

ALL E TECHNOLOGIES LIMITED

Q3 FY23 Investor Conference Call

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Rajiv Tyagi – Executive Director

Ritu Sood – Executive Director

Sandeep Jain – Chief Financial Officer

Sandeep Salman – Head - Cloud Business & Managed Services

Conference Call Participants:

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Taran

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Dr. Ajay Mian

Good afternoon everyone. Thank you very much for taking out time to join us for this call today. Because this is our first investors call, I would urge everyone, who's comfortable, to switch on your videos. That would enable us to see you and maybe have a more active interaction. So, if you're comfortable, kindly switch on your videos. It gives me a feeling of talking to people rather than talking to a screen.

We are primarily doing this call because many of our investors do not know enough, or they do not know closely enough, what we do, so the focus of this call is to give you an idea of what business we are in, what we do, and in the context of whatever is happening in the world today where does that fit in. We obviously will also talk about the Q3 numbers too.

It would be our endeavour to do such calls every quarter. As most of you know that we didn't have to do this one. It wasn't mandatory for us to file our results this time but we wanted to start off on the right foot, right from the beginning. So, despite this not being a statutory obligation, we decided to file our Q3 numbers. We wanted to speak to all of you and that's why we are here.

Let's begin by looking at some numbers to know about our Company, in the period between April to December 2022 your Company did revenue of 65.62 Cr. The profit before tax stood at 10.66 Cr, and the PAT at 8.81 Cr. During the same period we had 29 new customers added, and our international services revenue grew by 43%. Of the total revenue 76% was repeat/ recurring revenue. Our receivables at the end of this period were 15% of the revenue, and 55% of that amount was under 30 days. The total team strength was nearly 325 at that time.

People are the most important asset for an organization like us. Happy people in the Company result into happy customers. We were certified as a 'Great Place To Work' after an Institute conducted elaborate survey - over a period of 2 months. This has been a matter of great satisfaction for us.

Alletech functions as a digital transformation catalyst, our mission is to enable organizations worldwide enhance predictability through digital transformation, and on this journey we are guided by our set of core values. More than 10 years ago we adopted a set of 6 core values - Responsiveness, Integrity & Dignity, Attention to Details, Living up to Customer's Trust, Hunger for Learning & Innovation and Grace under Fire. Whenever in doubt of what is right to do, we look at this set of core values and it tells us what we should do. We leverage digital technologies and cloud to help our customers to transform their Operations, Experiences (Products & Services), and Relationships to bring together Company & Customers, Factory & Field Service, Storefront & Supply Chain, Patients & Providers, People & Governments, and we do this by putting in place Integrated operational system of ERP, CRM, Collaboration solutions, & Commerce, and enable businesses draw actionable Insights from Data. On the right you will see the number of countries where we have worked and provided solutions to customers. Nearly 30 countries.

Our solutions are today built on the Microsoft stack of Intelligent Business Applications. When you talk of ERP & CRM - we go all the way from - Finance, Supply Chain Management, Human Resources, Sales, Marketing, Field Service and more. Azure is the cloud that we use for Infrastructure, DR & Security, Managed Services and Modern Work Space.

Our Data & AI solutions cover Cognitive Services, Machine Learning, Intelligent Data Platform and Azure Analytics services.

The Power Platform is one of the fastest-growing products in the world today. It has the powerful products of Power BI, Power Automate, Power Apps and AI Builder. The component of Power App is the world's most adopted component for Low-Code / No-Code platform, and together we use this entire stack of Microsoft Intelligent Business Applications to build solutions for diverse industries. Here are five, that we have done significant work in. The travel solution - we have been working on it for more than 15 years and probably have more than 25 customers of the travel industry with us. We have done several projects on the

Green Energy segment in the last couple of the years, and similarly Professional Services and Food & Beverages.

The sector of 'Higher Education' is currently the most exciting one for us. We are finding significant traction on the solution in the market, both - directly with customers. and Microsoft also is deeply interested in this area.

Given our focus, its natural that over these many years we have received several recognitions and awards. One of the most significant ones - we have been the Microsoft Business Applications Inner Circle member six times in the last about 15 years. This is probably the most any partner has done in India. Incidentally Inner Circle is the recognition that is typically given to only one partner from India each year. So this just tells you that we have been at top amongst the top partners consistently for this period of over a decade. And then as you know, on December 21, 2022, we listed on the stock exchange. And as we mentioned, just last week we were adjusted as a 'Great Place To Work'.

Our relationship with Microsoft is very important and very deep, it's a multi-pronged relationship. We of-course are a top tier partner for Business Applications & Cloud, but in addition to that we have also been working closely with the Microsoft product engineering team - both in Copenhagen and Seattle - to work on several aspects of the product. We have been working on Feature Development work, we have worked on Sustained Engineering, and we have worked on Localisation of these products.

Microsoft also made us the 'Master VAR' in India 10 years ago, and in that program we have nearly 40 smaller companies with us - who we help build business and service customers in the Business Applications space. We have also been 'ISV Development Centre' and we have enabled a couple of ISVs move their solutions to Cloud.

I would like to introduce to you our Board Members. I have on my right Mr. Rajiv Tyagi who has been with the Company for more than 20 years. He is an Executive Director and we started the Microsoft Business Application practice as he came into the Company. On my left is Ms. Ritu Sood, who is also an Executive Director. She currently manages most of our international engagements, and in the past she has been Program Manager for the work that we have been doing for Microsoft - with their Engineering team.

Mr. Vinod Sood is the Founder and Managing Director of M/s. Hughes Systique, and Mr. Sunil Goyal is the Dy. CEO and India Head of Sopra Steria. Dr. Suman Mian is a Non-Executive Director.

Two other members who are part of our leadership team are Mr. Sandeep Jain, who is the CFO, and Mr. Sandeep Salman - who manages the Cloud and Managed Services business. There are number of people who play vital roles in building the organization and we are here introducing just 20 of them. Probably in one of the forthcoming calls we will introduce some more.

Let's come to the financials now. We grew our revenue - quarter on quarter - by 16% Q3 on Q2. And our nine months growth this year, over last year, has been 23%. If you look at the geo split of this business - 54% of our services business came from the US, and India contributed 33%. And then, we have APAC, Europe and Africa. Africa was 3%, Europe was 3% and APAC was 7%.

This chart shows how the revenue, PBT and PAT changed in the last quarter and then YTD in the last nine months. As you can see, we have had a healthy Q3. We'll come back to this if you have questions. Let me just run through these slides and then we can open up any of these slides again later. We added 29 new customers in the nine months period. Out of these 29, 20 customers are from India, and we added 9 international customers. In all, the number of active customers we currently have is 209. Of these - 139 are Indian and 70 customers are international. One important number that we all look for is how much revenue are we getting from our top 5 and top 10 customers. The revenue from the top five customers for this period of nine months has been 22.5%, and the top 10 customers have contributed 31.8%. This is all services revenue.

Now, based on these numbers, let's look at what the business looks like and what is the way forward. In this slide we have tried to compile all the key points on why is this an exciting business? We have been in business for 20-plus years, so why is this an exciting time, and what does the future look like?

Nobody can accurately forecast numbers, so, you have to look at the trends and you have to see what's happening in the market there. One thing which has been proven beyond a shadow of doubt now is that the Microsoft stack of Intelligent Cloud and Business Applications is the most comprehensive suite available in the market today, and it's growing very fast. On their huge revenue base, Microsoft Cloud Applications last year, in the year they ended in the June of 2022, the business had grown by around 40%, the quarter on quarter growth has also been healthy and their Business Applications suite has been getting adopted very rapidly.

We all learnt about ChatGPT in the last couple of weeks. ChatGPT has given Microsoft a big leap in the AI space. The debate about whether Google is ahead or Microsoft is ahead has kind of shifted in favour of Microsoft in recent weeks. It appears that it will stay that way at least for a significant period of time. But, more important from our point of view is that Microsoft is now making significant investments in embedding AI into all its products. What that would mean is that the line of products that we work with is going to become increasingly more attractive, increasingly more competitive, increasingly more user-friendly, and increasingly more adaptable. One very important aspect of our business is - we don't sell bodies. We sell solutions. And, when we sell solutions, this is a combination of products, our consulting, and our service on top of it.

The products are from the Microsoft Stack. With time, the solutions are now increasingly a combination of elements of ERP, CRM and various other components - the Azure cognitive services, the business intelligence piece, and the point applications built on Power Apps. The time when companies used to implement just an ERP or just a CRM - was many years back. Digital transformation requires businesses to look at things in a very different and integrated manner. And we use the Microsoft platform very strongly to do this. I will give you some examples in a little while, so what are the competitive advantages that we have as a company in this space? The first thing I mentioned is that - we provide solutions. For long the Indian IT industry has been known for just providing people or bodies. These people would go and become a part of the workforce of a customer and the company would start getting paid for them on an hourly basis or weekly basis. But for us, we are in a consulting space where we take on an advisory role for our customers.

We have a very large customer base. What that means is, with 200 plus customers - and you have seen the rate at which we add customers. Every year there will also be some attrition in some customers. Sometimes their business models change, or sometimes for financial reasons, they may go and adopt different product lines. All these customers that we have, and we add several customers every year, we currently take a portion of their wallet share and this is something that we can, and we are going to, increase and take a bigger share of their wallet. These customers are spread across many countries of course. As you have seen, a large percentage of this is in the US, but we also have customers in other parts of the world - which enables us to shift and spread our risks - if at all there are any in a specific geography.

The mix of international and domestic revenue works very well for us because the international revenue obviously has much better rates and the domestic business enables us to prepare for getting these large opportunities. Our business is - providing solutions and not just people.

We work on the complete suite of business applications. We are not just a pure ERP or a pure CRM provider, rather we look at what it takes to transform customer's operational systems, what it takes to transform their customer experiences, what does it take for us to bring them insights from the data that they are gathering, where point automation of processes - which are still manual but need to be automated, and integrated with their enterprise applications - is possible. This completeness of offerings is what keeps us competitive and attractive to customers.

With experience of over 2 decades, our customers fall in typically 3 categories. We work with end customers, which are businesses that need to do this digital transformation. And as I mentioned, we work with partners to help them provide these solutions to their customers; as well as we work with Microsoft to work on their products.

Our sales in India are largely IP LED and we will talk a little about this in a moment. It is this IP that gives us a very strong competitive position. Those IPs would be working for several other customers, which become great reference base, and we are able to bring up the solutions faster than otherwise.

We are a very strong brand for customers. We have been in the Microsoft business applications Inner circle multiple times from India. And of course, we are also a strong brand for people who want to join us and work with us. With the recent certification of a 'Great Place To Work' that has only been strengthened.

So, this slide talks about the growth drivers. Our growth drivers in India are particularly the IP LED growth. I mentioned education, green energy, and travel as the primary areas of IP. We also work for Digital Natives and Professional Services. The Microsoft Business Applications market globally has been growing very fast. This growth is anticipated to be over 25% for the next many years. If you look at only the cloud, it has been closer to 40%. Our focus on growing international business is going to get further strengthened in the next one to three years and in focus will be the new geography of Africa that we have adopted. We now have an office with somebody heading that office, and our business traction from that region is building up, and very nicely, at the moment. In addition to the strong offerings that we spoke of so far, our new offerings which are somewhat nascent in comparison, are data analytics and commerce. These are a key part of our growth. Over the next three to five years inorganic growth will be key, and that's the primary reason why we went ahead and did an IPO in the first place.

The inorganic growth will be on two fronts, one - looking for companies in the western market who are doing exactly what we do in the Microsoft Business Applications space - so that we can reach to customers there as a local provider. And then, supplementary offering of things that our customers need and do currently, but which we may not directly be doing right now. So those are the two areas in which we are working. We are currently engaged with at least three investment bankers who are bringing us opportunities that we keep exploring and talking to, and some of them move from exploration to a conversation stage.

If we do our SWOT analysis - which is very important for any business to do candidly - our strength is our significant customer base. Many of these customers are those that we have been working with for even 15 years, and many more for definitely more than 5 years. Our experience of having worked in more than 30 countries, our very strong competence on the Microsoft Business Application space, our industry solutions and the intellectual property that we have built, our alignment with Microsoft and the leadership position it has in this space, the leadership position that we have in our space - are the strengths that we are building on.

The opportunities that we see - the digital transformation momentum is building up and strengthening. It's going to continue this way for all of this decade at least. The shape and form of it will change as we come closer to the end of the decade - because new things will come, new developments will happen - and we will align ourselves accordingly.

Microsoft solution stack, which is base for most of our solutions, and we work with closely for most of our opportunities, is growing and growing rapidly. You all know how much Microsoft has grown in the last 7-8 years, particularly from the time Satya Nadella took charge. There's also growth in the industries of our focus. We recently partnered with Darwin Box for their HR solution and this is a strategic partnership where we take Darwin Box to opportunities and Darwin Box takes us to opportunities; and then of course, the inorganic growth which will be one, in the international geographies and two, for areas of work which are supplementary to what we do today.

Analysis has to be not only about strength and opportunities; it's also about weaknesses and threats.

We see today our biggest weakness is that our industry solutions footprint is currently limited only to India. At least one of these is currently being actively worked upon with Microsoft, and I will come to that in a moment. This is now getting positioned to international customers. In fact, just today one of our solutions had a rollout at an international location of an Indian customer, but that's a good beginning.

What is the threat that we see? The biggest threat that we see today is the increasing cost of talent. This has been so for the last two years, and the recent couple of months have seen some softening of this. But overall, this is something that bothers the tech sector in general. There are ways in which we have tried to address this and we have to continuously keep working on flattening your pyramid and training the new people for them to become more productive.

When I say strategic focus, we are saying - what are the things that Microsoft is interested in doing with us. All the things that we spoke of here are the things that Microsoft is very keen to partner with us on, and I'm saying this - globally. There are other geographies where Microsoft has been partnering with us for other industries, for example in Africa Microsoft has been working with us to build more on the banking side. As some of you might know - the Bank of Kigali, Kigali is the capital of Rwanda. we took their CRM system live a couple of months back. We recently agreed to have phase two of the project, which is probably larger than what we did earlier, and we have the Microsoft team in Africa now working with us on a set of opportunities. We are working together on renewable energy, higher education and travel.

So why is this important? This is important because we can have a limited sales force, but Microsoft's sales strength and reach are phenomenal. If you look at the whole marketplace, their demand generation engine generates 100,000 leads every month, you look at their P2P partner-to-partner with the global channel to reach the demand generation goals. It has 17 million partner sellers. The EC and the Corporate Sector have 1800 field sellers, and if they approve a solution to be a Co-sell solution then it gets the visibility of Microsoft Sellers in all regions. If you look at the enterprise segment where they Co sell the solutions with field sellers, it has 6500 field sellers.

So, the strategy is first to develop and acquire customers in India, which becomes the proof point to make it Cosell-ready. Cosell ready means that Microsoft and the partner are selling it together, and by doing that the Microsoft sellers gain access to it, publish it on the marketplace and I would like to give you an example of the education solution that we have brought to this level. If you look at the education segment in India, and just in India there are 1043 universities, 11,779 standalone institutions and 42,343 colleges and this number changes quite rapidly. So the solution on EdTech, which is called EdTech 365, manages operations from admission to alumni. With Microsoft, we have identified a total addressable market of 3000 accounts that we are working together with.

As you can see, these are significant projects. They impact a significant number of people and they are aligned with what Microsoft priorities are. So we see significant potential of taking these solutions to the international market.

There are a couple of things that we do as part of our Corporate Social Responsibility. There are at the moment 3 organizations that we have adopted and we contribute to them. We also help sometimes by spending some time. There is the Earth-Saviour Foundation that we have been associated with for the last couple of years, they are in the service of underprivileged destitute and abundant old people.

Then there is CR Kothari Memorial Charitable Trust. They primarily help bright students from weaker sections to help them get higher education, and then there is an organization 'Books for All'. They would go and make available books that students need in various educational institutions addressing students of the poor segment.

Now, I would like to open up for Q&A. please feel free to ask questions from me and to my colleague Mr. Rajeev, Ms. Ritu, Mr. Sandeep Jain and Mr. Sandeep Salman.

Himanshu Pareek

What is the guidance for FY 24 and when will we be able to complete our Inorganic acquisition?

Ajay Mian

What I would like to say is – given the level of activities we are currently engaged in we definitely expect – btw we want everyone to know is – there's a certain seasonality to our business. Our Q1 is usually the biggest quarter because this is the last quarter for Microsoft. Our Q2 would usually be a little slow, the Q3 becomes a little better, and the Q4 is somewhere in-between. The reason for this is – when you talk of the sales cycle of enterprise systems, and when you talk of the organizations deciding on the adaption of enterprise systems, these decisions take multiple months. It can take anywhere between 3 to 6 months for an organization to decide on the solution they are going to adopt. Then there are budgets, and at Microsoft financial year end they play a role. Q2 is usually soft, and Q4 can be in-between depending on what the customers are doing for their budgets that year. So, I would say that based on the traction we currently have, we only expect to see an increase in the rate of growth we have had in this year. The new business is obviously going to come from India, and of course other geographies that we are talking about; be it Africa, or the new businesses in the USA.

Himanshu had another question on when will we be able to complete our inorganic acquisition. Well no body knows, no one can give a firm date. The money we have raised from all of you is very precious. We have to make sure that it's put to good use, and we don't want to make mistakes. Now, that doesn't mean that we want to get paralysed with this analysis. There are some conversations currently underway, they may go through, they may fall through, but this is something I personally spend a significant percentage of my time on.

Rohit Narang

Hi, Ajay, any thoughts and/or plans for growing the revenue share from UK & Europe?

Ajay Mian

Rohit at the moment we are working with a partner in UK. So we don't have a sales presence there but we have signed up for a partner relationship in the UK, and we are trying to work with him. I cannot tell you specifically that there is something that will happen in the next quarter or the next two quarters but as you know increase in revenue and increase in customer acquisition is a very high priority activity. We currently are focused more on the US, but we are balancing it off by having focus also on Africa and some other parts of the world. But maybe when you join us again in two quarters we might have more news about it.

Ramanjit Singh

What percent of revenue is coming from Microsoft? What are the gross margins in the Microsoft partnership business line? Are we not too dependent on Microsoft? Who are our closest competitors?

Ajay Mian

So first of all, we have to see that we are not dependent on Microsoft. The reason that we are not dependent is - we are not providing bodies. We are providing solutions. These solutions tell us that what it takes for a customer to have a successful digital transformation of his business. We understand the industry, we understand the domain. Now whether we build that solution on a Microsoft stack or tomorrow we start building on a different stack, it does have a little learning curve, but we are not dependent on them. We make a significant contribution to what they do and that's the reason that we are in the Inner Circle repeatedly. It's a nice partnership and as you have seen it's a multi-pronged partnership. It's not something that you can switch on - switch off. We work with them to build a product, we work with them to enable

the Master VAR Affiliates, we work with them to do the ISV program and then we sell the solution. And then we do the implementations. We probably have the largest number of Business Applications customers in India for Microsoft. So, something has to be dramatically wrong for that relationship to get impacted but hypothetically speaking if something was to happen it can't happen globally. We are connected with Microsoft in the US, India, Africa, Singapore and in Australia, so it's not like a 1 person dependent relationship. And it's not just me. Maybe a 100 people from my organization are connected with different people in Microsoft. So, we are using Microsoft as a platform to build. If we have to take a different platform, we will use a different platform. It doesn't bind us to it. It is just that we chose at some point in time that our success is not in taking a basket of multiple things to customers. Our success is in making the customers successful. So, we have to put our best foot forward. We don't have to tell him that, ok, what do you want? We have to tell him what he needs. And then make sure that he gets what he needs and that he succeeds with what he needs.

What percent of revenue is coming from Microsoft? Well I would say – from Microsoft directly, will little. From Microsoft directly is only the revenue that we get as provider of services to their engineering teams to help them build their products. That revenue is very little; probably only 3 to 3.5% of our total revenue. The other is of course the products we take from Microsoft and build our products on top of it. If you ask what's the overall product revenue, and this product is the Microsoft products and our pieces built on top of it, then this is about 41% so far in the 9 months period.

What are the gross margins? Microsoft has 2 types of products. The product line that goes with Azure, where you provide infrastructure, platform etc., and there are the business applications. The gross margins from Microsoft on Azure product line is 15% upfront, and then there's some annual margin they give you as well, based on how you have done. There could also be some discounting that's done to the customer. But on Business Applications side the margin is 30%. Then there are some schemes that run from time to time, but then there are some discounts you have to give to the customer. So, it's a reasonable margin. It takes care of the cost of our Sales. But obviously this margin is less than the margin we would get for services, particularly for our international customers.

Vijay

What's the EBITDA margin company looking out for?

Ajay Mian

We have already given numbers for our PBT. This is a time when - as we mentioned - the cost pressures on resources has been growing in the last year. So that has put it a little under pressure. But, we expect - whatever numbers we have forecasted now - we expect the numbers to be the same at the end of quarter 4 or in the same range.

If you look at our Q3 for example, you will see that as compared to Q3 of last year, the margins have significantly improved. This improvement is very large, so I don't want to say, and please don't assume, that this is how it will be every year. But as the international services component of our business increases, and as the sale of our IP products increases, we will have better margins coming in.

Prasenjit

In IPO DRHP, you have shared the target to add 150 more employees, kindly share the progress & any time frame you want to complete 150 employee addition.

Ajay Mian

When you add people, you have to be careful on multiple fronts. You have to be careful that you don't want to increase your average employee cost too much and you have to also manage the productivity, so you take people, you take some of them laterally, and you take some of them from campuses.

Happy to share with you that just about a week back we had as many as 31 people join us as the new campus batch. All these people are currently undergoing training and I think their training is going to continue for like about two months. They have classroom training, practical training. They are divided into I think 4 batches and all of them are getting trained, some collectively, some separately, so, over the head count 31 people were added and we will assess this as things go.

Abhijeet

Do you have any plans to work on some other platform simultaneously?

Ajay Mian

Absolutely. And particularly in the area of commerce. When it comes to ERP we don't think that we need to adopt any other platform. The Microsoft ERP platform has been building up very nicely. It has been getting a lot of market traction, and they have two ERPs not one. And adding another offering to our basket is unlikely to make any difference at all. We don't want to be in the business of, for example, bringing on board SAP resources and then giving them out as bodies to companies. That's not our primary business. Our business is in building and providing solutions, helping people and companies with their digital transformation and that's where we have continued to work with Microsoft. When it comes to Commerce, there are some products that are stronger than what Microsoft offering is, so that is something that we are working on and we will continue to look at that.

Dalpat Mehta

Which are other Companies in same line of business?

Ajay Mian

Our primary competitors in India are the big consulting companies. So KPMG, E&Y, PwC, Deloitte, all have divisions that are doing the Microsoft business applications work. More often than not these are the companies that we find in our competition. We win some, they win some - which is the natural case.

When we talk of competition in the international market there are some very large partners. Some of them work with us, and these partners could be like 100 million, 150 million, or 200 million organizations. When we compete in the US, many of our customers were earlier having one of those companies as the partner. So we replace those companies and provide them the ability to get similar levels, quality of work done and at a much better price, which has become very important in these times.

Prasenjit

Hypothetically, in the ever-changing world, if Microsoft gets disrupted by some other company then our business can also head to near zero, correct?

Ajay Mian

Our core competence is not because we understand Microsoft. Our core competence is that we understand the area of digital transformation. We understand ERP, CRM, and BI and we understand the industry domains. We just happen to have picked the Microsoft platform to build these solutions.

Hypothetically speaking, if something happens, we have the ability naturally. It's like, a developer today is building on the NET and tomorrow he may start coding on Java. Or somebody who's coding in Java may tomorrow pick up another language to write his code. But when you talk of products, we currently work with Microsoft. Those products are doing very well. They are adding a lot of new features and functionalities. That's where we are, but it's not going to disrupt.

I will just let Rajeev answer that further.

Rajiv Tyagi

Yeah, I just wanted to share that basis whatever solutions we have created on the Microsoft platform the competing products like Salesforce, SAP, and Oracle, they have always been showing interest and always want us to become their partner because they understand that we've got the domain knowledge and you know these solutions can obviously be switched from one platform to another. So, till you know there is no disruption in the Microsoft world. We are just trying to capitalize on our existing relationship, but it is not that if something happens then what. The industry knowledge is very much there with us.

Ashish

New acquisition in IPO fund plan?

Ajay Mian

The IPO was done primarily for doing inorganic growth and obviously as we had mentioned at the time of the IPO, we had our own reserves which were almost the same size as the size of the IPO. So we have both of these sources of funds available and as we work through this process and that's the reason why we are working so actively on this. We are going to use these sources of funds for our acquisition, so acquisitions is, you know, a very key part of everything that we are going to do this year.

Abhijeet

Can you please shed some light on competition? When exactly do we compete against big players such as EY, and KPMG?

Ajay Mian

We compete with E&Y and PwC all the time. I would let Rajiv answer that.

Rajiv Tyagi

In most of the cases which are upper mid-market level customers, these customers will obviously like to have more than one vendor. So, they go through the vendor evaluation process and we go through that situation where there may be one of the big fives doing the RFP building process and then these other partners are also involved. It could be PwC, KPMG or Tier-one partners as well. It is just not the consulting companies. Be it Infosys, HCL, or Wipro. They are, and that is the attractive space, because of our cost structure, and our domain knowledge, we are able to win against them multiple times.

Raj Sood

What is the rough ticket size for those competitive situations?

Rajiv Tyagi

The ticket size varies a lot depending upon the industry. So in Indian terms these can range from a ballpark 50 lacs and going up to Crores. It all depends upon which industry and what all solutions are getting included, whether it is just ERP or ERP, CRM, and the size of the organization.

Ajay Mian

Just to give you an idea of some historical numbers - many years back, and this certainly it was more than five years ago - we did a project for an organization in Dubai which is called Gems Education. We did this project where they were automating a whole lot of things. It was core ERP, and some other stuff built on it. The value of that project to us was approximately \$1.8 million. But that does not mean that all projects are of this size. There are projects which would be half a million dollars but there would also be projects which will be only \$100,000. So there is a variation, the most important thing for us is that our customers give us a lifetime value. So we don't see the value from a customer by the value of the first project that they gave us.

In one of the slides, I had mentioned earlier that our recurring and repeat business revenue for these nine months was 76%. Which means that the new customers that we acquired contributed only 24%. But this is the revenue that we did for them. Obviously they will give us more revenue for the rest of the year and for the years to come, but as much as 76% of revenue is from customers that we had acquired in the past. We have customers like Blue Dart and MakeMyTrip and Yatra and so many others. I'm using these names because we all know these names, who have been with us for more than 10 years, 15 years. the amount of revenue that they give us has been significant. So even if we get a small entry with a customer, we go ahead and take the consultative approach and start getting business from the customer.

Abhijeet

How do we beat them? Is it's a regular bidding kind of process?

Rajiv Tyagi

We beat them on the basis of the Industry knowledge, our accelerators, and fitment to their culture and cost expectations

Ajay Mian

In addition to what Rajiv has mentioned, I want to go over what is the process of selection for a customer when he is looking for partners for these kind of projects. I think the most important aspect of this business is - unlike, let's say somebody manufacturing white goods. The customer knows at the time of buying - what he is buying. If somebody was buying, for example, a phone or a car or a refrigerator, he's able to touch, feel, and read the specs and he gets what he asked for. But when you look at IT, and when you look at software, when you look at the Digital Transformation initiatives, the customer signs up - a lot based on trust. He had faith that you will deliver to him what he needs, and sometimes he was not even able to spell out what exactly he needs. You have to follow the consultative approach to tell him - what he needs, and then show him that he got what he needs. So therefore, it's not a bidding war. You may typically go into tendering type of situation, maybe to buy a certain license, or for different products.

Now if you are a government organization you may still need to do that, but most of the time it is your engagement with the customer, where you have shown him the solutions that you are building, you understand what his business is, you understand what his pain point is, and you know what solution he requires. So, this whole process which lasts many months sets you apart from maybe a set of other people in the market who also do the same thing but have not been engaged with the customer. Now, these activities are so intense that usually a customer does not have the flexibility of doing the same thing with multiple partners. So, he kind of picks up one and then goes through a certain length with him, before he decides.

Prasenjit

Are you planning to take any debt or loan for acquisitions or entirely fund from cash and IPO money?

Ajay Mian

Important question, and we are going to get to these questions in specific situations that we are working on, but as a model - I would like to share with you - we want to maximize leverage from the funds that we have raised and the funds that we have. If we find, and if we are able to close on an acquisition target we definitely want to make sure that we don't end up spending all our money into that one acquisition target. As I said, we want to do at least two - one in a supplementary space and one in exactly what we do. We want to do one in the Western world and we might do one where we are adding capabilities to an area that we currently don't have.

So, in all probability, and of course, it depends on the size of the acquisition, we are going to use some of our money that we have to fund it initially, but I do anticipate us going in for some debt as well because when you acquire a business the results of that business over the next couple of years enable you to service

that debt and enable you to pay the current owners of that business over the next couple of years, because it will all be an earnout model. So we obviously have no debt right now, but as we make an acquisition and we are trying to bite as big as is possible and practical, we are not averse to taking a debt.

Anil

Do you have any plans to work with merchandise brands or AI interface solutions?

Rajiv Tyagi

Would like to understand more to be sure about the solution, and we can discuss it.

Ashish

New acquisition profitable business impact analysis?

Ajay Mian

Obviously - the businesses that we acquire are going to be profitable businesses. We are not going to look at a business that is a loss-making business to do our acquisitions. We would expect them to have at least the same levels of profitability as we have, unless there is a very strategic reason for us to think otherwise. But what I can tell you is that a couple of conversations that are underway right now those organizations are at least as profitable as we are.

Prasenjit

What is the size of companies in terms of revenue looking to acquire?

Ajay Mian

We are looking at companies with a revenue size of roughly \$8 to \$15 million.

Pradeep

Any dividend policy in future?

Ajay Mian

Our Red Herring prospectus already has a dividend policy mentioned, and it says that you know based on various factors and approvals and so on, 10% of the dividend will be done. It could be more or it could be less, but the policy has been spelt out regarding this. You can look up the RHP.

Pradeep

When do we expect 1st dividend?

Ajay Mian

I think these are things that have to be first discussed at the board level and as soon as that is done, I would be very happy to inform you. I don't expect any surprises to happen there but at the same time I by myself I'm not authorized to talk about it till such time that a board decision has been taken.

Ashish

Next three-year revenue target?

Ajay Mian

We look forward to increasing our growth rate. Obviously, anything that we have said here must be seen in the context of whatever risks exist in the economy, in the market, and so on. But at the moment the area

that we are working in, there is so much momentum there and we are so bullish about it. It's working for us very well. My guess is that we would do better than what we have been doing in the last 1-2 year.

Rambabu AK

Will you publish results every quarter?

Ajay Mian

Absolutely. This is a decision that we took some time back. And we didn't have to publish it this quarter, but we said that we will publish it in this quarter itself because that's a culture that we have. By the way, I don't know, you know, you people wouldn't know, but in the organization everybody knew about our numbers every year. Unlike many organizations of our size, type or whatever, people generally keep their numbers close to their chest and you know other people in the organization don't know about it. But we would every year disclose these numbers to our colleagues anyways, so, we obviously have no hesitation in continuing to do that.

Prasenjit

Just a request don't take big debt for acquisition & continue to publish results & conduct concall quarterly.

Ajay Mian

Yeah, ofcourse. Prasenjit – we are not going to take a big debt. We are not going to over leverage. We have run the company over all these years along with my colleagues – Rajiv, Ritu, Sandeep – without having to take any debt. The only debt we had in the company was the loan we might have taken to buy a car. So, we have never taken any debt. We have been averse to it. Whenever we take any debt, we are going to make sure it is very safe and serviceable. Rest assured about it.

Anil

Can you give some light on a company for which you are working in the travel and education sector?

Ajay Mian

In travel obviously so many of them. MakeMyTrip, Yatra, Travel guru, Riya travel, EaseMyTrip - at least two dozen travel companies, mid-size and large size. At least two dozen travel companies use our solution. And in the education sector, as I mentioned, our first success has been with the Manipal Group and there are a number of others that we are in conversation with. We actually expect to give you more good news on this sector. There are other universities like Rajeev said, Shiv Nadar, and XLRI that we are in conversations with, but we expect this sector to be really exciting for us.

Sandesh Pandhare

Are you looking to acquire 100% or majority control in targets? Revenue wise they seem to be same or bigger in size than our company.

Ajay Mian

Yes, absolutely. We may not acquire 100% on day one, but obviously it depends. There are two possible models. One is that you acquire, to begin with, only maybe 60% or 70% and then you have the earn-out. But the other possibility is that you acquire 100% and then you have CCPS issued to those people. Now, whether we adopt the first model or the second model is also dependent on how the founders of the company that we talk to - how they desire this to happen.

Dalpat Mehta

Can we expect a revenue of Rs 100 Cr during FY23-24?

Ajay Mian

I don't know if I'm going to breach any protocols, and say something that I'm not supposed to say – because SEBI & NSE are very stringent on these things – take all the possible risks we talk of, the economy and whatever you have, but we would be very disappointed if don't cross this.

Prasenjit

Do we have any succession plan or the current team is confident to continue for another 10 years?

Ajay Mian

For sure you know the current team may continue for 10 years, but see the thing is - the succession plans are not only based on the people that you see today. Just to share with you - when we were doing IPO - for close to four months I did not do anything operationally in the company. So, the whole operation was still running, and running well. So, Rajeev and Ritu and Sandeep and other people that you saw on our core team have been running the business, and they don't need me. And you know then at the next level Rajeev has his set of people. He has a team that he works with which is building the IP and other things.

And when you look at 10 years, obviously a whole new set of people is going to join the company. And I'm sure some of them are going to be very bright and are going to take the company to the next level. So, the whole idea of doing an IPO is 'build to last'. If it was to be 'build to make money' then we would have sold the company. As you would know - we are a critical size and we are in a space where we did have several other larger companies and private equity funds wanting to come in and take a stake. But we wanted to not build & make money, but we wanted to 'build to last' and that's the reason why we have an IPO; and the succession plans will be in place appropriately.

Dalpat Mehta

Great

Ajay Mian

Thank you Dalpat.

Raj Sood

Thank you for the update , we look forward to the year end results and more positive momentum for growth.

Ajay Mian

Absolutely. We look forward to it. And as I said – the business that we are in we have keep an eye on it in atleast the midterm, if not long term. I keep getting these inquiries from time to time – how much will the share price be in 3 months, how much will the share price be in 6 months, how much the share price be in 1 year. It's an interesting question, but the thing is that – if I keep my mind on this question then I will not be doing my job. There are ways in which people play in the market, that's not my acumen, I have never been doing that. My target is – how will we build wealth. And wealth, which is long term. So, we are not looking at it on a day on day basis. We just want to make sure that starting from what we did last year, and over the next couple of years atleast, the organization builds from strength to strength. And whatever it takes.

Rambabu AK

Do you keep in investor calls every quarter?

Ajay Mian

Yes, Rambabu, we will keep investor calls every quarter.

Ashish

Thanks. Congratulations next growth company.

Ramanjit Singh

What solutions do we provide to travel portals like MakeMyTrip?

Rajiv Tyagi

Basically, from the website we take transactions of the front-end system, then downstream accounting, external integrations, and compliances are done through our system. This is all automated.

Ajay Mian

Actually, not just MakeMyTrip, be it Riya – in fact all these travel companies and e-commerce companies - their businesses are similar. Travel is also e-commerce in some sense. Naukri is e-commerce. For all these people - there are customers who would come to their portal and want to buy. And these people keep a stock, physical stock or virtual stock, of stuff that the customers buy. And then everything that happens beyond that, be it a return or be it cancellation, be it financial accounting; or like in the case of travel companies - a huge part of the functionality is integration with the GDS systems, the Galileo, the Abacus, integration with the banks, integration with the railway and integration with buses. So these are huge systems and they rely on us for these systems.

And as I said, MakeMyTrip was the first, but it's not the only one, there are at least two dozen travel companies - mid-sized and large size - who rely on us for these systems

Ramanjit Singh

Also, what does "Inner circle member" mean? In terms of our relationship with MS, and how is it significant?

Ajay Mian

It's very significant. It's significant because globally Microsoft picks up less than 1% of its business application partners and identifies them as its Inner Circle members. Barring in one year that I remember, for the last at least 15 years there has been only one Inner Circle member from India every year. Inner circle membership recognition is driven by the revenue that you brought to Microsoft, by the customer feedback received, by the competence level of your organization in terms of the certifications, by the overall feedback from the market, and this is driven by the Microsoft team in Seattle. This is not an India phenomenon or an Asia Pacific phenomenon. This year worldwide, there are I think about 58 partners (out of probably 4000 to 5000 or more) who are in the inner circle. When that happens, you get to become privy to some information from Microsoft. They share any new product development, and any new business updates first with us, before going to the market. They hold special summits for us and we get opportunity to connect with the Microsoft leadership team on a very regular basis. It's supposed to be a big boys' elite club; that is the significance of it. Every partner would be envious of a partner who is an Inner Circle member.

Ripun

We greatly appreciate you!

Ajay Mian

Thank you very much Ripun. Much appreciated.

Ramanjit Singh

Thanks a lot for the answers. Really appreciate the patience. Best wishes for the future.

Ajay Mian

Thank you Ramanjit.

Ajay Mian

Is there a question that we have missed out?

Dharmi

Thank you so much for the great presentation.

Ajay Mian

Thank you Dharmi.

Prasenjit

Can I ask one more, or already too much?

Ajay Mian

Yes, Prasenjit – please go ahead. No, no – it's not too much. We are here.

Deshmukh

Thanks for a wonderful presentation, specially in the later half.

Ajay Mian

Thank you, Mr. Deshmukh.

Go ahead Prasenjit. You have a question?

Prasenjit

The first acquisition we are looking at is an 8-15-million-dollar company, what about the 2nd, any figure approximately?

Ajay Mian

Our sweet spot would be the 8 to 15 million and we think the way we are modelling it, we think, we can do 2 which are of the size of 8 million. But should we come across an opportunity which is larger but interesting we wouldn't hesitate from raising further funds to make that acquisition. Because growth is important and as I said, in our business, we get the maximum revenue from customers not in the first deal, but over a period of time. For us it is lifetime value of a customer which is critical, not the first project. So yes, we would still go ahead and do it. We would raise money, which is not necessarily debt. If we find a nice target, which is larger than what we think we can chew, we would go and raise more funds.

Ashish

Good management, retail investor questions & answers. Thanks sir.

Ajay Mian

Thanks very much Ashish.

BTW – we are also very bullish on the African market, and we might have more updates on that in the coming weeks.

Prasenjit

What is the maximum amount of INR you like to spend on acquisition?

Ajay Mian

To answer that let me put up a model. If you have a company for an acquisition, you basically work out a multiple of EBITA, and this multiple of EBITA may change year after year. Hypothetically speaking if you start with an EBITA multiple of five in year one, and if the company meets its target next year you may make it 6, you may even make it 7. You may have that acquisition 51% or 60% done in the year 1, and then you may do the balance over a period of the next three years or four years. What you end up spending, let's say if it's a \$10 million company, and you had a 5 million to pay upfront, you would probably, and I'm just sharing a model and the actual could be a little bit different from this, but you could actually be paying 2.5 to 3 million from your own reserves, and you could be raising 2 to 2.5 million as debt for example. So, that's a debt level that we can easily manage. Now because this company is a profitable company, this company is going to give you profits over the next years. So you would end up paying the balance of it, and you would end up servicing the debt, from the profits that you generate out of the operations of the company in the next three to four years.

So, in order to acquire a \$10 million company, we don't have to spend \$10 million. You have to spend only maybe 2.5 million, maybe 3 million, maybe 3.5 million from your reserves. So that's how we will be able to do 2 acquisitions. And as I said, if we come across an opportunity that is bigger than this, then we wouldn't hesitate to raise more funds. So, when you say INR, so if, we take \$3 million and I know the dollar is not ₹80, it's probably more like 82, 83, but if we just round it off we are talking about 25 crores to pay upfront.

Prasenjit

Thank You for answering. All the best Sir!

Ashish

I am retail a retail investor ... chance to investor call participation. Good management.

Ajay Mian

Thank you Prasenjit. Thank you Ashish

Is there anyone else wants to say, suggest, comment? Please feel free to unmute yourself.

Ok, if there's nothing ...

Sandesh Pandhare

Very inspiring. Best wishes.

Ajay Mian

Thanks very much Sandesh.

If there's nothing, should we close the call?

Deshmukh

All the best!

Ajay Mian

Thank you, Mr. Deshmukh.

Thank you Abhijit.

Rohit Narang

Thanks Ajay

Ajay Mian

Thanks, Rohit.

Rajiv Tyagi

Thanks everyone for your time. Appreciate it.

Ajay Mian

Thank you everybody for spending your time with us and I hope you found value out of this, please feel free to reach out on the email ID of investor.relations@alletec.com if have any specific questions, my colleagues and I would be happy to respond and share any specific information might you require. We will close this call now, have a good evening and talk to you again at the end of next Quarter.