to address the target size market-by-market. So, I'll come back to what I was saying on the previous question. We selected segments where we believe the addressable market is very large. If you look at each of our products, even products which are the leading products in Asia. So if you say lending is actually pretty big in core Asia on a global basis, we probably have less than a 4% to 5% market share, in some cases even less than 2% market share. So, we happen to sit in a very unique spot where the segment sizes are all double-digit billions, very large. Second, we have a very competitive products stack. Third, we have very small market share. So if you have a very small market share and a very competitive product, logically you should be able to expand for a very long time. And I think that's what we believe will happen as we go forward. So segments very large, market share very small, product proven to be competitive on a global level in many cases where it is not, we are working towards making them globally competitive. So we would believe the product that we are left with right now, we would fancy our chances in terms of continuing to grow fairly strongly in each of those segments.

**Moderator:** We take our next question from the line of Hiten Boricha from Sequent Investments. Please go ahead.

**Hiten Boricha:** I have a couple of questions. First question is on the order book, you mentioned we have around Rs.800-820 crores for FY24, which will be executable for next four quarters. So can you share some color and what kind of order inflow or enquiry on orders we are getting for next year FY25? My second question is on the division, you mentioned we are looking for a growth of around 30%- 35%. So if you can help with which division is going to contribute more, banking or the TIG? And the third question is you also mentioned something on capacity addition in hardware. So some more comments on that?

**Ashish Rai:** So order book, Rs.820 crores as it stood end of March, we believe at least about Rs.700 crores from it should be executable over the next four quarters. It obviously depends on capacity and how we plan our projects. The rest of what we are projecting, we will deliver next year, will have to come from the sell and deliver that we do within the year. So, that's essentially how the order book pans out. How does it look for FY25? FY25 is we'll probably spill over Rs.120, 130 crores from the current order book when we go into that year, but most of it will be sold this year. From a pipeline standpoint, we feel we are in a very good position; the pipelines have been 40% bigger than they were, let's say six months back. So it's actually climbed up quite significantly. I don't think that's necessarily a reflection of just the demand, we have added a lot of sales people in US, India, Middle East, Southeast Asia, as well as we've signed up some very, very interesting partnerships which give us a leg up in terms of demand generation. So, the pipelines are the strongest they've ever been by a mile. I think that should bode well for FY25 in terms of what we convert and maybe middle of the year we will come in and provide an update on that.

The growth of 30% to 35% how does it spread between divisions, so what happened last year was, banking ended at about Rs.340 crores and it grew about 15%. TIG stood at about Rs.315 crores or so and it grew at 55%. So, obviously TIG has grown very strongly. Banking is very software-driven, product-driven and banking was busy building capacity as well as launching new products. We expect to see the benefit

of those new products launches, as well as the build out capacity in terms of project execution to come to us this year. So what I would expect or what we would expect is TIG to moderate in growth, so not grow at 55 but grow kind of materially lesser and banking to step up in growth. So both of them more or less converge at the middle, that's how we'll get to the 30% to 35%.

The third part about capacity manufacturing. We've added somewhat to the capacity in Ghaziabad in terms of how efficiently we run it. A little bit of machinery and addition in terms of shift work, etc., and we will continue to scale that capacity a little bit more because the demand is just staggering. So we'll work on it. On the validator side out in Singapore and Malaysia, we've signed an agreement which we are also a few months back with the contract manufacturer. We got the capacity tied up. We got zero concerns about being able to scale up for the next few years actually with that capacity. So I think we are fairly sorted there.

**Hiten Boricha:** But on the capacity side, can you quantify the amount, what was the CAPEX in FY23 and what are we going to spend in FY24?

**Ashish Rai:** So capacity is multiple parts of CAPEX, one is these are acquisitions. So first I think between SC Soft in Singapore and Toshi plus the CAPEX you're talking at something in the range of Rs.50 crores which includes both the inorganic investments that we put as well as the CAPEX behind those.

**Hiten Boricha:** And the number for FY24, sir?

**Ashish Rai:** FY24 we are not really planning anything materially incremental. So we need to close off the SC Soft 10%, we now own 90%, we need to finish that off and we've got some incremental investment in Toshi. So I would say in the range of Rs.30 crores is what we should expect.

**Hiten Boricha:** So you have mentioned the margins in TIG is 15%, 16% and banking division is more or less around 20%. Is it EBITDA margin we are talking about or the EBIT margin? And the second, you made some comment on ROCE, I missed that comment. Can you please repeat it?

**Ashish Rai:** So that's EBITDA margin and essentially what is banking is five points above enterprise, TIG is five points below enterprise. The idea is for TIG to climb up, but it's a business that's growing at 55% because we expense pretty much most of the product build and all, it's hard to really get the margins up if you keep going at 55%. So as the growth moderates, the margin levels will go up. The second part on ROCE, essentially our expectation on ROCE is to drive 25% and above. So that is the ask. Any capital that any business wants to use, in the business, we demand a 25% at least. But in cases it's higher. As we get bigger, our ask on what ROI's we need on any incremental capital that we reinvest back in the business, it's only getting more stringent for FY24, but last year we were keeping the threshold at 25%.

**Moderator:** We take a next question from the line of Deepak Poddar from Sapphire. Capital. Please go ahead.

**Deepak Poddar:** I wanted to understand on the margin front, what sort of margins we are looking at in such growth environment?

**Ashish Rai:** Look, our target remains at 21% to 22% on EBITDA and 15% to 16% on profit after tax. At that level, we believe we would be totally the top 10% players in the industry, that's what the goal is. So we will be among the most profitable shops in Indian tech at least. And that's where we plan to stay. The thing to note about our EBITDA numbers compared to 99% of Indian tech is services, so probably it's relevant is that we also do R&D and the plan is to do 9% to 10% next year around that, most of it, unless there is some specific reason, we would not capitalize. So the actual EBITDA if you were capitalizing would probably be far higher the rate and that is the nature of a product business that tend to be pretty good on EBITDA as it stabilizes. So, our plan right now, while we expense most of our R&D is to 21% to 22% on EBITDA and 15% to 16% on PAT.

**Deepak Poddar:** But R&D of 9% to 10% of revenue, is that what we envisage in coming years to continue?

**Ashish Rai:** It probably will not continue, but I think it's not normal in the industry to get to. So, we were probably at about 7.5%, 8%, I think it will climb up. The thing is for most of our products, the opportunities in front of us are so large that we will need to invest capital to capitalize on those opportunities. And by and large, we want to stay away from doing any major capitalization, creating sort of intangibles on the balance sheet. So, it can climb up quite a bit. The goal for us is to keep the EBITDA there and excess that we get round that into R&D, so keep EBITDA still at 21%-22%.

**Deepak Poddar:** Because I thought generally because of your operating leverage, your margins can be much higher, even at the net and EBITDA level than what we are currently doing or what we envisage?

**Ashish Rai:** It could be. So if you really wanted to say, let's stop all R&D expense and let's just run the revenue streams as they run, of course, you can drive much bigger margins. For us, we feel at our current levels we are already one of the most profitable shops around from a return on capital standpoint, from a return for shareholders standpoint, I believe that is the right spot for us and we use the incremental that over the '21-22 to keep funneling R&D. So what happens is unless you're capitalizing, no accounting report captures the value of IP. So what is the goal? When you're looking at a capital allocation decision, the idea is what will drive the most long term intrinsic value for the business, for the shareholder. And for that one is obviously we grow faster than the industry which we are doing, industry growing at 10%, we grow at 30%-plus, that is very good, we drive better margins than the industry, industry probably is at 16%-17% EBITDA, we drive 22%, that's good. The third part which no accounting report captures in terms of long term addition to intrinsic value is the value of the IP, which we are generating. And I think that is really, really important for us to generate long-term sort of additions to intrinsic value per share of the enterprise. So I think that's what we drive. So, I don't think I would want to ever get to a 0 or a 1% or 2% R&D. I don't think it really makes sense from a long term sort of shareholder return standpoint.

**Deepak Poddar:** My second question is on your inorganic. Are there any plans of inorganic acquisition or expansion in the near term or medium term?

**Ashish Rai:** So look, we will always be open to the idea of inorganic acquisitions as we've shown in the past. For us, there is basically two things that drive that decision. So how we are running the business is we're not trying to sit in a box that says software or that says hardware or that says IT services, we are a tech vendor who occupies the whole value chain. So we will try and we sit on as many points of the value chain as we can, whether it's around service, hardware, software and that is what allows us to drive sort of industry-leading margins. So, in that sense two things important to us. On the value chain, if there is an adjacency or there's an opportunity to go backward integration, we will go and do an acquisition. So we will not acquire for revenue, we will not really acquire for clients, we will acquire for backward integrating into the value chain, enhancing the value that we add, which is like the SC Soft acquisition, it allowed us to get in on the electronic hardware validator side of the business and we keep backward integrating that as well, sort of we keep building more and more of our parts, even inside the validator and do less and less of outsourcing. So, that is essentially the hardware R&D site. Similarly, Toshi, we acquired because it allowed us to play on the vending machines, the gates and stuff like that. So if we find an adjacency, if we find opportunities to backward integrate, and occupy more points of the value chain, we will go and do an acquisition, expect more of tuck-in kind of acquisition rather than big bang we buy for revenue kind of thing, we don't believe that's a good use of our shareholders wealth.

**Deepak Poddar:** Sir, you spoke in length about your transit platform, currently, what percentage of revenues from this platform?

**Ashish Rai:** I think we don't declare that. We'll probably start doing that soon. It's an acquired scale. So TIG overall is now almost 50% of the enterprise and transit is a significant share of that. I am hesitant to give you an exact number, but it's acquired quite a bit of scale and in three to six months we'll probably consider whether we want to start reporting it separately.

**Moderator:** We take a next question from the line of Umesh Matkar from Sushil Finance. Please go ahead.

**Umesh Matkar:** You mentioned that banking to pick up growth this year. So are you hinting at entering into new markets like US? And also which products have you launched in the banking segment?

**Ashish Rai:** We definitely are planning for banking and fintech overall to grow for us much more significantly in FY24. Where will it grow? So one is we have taken the product out to more markets, we've got a bigger sales channel in Southeast Asia, we get into a bigger channel in Middle East and we are entering selectively in the US. US for sure, even with the current order book will grow quite materially in FY24, because I think maybe three or four months back, we announced the USD 18 million deal in the US which will significantly convert to revenue in the year and that adds on top of the current business which is going on. In Southeast Asia, we are seeing very interesting deals in the pipeline and we are close to winning a few of those and that will again add to the business.

The question about products. So we continue to sell loan origination, collateral management, limit management, we added corporate digital banking as a new product a few months back, we already have acquired our first client on that product. I think that is very relevant for the market right now. We also have co-developed a product with Finastra which is the number one trade finance solution provider in the world. And there again, we see significant traction in the pipeline and that probably over the next few years will go global, because it goes directly to the client base of that large vendor where our sort of licenses gets sold. So I think that again will scale up. So there is a lot of demand on the banking side that will translate over the next 12- 24 months. So we do expect that set up to grow very strongly.

**Umesh Matkar:** TIG has witnessed a strong growth of 63% year-on-year, what led to a healthy growth? Also, is data center included in it? What would be its contribution in this segment?

**Ashish Rai:** Within TIG, the main lines which have been growing is transit, it's the data center and cloud side of business and our smart city side is more or less stable, probably even slid down a little bit. So, we don't really declare explicit slices. So I would not give number, but the segments which have grown. Data center and cloud we built up probably one of the most respected teams in the industry, that is really driving growth for us, it's certainly growing higher than the Aurionpro's rate of growth, probably higher than the TIG's rate of growth, the same thing with transit and smart city sliding down a bit. So I think overall two parts of that TIG business going very strongly.

**Umesh Matkar:** My last question would be, smart city projects have witnessed a small slowdown in the past few months or so. So, are you expecting a pickup considering the election in next year?

**Ashish Rai:** Look, to be honest, that's one of the segments which we're not really planning any significant growth in that business. It's an important business for us in terms of capability that we build that we can use elsewhere in enterprise, it's important for us to really go and do deals which are really interesting for us from both a margin standpoint as well as client relationship standpoint. So, we'll continue to do interesting things in the business. We are not expecting a significant ramp up in demand or our ability to service it for this year.

**Moderator:** We take a next question from the line of Neerav Timbadia, who's an investor. Please go ahead.

**Neerav Timbadia:** Just a couple of questions. One is around the borrowings, so this year we did borrow some additional funds, I see the debt going up. So what is the plan to make the company completely debt-free or do you see the borrowing going up this year? And second question is around some of the projects where we invested heavily like Noida Metro, Nagpur Metro, when do you think they would be able to contribute significantly?

**Ashish Rai:** So, we don't really have a big plan to go zero debt. We think the borrowing level in the business is pretty low depending on which metric you like using, coverage ratios are great, the debt-to-equity is probably at 0.1. So the long term borrowing in the business remains stable. I think it was probably 52 last year, it's

only 48 now or 47, 48, so it's not significant. There is obviously a slight uptick in the short term borrowings, which is essentially vendor financing for projects which we are executing on which will taper off. It's a point in time thing, it's essentially, three, four, five months kind of thing when we are in the middle of some specific projects and those are short term vendor financing borrowing. In general, the leverage level in the business is like really low. I don't think there is really much thought that we would give to when the long term thing retires and goes to zero. It will probably happen by itself over two, three years, but it's not really a big concern for us.

On the Noida, Nagpur side, I think those contracts are doing fine, they are running, they are contributing to revenue, we have done upgrade, we've expanded those as well. So overall, the transit business in India has grown manifold from the earlier Nagpur, Noida contract days. So those contracts continue to run very well. We expanded onto UP transport, Haryana transport, Kanpur metro. Since the global business has expanded and we do see us being very competitive at a global level, we want to be very selective in terms of new business that we take on in India on the transit side. So, we will continue to remain one of the most competitive people in the field, we will continue to win share, but we will participate in deals where we feel it aligns with the metrics that the organization expects, and will continue to scale the business globally in US, in Latin America, in Central America where we're seeing a lot of traction.

**Moderator:** We take a next question from the line of Tejas Boricha from NVS Brokerage. Please go ahead.

**Tejas Boricha:** Sir, my question is regarding the growth prospects as whether how will be your company in future into IT software and IT services, as sale of software services have grown double than sale of equipment and product license. What are the plans to expand into these both segments as our gross profit is around 29% and PAT margin is about 16%, which is equivalent to or similar as of the last year or so? So what are the future prospects?

**Ashish Rai:** Margin levels, we expect to keep at the level, we are very happy with the levels we are at. From time-to-time, we may need to move the R&D expense line a little bit here and there. So it may move a point in either direction, but we feel very happy with the margin level. So that's something we will want to keep. Growth in the business, we will want to continue accelerating as we go. So, like in response to one of the earlier questions, we have built up a great set of product assets, we are either already there or we have a very clear plan to get to building product sets which are globally competitive, one of the top products in the world and when you combine that with having very small market share in very large segments, we believe we can continue to power growth in the business quite rapidly as we grow, whether that's in banking, in transit, or in some of the services business. So I think that's essentially the growth plan and we got the talent to sort of back it up in terms of, we really know what it looks like, when we say a leading product in the world, we say this is what it looks like. If I'm not there already, this is how I'll get there. So that's essentially the plan and then we go and compete, we see a lot of success going there.

**Tejas Boricha:** As we can see that the future prospects of the company is about to grow, but I can see in the working capital changes that our receivables are three times higher than our trade payables, which are twice as

high as compared to last year. So, how will it be manageable with the working capital as we are growing in the year?

**Ashish Rai:** So you're right, last year, we were at about 94 DSO, now the DSO we finished at about 110, so that is clearly higher than last year. I would say, part of it is clearly attributable to growth in the business. What's really happening is when you are really running at breakneck speed, you are starting more projects than you can finish, we've had Issues in terms of collecting payments. What we have done is over the last quarter, the capacity has really come up where we've been obviously finishing off the project. So, you'll see the effect of that. Second, as we are growing bigger, we're getting a lot more selective in terms of the business that we pick up. So I would expect that 110 to come down to 100 or so over the next six months and then we will revisit and see where we want to get to. One thing I would want to be very sort of transparent about is, I think given the current nature of the business stay at a 90-100 days level, no matter how efficiently everything is running, that is the nature of our business, and we are very comfortable with that level. We believe the kind of returns we can drive on any capital employed in the enterprise are high enough for us to stay along with it. The thing is ultimately it's a question of return. A little bit more capital employed in the business is not really a concern if you can drive 25% returns on it. Because I can't think of many alternative users to that capital that will drive a 25% return. So if we are doing very high margin business, if we are winning, we are very comfortable with the 90-100 days level, from time-to-time it will jump up depending on our capacity to execute well.

**Moderator:** Ladies and gentlemen, in the interest of time, that was the last question. I now hand the conference over to Mr. Ashish Rai for closing comments. Over to you, sir.

**Ashish Rai:** Thank you everyone for joining the call. We are very happy with how we executed last year and we intend to stay focused on executing with a very high level of discipline as we go and we will make sure we took some feedback on some of the information areas which are of interest and we totally don't disclose right now, we will go back and consider that and see whether we want to start disclosing some additional things which are of use and we'll stay focused on executing.

**Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of Aurionpro Solutions Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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