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CHENNAI Oct 27, 2018 (Thomson StreetEvents) -- Edited Transcript of Intellect Design Arena Ltd earnings conference call or presentation Thursday, October 25, 2018 at 11:30:00am GMT

Spark Capital Advisors (India) Private Limited, Research Division - Former Head of Research & Assistant VP of Research

Thank you, operator, and good evening, and welcome, everyone. Thank you for joining us today to discuss Intellect Design Arena Limited financial results for the second year of fiscal year 2018, '19, ending 30th September, 2018. The presentation and the press release have been sent to all of you and is also available on our website.

Our leadership team is present on the call to discuss the results. We have with us today Mr. Arun Jain, Chairman and Managing Director; Mr. Venkates Saranu, CFO; and also on the call are other senior members of our management team.

Mr. Arun Jain will brief you on the performance, this will be followed by the Q&A, which will be applied by the senior members of our management team.

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

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

Good evening, anyone, who joined the call. I hope you have seen the results as well as downloaded the presentation either through the mail boxes or through the internet site.

So I'll now go through the presentation as already we shared. I'll just like to look at it what we are -- I'm seeing or we are seeing from the management desk how the business is moving forward.

Obviously, it's a proud moment for me personally that after a long time we've been able to achieve close to 40% -- over 42% growth year-on-year. This seems to be the case in earlier business Polaris, but after that 40% growth was elusive growth. But the change which we made with our delivery system that how -- where the industry is going from outsourcing to products in 2014 and I think we are leaving those moments now. It took us 3.5 years for very hard time from the perspective of building a brand, building a product, building right customer references, where we started to dive in the results what we have delivered in this quarter.

So what are we celebrating as of now? So I look at just 6 different things, which is building a more customer base. So typically moat is an outcome of multiple factors, and what we are building moat as of now is around -- first of all, celebration point is around GTB, that product being #1 in the marketplace, definitely as #1 product in the banking space is always the one more than 50% market share, and it's the demands premium pricing.

In last 4 quarters, we realized consistently quarter-on-quarter premium pricing on our product, we could lift the price point from a \$10 lac to -- close to \$15 lac for the product, so it's something substantially different. This resulted in celebration 2 that our license revenue growth for the first half, I'm not taking only this quarter which is 96%, but first half of the year grown by an 86% of license revenue.

Celebration 3. We are celebrating our strategy, deliberated strategy. In -- some older time in January this year, beginning of is year, we started focusing on theme base only. So we started looking at it just going for number of deals, we have started going for a lesser number of deals, but very quality deal where management focus can be there and that is driving our growth. We are celebrating we are able to make bold decision of committing to investments with the speed at the right time. A lot of time, there is a duty issue there regarding the technology business, the duty is a most critical piece. Our -- this decision, we've been able to take because of our strategic advisory council and management team. We have ability to pick up the trend fast. We picked up the trend in 2014 about digital technologies and all our products were omni-channel based, digitally aligned, which industry picked up in 2016, 2 year later. We have picked up AI trend to be embedded into enterprise space. We picked up -- we invested into machine learning, big data, cloud-native technology, resulting into effective AI sometime in 2016. We invested heavily out of New York on Toronto that has given us -- Intellect to be positioned as a contextual and real-time software, which is giving us unfair advantage in the marketplace.

And this quarter, we have invested additional INR 8 crores in building higher delivery capacity because there's some attraction of growing at space we planned our capacity at 20% growth, we achieved 30% growth in this quarter. We are to plan the capacity in advance because it takes 9 months' time for us to build up it's a better talent, which is suitable for our business. And then, taken a bold decision to take a provision of INR 9.5 crores for underlying engagements of Intellect 2. -- underlying the engagements to Intellect 2.0. So we are looking at those engagements, which are nonprofitable or long-tailed or the customer is not aligned to our Intellect digital strategy to be made them aligned. And if decision has to be taken to let go, we'll let go those customers.

The Celebration 5 in BFSI sector. The technology spend of advanced market is at least 3x the spend of emerging market, but it's most difficult to crack advanced market. We are now won 8 deals out of 10 in these advanced markets, U.S., Canada, U.K., Austria, Sweden, Singapore and New Zealand, Australia.

Our share of revenue from advanced market has crossed 58% of the gross revenue for the LTM ending September, 30. For the GTB business, this ratio went up to 74%. So 74% of GTB revenue in this quarter came from advanced market.

Celebration 6, where we are celebrating, where we took a decision in 2013 that culture comes before strategy. At Intellect, we are leaving this race day in, day out. We are investing in design thinking and talent since 2012. Today, we are able to weave together one of the world's finest team from over 14 countries as a team of purple people. Team with ability to connect business and technology. Today, we have over 75 purple people team of industry-best people in the area of product management, technology management, business management, execution management in one frame of the Intellect. And I think these 6 elements create huge moat for any competitive companies to come in this space. Because you can say for creating a moat, you need to have all the 6 pieces coming together.

Why we are winning at market place? That's a common question, that is this sustainable, not sustainable. That's a question of any investor who will be there, who are sitting -- who are not being part of the journey. Our belief is that it's good to have product to be 98% competitive, but it's last 2% that drives leadership.

It's just that last 2% which makes our product differentiated in the marketplace. For #1, it's just not even 2%, it's just 1%, which is a thin line between win and lose. When we are able to charge 30% premium on our competitor, it's a differentiation of last 1% which makes that difference. Our continuous focus to go deeper in each product at level 5, rather than being satisfied at level 3 or level 4. We have integrated technologies to business outcome in Intellect product like which has completed in 2016, which is as contextual.

Intellect's products are built on last 25 years of Polaris knowledge and they're refined by a continuous technology investment at the right time. We're largest research team of almost 1,100 research engineers, connecting complex and continuous emerging technologies in our products. And that's what differentiates us because our products, when we demonstrate to the customer, are -- such a part, are branding and marketing function, which works along with the presentation layer, but here some of the picture you're seeing on Sibos. We have more than 200 meetings prescheduled, PF rule timings in the Sibos this year. And this happens because of the machinery which sounds like a clockwork.

Now the next question will be what is our challenges? I think 2 challenges, we are focused on the synergy. So we have moved from 22 deals in fourth quarter, in fact, to 35 deals in Destiny bucket. These are very important deals for us and we are winning those deals in the right proportion. In this quarter, we won 2 GTB Destiny deals and 2 in GCB, 2 IDC deal was very, very interesting deal; 1 in Australia and 1 in Cambodia, but both the deals are the high value, where we are making a difference to the customer. So this is second IDC deal, which we have won in advanced market after last quarter we announced the deal in U.K. So after winning GTB as a leading #1 product, now clearly IDC is coming up like a one of the best product in coming engine. And especially, then applying AI bot, the release -- IDC 19.1 release, which we are planning in January that is going to be one of the world best product in IDC.

So first challenge is, this deal -- Destiny deal, sometime we may not able to track quarter-on-quarter. The ways which happened last quarter, \$2.6 million got shifted to the next quarter, the impact that accounted in this quarter. So that's the kind of a quarterly issues. But on annualized, yes, very confident because our pipeline is as strong and becoming stronger where we can choose a pipeline.

Second thing is, our delivery capacity. In our business it's not about -- it's not like as pure service business where we can recruit the people from the street. There is a gestation-type time of between 6 to 9 months for making the people to meet the standards of Intellect team member, the certification process inside the company. And that's where, I think, we have to invest in advance. In last quarter, we had to invest almost 200 people to be brought in, in advance in ahead of time to drive and meet the expectation of the client in coming quarters.

As of now, we are -- in some of the product lines, we are saying no to the customer for new deal since we want -- we don't want to have any accident in the journey going forward.

What are our future priorities? First priority is our partnership network. We have signed 6 partnerships in last 6 months. We signed up IBM, we signed up AWS, other partnerships, the r3 for block chain, ppi and Bolero for digital ecosystem. And ppi for even market -- our distribution in Europe and Evris is another company in the Western Europe, who will be distributing our products. So this was our promise that we'll be going for the partnership network in '19 and '20. I think first 6 months, we are selectively choosing right partner who can represent our product in the market very well. So these are 2 -- and second priority is to crack the cloud business. I think we have good traction in the cloud business. The deal in U.K. is giving us a good traction in the cloud business, but still lot more can be done, and that's where we need to work with IBM Global Services on their cloud, IBM cloud or AWS cloud and we are evolving on those strategies. But those 2 strategies of AWS, IBM is not going to impact next 2 quarters, that's the agenda for next 4 quarters for cloud business.

So these are the points I wanted to -- like to bring it. All the operational metrics are there in front of you, where you can check it up. And if you have any question, please start asking questions that will be better conversation and better utilization of time, where we can understand the business, how we are growing the business. Thank you very much.

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Questions and Answers

Operator [1]

(Operator Instructions) First question comes from Mr. Shyamal Dhruve.

Shyamal Dhruve, KARVY Stock Broking Limited, Research Division - Research Analyst [2]

So my first question is on the partnership, which you mentioned, like we did 6 partnerships in last 6 months. So whether any of these partnerships resulted in any of this deal in this quarter? Or it is purely the organic growth, which we have delivered in this quarter?

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

The only organic. These partnerships are only for next year.

Shyamal Dhruve, KARVY Stock Broking Limited, Research Division - Research Analyst [4]

Okay. And on the demand front, like, on the Europe side, we are still not sure whether what would be the outcome on the Brexit in next year in January, February. So are we seeing any concerns by the client or it is business as usual by the clients? And the spending is also -- whether the spending is going as per you plan, like expectation or any headwinds you're seeing in the European geography?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [5]

We don't think any -- because what we are seeing is that banks have delayed these decisions quite a lot. All our digital decisions are delayed substantially. And now the market has moved to next level, from digital it has moved to contextual. And they are not interested in digital yet and on a contextual digital becomes a next month. So I think what we are looking at is budgets for 2019 are already signed for most of the European banks. So I think that (inaudible) to sign it up. If something happens in Brexit, I don't know, those are unknown, unknown. I can't forecast what will happen there and something we need to be prepared for. But as of now the relationship which we have are deep relationships. Our revenues are more committed revenues in Europe right now.

Shyamal Dhruve, KARVY Stock Broking Limited, Research Division - Research Analyst [6]

Okay. And on the government team marketplace like, has the platform fully functional? Or are we still seeing some work to be done? And what would be the revenue contribution, if you can share?

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

Yes, I think government's traction as per the plan, our government is working as per the plan. They had forecasted some INR 10,000 crores field in the first year. They are moving more than INR 12,000 crore in a -- so their monthly run rate has moved to INR 1,000 crore a month. So I think they're going on track. There are slightly more investments from our side on some of the expectation of mission to accelerate it because they plan for INR 7,500 crore to INR 10,000 crore. They are looking for to increase to INR 15,000 crore to INR 20,000 crore. We invested slightly more resources to accelerate that momentum.

Operator [8]

Next we have Mr. Baidik Sarkar.

Baidik Sarkar, [9]

Couple of questions. I just want to understand the composition of your cost structure is slightly better. And in spite of such strong read on the revenue front, I see our gross margins are still up 50%. In the years prior, these were comfortably above 52%, 53%, and the absolute growth itself for the last 2, 3 years has been quite strong in spite of which we kind of, not reached that. So I'm just trying to understand that something changed in the cost structure a bit? Or is it more a pricing issue that is seeing us trailing this number?

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

Yes. So I think, I mentioned about this INR 8 crore building higher delivery capacity. So this goes into LT. I don't have any other bucket to classify that number of INR 8 crore of 200 people that we recruited for the building a capacity plan. If you take it away, then it will be over 51% from the margin perspective. So that's how (inaudible) in this process of starting the new engagements (inaudible) costs are higher. So that -- it is based on, so this margin with a high number of license, your judgment is right that this could be in the range of 53%, 54%. So we have a 2% shortfall on the on-site and the travel cost.

Baidik Sarkar, [11]

Sure, sir. That's helpful. And I'm sorry to make you repeat this, but this INR 8 crore, did we commence taking of it from Q1 or Q2 of this year?

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

We just -- when we are trying to go for the market for buildings that time you sense the market that our pipeline is looking very strong. When we started hiring sometime June onwards, this got reflected in this quarter.

Baidik Sarkar, [13]

Okay. That's helpful. I'm just looking at our order book, would it be impossible to slice that into a near time. I mean, I understand the order book is given us for 12 months, but would it be more back ended? Or would we see more order -- more at the end -- looking over the next 2 quarters, so it's a sense of how evenly that's distributed over next 4 quarters?

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

I want to understand what you are expecting (inaudible)

Baidik Sarkar, [15]

So I'm just trying to understand the INR 1,000 crore of order book, will it be more back ended over the next 3, 4 quarters? Or will it be evenly spread out over the next 4 quarters? I am just trying to understand the visibility in (inaudible) perspective.

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

This is basically -- some of the projects are 18 months, some of the projects are 6 months. So cycle of this -- so increment is -- cycle the project like we implemented the last quarter in 16 weeks. So in one project it was implemented in just in 16 weeks, some other projects are getting implemented in 12 weeks. So this is a combined order book, and that's why -- and some projects run into 18 months. So that last deal in Singapore may run over the 2-year period. So that's a quite a variation of the deals are there, that's why the order book, as of now, we are able to give you, is a consolidated order book. Maybe we'll try and attempt to give you a better picture. I'll ask my CFO to look into it how do we can give a better picture.

Baidik Sarkar, [17]

Sure, sir. And what would be a cash burn for quarter right now?

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [18]

Yes, cash is there as of 30th June -- sometime September is INR 112 crores is net cash -- for INR 413 crores.

Baidik Sarkar, [19]

So I was talking of cash burn, sir, cash burn.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [20]

Cash burn.

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

So total cash burn, if you look at it from the perspective which was last quarter, it was positive from cash burn perspective. And from the cash flow perspective, if you look at it, so that is a different perspective. But cash burn in this period, my EBITDA is INR 38.5 crore and capitalization is INR 29 crore. So INR 9 crore is positive there.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [22]

Yes.

Operator [23]

Next we have Mr. Srivathsan Ramachandran.

Srivathsan Ramachandran, Spark Capital Advisors (India) Private Limited, Research Division - Former Head of Research & Assistant VP of Research [24]

Just wanted get a sense, we've have a massive spike in license sale, and in spite of that profitability has been lower, even if just for this INR 8 crore number, absolute increase in license fee where you always about INR 50 crores, INR 54 crores and that'll be almost at 80% gross margin. So I'm just wondering if the next quarter when license fee kinds of falls off, do we -- for the next few quarters, will we run a big risk of steep decline in profitability?

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

Okay, Srivathsan. So let me view the scorecard of the profitability on the license side. So it's 13 -- INR 8.5 crore is the current EBITDA, INR 9.5 crore, we've taken additional provisions, which is specific to this quarter. This is not going to be next quarter. INR 8 crore is an additional delivery capacity, which will get consumed in the current quarter. If we add them up, this comes to INR 56 crores. There's INR 3 crore of currency expense, which is because our revenue has gone up, there is a INR 3 crore of currency expense, which just makes it INR 59 crore. And then there is INR 5 crore of partnership commission for the additional license sale. That makes it INR 64 crore. So EBITDA, on apples-to-apples comparison with the INR 64 crore versus INR 38 crore. So that, Srivathsan, is a pipeline calculation, which is there. Rest everything is -- rest of figure is constant.

Srivathsan Ramachandran, Spark Capital Advisors (India) Private Limited, Research Division - Former Head of Research & Assistant VP of Research [26]

Fair enough. I just want to understand, what is the nature of almost INR 11.5 crores provisions for bad debts and right-offs are there? Just wanted to understand what's the nature of it? Is this a client gone bankrupt or which market? Any more color you could give?

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

Most of these clients are Indian clients or Asian clients. And they are running a long-tailed projects. They want to exploit us. Today, we don't have energy to expand on long-tailed projects. We want to close them off. When we have somewhat opportunity sitting with us, we want to give -- take a tough stand with the customer, whether they want to appreciate the quality or keep on haggling on some CR or something else. So we are taking bold (inaudible) right now to go back to the client that whether they appreciate the quality of what we are delivering. If they are not, then we need to let go. So it's not a full provision as of now, it's not full right-off. But we have to take a onetime call that, okay, Intellect 1.0. We signed those deals in -- sometimes in 2016, '17 or '15. But client is not ready for accepting the technology what we are delivering. So these are long-tailed project, typically.

Srivathsan Ramachandran, Spark Capital Advisors (India) Private Limited, Research Division - Former Head of Research & Assistant VP of Research [28]

Okay. And then that leads to my next question. Is there a conscious effort now to shift even demand is so strong in the developed market. Would it be fair to say that 1 year from now, revenue mix can be actually lot more skewed towards developed markets because not only do they pay better but even in terms of collections or tails like you said, it's extremely tough to operate more and more in the emerging markets?

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

That's right. That's right. I think we are not classifying -- we are not painting the emerging market under one color. Like the issue is very different from HDFC than YES Bank category. So we need to look at those selective customer who are technology-savvy. I think that's a market segment we are looking at it.

Srivathsan Ramachandran, Spark Capital Advisors (India) Private Limited, Research Division - Former Head of Research & Assistant VP of Research [30]

Okay. And then just one last question. In terms of a direct relief, you have to look at by when you think we could be free cash flow neutral? Not even positive.

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

What do you mean by that? Like how do you calculate free cash flow in the -- we can't develop...

Srivathsan Ramachandran, Spark Capital Advisors (India) Private Limited, Research Division - Former Head of Research & Assistant VP of Research [32]

From operations minus product expenses and other CapEx that's been incurred?

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

Yes. But we -- in this quarter, it's free cash flow and positive this quarter.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [34]

The cash flow this quarter...

Arun Jain, Intellect Design Arena Limited - Chairman & MD [35]

Cash flow means you're not talking about collection. Are you talking about collection, Srivathsan?

Srivathsan Ramachandran, Spark Capital Advisors (India) Private Limited, Research Division - Former Head of Research & Assistant VP of Research [36]

Both collections, minus expenses, minus capital expenditure?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [37]

Okay. So that -- we should be I think by end of the Q4 maybe.

Operator [38]

Next, we have Mr. Mohit Jain.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [39]

Sir, is there a split available for your costs, both SG&A and cost of revenue in terms of dollar-denominated, rupee-denominated? Broad numbers will help. I mean, I'm not looking for accurate, but..

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

As you know in currency distribution of our revenue -- will that help in revenue because that revenue is -- 29% is USD denominated and 21% is GBP denominated.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [41]

21% is GBP?

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

Yes. So that year, I think, we got it, particularly, in this quarter because of I remember, internally, [MIS] number on constant currency, actually \$56 million. \$56.2 million is the MIS number based on our constant currency on 31st March.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [43]

Yes. Impact, well below just 2.

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

Impact which will end up into because of the GBP, close to \$2 million or lesser so it becomes \$54.2 million that is \$0.4 million. So there is a too generous gap because of the currency of the GBP.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [45]

So 21% in GBP, any other major currency?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [46]

Singapore is 18% this quarter, INR 8%, Canadian dollar 7%, Australian dollar 7%.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [47]

So that's spread out across.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [48]

Yes. And all of them is falling against dollar.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [49]

On the cost side? SG&A and cost of revenue?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [50]

On cost side, maybe we'll give -- we have to work it out. It's a too much of working.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [51]

But SG&A would broadly be from India, would it be from other markets, how does it work out?

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

It's quite -- very true. It's all over the world there.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [53]

SG&A is also spread out. Is it?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [54]

SG&A is completely spread out, nah. A lot of travel cost is there. (inaudible) travel cost. There is costs. We're going to attach country cost as well as travel costs because on this -- large deals is requiring lot of presale cost. Not a sale cost in terms of salaries when possible, presale cost is increasing substantially.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [55]

And for the cost of revenue? The development expenses that will be primarily India and Singapore?

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

Cost of delivery? That will be -- also onsite is also there. So it's clearly, I think 40 -- 30%, 30% or 30%, 40% outside and 60% offshore.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [57]

On-site is Singapore, right? Or is there any other country?

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

And U.K. is there.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [59]

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U.K. is a large -- big one, is it?

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

U.K. is -- because -- and 21% revenue is there...

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [61]

So cost is also there?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [62]

Cost is also there.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [63]

Okay. That was one. Second, sir, any outlook on your depreciation? Where could this number be in FY '20 and when do you start depreciating the capitalized amount?

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

We already started doing, nah.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [65]

No. The full amount should come in '20, right. Still, the depreciation amount is low compared to the capitalization that is happening.

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

It will be slow like that in each quarter. When the production is completed, you capitalize it, and we put into the...

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [67]

Amortization.

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

Amortization schedule after that.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [69]

This year, what you are capitalizing? Or FY '18 what you capitalized? It will come for depreciation in which year?

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

Same time, nah?

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [71]

Same time. Adjusting from the month, which we capitalized on that month, we apportion it on a monthly basis.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [72]

So last year, if I remember, you capitalized INR 100 crore odd -- 100 -- some INR 100 crore, INR 110 crore. That will come for amortization this year.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [73]

Yes.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [74]

Yes. What was the...

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [75]

Over how many years?

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

5 years.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [77]

For both, we have 5 years.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [78]

So 100 divided by 5 will be your -- and that's how it will keep on increasing.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [79]

Yes. Yearly basis.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [80]

Yes. And some products are getting completed maybe and see a capitalizing more than INR 100 crores than the same proportional reason.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [81]

Same proportional.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [82]

Okay. Lastly, I had this question, why is it that your capitalization amount keeps on varying like on a quarterly basis? Shouldn't it be like dependent on what department or set of people are predecided for research versus engineering?

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

Mainly constant. Almost INR 2 crores, INR 3 crores here and there will be always there nah, because some projects are products getting completed, not completed. So we are keeping into our research and engineering. So it's not substantially large.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [84]

So INR 29 crores is what I should assume as a capitalization amount for...

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

That's right. That's right. That's what is there. Last quarter also was similar.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [86]

Similar amount.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [87]

Sir, before that it used to be different actually?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [88]

Yes. Some minus engines there. Mohit, you have (inaudible) broadly. You can't control.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [89]

Sir, and just seems like the total amount capitalized on this (inaudible)

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [90]

I think it depends upon total variation. Otherwise, it will be the same amount.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [91]

Otherwise, it should be pretty much same for the full year.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [92]

Yes. And the INR 120 crore is the number. So when you say INR 120 crore we will capitalize, so it's in the same number. In dollars terms, it's much lower now.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [93]

Okay. And apart from this, anything else in the CapEx that may come up for '19?

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [94]

CapEx.

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

Nothing else.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [96]

Nothing. No (inaudible)

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [97]

Sir, last year, we had this INR 100 crore number, right? Almost INR 100 crore, in FY '18?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [98]

Yes.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [99]

So that number should come down to what in FY '19? Where did we spend it? I'm just talking about the CapEx, not the...

Arun Jain, Intellect Design Arena Limited - Chairman & MD [100]

(inaudible) This is also product capitalization.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [101]

Yes. And this includes...

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [102]

No sir, INR 220 crore is including product capitalization? Out of which...

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [103]

Yes. See as of 30th September, the work -- capital work in progress of R&D is INR 205 crores. This is after including the amount of INR 30 crores what we mentioned for the current quarter and after capitalizing INR 40 crores in the current quarter as well.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [104]

Sir, can you repeat it? I'll just note it down.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [105]

Yes. Yes.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [106]

Yes. As of 30th September, the capital work in progress that is the R&D is INR 205 crores. That is after including a capitalization of INR 30 crores as we discussed a few minutes back. And we also -- the capitalization that means basically we move into intangible assets and capital amortization of that. That amount is INR 40 crores.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [107]

And total amortization?

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

And total amount. Cumulative?

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [109]

Cumulative. Intangibles, it will be around 100 plus -- 55 to 40, and then this INR 205 crores.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [110]

Okay. And how did you get -- apart from that, would it be like INR 50 crores, INR 60 crores? Where should it be for '19, excluding capitalization?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [111]

Excluding capitalization, I think it's around INR 40 crores. INR 30 crores, INR 40 crores.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [112]

That's all?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [113]

That's all. Now we are -- we don't buy servers nah because we go to cloud.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [114]

Right. But those FT Labs, et cetera are not coming up in this?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [115]

Yes.

Operator [116]

Next, we have Mr. [Mukul Verma]

Unidentified Analyst, [117]

My question is due to impact of lower tax in the U.S., has our business gained traction?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [118]

Not really. I think our clients are not so sensitive to the taxation.

Operator [119]

Next, we have Mr. [Saket]

Unidentified Analyst, [120]

Most of my answers -- questions have been answered.

Operator [121]

Next, we have Mr. Gopal Krishna.

Unidentified Shareholder, [122]

I'm a retail investor. I've been investing in -- I'm a continuous shareholder of Intellect Design for the past 2 years. Let me first congratulate for the excellent results given by Intellect. I have only one question, like this quarter, the top line has grown up very, very high whereas the bottom line if you compare quarter-on-quarter there's not much increase. Can you please throw some light on this one?

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

Yes. So if you are hearing the conference call, I just mentioned that, definitely, correspondent top line, which had a growth of INR 380 crore is substantially larger than most of the companies in the IT space. On the bottom line, we have taken a special - - normally, we provide INR 2 crore per quarter for bad debts. This quarter, we provided INR 11.5 crores. This means INR 5 crore extra for the quarter for taking care of alignment to the Intellect 2.0 strategy, which is around dealing with the large customer and profitable customers or some of the nonprofitable customer. We are providing out of it from INR 9.5 crore. There's a INR 8 crore of -- because we were planning our growth by 20% in dollars terms, this quarter we achieved 30% in dollar terms. So to take care of the higher-growth number, we have to increase our delivery capacity. It takes 6 months extra time for our delivery capacity to get increase. We hired 200 people, which costed us INR 8 crore expense in this quarter. So this -- if you -- so if you add them up, it becomes INR 56 crore, which is almost 15% EBITDA margin and there are INR 3

crore of currency and INR 5 crore of partnership permission, it becomes INR 64 crore of EBITDA. So ideally, we should have INR 64 crore of EBITDA against INR 380 crore. But that is a comparison of equation.

Unidentified Shareholder, [124]

I think quickly -- but last, (inaudible) it was stated that couple of deals were not accounted in the last quarter. It will be accounted in the quarter 2? So the -- some of the like around INR 15 crores to INR 20 crores which was stated that it will go directly to the bottom line.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [125]

That's right. That's right.

Unidentified Shareholder, [126]

Okay. So this is also included in the figures what has been given in that one?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [127]

That's right. As testament of data, it's INR 164 crore as a pipeline.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [128]

Part of [3, 8] years.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [129]

So last quarter, we had INR 12 crore EBITDA. So if you'll take, INR 12 crore, INR 64 crore minus INR 12 crore, INR 52 crore. INR 52 crore, out of INR 82 crore of increasing revenue, INR 52 crore is going to the bottom line if we go by that logic.

Unidentified Shareholder, [130]

Understood. And also it was -- can you throw some color on this, the land, I think some land partial, which was supposed to be -- like monetized in sometime in Hyderabad, somewhere else it was mentioned. Is this taken into account in this quarter, please?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [131]

No. That was last quarter, nah?

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [132]

Yes.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [133]

Last quarter, we sold...

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [134]

INR 38 crore.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [135]

INR 38 crore. And the rest of the land, that's a small plot. So land was only for last quarter. It was taken in last quarter, nah, that's why last quarter profit was 40 -- over 40%.

Unidentified Shareholder, [136]

Yes. Yes. Part of it was taken, but it was also stated that you still have some land parcel, which you would like which is -- as it's nothing. Is it going...

Arun Jain, Intellect Design Arena Limited - Chairman & MD [137]

Yes, we have it -- yes, so as of now, there's no deal happened. So as soon as deal happens, then it will get booked. As of now, it's not happened.

Operator [138]

Next, we have Mr. Pranav Mehta.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [139]

Sir, just couple of questions on the balance sheet front. So in the -- this half yearly balance sheet on the liability side, there is a new line item derivative instruments, which has come up. So INR 28 crores in noncurrent liabilities, and INR 17 crores in current liabilities. So if you can just explain what is this regarding? And the second question is, despite the preferential allotment money, which has come in the September quarter, we have seen that the cash balance compared to March has actually gone down. So will we require additional funding within the next 12 months itself, or basically, till how long will this INR 100 crores of preferential allotment money suffice for a growth?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [140]

Yes. So there are 2 questions you asked. First is about derivative and this is about the forex hedging. And so it's -- both the line items have forex hedging mark-to-market.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [141]

Not -- the Contra Entry for that.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [142]

Contra Entry for that.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [143]

So is this some new contracts, which we have entered in because it didn't use to appear earlier?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [144]

These line items we think they are -- please speak out (inaudible)

Unidentified Company Representative, [145]

This is because of the currency fluctuations. We are reporting the balances at the mark-to-market rate, and that is the reason it shows the difference. There's nothing new that has been added. It's not because of the exchange difference. It's a forward

cover receivable on account of unrealized hedges.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [146]

Unrealized outstanding hedges?

Unidentified Company Representative, [147]

Yes.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [148]

And second question you asked. Just repeat that question again?

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [149]

Sir, on the cash balance and the reference...

Arun Jain, Intellect Design Arena Limited - Chairman & MD [150]

Yes. I think there was a -- yes, so some of the cash balances -- got -- we received \$7 million on 2nd of October, which is not accounted over here. So it's close to INR 55 crore.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [151]

INR 55 crores.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [152]

We will see it on 2nd of October. So that was a delayed payment. So this -- we are having a limit. As of now, no limits are being used. So hopefully, we may not raise it, but if it is required, if the gross traction is -- the way it seems, point we are making around INR 100 crore plus INR 400 crore approval on AGM. We are keeping that same stand that we'll exercise that option appropriate time. As soon as we find still some traction building up. As of now, you are saying we can grow 30%, 35%. We are getting into that kind of a traction now. Because of the delay -- there is always a delay in payment because we can collect only what we have billed last quarter. So there will be 90-day delay. So this time our collection is \$44 million, which was -- last quarter, \$1 billion.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [153]

Right. Sir, \$7 million is regarding what? Is this kind of...

Arun Jain, Intellect Design Arena Limited - Chairman & MD [154]

One of the license.

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [155]

One of the license what we have sold and its...

Arun Jain, Intellect Design Arena Limited - Chairman & MD [156]

Yes, one of the license we sold. Yes.

Operator [157]

Next, we have Mr. Amit Chandra.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [158]

So we have seen very strong partnerships that we have been building during the last quarter, during the last 6 months you have announced 5 to 6 partnerships with the leading providers. So what kind of incremental license revenues can we expect from this? So what kind of -- we are actually going on and how is the agreement with all these FIs. Basically, just license sharing or we're also doing some part of FI also there?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [159]

Yes. These are different partnerships like with IBM partnership, it's the FI partnership. IBM with FI, we'll go together in a U.S. market. That's the focus for IBM. With AWS, it's a cloud partnership. With r3, it's a blockchain, where we are embedding. So our software for trade finance, supply chain finance with r3. With BPI, and (inaudible) to get access to the Western, European market, our footprint is stronger in U.K. But countries like Germany and Italy and Spain, these really require the partnership with our FI, this partnership. So each partnership is unique. We started this work in partnership only, beginning of this year. It will take 18 months' time for maturing this partnership to be really driving major sales. These partnerships are winning some

account on the table right now. It's not that they are not working. We're jointly working in some accounts. but closure of those accounts will take within 12 to 18 months.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [160]

Okay. Sir, have we invested anything into -- like into this partnership some investments have also gone in or just like a -- a partnership just for sales?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [161]

Yes. This is partnership of sales. We have not invested in this partnership as of now.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [162]

Okay. And sir, in -- as you mentioned that you have taken INR 11 crores of write-offs in this quarter. So we have seen very steep increase in the write-offs, so has all the write-offs been taken in this quarter or still it's expanding?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [163]

No. No, nothing is still expanded.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [164]

Okay. So all the small accounts, the nonstrategic accounts has been exited, right?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [165]

Yes. We are just exiting. We have taken a provision, if it is a strategic and nonstrategic account, they want to deal with us properly. If they're delaying the payment for 6 months, then we don't want to deal with those accounts.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [166]

Okay, sir. And sir, lastly in terms of license revenues, you have seen very strong growth in license. So as far as I remember in last quarter also, you mentioned that there was a spillover of license revenues from last quarter to this quarter. So what is the net incremental wins in this quarter apart from what we announced in the last quarter?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [167]

Totally, in the half year, for half year, our growth is 86%. So it's -- in our view, even the \$2.6 million from -- because that was a part of the last quarter revenue. So if I look at my revenue book, Amit, it's \$47.5 million for the last quarter and \$52 million for this quarter. So it's not something very large. It's a calibrated growth. But for investors, it may look very large because it has got accumulated in this. I was looking for \$5 million and (foreign language) if you observe our pattern, we are increasing our pattern from 37 to 42, 42 to 47, 47 to 52, 53, that's a number we are driving.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [168]

All right, sir. Sir -- and lastly, the iGTB segment and the IDC, the Intellect Digital Core has been like firing pretty well. So can you please update what's happening on the 2 other segments, the iRTM and the Intellect insurance part. So what's happening there? And when we can see these 2 segments also participating in growth?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [169]

Yes. So iSEEC is in insurance and AI space. So Pranav is on the call. Pranav, would you like to highlight on iSEEC? Pranav, are you there on the call? Okay. He's not able to connect, I'll just -- I think, iSEEC is our cloud business. So cloud business revenue are not going to show up in the quarterly results as strongly as we are seeing the other business results, which is licenses result. So the cloud business has a long tail, but nothing on a quarterly. So we decided that insurance though is firing very well in U.S., and we have 7 client services setting (inaudible). But it will not deflect substantially on quarter-on-quarter, but it will represent in our cloud revenue, which is now INR 240 crore or INR 245 crore?

Venkateswarlu Saranu, Intellect Design Arena Limited - CFO [170]

INR 240 crore.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [171]

INR 240 crore.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [172]

Okay. And on the iRTM?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [173]

On iRTM, now we have started making investment. So only last quarter, we hired a new CEO, Janet Thomas for leading the RTM business. She has joined at Mumbai. She came down to India. She's from U.K., and now she is putting that strategy together. So RTM is -- yes, now we'll be making investments. So the investments, which we made in GTB first, SEEC next, GCB next and RTM is at bottom of the investment bucket. I think you should expect some time into the '21 -- '20, '21 kind of a thing.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [174]

Okay. Okay, sir. Then still, there is time.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [175]

Yes. Yes. But as -- because we're firing, it's okay, when it was. I thought we calibrated our strategy because we didn't have money to invest in all the ports simultaneously.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [176]

Okay, sir. And sir, in terms of investments, how you're planning the investments? So what positive investments are going through this service lines, which are not performing? And how is the investment split? And how do you decide in which segment to invest more?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [177]

Yes. Now, we'll have more dollars -- marketing dollars. Now marketing numbers have come down to 23%. [F&L] cost, this quarter is 23%. So we look at it 25% -- 24%, 25% should give a right, so it's our marketing cost for product company. So now we'll have a capacity to invest in marketing and -- so it's basically sales and marketing and branding in a local marketing advance market. That's the money, which we need to put in for RTM and SEEC is always there. So for SEEC, we don't need so much investment. We need investment for RTM.

Operator [178]

Next, we have Mr. Rahul Jain.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [179]

If I see the conversion in your active pursue, you've been very strong almost 65% from a value perspective. So is it safe to assume that given the fact that we have filtered the deal much better and also, at the same time, we have been emerging as a system of choice? We should be in position to continue strong win ratio going forward in the deals, which are still left there.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [180]

I congratulate Rahul, you picked up a very strong point of (inaudible) deal and as I mentioned. I think once you picked up and translated into a 65% of success rate, I think our qualification is deemed either one of the strongest change we brought in after September last year and that is driving the results. And then we invest very heavily on winning the deal. We put our best foot forward, and it's almost like a best killer cricket XI opening batsman to the closing batsman, everybody has to play the right game, right ball there. So it's a -- that's what making a huge difference to us. So I appreciate you spotted the right differentiation of the company.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [181]

So just continuation on that thought, what are the feeler from the CyberSydney just concluded, I guess.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [182]

Yes. Yes. What is the question?

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [183]

So I mean what are the incremental input we are getting in terms of the debt nature of demand, and readiness of the customer towards adoption and stuff like that?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [184]

I think we have given you a choice -- leaders choice. At Cyber, we had 200 meetings in last -- in just 3.5 days. The 200 different customer meeting, we have preplanned meeting. There's only 5% drop out of 200 meetings, which is surprising to have a meeting on time. There was a team of 28 people, who are attending to this meeting. Our competitor, Finastra stall was half of our size and because we were the 2 players, which are strong and GTB, Finastra and Intellect. So I think at this point of time, Finastra has changed their CEO. So he has joined newly from Germany. But fortunately -- fortunate for us that we have a 1 year of tailwind available to us to drive our strategy.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [185]

Okay. And -- so I'm a bit surprised from the order backlog data, given the growing much and strong large deal win, why the addition to the backlog is not very significant?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [186]

A lot of projects we had completed also.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [187]

So the data which you shared in terms of go live that is also very high. So do we need to track that number to understand that?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [188]

We can share that number, but I think the question is for you to look at the order book is more important than and especially, the order is more important than what is completed -- what is completed is already booked into the revenue books.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [189]

So now -- so I was saying that (foreign language) because we had good number of go live in this quarter, some 21 go-lives, I guess.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [190]

Yes.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [191]

That is the reason you would see where the backlogs, I mean, goes off from there significantly.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [192]

That's right. That's right. That's right. I think you got.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [193]

Okay. Okay. And any color you can give in terms of the 4 large deal that you won in terms of direct and indirect gain. Indirect, I mean, the competitive positioning network effect and so on.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [194]

Yes. So one of the largest deal is our Singapore-based deal, which we announced sometime, first week of August. This is another large regional transformational deal in this country for replacement of digital parent supply-chain management solution. Second deal, in GTB's liquidity management team for one of the large bank, Australian Bank, which is a second large deal. Third is, IDC deal in -- again in Australia, so second deal in Australia. And fourth is deal in Cambodia for a new large bank, but size of the deal is large.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [195]

Okay. So does -- my question was that, does that adds to much better competitive positioning. Somebody is keeping a track of win in those markets?

Arun Jain, Intellect Design Arena Limited - Chairman & MD [196]

That's right. All the -- 2 Australian deals opened up market hugely. It was one of largest banks, who will spend \$1 billion in technology. If they're choosing Intellect as a footprint in Australian market, which was after ANZ Bank was sliding from last 2, 3 years. It builds a new traction in Australian market as well as the large regional deal in (inaudible) finance in region. It's a very strong credential for all those countries.

Rahul Jain, Systematix Shares & Stocks (India) Ltd., Research Division - VP [197]

Okay. And you know from a -- thanks for sharing this geo-specific DSO data and if any input you want to share in terms how we intend to optimize some of these where days, which are very high.

Arun Jain, Intellect Design Arena Limited - Chairman & MD [198]

Yes. Something we can, something we are trying attempting best-case scenario. And India is, we are struggling, with the PSU banks' data. Lot of PSU deals. We are struggling on elections. That's why some of the decision what Srivathsan is referring to and some of the write-off we are taking (technical difficulty)