

Intellect Design Arena

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Thank you for standing by, and welcome to Q1 FY '19 Investor Earnings Conference Call of Intellect Design Arena Limited. (Operator Instructions).

Now I will like to hand the conference to Mr. Praveen Malik. Thank you, and over to you, sir.

Thank you, operator. Good evening, and welcome, everyone. Thank you for joining us today to discuss the Intellect Design Arena Limited financial results for the first quarter of fiscal year 2018 and '19, ended 30 June, 2018. Investor presentation and the press release has been sent to all of you and is also available on our website.

Today, our leadership team is present on the call to discuss the result. We have today with us Mr. Arun Jain, who is Chairman and Managing Director and other members of the leadership team.

Mr. Jain will start, brief you on the performance of the company, and this will be followed by the Q&A, which will be replied by the senior members of the management team.

On safe harbor. I would like to remind you that anything which we say refers to our outlook for the future, is a forward-looking statement, which must be read in conjunction with the risk the company faces.

With this, I hand over the mic to Mr. Arun Jain to brief you on the results. Over to you, Arun.

Good evening, and thank you for joining the investor call. As we begin this quarter briefing, I need to introduce our new CFO, Venkateswarlu, who has joined and replaced Swami after his stint for last 11 years. So we must thank him that he has served our company for last 11 years and now Saranu has taken over. Just introduce Venkateswarlu, he is rank holder in Chartered Accountancy. He joins us with a 23-years' experience in Borkar & Muzumdar, KPMG and Tata Technologies. He was earlier CFO of Tata Technologies for 9 years. I'm sure we'll benefit from his expertise now with the change of his rank. So this is the first result, which he has gone through the board meeting today. Welcome, Venkateswarlu.

Thank you, Arun. Good evening to all of you as well.

So now let me turn to the quarter. As you might have seen the results, we closed the first quarter of the financial year. I'm happy to share that Intellect is consistently getting momentum in building market leadership and having force of delivering our promise of over 20% growth year-on-year for another year. Here are some highlights for the quarter that just finished. Intellect reached a revenue growth of 24% finishing at INR 299 crores in Q1 FY '19 as against INR 241 crores same quarter last year.

Of this license revenue with INR 46.7 crores, growing 65% year-on-year from INR 28.14 crores in Q1 2018. AMC revenue stood at INR 55.26 crores, registering 20% growth over INR 45 crores a year ago. We won a landmark deal in IDC 17.1 of value worth INR 100 crores with a bank in U.K. This deal provides us solid reference to competing European and other advance markets, which offer significant potential. This deal is for a period of 5 years posted model in U.K., compliant to open banking and regulatory requirements of U.K. And thus, a substantial win against our key competitor, Temenos, in their own market.

On the other backlog perspective, our subscription-based revenue has moved up to INR 240 crores from INR 150 crores, a substantial jump in backlog order for the subscription-based, and this doesn't include GeM revenue, because we are not able to ensure what the number of GeM revenue will be there. As per government, it's close to INR 800 crores when we given a bank guarantee. Our only disappointment is that we have 2 destiny deals with a license revenue of \$2.6 million, which is amounting to INR 17.4 crores of license last quarter, in respect of which documentation could not be completed and therefore will be accounted in Q2. If this had been considered, our revenue growth would have been close to 31%. Taking the above 2 deals into account, our gross margin would also be in the range of 50%, which is we are containing from last 12 quarters.

During the quarter, our SG&A costs are lower than Q4, but higher than last year. I think bidding the last year to this year, our pre-sale costs have gone up substantially since our focus has moved to signing larger deals and for each larger deal the pre-sale cost becomes substantial amount when we are signing a deal more than INR 20 crores to INR 30 crores deal, our cost of pre-sale access goes up to INR 3 crores to INR 4 crores per deal and that's the reason for increase in the SG&A cost over the last year period.

Cost of product development and R&D, research and engineering, compared to the last year, it's went up by INR 7 crores R&D cost. But if our total budget plan -- budget is INR 200 crores for the year, INR 120 crores for product development and INR 80 crores for R&D, which means INR 50 crores in a quarter. And this quarter also, we managed INR 50 crores. We capitalized INR 29 crores in R&D cost and INR 21 crores being expensed out from the INR 50 crores per quarter.

EBITDA is INR 12.2 crores for Q1 FY '19 as against INR 16.14 crores same quarter last year, but 2 additional deals would have taken EBITDA to INR 29.2 crores -- INR 29.6 crores to be precise. EBITDA positively impacted by increasing in other income owing to sale of property, which brought a gain of INR 38 crores. So these are the key bullet points.

Let me summarize what went well in this quarter, which is really celebrating for the leadership team at Intellect, and what we're striving to create a leadership space. I think the biggest breakthrough after winning INR 100 crores deal in Europe, which will put us into a significant footprint for '19, '20. Other thing which happened is core -- the IDC 17.1 has achieved second breakthrough by implementing a complete core banking system along with trade finance, treasury and corporate banking systems in just 16 weeks. It's a record of its own, which has never been accomplished by any other software vendor. This shows the quality of our comprehensiveness of the software and the implementation methodology, which we are applying design thinking to it to reduce the cycle time for -- between 12 months to 18 months to just less than 4 months' time is a significant differentiation in the market we are creating in this place.

Our collection has also improved in this quarter. We collected over \$48 million, INR 315 crores. So it's consistently moving from \$39 million to \$44 million to \$48 million. I think, this is a very good year -- good quarter for the collections.

Our destiny deal pipeline continues to grow with more qualified and high-value deals, where we are in the last 2. We have 34 such deals with deal size of over INR 20 crores, of which 7 are over INR 50 crores, 10 are between INR 30 crores to INR 50 crores. Our overall pipeline has grown to \$527 million, of which \$448 million is accounted by 134 opportunities. Our order backlog position has moved up from INR 1,040 crores at the last quarter and INR 21,190 crores now, of which INR 240 crores related to subscription revenue.

We recorded 10 digital win during this quarter, including 2 large transformation deals. I spoke about the one deal, which is about Europe. Second deal is related to a large deal for digital transformation of a bank in Malaysia. There we're looking for a regional DTB deal, moving from a local deal in a country to the regional level deal. So this is a scope typically we can experience and we implemented DTB position on (inaudible) in 1 country. It has a scope of going and replicating and as soon as the solution becomes regional, our pipeline grows substantially over the period of time.

What could we have done better in this quarter? I think, as I mentioned earlier, closure of 2 destiny deals would have given a significant positive impact on our financial in real terms and -- which got postponed because of the paperwork or some second documentation.

Now let me take to business performance of each business that 4 businesses what we have driven. Let me take GCB first this time. I think, there are 2 landmark things. One is large deal win of INR 100 crores in U.K. and one of the deals, which we have accounting, which has been deferred, is a deal in Australia. So IDC got acceptance in Australia and U.K. It is clear proof of putting that we took almost Intellect IDC 17.1 when we launched, it was so complete a solution that it can be applied and with 16-week implementation. So IDC is emerging as a next product as GTB I spoke to you, our promise that GTB is taking a leadership position. Now with this win in Australia, Africa and -- in last 8 months, of course, mounting for us, we have won 5 deals out of 7 deals we pursued in it. And 2 deals are still in the pipeline. So we have not lost a deal in IDC since we started launching IDC as a product.

iGCB, our lead business, is leading the pack by becoming very differentiated digital offering. There are 3 products in GCB, which are driving our growth. One is digital CBX. CBX is a cloud native as well as Asia-Pacific solution, which is there. So the CBX is -- because this is a very unique space, where we qualify almost number one in digital space. The second product is at payments and cash management area. And third is [pace], which is emerging in GTB's [gate] finance, supply chain and limited management, which is called working capital finance. So this pace of non-funded banking business is driving our growth because all the bank focus is on non-funded business, a lot of investments are in that area and there are 3 clear products emerging with a fourth in the line is the liquidity management system. The 4 products are driving our growth.

So during the quarter, we have seen payments getting acceptance in Canadian market, and we have sold second solution of the payment for one of the largest Canadian banks.

And during the quarter, we have closed our relationship with IBM. IBM and us have decided to go together in -- for America market, and that is giving us a reach in America and Europe. Besides this, we have signed a bit pivotal during the quarter. So these 2 partnership which we promised at '18, '19, we start doing the partnership, started building this partnership over here. We also build up a partnership in Europe for covering German and Italy market, which we don't have a direct presence, with one of the partners.

Moving to third business in banking, which is a capital market business, is RTM. This business is -- we were looking in Intellect 2.0 to pay attention to it. In 1.0 was time we spent in RTM business to make that product stable, having a good reference site and most comprehensive strategy solution and brokerage solution. The 2 solutions which is there end to end enterprise platform of brokerage, which has gone live for one of the large customer in Philippines, BDO Nomura, has gone live with end to end with all the stock exchange connectivity. That solution is built on AI platform, and latest Java platform. So that is a brokerage solution.

And second is digital treasury solution, which is 360 digital treasury unit -- second solution. To strengthen the team now to give more focus, we hired a new CEO, Janet Thomas. Janet Thomas joined the company in last week of June, and she comes with a background of working for Citibank Strategy and FX business and then Bank of America. And then she decided to leave this business and she moved from U.K. to Mumbai to work with the teams to build its business. And we added Chief Operating Officer, Pranav Pasricha. So we extended this business by a COO and CEO, both of them. And guiding us next value drivers in coming years.

The fourth business, iSEEC, is an insurance business. Insurance business, we are gaining momentum in two spaces. Our investment in machine learning, big data and applying that to give a better decisioning for underwriters, is giving us a major leadership over there. During the quarter, we won 2 more cloud deals on the AML platform. I mean, this is one of the best product, which is possible to get a entry into America and a little cutting-edge product in that market. And the entire platform, which is a cloud native platform, all that (inaudible) are coming in cloud native platform, which has a long tail and faster implementation cycle time. So [exponent] is emerging as a leading product in the American market in 3 business portfolio. Besides digital distribution needs, which we signed 1 more deal in for the largest re-insurers.

And you witnessed GeM, which we won last year sometime in August. In last 10 months of our operations, the GeM on this portal has doubled in last 10 months of the time. And it's accepting a better adoption and proliferation within the government sector. So we will believe that this business will take -- will become breakeven maybe sometime middle of next year.

On some of the recognition for our product as a product, we are able to expand better acceptance from the analyst, a partner has rated us (inaudible) quadrant for retail core banking for IDC, which we've talked about. Our customers are started giving awards, Majid Al Futtaim finance business (inaudible) excellent model bank award for their lending powered by our solution. And then we were also entered -- endorsed GTB as a leading integrated [serial] vendor for its analytics and role-based dashboards. iSEEC figures among IT leading US and Europe vendors for P&C insurance. So these are the 4 dominant recognition, normally we receive some 50, 55 recognitions per year on various reports, so our analyst section works with all the analysts in the world. We received something 55 last year. And so each report gives us a acceptance in the marketplace.

Finally, for the cash, we passed a resolution for insurance of equity shares up to consideration of INR 100 crores on a differential basis to promoter, promoter groups and employees of the organization, subject to shareholder approval. And along with that, we passed a funding resolution in a earlier board meeting in month of May about INR 500 crores. We are now relooking at the number and its

enabling resolution, which will be -- which will enable the company to raise the capital at appropriate time as we feel convenient but for the immediate needs, promoter has decided to put INR 100 crores in the company. So that takes care of immediate needs of the funding, if it is required for growth of the capital or anything to give the -- show the confidence in the balance sheet of the company. In summary, I wish to reaffirm that, I stated in the beginning of the conversation, we are on track to grow at over 20% and gaining market leadership across our product lines, backed by strong progress pipeline, increasing backlog and more installs and references and further endorsement. I look forward to sharing our success stories as we progress. Thank you all. Thank you very much for listening to the entire conversation. So I kept full brief short so that you can have all your questions to be answered in detail. And that our feedback we received during the last call that we left little time for the question-and-answer session. Because this business is new, you may have a lot of queries around how the product business works, so you can ask any question, even if you find this an obvious question. It's okay, because this is a new industry, which is emerging in India. And by crossing INR 1,000 crores, Intellect is trying to look at it that how we'll be the global leader in syntax space or globally. So please ask as many questions to clarification. Don't feel shy of question in nature of the business, not necessarily only financial in nature. When you may have a doubt in any nature of the business, please feel free to ask questions.

Operator?

Operator [6]

Yes, sir.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [7]

Can you open floor for the question? And anybody asking a question, let them introduce them first.

Questions and Answers

Operator [1]

(Operator Instructions) First question comes from [Mr. Apurva Kulkarni].

Unidentified Analyst, [2]

Arun, I wanted to ask that you mentioned that you've partnered with IBM. So is it across all the 4, 5 segments? And also have you won any deals in the American markets with the partnership in this quarter?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [3]

Not in this quarter, we just signed the deal. We have to have a go-to-market plan. And IBM is such a big ocean, we don't want to get lost in the ocean, rather work with the partner. So we have kept it to the GTB in a Stage I. And then maybe after 6 months, based on how much commitment IBM puts onto -- during the deal, we'll extend it to IDC and other product lines.

Operator [4]

The next question comes from Mr. Shyamal Dhruve.

Shyamal Dhruve, [5]

So my first question is on the growth part. Though you have mentioned it to be deferred in Q2, but taking into that account also our growth rate is down sequentially though, we had very strong revenue performance in last quarter. So just wanted to know that whether we have reached the threshold level at around \$47 million, \$48 million? And to grow from here on, we will need very high amount of sales and effort, which ultimately will have a pressure on margin?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [6]

Not really. I think if you look at it -- if we study mostly 2 quarters, we remain at same \$37 million. We initially were \$34 million for 3 quarters, then \$37 million, then \$42 million and then \$47 million. So this 2 quarters are \$47 million. And next quarter we're expecting because these two deals will get booked into this quarter, obviously, it will be better than INR 47 crores -- \$47 million. So it's not a interpretation that growth -- quarter-on-quarter growth we always mention that we should not measure quarter-on-quarter growth first of all. And the INR 17 crores or INR 16 crores number of our Q2 (inaudible) for the 31% growth in that revenue year-on-year, which is one of the best revenue growth in IT companies.

Shyamal Dhruve, [7]

Yes. And my second question is on the GeM deal. So whether we booked any GeM revenue in this quarter? Or any [rental] revenue as well as any expenses?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [8]

Yes, we booked a GeM revenue as well as we have cost attached to it, some cost that's capitalized and some cost is directly (inaudible).

Unidentified Analyst, [9]

Okay. And on the sales partnership, which we announced in last quarter. So did we get any of the revenue or any related expenses in this quarter? Or it is purely 100% organic growth based on the record driven by Intellect sensitivity?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [10]

It's not 100% Intellect sales team, yes.

Shyamal Dhruve, [11]

Okay and just a clarification. So last quarter, we had this sales partnership. This quarter, we had IBM partnership and new deals in Europe. Maybe, amongst you mentioned about (inaudible) partnership soon. Right now, 3 partnerships is that right? It is correct?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [12]

And then the fourth one in Europe.

Shyamal Dhruve, [13]

Europe, for Germany and Italy.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [14]

Yes, that's right.

Shyamal Dhruve, [15]

Yes. And just wanted a little bit information on IBM deal front. Like how would be the nature of the deal, any rough data like whether it would be joint product with IBM? Or IBM would be just sales partner for us? How would this, in terms of the deal, work?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [16]

Manish, do you want to take the first question? Manish, are you in the call. He's not allowed to -- his speaker is not responding. Okay. I guess, since Manish is having problem, let's just put him on a speaker slot.

IBM partnership will take next year number. Partnership (inaudible).

Shyamal Dhruve, [17]

So I'm not like asking for any numbers. I'm just asking for these details of the partnership like how this partnership will work? Is it a joint sales effort between IBM and Intellect? Or a product would be of IBM -- some product from IBM, some product from Intellect. How would this deal will work?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [18]

Typically what we have signed up is Contextual Banking Experience, which is a CBX. It's a unique product of us with IBM, and has agreed to take forward, as mentioned, to 60 banks, (inaudible) banks identified in U.S, which needs to be (inaudible) Intellect was essentially in U.S. market. IBM will but on the 54 banks.

Operator [19]

Next question comes from [Mr. Taki Saruchi].

Unidentified Analyst, [20]

Yes. Actually, I just have a question regarding the margin of the company. And the growth of the company's revenue have been very good, and very consistent (inaudible) But the margin is not there. So I'm asking, what is the reason behind this (inaudible) the margin like the EBITA for the current quarter was down over the last year also. So could you throw some light on that if possible.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [21]

That's right. I think margin into 3 ways like there's 2 deal postponements resulted into a lower EBITDA margin and lower operating margin. So operating margin has gone down to 47% as for the publishers are concerned. But if you add that INR 17.4 crores in license revenue, it comes back to 50% margin on operating margin. So it does not come down from that perspective. And from the overall perspective, year-on-year, sales and marketing cost that I mentioned that sales cost is going up. So for -- in the large deals, we believe that our sales cost, it is at INR 80 crores last quarter. This year, this quarter it's INR 79 crores in S&M and G&A, clearly that is at INR 100 crores. I think we are running in that number -- in INR 100 crores kind of a number in sales and marketing expenses.

Unidentified Analyst, [22]

Yes. And like there's sort of marketing expenses of the company has increased. So this rate of marketing expenses, so what can we expect this kind of things to book like this marketing expenses.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [23]

It will be there. It will be there throughout the life of the company. I think the growth will give us more revenue and bottom line, it will be there in the license. But as of now, we have booked almost \$7 million in license and \$2.6 million license in the last quarter (inaudible) in the quarter. We're looking the license number to go up to \$15 million a quarter. Once it goes to the \$15 million a quarter, that we're attempting the company to move towards and that will give us substantial (inaudible) the margin.

Unidentified Analyst, [24]

What kind of revenue level once we reach the impact on the bottom line, it would be higher than the top line impact, like is there any threshold. It seems that this revenue level after that, it's -- can impact the bottom line would be higher than the top line?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [25]

I don't know we don't think \$15 million is -- above \$15 million revenue will add more to the bottom line.

Unidentified Analyst, [26]

And we're almost close to that area. We're almost ...

Arun Jain, Intellect Design Arena Limited - Chairman & MD [27]

Yes. It can create (inaudible) after that point of time.

Unidentified Analyst, [28]

Okay. Sir, last one question. The INR 17 crores which is the revenue which we'll book this quarter. So if you had booked this revenue what could have been the impact on the EBITDA level if that would've come in this quarter?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [29]

Directly flow into the EBITDA.

Unidentified Analyst, [30]

Yes, sir. I didn't get your points, sir.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [31]

It will directly flow into EBITDA?

Unidentified Analyst, [32]

All the entire amount would flow to EBITDA?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [33]

That's right.

Operator [34]

The next question comes from Mr. Baidik Sarkar.

Unidentified Analyst, [35]

Just wanted to understand, a lot of deals (inaudible) that you have in front of you that as you believe that you will be able to deliver excess of 20%. Well, obviously, (inaudible) exit of Q1 even assuming that INR 2.1 crores will come in \$47 million, so which means that (inaudible) should be released fromj. But since answer understand on the transition we are having around advanced ROE and what kind of confidence are giving you to let you reach 21% above your sales?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [36]

Yes. So this \$47 million in the first quarter and if you just add that, factor that, it is in line with it. And there's a number of deals in there, destiny deals which we are pursuing. And the value of license in those deals. So the license value of those deals is increasing. So some of the deals where we have our license number going up \$1 million for license alone. So some of those deals are taking longer time

than we anticipated, but there are at least 7, 8 digital license number is close to \$5 million-plus. And those deals will now INR 100 crores. In U.K. is another deal of that nature where we are tied to 5-year subscription. So these kind of deals who participate itself is a very great thing. And to participate in Australian banks, going the last (inaudible) there in Australian bank and even into the largest banks. If people accepting our products and we are in the final 2 stages in this deal. As soon as for at least (inaudible) in our favor, this \$52 million, \$53 million number cannot be achievable.

Unidentified Analyst, [37]

Did I get hear you right, \$52 million to \$53 million incremental?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [38]

No, no, no. I'm just saying that the run rate can be achieved -- \$50 million to \$55 million run rate can be...

Unidentified Analyst, [39]

You just help me understand (inaudible) [INR 50 crores] what is a suitable over FY '19?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [40]

We mentioned 70% is the achievable over the same number -- 70% order (inaudible) [19].

Unidentified Analyst, [41]

Okay. And how do I (inaudible) subscription based revenue to INR 240 crores. Is that annuity number? Or is that a one-time element?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [42]

The total cumulative number.

Unidentified Analyst, [43]

No, no I'm just trying to understand. Your number is cumulative, so with that being continue -- I mean because the subscription pay-per-use, will this be an annuity number going forward every year?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [44]

Every year it's close to INR 50 crores, it will be annuity number, if you take it at 5-year number.

Operator [45]

The next question comes from [Mr. Priya Amitah].

Unidentified Analyst, [46]

Couple of questions from my side. First of all, this large INR 100 crores deal, which we have signed. So if you can share what was the license component in the deal? And whether we have booked the same in the current quarter in Q1? That was the first one. And the second thing is now that we're raising INR 100 crores in equity, and we have made some funds through selling some properties also, so a cash flow position is definitely getting least. So how do you plan to utilize these funds? Do you plan to make an increase investment in SG&A? Or plan for some debt reductions? I really wanted your thoughts on that.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [47]

Obviously, you have 2 questions. First question is INR 100 crores deal. We are not booked a new license revenue in this current first quarter. This is a subscription-based deal, which we'll start by accrual from those deals it goes right, we expected to go right some time in November. So we start accruing for those deals for the subscription basis. It's not that licensed based deals so we are ready. We don't have license booked for this deal in this current quarter.

Unidentified Analyst, [48]

Okay. So you said November, right?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [49]

November. It's 5 years in the -- 5-year deal of INR 100 crores, that number will pan out. The second thing you ask the question about the INR 100 crores preferential issue will be used. The INR 100 crores preferential issue as of now we have a debt of -- total debt of INR 131 crores -- sorry INR 184 crores of the total debt on the books and cash balance INR 131 crores, including (inaudible). So we're have a net debt of INR 53 crores, as of now in the books of account. So after paying off promoter in loan of INR 38 crores, whatever we have raised debt capital (inaudible) INR 38 crores loan, debt have been paid down on net. So we are having total debt of INR 184 crores, and I thing that number is not healthy from a new large deal when we are signing the bank or signing the deal. We feel that balance sheet of the company should be strong. When we are fighting our battle with the biggest spear in the world, then our balance sheet size need to be debt free.

So as of now, we are not making it debt free, because there is a loan of INR 100 crores or a loan around \$18 million loan is outstanding. So that means we may not (inaudible) we should for the managing the growth or positive better.

Unidentified Analyst, [50]

Right. If I can ask one more question. I think the previous participant asked you in the Government eMarketplace deal. So it would be helpful if you can share some numbers and how much in revenue have you booked on the deal? And how much is the cost for that, which has been capitalized and debited to the P&L?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [51]

Yes. So in GeM deal, exact revenues (inaudible) haven't done the total GMB, we are sharing what our investor total GMB is close to [INR 2,500 crores] in last quarter. So that's a number, which is GMB. We get a percentage on pieces there, which we get on on a basis. So exact number, we are not sharing on GeM right now because of competitive reasons. And the capitalization, also in the range of INR 7 crores, INR 8 crores capitalization cost right now in GeM business. It's not a very heavy deal on the company, but it is very high potential deal.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [52]

Is INR 7 crores, INR 8 crores included in that INR 29 crores R&D capitalization number that you shared earlier?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [53]

[
From GeM project -- That's the GeM as a project.

Operator [54]

The next question comes from [Mr. Apkush Simapirivana].

Unidentified Analyst, [55]

I want to ask about INR 200 crores for every year, you paid in -- you spend on R&D expenses? [.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [56]

Yes.

Unidentified Analyst, [57]

So this (inaudible) how did this segment, iGTB, iRTM and another 2.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [58]

Yes, 14 products, we spent INR 200 crores. So there are 14 -- first company that have 5 products from iGTB. There are 4 products on SEEC, and there are 2 products on iRTM, and 3 products -- 2 products from iGCB and there is this 1 in [indiscernible as well. So there are 14 products totally we're driving right now this INR 200 crores gets distributed around this 14 product portfolio. So exact number vary year-on-year. Is not on a quarter-on-quarter, depending upon, which product needs what differentiation and what technology of great, the very on quarter-on-quarter. So we will not make much sense out of how much we spend on each one of them. If it is there, because at this time we are spending \$2 million. That's a broad number, if you look at it. \$2 million for us to maintain a (inaudible) into \$28 million. Maybe \$2.5 million, some products maybe in \$2.5 million. That's a broad...

Unidentified Analyst, [59]

And second one on subscription model. So the subscription as operated banks are for how many years in the deal for?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [60]

There are 2 ways of meeting the deals and carpets and subscription basis: One a sign from contract. Like this 5-year contract of INR 100 crores some contract. And that some contract with the bank also walk out, they have to pay for the (inaudible) 5 years, they're going to renew it?

Unidentified Analyst, [61]

Five years, -- to renew it. Now money goes up to 15 to 20 years. These deals are not months ended up, it remains over 15, 20 years.

Operator [62]

The next question comes from Mr. Amit Chandra.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [63]

So I just have 1 chance as I mentioned that 2 large deals were referred to the next quarter. Revenue of \$2.6 million and license. So the biggest deal (inaudible) deals that. Been.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [64]

That's right, that's right.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [65]

And what is in the license component around \$1.3 million. So when you're saying it's not more large production deal, how do you define our deal? Of lesson someone understand the last year will be in the range \$4 million to \$5 million. In my correct? Or is it something else?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [66]

We think the INR 20 crores left. The final (inaudible) deal is INR 20 crores means [\$3 million] deal in license plus implementation. So these deals are \$1.3 million, you calculated very well and implementation is \$1.9 million of similar (inaudible). If you make this \$3 million or about \$3 million range, both the \$3 million range. And INR 90 crores price that would be INR 50 crores. The \$4 million license deal, what we announced in October, at that time it was a INR 50 crores plus deal.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [67]

Okay. Anything above and now in the system or anything above \$1.5 million is not ideal, right?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [68]

That's right. That you can literally value with it.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [69]

Okay, okay. and is it possible if you can shed some light on the nature of the deal what you've mention. So in this (inaudible) reasons?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [70]

This across I think in the press release, we have given the textures of the deals (inaudible). Even in the deal iGTB, I think uniformly maybe in all 4 of our businesses. And the one more deal, which we want to highlight in the wealth management. It is important deal which is not a part of the 4 businesses that we're incubating a separate business. And that business we're now one of the largest Malaysian banks, CNB has decided to taken is wealth management platform for additional implementation for their entire region implementation. So that's an area, which is emerging. So we don't want to confuse you with a lot of data. But that's an area, which is there. And also used on the press release if you can cause just go to the press release and assign find.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [71]

And sir, on the increase in the SG&A and R&D cost. So they have not been capitalized part of the R&D, that area is to be in the range of INR 26 crores. Now, it has increase to INR 29 crores, INR 30 crores. So we've seen cost, there's an increase in SG&A and R&D. So are you thinking that maybe -- with the part of the SG&A and R&D currently has been done or has the deal because it happen. It will surely bring in margins. But that is not happening and we're (inaudible) capital and there is constantly happening. So by then we can be sure there is no additional we've capital? And we have fully capitalized and we have the right sales team, which can drive the sales to \$100 million.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [72]

The question is I think there is no cost or issue. Look at the numbers are going well. When you look at the product company, what are the market share we are taking out. The measurement of the focus on the bottom line we have given you the benchmarks that we will be spending INR 200 crores, and same number is we are achieving. So there is [26 or 29] or [19 or 21] those are marginal differences than any large organization like Intellect is hoping for that portfolio. It's INR 2 crores here and INR 2 crores there. It's not the number we can look at it from a global perspective. So we will not be able to control that number. But if you look at it on an annual basis to INR 200 crores or [18, 19] we've kept at INR 200 crores number. Secondly the point is for a company you need to look at what kind of a 4 we're getting into. It's cloud revenue was INR 100 crores revenues there. It's a substantial shift to invest? Just of the bark, which enters the company in this INR 100 crores deal can transfer to INR 500 crores, next deal could be INR 300 crores. The measurement in metric, which is required to be there I think is currently too much focused on current R&D expense at INR 200 crores commodity expense, which is less than \$30 million. We're unable to maintain 14 product line. It's one of the most efficient method of managing product lines because the. Company with major competitor at least \$20 million of managing 1 product manufacturing in R&D cost. So that's just I think a transition comes in. But it is a quarter here we have \$60 million revenue, I cannot predict right now. But that's what we're shooting for building this institution, which can become \$100 million quarter per revenue business. And we're managing this cost through so closely of INR 200 crores here and INR 200 crores there. So please bear with me that this INR 2 crores or \$0.5 million cost.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [73]

Also something unless your the market is good there is some incremental cost does not matter what we're seeing over the last 2 years like you're also (inaudible) SG&A cost and also -- for that (inaudible) and that part of time (inaudible). So that think coming in the near future with you have to prepare for. But on the IBM front, IBM you've mentioned that they be in partnership hasn't capability to sign 30

deals in the next 2 years. We were deal at front range \$20 million. So if you multiply that, so the incremental revenue from IBM it should be \$150 million. So is that correct? Or is there something?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [74]

What we mentioned in the last call is that our focus market size with IBM is 60 times in American bank. And the potential is we can win 30 or 60 banks. But we talk about the potential. print say \$150 million would be the number time from IBM. We're number, I think we interpreted that number. So overview is -- IBM potential is of 54 times my market would be 50% of the addressable market. money when we have introduced time? That time will tell how much would be there potential could be we can win 33% the next 3 years, or 40% (inaudible) next year. 50% in next year. So that's of frustration which is difficult to predict at this point of time.

Unidentified Analyst, [75]

Right, sir. And this IBM partnership give also some kind of revenue share agreement or license with IBM implementation?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [76]

Yes, that's right. We have initiative from them, they don't want to (inaudible).

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [77]

Okay. And sir, lastly on the collection front. So collection has been improving significantly in the last 3 quarters. So definitely that's an achievement. So what is -- It's being except market conditions? Or is now running the company and at what level we can see that to go around 111 days in the current quarter?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [78]

I think 111 is a very good number for a product company. I think your question is very good that the cost of our excellent levels. I will give the connection was actually proportioned to deliveries. I think we have our focus on collection earlier and before 2017. As soon as we start focusing on the management of delivery, when we extend the delivery of the product, I think that is the reason data collection because we delivered on time you get the payment on time. When you deliberate, to get the payment late.

Operator [79]

The next question comes from Mr. Rahul Jain.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [80]

Conversion on winning the new deal and you can that there is encouragement. I want to do is and how this recognition and global out of planking has been effect benefit to us.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [81]

Substantially I think our pipeline is going -- we're selecting the pipeline. That 2 things are happening our bargain going to \$15 million. At this time what's happening up we're having almost 300 leads, which is not qualifying into pipeline. We are choosing on those deals. So now we are able to choose the deals, not including ourselves in the deal. we are not going to invest \$0.5 million in the market. We would -- we have withdrawn ourselves from those market deals, which are less than \$500,000 deals have been returned from the marketplace. So they will available revenue not available to the company 2 years back where we had a choice of choosing which deals pursue, which deals pursue we feel we should not pursue. That said, the pressure happening is not happening because of our Bates, it's about the program competition, it's about the better it's about the better regional of it. It's better execution. it's happening on all that front. If I would say is current confidence what you're talking about.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [82]

Okay. And based on the recent table all last product categories, we can see we are in top 2 level. Does it make sense to be future as a single category versus the individual segments?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [83]

Yes, that's a good idea, we can work on it.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [84]

And sir, from the order backlog perspective, this is very handsome update that we are seeing. So that strong for a specific or we're also seeing some benefit in terms of overall market scenario turning better in this segment?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [85]

Both had a real. I think that are also for more spend on digital and the second -- there are 2 factors which is there are 2 tailwinds: One is a more digital spend and second is on more (inaudible). So people are willing to look at it by decision, more than will decision. So these 2 tailwinds helping our client, better attraction in the market.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [86]

Okay. And from an S&M competent, can we -- SG&A component, can we keep up -- do we keep up in terms of what is S&M of it?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [87]

S&M is INR 79 crores something. INR 79.5 crores.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [88]

So this, again, sort of, at all-time high kind of a number when we did an estimate last year, we were saying that this would be a kind of a big number. So how we are reviewing this now?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [89]

Yes, the increase, which I mentioned in the call the presell cost is going up. So that time we (inaudible) sales and marketing. Those costs are same at that level, but as he moved our journey to large deal segments, where I mentioned 5, 6 deals out there, \$5 million or \$4 million license, 11 plus. For those deals to pursue, we have a substantial investment on presell side. That is we need to increase our activity in the presell capacity that. And their high cost associated in presell or processing those deals. So that is a deal, which is gone up compared to last year what we discussed in the summit. What we spend is in line with this (inaudible) is INR 79 crores.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [90]

And sir, if I have to say that all the 4 segments if you have to calculate this revenue to sales multiplier or get better sales productivity, which segment you see that even because obviously we're spending more (inaudible) turning into a better growth, but all 3 segments where we can see this to be highest?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [91]

I think as of now, the biggest percent of the different stages of life cycle of the sales in the common sales across the front-line. So we're looking at full driving 1 account answer multiple products on it. Plus sales productivity is much better sales cost is much higher revenue into the first time in the call. Many time investment. So there's a high presold cost leg in Canada if I go and find these with CBC in Canada, and high presold cost in the beginning. But thereafter that it comes from substantially because when it tips additional value component. So we don't calculate that but we question you're asking as of now. But we recorded for sales cost more from the perspective of how deeper we're able to get into (inaudible) stage stage. And that sales are we shift as sales cost, because we don't expand too much time in this division. We spend more time in deal management and deal movement and deal closures.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [92]

And sir, if not this (inaudible), can we say that is a from a geographic perspective or product perspective, are there any profit center for us already -- in this market we are winning number of deals. So in a way, that's (inaudible) that country has turned more profitable than the overall organization, which product or geography or any other dimension that we can say that this things out and now significantly profitable?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [93]

As you can definitely could be there, but I'm saying that it's irrelevant. I think they're all metrics to manage right now. What you need to manage is now -- what we are thinking is winning the large bank deals like Bangkok Bank, or the largest Bank of Thailand, the largest Bank of Vietnam, largest Bank of Malaysia, or largest Bank of Spain like in January won the deal. Now these are the market places which will take 18 months. So my next (inaudible) in '19, '20 and the implementation will have the next 4 banks will look at first information as a bank as well. So one of the important factors in banking industry is the herd mentality. If you implement 1 solution 1 market, then every bank follows. If you leader in India, the leader in Europe. So each market has one leader. So 80% -- and leaders take almost 70% to 80% market share. And we're winning this deal. When We are CNB wealth management solution we have 1, we were winning 3 motives in next 24 months, but we market watches you for the good the presentation. That's where our focus in U.K. and implementation is it that funds we will the deal and implement injury deal time, next banks was there in each market to be exploited. So that I think we're 2.0 and 3.0 means we will get substantial mission and the measurement in 3.0. In 2.0, it's measurement at the level not at the market level.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [94]

Okay. And last from my side. But what the total value of the asset sale that we did. We have shared the prophet. What was the book value for ? And also if you could give the annual Capex and intangible capitalization plans for 3 years?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [95]

Yes. So (inaudible) INR 38 crores. I think the purchase value was maybe less than INR 1 crores, so almost like (inaudible) game. Since it was a part of the original property, which we've had and had about. As of the falls over there and what was your second question?

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [96]

What is the annual CapEx with direct as well as intangibles that we have planned for year?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [97]

That's what we're saying, INR 120 crores or INR 130 crores.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [98]

INR 120 crores would be the intangible component and normal Capex?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [99]

Normal Capex is small, [INR 30 crores] or something.

Operator [100]

Your next question comes from Mr. [Ashish Medal] the middle. should we take the next question sir?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [101]

Please. We have a lot of questions now.

Operator [102]

The next question comes from Ashish Aggarwal.

Ashish Aggarwal, [103]

I wanted to ours first on this land drilling that we've done and now we have investment in the company. So are -- and looking to sell. So is there is more of property we have? Or are we still have some more property to monetize?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [104]

Yes, we are full percentage close to INR 200 crores was the land bank or real estate was there. This is 1 of them, INR 200 crores, which we currently capitalize. Our target is to another INR 20 crores, INR 25 crores to sell this yes -- this financial year.

Ashish Aggarwal, [105]

I see. And so Arun, this INR 200 crores is your book value? Or this is what you expect to sort of get when you sell or which you've gone got around INR 40 crores now?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [106]

Yes. It's not a book value, it's an expected value.

Ashish Aggarwal, [107]

Got it. Again I think maybe another way of just understanding what our cash need on an ongoing basis. Is it fair to assume that on a yearly basis, apart from deals that we will make, we will have a cash burn of around INR 150 crores? Is that a fair way of understanding how -- what our cash it will be?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [108]

I think this will cash need is right now, because (inaudible) is also alongside the market. So we're just watching is coming largely it needs. And if you're getting license then. So we established not first people right now from a perspective of what cash. That's why we are concerned about it. Lastly quarter, when should we not burn the cash between Q1, Q2, Q3, Q4. But when we see the positive need, would like to capitalize on it. Like the cost we need to believe we need to gross decisions quickly on the feet. That's why I'm slightly not able to get the full cash requirement, but a \$48.5 million in this quarter was a very healthy number, and this is and will continue and it may not require operational cash, but at least few deals get delayed or some payments gets delayed, even if some (inaudible). So slightly we are able to build up a pattern right now. And maybe (inaudible) better pattern of this business.

Ashish Aggarwal, [109]

Right. And understand that things fluctuate but just knowing that what we know now, INR 120 crores for capitalization and INR 30 crores of normal CapEx. So whatever EBITDA will make (inaudible) so around INR 150 crores we should assume. Is that another way of looking at it?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [110]

Another way of looking at it. If that's okay. It can be lower and the more license revenue can be lower, it can be higher. If you spend something more.

Ashish Aggarwal, [111]

And then a little bit more of a strategic question. So we are 4 business lines, which clearly are doing sort of in different quarters, different of the business lines status. But what is your sense? 1 challenge, which we see sort of is at the needs to push aggressively in the business plan. And we're seeing a lot of opportunities. So has the management thought about maybe leveraging one business line, monetizing it and then going after the other 3 or 4 business lines? I mean, how do you think about it?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [112]

If you trust the company for the last the 4 years, we took (inaudible) in the first time for monetization. Now, iGCB will be growing 30%, 40% level in coming years. There is a huge margin there. So that is 1 business line, which we're taking there. First, then we look at insurance business. So 2015, we started investing in iGTB then we started investing in insurance. Then we announced we started investing in iGCB. Last year we launched iGTB. If you look at it year-on-year, iGTB in 2015, '16 is insurance, '17 is iGCB. And we iGCB -- when we invested in iGCB in 2017, we won this INR 100 crores deals in [IDC 17.1]. Now this year, we're looking at IBM. That's all where the money is lying. That's what we're investing into it.

Ashish Aggarwal, [113]

And just to follow. Do we see that we will have enough of what we need to be invested on? But is there a value in saying let's say, one of this business lines we can find the strategic fit somewhere else and would possibly sell it or get some partnership, get the cash for the rest of the business lines if you push harder?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [114]

No, not necessarily. We're asking at least 3 business lines the visibility of \$100 million in the next 3 to 5 years. Because if \$100 million (inaudible) from [\$45 million] from prospectively, business can be \$100 million. So at least (inaudible) 4th year, they're able to meet, that they can become \$100 million. We are exploring the market size and capacity as you move forward to make \$100 million. That is a milestone for us, at this stage -- how do we get there is a decision of \$100 million.

Operator [115]

We have Mr. (inaudible)

Unidentified Analyst, [116]

And have the question is regard to the right company we have some different not like the normal IT companies. So 1 think I want to ask you where the competitors and what is the science of them. Who's competing with whom. Competing? And other signs of their business what do they do?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [117]

Yes. I think we've repeated it basically we're competing in each business line with different sort of competitor. (inaudible). Competing with be used to, with hundred is \$3 million. And core banking, completing with dominoes. The size is \$800 million in revenue. And in insurance business, it's a newer a destructive line of AI and machine learning. There are some companies like (inaudible) that are competing (inaudible) in iRTM, we competing with some bank, and basis.

Unidentified Analyst, [118]

Right. Our company's converting -- small industry like revenue...

Arun Jain, Intellect Design Arena Limited - Chairman & MD [119]

We like insurance of 1999.

Unidentified Analyst, [120]

Okay, right, right, right. So the growth of these companies are the larger companies we've seen and the growth we're seeing, are we going to see good growth or because of the small size we're seeing good growth?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [121]

No because of better product quality, we're seeing good growth. We build on the technology and other product companies are not investing the money in building revenue technology as much as giving away. We have thousand people saying Indian building. we just models are in the laboratory and/or the world. But even in financial well, I think we can take pride that we have our technology. Provider, technology company for financial well, best-in-class. we can closer call now.

Operator [122]

Okay, sorry. That does concludes our conference for today. Thank you for participating on the (inaudible) conference. You may now disconnect now. Thank you all.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [123]

Thank you, everybody.

Unidentified Company Representative, [124]

Thank you.