



“3i Infotech Limited Q3 FY23 Earnings Conference Call”

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MODERATOR: **MS. ASHA GUPTA, E&Y LLP – INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to the 3i Infotech Limited Q3 FY23 Earnings Conference Call. As a reminder, all the participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta, E&Y LLP Investor Relations. Thank you and over to you, ma'am.

Asha Gupta: Thanks Lizann. Good afternoon to all of you. Welcome to the Q3 FY23 Earnings Call of 3i Infotech. The results and investor presentation have been already mailed to you and you can also view it on our website at www.3iinfotech.com.

To take us through the results today and to answer your questions, we have the top management of 3i Infotech Limited represented by Mr. Thompson Gnanam – Managing Director & Global CEO, Mr. Harish Shenoy – Chief Performance and Risk Officer, Mr. Sanjay Rawa – Chief Financial Officer, Mr. T. S. Mohan – Chief Human Resource Officer, Ms. Varika Rastogi – Company Secretary & Head, Legal.

Thompson will start the call with a business update which will be then followed by Sanjay who will provide an update on the financial performance. T.S. Mohan will give an update on the peoples' strategy, and Harish will update on the global risk and compliance and then we will open the floor for a Q&A session.

I would like to remind you that anything that is said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included but not limited to what we have mentioned in the prospectus filed with the SEBI and subsequent annual report that you can find it on our website.

With this, I will now hand over the floor to Thompson. Over to you, Thompson.

Thompson Gnanam: Thank you, Asha. Good day to everybody. Welcome, and thank you for participating in our FY23 Earnings Call for Quarter 3. At the outset, I would like to wish you all a very happy and a prosperous new year 2023.

Let me start with a brief performance of the quarter. We are pleased to inform you that our Q3FY23 performance was steady with a 2.9% QoQ growth to Rs. 182.3 crores, with a gross margin of 12.7%. Going forward, the revenue mix will shift from classic enterprise business to the next generation business and just to remind you our Grow & Build strategies will start bearing results.

For the first 9 months of the current fiscal year, revenues grew by 7.43% to Rs. 538.7 crores year till date with a gross margin of 11.3%. The classic enterprise segment for Q3 FY23 has reported

Rs. 142.9 crores with a gross margin of 9%. Our focus area is the new digital and the next generation business segment and we have been branding it as NuRe which has reported Rs. 39.3 crores with a high gross margin of 26.6%.

We have also on-boarded 39 new logos in this quarter that have umpteen potential for developing a good order book of almost Rs. 100 crores for the next financial year and helping us change the revenue mix.

I spoke about the 5-year plan to change and differentiate the new 3i. In the first year, our focus has been on identifying new areas of growth, calling out segments that are a drag on the business, having a razor-sharp focus on cost optimization. If you look at our performance over the last few quarters, you have been observing small wins that we have been having in terms of increasing top line while at the same time reducing EBITDA losses. I am confident that the efforts will lead us to reach breakeven levels in the next few quarters very quickly. The story is playing out as we envisaged, and while the journey has been tough, team 3i has risen up to the challenge and almost risen up from the ashes. This year would be an execution year, new services & products, enhancing margin, and accelerating up the challenge.

Just to remind all of you, we have set ourselves a goal to be a billion dollar company by 2030. I would like to reiterate our brand of Grow & Build strategies will help us reach our billion dollar revenue goals by 2030. As we are optimizing around our traditional businesses where the focus would be getting more business from existing customers with the existing offerings, adding new offerings and locations for the same. In Q3 FY23, we have also done restructuring as a global organization eliminating non-profitable engagements and rationalizing cost of every asset in terms of infrastructure, people, and all other assets which we had to kind of rationalize.

In the group business, we will be investing in new lines of businesses that offer 5G technology offerings which are Edge ready in line with our mantra being 3i being a leader in Edge computing – be it the Edge cloud, Edge analytics, Edge application, or Edge security. And that's our focus area for our Build businesses also, as we build new products using our resident entrepreneur program.

I would also like to give you a brief update on some of our Build products and platforms which are also happening in parallel because these will be the future in building Edge-ready organization. NuRe Edge, a SASE product, is now successfully launched and it is starting to generate revenues for us and it is one of the first products which are now into the market and in commercial play and we are now working with end customers generating revenue. Also, the NuRe Edge product line, especially the SASE product, we are also working with our telco partners in Asia as a potential sell-through and sell these opportunities for their enterprise customers to drive B2B2B and B2B disparities which we have discussed as one of the important levers to accelerate revenues beyond the traditional B2B services and help achieve our billion dollar goal.

NuRe 3i+ cloud-powered services is launched in Malaysia and it is starting to generate revenue. This is also one of our key initiatives where we are now able to start monetizing some of my investments. And this is also an important differentiator where we have launched our Oracle-powered Zero Trust Sovereign Cloud in Malaysia. NuRe Velocity which got launched in November is also starting to generate revenue. This is specifically focused on the mid market for the SMB segment, and as we speak, we are also progressing in the US mortgage industry also where we have pilots and prototypes being done and nearing close for the commercial engagement in our cognitive document management solutions.

I will quickly update about our resident entrepreneur program where we have made investments in building Center of Excellence and Center of Innovation. Just to remind you, we have invested in IIT Tech Park and Oracle CoEs and multiple other investments which are made and I wanted to also kind of update you on that. Some of the divisions which are now graduated, we have now set up independent subsidiaries to unlock value. NuRe FutureTech Private Limited will focus on cutting-edge platforms in cognitive computing. The first platform which is being rolled out would be our CXO Cockpit which will provide decision support systems, prescriptive analytics, and next best action for credit unions in America and healthcare providers in the UK. Similarly NuRe Campus will be a multi-tenanted ERP SaaS-based model for mid-tier universities to manage end-to-end student lifecycle. NuRe Edgetech will consolidate our investments in Edge computing and we will build other Edge-related products apart from NuRe SASE which has been launched. We are also building other products such as 5G Labs for interoperability testing and also we want to specialize in the agritech space as well.

Finally, if I quickly summarize some of the performances for this quarter, the global business region which includes US, Middle East, and UK, our revenues have been Rs. 109 crores. We have grown around 1.6% QoQ. And India has been a fantastically strong region for us this year and the revenues have been Rs. 67.3 crores and India's QoQ growth has been 5.2% and we have grown 35.2% YoY. APAC performance has been more or less flat with 1% QoQ growth. But if I look at it, despite headwinds in US markets, we have managed to grow despite closure of many professional services contracts. There are plenty of headwinds in terms of layoffs and reductions in the US, but we have managed to keep growing, replacing by other services lines.

Q3 FY23 has always been a tough quarter with furloughs in the US and attrition with due to green cards but we are standing up to the challenges and fighting back with alternate revenues and keep on with our growth story. As I said, India Business Region witnessed a solid growth, both on existing and new clients. We have been winning multiple large deals, not just on our traditional strongholds, but I am now very happy to talk about some of the wins even in our Oracle CoE is starting to payoff. We just got our first contract with SBI General, an Rs. 16-crore contract, for Oracle CoE as well. Other large wins, just to summarize in the quarter, we have this major win in terms of RailTel Corporation which is going to be one of our path-breaking projects which has a potential to grow up to Rs. 500 crores to Rs. 1,000 crores over a period of 5 years or at least a minimum potential value of Rs. 300 crores in this project where we are working

with RailTel to monetize their WiFi and this is a great fitment for 3i's ambition into Edge computing because all our levers in terms of Edge cloud, Edge application, Edge analytics, Edge security come into play and this also talks about our ability to work in B2B2C space which the revenue acceleration to be extremely fast and the velocity of growth will be far far higher than the classic B2B services space. We have also won other contracts with brands such as Eureka Forbes which is around Rs. 10.25 crores and HPCL we have won a 3-year contract for Rs. 51 crores. These are some of the key highlights, I would probably want to talk to all of you, as your company has been working hard to deliver some of these results.

And I would like to thank all of you for all the support and encouragement you have been giving us, and I would like to pause here and then I probably hand over the baton to Sanjay to take us in detail about the financials.

Sanjay Rawa:

Good afternoon everyone. I would like to start by providing key highlights on the Financials for the Quarter Ended 31st December 2022:

Our revenue grew to Rs. 182.3 crores in Q3 FY23, in comparison to the sequential quarter revenue of Rs. 177 crores This reflects a 2.9% QoQ growth and a 10% YoY growth. On the employee cost front, we have a reduction this time in the overall employee cost of Rs. 8.9 crores as compared to the last quarter. This was primarily due to three factors. One was, we had lower ESOPs which have been exercised during the quarter. Second would be one-time variable pay that we have an impact in quarter 2 and a substantial amount of reduction in our overall cost in the US treasury and other cost reductions that have been happening globally. On the cost of third-party production services, we are more or less in par with the Q2 numbers. There has been a slight increase there that is due to the exchange impact on our US operations. Other expenses for the quarter have been flat at Rs. 22.6 crores.

I would now like to give some highlights. Overall, our EBITDA if we see on a consolidated basis, we are right now near to, I would say, a breakeven number. We were at (-) Rs. 17.9 crores for quarter 2. We right now stand at (-) Rs. 3 crores and near to a breakeven number in this quarter.

Coming to the other elements of our P&L. We had Rs. 19.7 crores of exchange gain during this quarter. This is in continuation to our earlier quarter's translation gain that we had due to the rupee being depreciated to the dollar. That has continued further. The rupee has slipped further during this quarter, which resulted in the exchange gain. We have some exceptional items during the quarter as well. Due to the final closure of our Azentio deal, we have a gain on the property that we had to give it back to them as part of our overall deal consideration, but that did not materialized through. So, we have now taken back the property in our books, and due to this, we have a gain on account of the value that we have reinstated back in our books. This has been offset to a certain extent due to a one-time withholding tax. This impact has come during this quarter. This withholding tax charge has come on our Saudi Arabia territory. This was pertaining

to some old matters prior to March 2022, which we were able to resolve and we have this one-time impact. So, overall, we have a net exceptional gain of Rs. 7.6 crores for the quarter.

Coming to tax, we have calculated our overall tax computation for the year considering what profitability we would have at the year-end. Hence, we have a charge on account of tax of about Rs. 1.5 crores. This is primarily in the US subsidiary and for our BPO and CSL operations.

Overall, though we are not providing any data on the balance sheet, I would like to give some highlights on the balance sheet. On the cash in hand, we have improved quarter on quarter. We had a cash balance as of 30th September 2022 of Rs. 55 crores which we had reported. We stand as of now at Rs. 81 crores on the cash balance.

On the DSO front, we are on the billed DSO at 54 days and the unbilled DSO at 48 days. Overall, we are at 102 days. There has been a slight increase in the DSO due to some government customers' sign off being pending. But we expect a significant improvement in our DSO in the coming quarter in Q4.

And on the last front, I just want to give an update on what additions we have made on our fixed assets. Our fixed assets grew by about Rs. 70 crores in this quarter. This was on account of the Vashi property which we had envisaged to sell to Azentio, which did not materialize and hence we have capitalized it back.

These were some of the financial highlights for the quarter. I would now like to hand over to Mohan to take it further on the HR front.

T. S. Mohan:

Just a very quick update on human resource front. As we conversed in the previous quarter, our continuous cultural change initiative to get performance-driven culture organization has been kicked off. In that direction, we see a significant improvement in the employee-related productivity measures. Just to give in terms of headcount from the beginning of the financial year, we grew by 11.4%, and in this quarter, we grew by 5.6% net additions. And our attrition by the end of Q3 FY23 stands at 25% which is 9 percentage points less compared to the Q3 of the previous financial year. While we continue to enhance the culture of performance, we continue to focus on critical employee engagement and retention drivers. When it comes to the average age of our employees, it continues to decline. That indicates newer absorption. And in terms of supporting the resident entrepreneurship program and FutureTech organizations and Build organizations, we continue to invest on skill building. Our internal academy which we set up for Oracle competency has seen 86% consumption to billable growth in the last quarter. So, this is a significant moment in our success in terms of investment versus amount of business utility in that program of ours. Likewise, we continue to stay invested on the future competencies and in line with our business strategies.

Harish Shenoy:

Thank you Mohan. Good evening everybody and thanks for joining in on this call. As you have all heard from Thompson and Sanjay that there has been a marginal growth in revenue and a

reduction in the cost front, both direct and the SG&A, with appropriate rationalization across the organization wherever required. Our efforts would continue in the same directions and their numbers for the future quarters will only be improving hereon with more rigor in the operational efficiency that we are running this organization from a performance perspective. From a risk perspective, as an organization, we had a dedicated GRC division over the last 2 years which we were really focused on ensuring that we have appropriate governance as well as compliance to all the regulatory and internal processes. As we have been maturing in that process, we have a risk management committee that has been formed at the board level which has happened over the last 2 quarters, and as in the process there, we have been assessing all the risks that might impact the organization in its growth plan. And one of the areas that we had identified as part of that process was we have quite few regulatory issues open for a substantial time much before 2 years that we have been into operations. To address that, we have a board-level committee that has also been formed under the guidance of CA Uttam Prakash Agarwalji who has been the ex-president of CA Institute and also Mr. Avtar Monga who has managed ops for large MNC banks and also some private sector banks. That we are in the process of building best practices in corporate governance as well as business operations, risks, and control. As we scale up our global operations where we see substantial increase in the top line as well as by taking caring of our bottom line also.

That was just an update on the GRC functions of the organization. Back to you, Lizann for Q&A Session.

Moderator: Ladies and gentlemen, we will now begin with the question & answer session. We will wait for a moment while the question queue assembles. The first question is from the line of Siddharth Gupta from Voyager Capital. Please go ahead.

Siddharth Gupta: Good afternoon everyone and congratulations to Thompson and rest of the Team for posting an encouraging set of numbers. I have very few quick questions to go. First of all, can we get a breakup of how much of the revenue is coming in through our newer products and how much of it is coming through our legacy services? Secondly, when the RailTel deal was announced, it was said that about Rs. 14 crores of something that we would be required to pay to RailTel. Was that accounted for in this quarter or would that be something that we can see in the next quarter? Thirdly, I could not follow the conversation about the property in Vashi. It is back on our books but what is our management's intent? To keep that property on, sell it off, lease, or raise some working capital debt against it? Finally, do we have any equity or debt-raising plans in the future? I understand you are net debt-free as of now and our cash position appears to be good, but do we have any plans that might need us to raise equity or debt in the future?

Thompson Gnanam: I will try and answer your four questions. Your first question is your new product revenue. I did touch upon it broadly. If you look at it, we have started tracking it and publishing it also. Our classic enterprises business gave us Rs. 142.9 crores with a 9% GM this quarter, and the new line of business which is our NuRe line of services businesses as well has given us Rs. 39.3 crores with 26.6% margin.

The second question you spoke about the RailTel deal. Just to refresh our memories on the RailTel deal, it is a revenue share deal and obviously the minimum guaranteed revenue for RailTel per annum is Rs. 14 crores or 40% of revenue whichever is higher. So, there are 2 parts to it. One is the bank guarantee or a performance guarantee which you give vis-a-vis to your actual payout which would come. To your question on for what it needs to be accounted for this financial year, it has been provided for basically because it is only for this financial year which starts from February 9th to March 31st 2023 i.e., for the current FY23. And that pro rata whatever it is though, our teams are working hard and we will provide that in Q4, Siddharth, for that period. Because, that we will take time because we still have time in February and March to generate revenues. We will take a call at the end of March, if you ask me. We are very optimistic that we might generate revenues which might not need us to provide for any negative.

Sanjay Rawa:

Siddharth, coming back to your other two questions on the Vashi property, what happened is as part of the deal consideration, there was, I would say, a negative income on account of this property value which was considered and the deal was concluded in March 2022. So, we had Rs. 50 crores as payoff for the working capital which was to be set aside against the property sale to them, but the valued property that was sold to them at that point in time based on the valuation that they had done was at, I would say, net of depreciation at Rs. 81 crores. And what we have done is there was a certain element of depreciation also not accounted. If you see my depreciation charged in the P&L, it is up by about Rs. 2.6 crores. That's primarily due to depreciation getting accounted since the asset has been reinstated effective from 1st April 2021 in our books. So, we have a charge on depreciation coming in as well as the net on account of that is I have reinstated my asset value by Rs. 73 crores and I don't have a liability of Rs. 50 crores. That's the math on that working out Rs. 23 crores net, not I would say a gain in technical terms but it's a net income that has arisen now because we have not sold off that property to them.

Thompson Gnanam:

Other thing he asked the question on what you intend to do with that Vashi property?

Sanjay Rawa:

On that we are working on other required documentation with CIDCO for getting an NOC from them. Post that, we are anyways going to have it leased out or we are going to sell it off.

T. S. Mohan:

As an organization, we have a road plan aligned, and in all probability, we will be utilizing that for our own consumption instead of going into rented places or any other places, keeping our costs low for our operations.

Siddharth Gupta:

As That's a great idea actually.

Sanjay Rawa:

On the fund-raising, as I had indicated in my initial comments, we have a net addition to our cash. This was part of our original plan to get most of our non-current assets liquidate, in the sense collect it. So, we have some good amount of income tax refunds that we got in quarter 3. And the fund-raising plans we will anyway look into post the quarter end after Q4.

- Moderator:** The next question is from the line of Divya Daga from Vijit Global Securities Private Limited. Please go ahead.
- Divya Daga:** My first question is from point 6 in the stand-alone notes, please clarify me the subsidiary transaction that you have of account receivables and payables. How long will it take for the settlement to go on?
- Sanjay Rawa:** This is related to the point 6 that we have mentioned about the intercompany receivable and payable balance, right?
- Divya Daga:** Yes.
- Sanjay Rawa:** We are working on it. We have given our application to the Reserve Bank of India. We are working with the bankers to have the set off completed and we expect that to happen sometime in the next financial year.
- Divya Daga:** My second question is, from the point 8 in the notes of stand-alone, can I know the nature of assets and why this slump sale took in financial year 2020-21 and it took so long to take the settlement cleared?
- Harish Shenoy:** What has happened is the part of this slump sale was transitioning 3 floors for Vashi offices to Azentio, and to do the transfer of that property to Azentio, we were required to have a no objection certificate from CIDCO. Due to historical nonpayment of rents on certain properties, there was some delay in getting that NOC, which we are working with the CIDCO guys. That's why we were not able to transfer it within the given time. That's the reason we could not conclude it earlier.
- Divya Daga:** But can you explain me what was the type of nature of assets like they were intangible assets, patent, or anything else?
- Harish Shenoy :** Tangible assets, 3 floors in the Vashi International Infotech Park.
- Thompson Gnanam:** This is a primary building. It is in the Vashi Infotech Park.
- Divya Daga:** One last question is, as I saw in your segmental revenue that there is not much growth in revenue but there is a lot more growth in gross profits in AAA as well as in other segments. Can you explain, is there any particular reason regarding that or it's just cyclical?
- Thompson Gnanam:** As I explained, I think even the previous question was that, it's a very concerted effort to change the mix of revenues. Because, our classic revenues get lesser margins because traditionally we don't have much of offshore mix like other services company because originally before the selloff of our product division, we were a product company. Now, in the last 18 months, we are building these new service lines and those are starting to generate higher margins. If you

remember, I explained the segmental revenue Rs. 142 crores with 9% and Rs. 39.3 crores with 26.6%. Most of the digital businesses and all that we are talking about falls under that category.

Divya Daga:

So, will this margin be consistent in coming quarters as well?

Thompson Gnanam:

The margin mix will continue. Even our US also if you look at it, we are having headwinds in our traditional professional services and human capital businesses which are under hit, but we are able to hold our numbers basically because we have been replacing with other profitable businesses if you look at it.

Moderator:

The next question is from the line of Purushotam Savlani, a retail investor. Please go ahead.

Purushotam Savlani:

Thanks for the opportunity and congratulations for better looking numbers. My number one question is if I look at the slide which talks about the 10-year plan, it says FY23 which is the current year, we will end up doing \$95 million. That translates to Rs. 770 crores. If I look at what we have done up till December, it is Rs. 538 crores. So, are we saying we are going to do Rs. 230-odd crores in Q4? Number Two, while we made investments in our global geographies but we have not heard considerable wins coming. Generally, these geographies in US and UK would give you orders to the tune of, say, \$10 million to \$15 million TCV, etc.; we have not heard much in the last couple of quarters. I don't know what is happening there. Can we get some visibility with regard to the deal pipeline or some wins which are there in the vicinity? Third is we talked about our costs being high because we have a lot of onshore components. We are not able to move these people back to India because of whatever client commitments, etc., we have. Though one agrees that, but one fails to understand that if we have more onshore people, then our revenue realization should be at least at par with our competitors. The irony is while at one end, our cost is higher because we have onshore component higher, but at the same time, our revenue realization is nearly half of what our competition does. This is a dichotomy; this is something which is ironical, goes against the principles of offshoring also. These are a couple of things which I wanted to ask you.

Thompson Gnanam:

Thanks Purushotam, great questions. I will try and answer to the best of my ability. The first question as you said is there are 2 parts. One is, we spoke about a kind of a mid-term to long-term strategic intent where I think you spoke about \$95 million. In fact, I remember saying in the 3rd year, this is when the new team took over, our mantra was Rs. 1,000 crores and Rs. 100 crores as a rallying point for us. And last year, for this financial year which is our 2nd year into this new 3i, we set a goal for Rs. 760 crores and Rs. 15 crores PBT. That was the target which we are running with. As of now if you look at it, we are at Rs. 538 crores and definitely we are still focused on trying to see if we can hit our Rs. 760 crores numbers. But our #1 priority is if let alone PBT right now because we have these exceptional gains and all of that which are there, but as a team, we are very focused on building an operating margin to be profitable. That's our first milestone. Second, consistency and ability to sustain that and predictability in that margin. So, that's a very very clear focus area for us. That's the first one. Once we do that, the foundation

is strong for us to accelerate. That's what we are going to do in the next 1 or 2 quarters including Q4 and Q1.

The second point, very valid observation on the global business regions. As I said, there are 2 parts. I will try and set that context for your 3rd question also which you spoke on our onshore businesses. Maybe we will have to kind of little bit rewind and come back to our current scenario. Post the product carve-out, we had onshore businesses which were typically complementing businesses to the product or platform. It was not like a traditional services business where we are running which we need to be very clear. 3i Infotech for 20 years has been a product & platform-led company which also did services which complemented. So, it is very very different from a traditional peer who does services. I have worked for companies like that and absolutely I agree with your view. Those are different type of thinking and different type of strategies very clearly. From where we got that to where we are heading now, now as we are flying the plane, we have to change the business. Of course, those onshore businesses are low margin because they were complementing certain product divisions or they were coexisting in the same account which had bought my platform or product, we had a separate team who were doing onshore work which is linked to it, as an example I am saying. And the services business was also predominantly in professional services in some of these areas. The headwinds, for example, the first step which is happening is, if you look at the US, the last 2 quarters have been a literal bloodbath there. If you look at it, clear bloodbath. Two things. One is for even a smaller firm like us where green cards have been accelerated. This is one of the biggest impact for all of us because obviously green card challenge and the value of our people assets goes out of the roof because obviously they have been with you loyal, but fundamentally when you get a green card, they are obviously worth much higher. It has 2 impacts. If I retain them, our margins have to be sacrificed. If you look at it, you are spot on. So, we had to sacrifice our margins to retain people assets because obviously you have to compensate; otherwise, they will all leave. The second one, if I allow them to go, it has an impact on my top line. So, these are 2 problems. If I retain them, it impacts my margin. If I allow them to go, it impacts my top line. This is one scenario which is impacting us. Luckily, some of the seeds which you had sown in terms of very small deal – forget about large deals – I agree with you that we are not won very big deals. For small deals, we have been working very slowly, getting some logos, nothing great to be publishing about it, we have won a lot of new logos. But slowly we are doing that and that is probably helping us even manage this impact on one side. So, I see there is not much big difference of movement in our geo numbers if you look at. We have been able to hold where we are.

To your point, I will give an update on what we are trying to do differently. One of the key areas you will see a lot of press coming out and we are very active in the last 18 months, we have been very active in the credit unions space in America where we are working with some customers of us very closely. We have walked the entire journey with them right from transforming their data warehouses to building their cognitive computing and analytics on top of it and trying to see if we can work the entire members – they call them members, they are not customers – a member-like experienced management. The entire end to end, we have progressed and now we are saying

along with them, can we take it to other credit union. So, our focus area will be on credit union. These are your mid-sized cooperative banks who are equivalent in India as in America. That's our focus area and that's where we want to work. In fact, we are participating in these massive events where we are co-branding with them and going to market. That will be a very key focus area to offer some of these services co-branded with our customers to other credit unions. That is #1 strategy. We will see a lot of progress and traction on that. Second is also we are working in the mortgage space in America. Again, what we have done is, applying some of these cognitive intelligent document management is an old technology but now it is more cognitive and you have this next-generation automation which is there by which we are now trying to work on the mortgage industry and one of the thing which is helping us, even the recession is helping us in the US, because this is driving to the need for innovation and more low-cost services which we can offer with higher-end digitization. That is also we are now looking at with higher automation with onshore services where the margins could be minimum 30% to 35%. Those are the 2 tracks where we are working. And right now, if you ask me, the offshore story is over. We are very late in the game for that. We have to work only on onshore with high-up digitization and higher automation with lower human and try and see how to manage gross margins. And huge headwinds are there for new deals for offshoring. It will be either near-shore or onshore in the western markets like US and UK. I don't know whether I answered your question, Purushotam.

Purushotam Savlani:

While I understand that costs will come down or margins will improve, my worry is with regard to the realization. Realization per person of 3i is approximately half. When we have more people sitting on-site, their realization has to be better. We cannot say that our engineers sitting in the US will draw lesser realization than a competitor whose manpower is sitting in India or maybe in other countries which are offshore. So, realization has to be better which is where I think we are getting beaten on the revenue per person achievement. It's not happening predominantly because our revenue per person is much lesser. In fact, it is half of the competition. This is the point which I have been trying to highlight for a couple of quarters. I would request if you can ponder on that.

Thompson Gnanam:

Absolutely. I think even the last time you spoke about it. We are working on it. We are making these are like parallel tracks. As we fix the current ones, we have to also build the new lines of businesses and these will converge. Maybe in 2 quarters, you will start seeing the change which is happening in terms of revenue per employee and it is a very clear change we are driving. And also measuring the human loop as well because that's very important now. The next generation is what I do with 100 people, can I do with 60 people and 40 humanoids. That's where the margin is. That's what we are focusing right now. And I promise you will see the change in that in the coming quarters.

Purushotam Savlani:

Last question. Going back to the numbers which you have given, FY23 we are talking \$95 million which is Rs. 230 crores we have to do in Q4. I am not sure whether we will do it or not, but going forward also if I look at it, next year we are talking about \$122 million which is a

growth of close to, say, around 27% YoY. Are we sure that we are going to clock that kind of growth next year?

Thompson Gnanam: There are 2 parts. One is because there is an opening statement of intent but we want to calibrate. Definitely, our first milestone is Rs. 760 crores is something which we are running right now. We are not giving up on that. We will do that. That's the momentum which is very very important for us to accelerate for the next year. Order book is picking up for sure. Next year, definitely we want to rally with our old commitment and we want to rally the organization on that and try and see that in terms of Rs. 1,000 crores and Rs. 100 crores but the important milestone for us would be when do you hit the Rs. 80 crores run rate per month. That's my key tipping point if you ask me from an operational perspective. If we can hit those numbers, I think the pace will set.

Purushotam Savlani: Yes, because unless we achieve that, our \$1 billion goal of 10 years will get postponed further.

Thompson Gnanam: I will tell you the second thing. Maybe it's not showing right now, maybe slowly I will start showing you that, the B2B2B and B2B2C is starting to fire. If you look at RailTel for example, it's our first B2B2C. Once they start firing, I am telling you those are going to be alternate streams of revenues which will complement our typical B2B services revenues. Because, with B2B services, we will never be \$1 billion inorganic growth. No way on that CAGR we will reach there. So, B2B2C of RailTel will add to that. And I told you about B2B2B where through telcos, we are trying to sell it to their customers. These are amplifiers of our accelerators of revenues. So, if you look at it, 3 tracks – B2B2B, B2B2B which is through telcos, and B2B2C which is our RailTel project. When you add these three, then we will be able to hit those run rates.

Purushotam Savlani: I hope that next time when we talk, we would have concluded the quarter on operational profitability as well.

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

Prabu Anand K: Congratulations on decent set of numbers. My question is about RailTel order actually. In this RailTel order, I remember you had been talking about 5G Edge services all those things, but did we actually plan for any development work? Has there been any previous work that has been going on or development work that has been completed already like an app? Because, the whole thing rests on mobile. How much development work has been completed for this already while you are preparing for the bid and other things? And how much is yet to be spent for the development of the product overall? And what is the internal timeline for rolling out the product to the end users?

Thompson Gnanam: Great question. I will try and answer it from 2-3 perspectives. From a starting perspective, it is from a monetization or an asset utilization extraction partnership the way I look at it. RailTel has got some assets today. They have WiFi, they have certain infrastructure, they have certain presence whatever it is; we are just partnering to first can we help you monetize it better by running better end-to-end operations from our perspective. That is step one, which we need to

focus immediately because that is where the revenue gets generated for both partners and both of us will start being able to reinvest that, and we will be also reinvesting that back into our operations. The second stage what you spoke is development of a super-app. The super-app becomes the whole nucleus of all this stuff. Today, the app might not be a super-app on day one. Maybe in one month's time or whatever I am not sure of the exact timelines, we will be launching the normal app, I am saying. Today, it is just a portal. Then, the normal app gets launched. And any passenger has to download the app to use the WiFi. And we will have the advertisements and other things coming by which we will start generating the revenue. Then, the phases of the app will start evolving. Then, the app starts interacting with all other one-stop shops or a passenger. Whether it is going to be IRCTC, I am just saying for example, whatever it is, all that links will be built in our super-app. To your question, the development and all that we are starting it. Secondly, it's an ongoing thing. Then, if we start getting into other lines of businesses. Let's say for example, we could link into Uber, we can link into Zomato or Swiggy or whatever it is, every line – he wants to do gaming, he wants to do infotainment, all that are new revenue streams ultimately. That road map will be at least 3 quarters. The first focus is we have to start generating revenue with what we have, sweat these assets, make more money. In parallel, keep investing in this app development. We will keep releasing quarter on quarter pieces of this. Ultimately, the app becomes a super-app maybe in 3 to 4 quarters.

Prabu Anand K: I was just wondering actually in the press release it was given like 40% revenue share to the RailTel and 60% with the 3 vendors of which 3i is part of the consortium. So, it is like the remaining 60% will be shared by all the three of you. Am I right to say this?

Thompson Gnanam: Look at it this way. 3i is the lead bidder of the consortium. Obviously, we need to have people to complement some of our technologies. Let's say for example, we have no capability in media or advertisement or whatever it is. So, we have a partner who helps in that. We have a partner who helps in certain security services or some of which very unique and each one has brought something to the table. To your point, we are the lead bidder. If you look at it, almost 90% of the entire thing will be lead by 3i, for your information.

Prabu Anand K: I agree you have answered the question about the fund-raising to the earlier questioner, but I just want to reconfirm. The cash in hand, you have actually mentioned, it is Rs. 80 crores as of the quarter end. But is the increase in cash purely because of the gains that is settled from the property or is something else also has resulted in the gain? How much is the cash increase due to various sources?

Sanjay Rawa: As I mentioned in the earlier gentleman's query, it has increased due to collection of our old income tax assets. We had some income tax assets in terms of tax deducted at source for various years, that has been realized during this quarter.

Prabu Anand K: So, more money has come from income tax than anything else.

- Sanjay Rawa:** Just to answer to your point, we have our debtors in line with our operations. Since we are yet to generate cash from operations, our working capital needs are kind of generating cash from our working capital from our operations. So, our cash addition is from accrual from other sources that we have collected.
- Moderator:** The next question is from the line of Divya Daga from Vijit Global Securities Private Limited. Please go ahead.
- Divya Daga:** I have one more question to ask. As I saw in financial year '22, you had a net profit but the cash from operations was negative Rs. 50 crores. Same goes in 6 months financial year '23. We had a net loss in cash flow of Rs. 24 crores. And in this quarter, we do have a profit, but what is the cash flow? Is it positive or negative?
- Sanjay Rawa:** Cash from operations would be anyway a net addition, if I have answered your point.
- Divya Daga:** My point is, in this quarter, whether the cash flow from operating activity is positive or negative? And what is the amount if you can provide me?
- Sanjay Rawa:** It is positive. It would be less than Rs. 10 crores, to the tune of Rs. 4 crores or Rs. 5 crores.
- Moderator:** The next question is from the line of Harpreet, an individual investor. Please go ahead.
- Harpreet:** Congratulations for the steady performance in Q3 numbers. I have 2 questions. One is that you had discussed about a product called SD-WAN a few quarters back that it is going to be commercialized from the quarter 3. What is the status of that? The second question is, any plan of rebranding 3i?
- Thompson Gnanam:** I will try and answer that 2nd question. If you look at it, the rebranding is certainly happening. What we are doing is, we have parallel tracks. There is a recall for 3i also in the banking space which is there on the BFSI space. The entire NuRe if you look at it is the new lines of products and platforms and services we are all building under the NuRe brand. That's the brand which we are rallying around that. So, NuRe is your new digital business, your NextGen business, and everything is NuRe if you look at it, your new subsidiaries or new product lines, everything is NuRe. That is what is happening. And these two parallel lines will probably converge at some point of time they will coexist. Your classic enterprise business is with 3i and NuRe is your new digital and your NextGen business and all your new products and platforms. And they will converge at some point of time. They will be at parallel tracks. That's where it is.
- The first question you asked me is on the SD-WAN. Of course, we are working on it. SD-WAN, again, as I said, this is a part of our 5G core. The first product which we have to get out of the way is the 5G Lab-as-a-service, Harpreet. The other one we are working is on the SD-WAN. Maybe I think we should be able to give you some answers in the next quarter. Hopefully, we will progress this quarter and we will be able to give you at least we want to get it to a kind of

prototype stage at that point of time. We are a little more slightly early stages. We are trying to learn from some customers as well. But the 5G Lab-as-a-service is more mature right now and we want to release commercially very quickly.

Harpreet: One more question, Thompson. As we see the news, in North America, many companies are laying off the employees. Are we trying to monetize this situation by hiring some of the talent there?

Thompson Gnanam: Great question. In fact, we were debating about it also. The answer is, definitely, we are looking at alternate strategies. Because, as a much smaller company, faster, swifter, and we are looking at how to leverage that opportunity. At least for short-term, we see a huge flex-force available the way I look at it. I doubt their loyalty to be very honest, Harpreet. But at least we can leverage them in the short-term for 2-3 quarters or 4 quarters where we want to look at kind of an elastic workforce and see if we can monetize. We are building plans around it. And we are getting a lot of inquiries in those aspects, to be very honest.

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

Prabu Anand K: Thompson, this is actually about the Malaysia Sovereign Cloud. I forgot to ask earlier. In the previous read-out, you mentioned about some customer wins in the Malaysian Sovereign Cloud. Can you just throw more light on the Malaysian Sovereign Cloud and how is it going and do you have any partners for selling the services or how is it going on there? The other question is about the Oracle SOE. You also mentioned that you are anticipating more service like a lease coming from Oracle for their existing business. How is it going and any light on that? Because, the last time you used to share it as a kind of breakup of all the services. This time, there is no such presentation that has reached us.

Thompson Gnanam: I am sorry. We will try and add that for sure. We will take that input and we will give you a more breakup of some of these.

Prabu Anand K: Before the presentation if it starts means, it will be easier to refer it so that the questions can be avoided sometimes and can be clarified in the call.

Thompson Gnanam: Absolutely I agree, point taken, and we will work on that input and try and see if we can do it earlier and better for sure. I will try and answer your question. One is, I think, as a step back, most of these Oracle CoE whether it is our NuRe 3i+ Cloud or any of these, what we have done is strategically we are investing in building a very very solid channel or alliance management organization because it's a different kettle of fish compared to our typical direct B2B business, Prabu. That's the first thing we are doing. We have brought in a senior leader to help us build that also globally. We will see some announcements going out shortly. To manage Oracle relationship in the geographies, work with the salespeople, work on some of those named accounts. That is one. Second, also set up the entire channel network to drive this business because this is also channel-driven value-added reseller SI partners, we should do it. So, we have

set up that unit. This also helps us rationalize our thoughts as well. So, keeping an eye on our cost to see how we can bring down our sales cost, balance our sales cost in between direct new logo coverage versus existing account management vis-a-vis to channel an alliance, we are doing it. That's on a slightly strategic level and also it helps us optimize our cost and maximize our ability to go to market faster and accelerate our revenues in some of these new lines of businesses.

Coming specifically to Malaysian Sovereign Cloud, if you look at it, we have already on-boarded 2-3 customers whom we work with. It's again a direct question because our immediate customers have been through our partners and through other product companies where we have their customers whom we have helped manage those product companies migrate their customers into our cloud. Because, we are able to give better service at a lower cost, so we have done that. The second thing we have done is, we are also pushing this as a disaster-recovery-as-a-service for even enterprise companies. In fact, pilots are moving on. Hopefully, in Q4, maybe we will do that. We are saying as a BCP option, they might have their primary cloud services wherever it is. Now, we are saying please have your Sovereign Cloud in Malaysia as a disaster recovery even for some large Malaysian contracts. That is happening as a strategy.

You also spoke about leveraging the Oracle CoE which we have moved very faster. If you look at it, we set up that Oracle CoE in a tier-3 city in south in Tirunelveli. We had our first batch of almost like 75 engineers. The good news is almost 80% of them are graduated, certified much earlier and also deployed also. That's a good news. And we were surprised because we were able to accelerate that 2 months in advance. Some of the scores these youngster engineers have got has been phenomenal compared to even Oracle standards. That's a very positive for us and reaffirms our entire strategy and belief as well. And now we are accelerating that to the next level. And we have also won some of our first True Blue Oracle CoE end-to-end use, the announcement will come. SBI General, we have signed the MSAs and contracts for total end-to-end Oracle application management services. This is all one on the backbone of these investments we have made and now we will be able to accelerate it faster.

- Prabu Anand K:** Congratulations. Because I was just wondering if any news on those things will be coming and still waiting. Thanks for the update.
- Thompson Gnanam:** We were just waiting from our PR, but I thought I will make the announcement today. It will keep coming.
- Moderator:** Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Thompson for his closing comments.
- Thompson Gnanam:** Thank you one and all and thanks for all the questions from Siddharth, Purushotam, Prabu, and Harpreet and thanks for all the support. And Divya as well. And these are great questions and fundamentally this also helps us stay motivated, gives us the outside-in perspective, helps us to

be grounded and calibrated as well. Thanks for the support and talk to you all soon in the next quarter.

Moderator: Ladies and gentlemen, on behalf of 3i Infotech Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines.

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