

May 22, 2025

To,

BSE Limited

Corporate Relationship Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor, Plot No C/1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051

Scrip Code: 540735

Symbol: IRIS

Dear Sir / Madam,

Sub: Disclosure of Material Event / Information under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of earnings call with the Investors / Analysts.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we hereby submit the transcript of the earnings call held on May 15, 2025, at 05:30 p.m. and the same is available on the Company's website.

This is for your information and records please.

Yours faithfully,

For **IRIS Business Services Limited**

Santoshkumar Sharma

Company Secretary & Compliance Officer
(ICSI Membership No. ACS 35139)

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**“IRIS Business Services Limited
Q4 and FY25 Earnings Conference Call”**

May 15, 2025

**MANAGEMENT: MR. K. BALACHANDRAN – CO-FOUNDER, WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER
MS. DEEPTA RANGARAJAN – CO-FOUNDER AND WHOLE-TIME DIRECTOR
MR. P. K. X. THOMAS – WHOLE-TIME DIRECTOR AND CHIEF TECHNOLOGY OFFICER
MR. VINEET KANDOI – HEAD, FINANCE & ACCOUNTS
MR. GAUTAM MAHANTI - BUSINESS HEAD IRIS GST
MS. ANURADHA RK – BUSINESS HEAD - IRIS CARBON
MR. SERVO SAWHNEY – SENIOR VP, SALES, MARKETING & GROWTH – IRIS CARBON**

MODERATOR: MR. SIDDESH CHAWAN – ERNST & YOUNG LLP

Moderator:

Ladies and gentlemen, good day and welcome to IRIS Business Services Limited Q4 FY'25 Earnings Conference Call. As a reminder, all participant 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Siddesh Chawan from Ernst & Young LLP. Thank you, and over to you, sir.

Siddesh Chawan:

Good evening to all of you. Welcome to Q4 FY '25 Earnings Call of IRIS Business Services Limited. The results and presentation have already been mailed to you, and you can also view it on the company's website. In case anyone does not have the copy of the press release or presentation or you are not marked in the mail, please do write to us, and we will be happy to send you the same.

To take us through the results today and to answer your questions, we have the top management of IRIS Business Services Limited, represented by Mr. K. Balachandran, Co-Founder, Whole-Time Director and CFO; Ms. Deepta Rangarajan, Co-Founder and Whole-Time Director and Mr. P. K. X. Thomas, Whole-Time Director and CTO. We will start the call with a brief overview of the quarter and year gone past, and then it will be followed by the Q&A session.

Before we proceed with the call, I would like to remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business risks that could cause future results, performance or achievements to differ significantly from what we expressed or implied by such forward-looking statements.

Having said that, I will now hand over the call to Mr. K. Balachandran. Over to you, sir.

K. Balachandran:

Thanks, Siddesh. Good evening and welcome to the earnings call of IRIS. We are grateful for the time you are spending with us. From IRIS, we have, as Siddesh mentioned, we have Deepta, Thomas and I attending the call apart from all our senior business leaders. We have uploaded the investor presentation on the exchange & website and some of you would have seen this, I'm pretty sure. And we also have sent the press release to the shareholders.

Now let me just step back and set a bit of background before we go into details. As all of you are aware, over the years since its IPO in 2017, IRIS has steadily built its business across its verticals. We have added marquee clients, expanded our offerings and gone deeper into existing accounts. In fact, over the past three years, we have seen growth accelerating compared to the first four years since the IPO. On an average, you can see that our top line has grown at about 27%, 28% in the past three years compared with about 18% growth in the previous four years. Obviously, all of you know that the SupTech segment have given a big boost to our revenues in the recent past. While in the RegTech segment, we have made a significant move, which we have talked about in the previous calls as well, by expanding our offerings deeply into the reporting supply chain of enterprises for both financial and now non-financial reporting as well.

In fact, in the previous financial year that just closed, we have started seeing vindication of our pivot into this area. This is a business where we are gearing up to scale substantially going forward. There's a lot of action on the sales, marketing and product front as we prepare to move on to the next level. We are confident of making solid progress over the next few years to capture market share in this market, which is at an early stage of growth. At the same time, I want to state that we will spend money in a measured and well-thought-out calibrated manner. From our point of view, this is not a sprint, but it's not a marathon either. I think it is somewhere in between. We are definitely ramping up. We are ramping up in a deliberate, well-thought-of manner.

Now let me come back to the current year where we are going to talk about our results and, of course, answer your questions. In the current year, of course, we have done quite well on the key business and financial parameters. And as we have mentioned in the past, we recommend our businesses is best examined or analyzed it from an annual basis rather than looking at quarterly movements because that's the nature of the business. Of course, we can talk about quarterly numbers, but to understand the business trajectory, it is always recommended that we look at from an annual basis.

Now to delve into some of the financial details, I'll request Vineet Kandoi to come in. Vineet handles our finance and accounts along with me, and he has been with us for so many years, right from the IPO days, we have been working together, and he works closely with me and Deepta as well. So over to you, Vineet.

Vineet Kandoi:

Good evening, everyone and thank you, Balu. I will now quickly run through some of the highlights of our financial performance.

I am pleased to report that FY '25 has been a year of good financial performance, which positions us well for sustained growth in the years ahead. For the full year, our total income grew by 25% YoY to INR128.51 crores. EBITDA increased by 36% YoY to INR21.54 crores. PAT rose by 51% YoY to INR13.25 crores. This growth was driven by continued expansion of our recurring revenue stream, strong traction in the international markets and careful cost management despite increased investment in technology and talent.

In terms of quarterly performance, revenue came in at INR35.4 crores, a 6% increase over Q3 and 16% YoY growth. EBITDA was INR5.85 crores, improving 3% QoQ, maintaining a healthy margin profile. PAT stood at INR2.8 crores, lower sequentially, reflecting higher operating expenses. While QoQ growth was more moderate, it follows a high base from Q3 and reflects investments in product development and team expansion, both of which are crucial for our long-term trajectory.

In terms of segment performance, SupTech led the growth with a 34% year-on-year increase, driven by new wins and ongoing implementations across regulators. TaxTech grew by 20%, aided by traction in the Indian tax compliance ecosystem and early work on the Malaysian e-invoicing mandate. RegTech posted a 12% growth with new customers onboarded in Europe and U.S. under IRIS Carbon.

In terms of geographic mix, Africa contributed 35% of the top line for full year, led by our work with the South African Reserve Bank under SupTech segment. The U.S. and Europe remains strong market for our RegTech products with decent ARR growth. Our Indian business remains stable, primarily under the TaxTech platform.

In summary, FY '25 was a year of steady top line growth, strong EBITDA performance and focused investment that align with our long-term strategy. We also ended the year with a healthy cash position backed by a decent cash flow from operations.

That was a quick overview of the overall results. And now I hand it over to Balu so that we can probably start the Q&A session.

K. Balachandran: Thanks, Vineet. So that is a quick rundown of what we have done in the last quarter and last one year. We can get people to ask questions. .

Moderator: Thank you. The first question is from the line of Rahil Dasani from MAPL. Please go ahead.

Rahil Dasani: I'm new to the business, so I had some basic questions starting with the RegTech segment. So, we have been speaking about a lot of mandates, for example, FERC, ESG, Europe ESEF, U.K. ESEF, Australian ARP. So how many of these are done with or fully implemented? And how much is left, how much opportunity is left in the rest? And what are the time lines if you can provide individually?

K. Balachandran: Maybe I can ask Anuradha to talk about this. Anuradha handles the business for IRIS Carbon, and she is clued into what's happening across different geographies.

Anuradha RK: So thanks for the question. I think you are trying to understand mandates such as FERC, ESG, etcetera. So, these are regulatory reporting requirements, which has been there for a couple of years now. So, from an overall product perspective, we are fully ready. Customers have been using this product for the respective mandate for a couple of years now. Since this is a compliance reporting product, there's no concept of partially ready, it is a fully ready product, and it is being used by customers already.

Servo Sawhney: Rahil Dasani, this is Servo. I am leading the sales IRIS Carbon, and really good question. I'll just add to what Anuradha mentioned since you're new to the business, I'll give you a little bit of context of how it is.

So, at a broad level, think of it as three broad buckets. The first is what you can call the XBRL mandates. The second is what we would call a disclosure management reporting in general. And then the third is ESG. The first part that we talk about, the XBRL mandate is where the mandates you called out for. So, SEC in the U.S., FERC in the U.S., you've got the ESEF in Europe, so on and so forth. These are under the first category. All these mandates have been around over a period of time. For example, the SEC had rolled it out very long back, probably somewhere around 2014. The ESEF or the European mandates for reporting in XBRL have been rolled out somewhere around 2021. The FERC is also somewhere around 2021. So, these are mandates that have been out by the regulators asking for information to be submitted in the XBRL or IXBRL format. That is one product line or one business.

Now comes the second one, which is disclosure management or reporting. That is moving one step back in the value chain, where we are help author the overall quarterly, yearly, monthly reports, not just financial reports. The product also helps companies prepare internal nonfinancial reports. So that is a very broad category, which is not necessarily applicable to people who have to report in a mandate only. For example, we have a multibillion-dollar customer based out of the U.S., which is not listed. However, they have still chosen to use our product for disclosure management for their internal monthly and quarterly reports. So, this is the second category. So, this is a large playing field that we are going after for global companies.

Then the third one is what you called out the ESG or sustainability mandate. Now this is playing out as we speak in a phased-out manner globally. Different countries are rolling out their mandates at different times. There is a lot of legislative approval required. And in some cases, it is taking time for the mandate to be rolled out. Having said that, because a lot of our customers and prospects feel that this would help drive more visibility within their organizations and to their investors, they are voluntarily reporting information on sustainability.

So, this kind of helps us position ourselves, especially to those companies who need to do a sustainability reporting, one in authoring the report and two in collecting the data and preparing the report and then finally, of course, authoring. So that is where we have another opportunity. And as we speak, it is an ongoing thing that is going to go country by country, regulator by regulator. And it's a long-term play. I hope I answered your question Rahil and that gives you clarity on the business?

Rahil Dasani:

Yes, it helps. So basically, where I was coming from is I wanted to understand the opportunity. And I know these mandates were applied along that, but I believe there were some updates along the way. For example, for FERC Phase 1 was launched, but I couldn't find out if Phase 2 was implemented. And similarly, ESG, we were expecting that this year, the mandate would come in and that would be huge for us. So, I just wanted more thoughts on that.

K. Balachandran:

First of all, Rahil, I think you're not new to the business. You know a lot more than most people will. So, congratulations there. And I think you're spot on. FERC, there it's a phased rollout. The first phase has been rolled out. You're absolutely right. The second phase is up in discussion. Like I said, it is being run through the legislative procedure within the energy companies in the U.S. So that is happening. Time lines, I don't want to comment. I don't want to get ahead of myself. There is a lot of, I would say, external factors, political factors that are playing out as we speak globally. So, I will not comment on when that will happen.

However, we do expect that there will be some regulation that can come in. Let us see how that plays out. The same thing applies to ESG. Like I said, each country has their own, even within the EU, if there is a mandate that is being rolled out, that is a set of guidelines that EU is rolling out for all the countries within EU. However, each country needs to roll out their own specifications of what needs to be reported. So, this is, like I said, a long-term game. We'll have to wait and see which country positions how and when they roll it out.

But the good news is if you go out and do a little, I'm sure you've done your research, there are a lot of companies that are doing voluntary reporting. So, for example, Apple, if you see, they've

been doing it for many years, and they're moving towards a sustainable product and a lot of things, right? So, in the same way, there are many such companies, not just one. So that gives us an opportunity to grow while the mandate is not yet out.

Moderator: The next question is from the line of Subhash from Value Investments.

Subhash: I just had the question on the operating expenses. I know that compared to Q3 or compared to year-on-year growth, the operating margin is down. So, what is included in the other expenses that went up? Could you please explain that? And also, what is the sustainable EBITDA margin going forward?

K. Balachandran: I think the EBITDA margin on a year-to-year basis there is a small increase. It's about 17% versus 15%. In other expenses outside of salaries, we have partner payments, we have SG&A expenses, and we have other general expenses, which come in. So, of course we have been spending more in terms of both sales and marketing. And in the SupTech area, there is also a higher partner expenses that we incur because we are getting more revenues. So that would perhaps explain the increase in other expenses, which is going up, if you look from a year-to-year basis, it is going up by about 25% from INR35.78 crores to INR44.89 crores. These expenses, I would say, would not go out of control, but they will grow at a steady pace because we need to definitely spend money on sales and marketing, that's for sure. And also, there is expenses in certain markets related to partner payments, not all markets, certain markets. That depends on the nature of mandates we get. So, if you look at the Indian market, for example, if you look at some of the business, we do in the SupTech space, we recently did something with PFRDA where we implemented a platform at record speed. So, there is no partner payments we make because we don't have any partners down the line. It could vary. But in some cases, we do have. So that is also one of the factors, I would say.

Subhash: Okay. I mean when we compare year-on-year, it looks dull because last year, your operating margin was like 21% in the Q4. But in all other quarters, I can say it is between 13% to 16%, so maybe last year, there was any scenario where you had less expenses that could be the reason why you had?

K. Balachandran: That's a good point. Actually, there's one more factor in last Q4, we did get some license payments. So, license payment certainly gives a boost to the top line without having a commensurate hit on the expenses. So, there are certain variations quarter-to-quarter based on the timing of some of the software license revenues that we get, not license expenses but license revenues that we get. We had a couple of streams of license revenues coming in Q4 FY '24.

Subhash: Okay. Got it. My second question is almost from last four years, we have grown close to 20% CAGR. So, what would be the guidance for the next year, that is FY '26 and going forward? And which segment is contributing more growth in the company?

K. Balachandran: No, we don't give explicit guidance, which we have been saying in the past as well. Of course, if you look at the current pie, the SupTech is maybe contributing up to 49%. But having said that, I did mention in my opening remarks that if you look at the last three years, we are doing at about 28% on an average year-on-year growth.

So, I would hope that this is a new normal for the company or in that range. And this is what we try to achieve going forward. And if you look at the medium- to long-term, we certainly see our SaaS business doing really well and the share of the pie of the SaaS business proportionately increasing as we go forward. That's what I would like to say at this point of time.

Subhash: Yes. The only reason why I asked the question is because when I compared to your peers, right, or the competitors like NPST and others. So, they are growing at a very fast pace. So, since you are also coming into RegTech & SupTech right now, I was expecting if you could provide at least range guidance like in percentage, like you don't have to mention exact numbers, but that would be helpful for our projections for next year.

K. Balachandran: Yes. We have been doing that, but we hear you. So, we'll discuss internally. We have not been doing that because our business has a couple of verticals as well. It's a mix of both regulators, where the business is more RFP driven and of course, the SaaS business. So, to make an overall company guidance, et cetera, it is difficult. And as a policy, we have not been doing that. So, we have been saying that the trajectory is visible to you and these are demand drivers and one has to make an estimate.

Subhash: OK. So NPST is your direct competitor you're saying, in few segments at least?

K. Balachandran: Tell me again, which company?

Subhash: NPST.

K. Balachandran: Not in the segment we operate. Of course, there are other segments, which includes anti-money laundering and fraud detection, where we don't operate. But in the regulatory reporting area, which is more to do with financial and risk reporting, we haven't come across them.

Moderator: The next question is from the line of Manan Poladia from MKP Securities.

Manan Poladia: Sir, my first question is, since at the start of the call, you mentioned something about us doing investments in order to grow our new line of business. Would you be able to perhaps give an absolute number of sorts about how much money we're investing where it's not like linked to a particular line of revenue yet, and we're trying to grow the business. If you could just explain the delta and maybe employee benefit expenses or other expenses in that specific sales push that we're doing?

K. Balachandran: You mean the state-related initiative that we are doing? Is that the question that you have?

Manan Poladia: Yes.

K. Balachandran: Okay. So, the state initiative that we have embarked upon is still at a pre-revenue stage. And right now, we are getting the basic pieces in place in terms of our offerings. So that we can start working with the states and make this platform available to the MSME community. Here, my sense is it's a little too premature to talk about the spends. Of course, there will be some spends that we'll do in the current year. And I would say that some of it will get capitalized because we are building the software. Of course, the community building will be, of course, expensed out.

So, my guess is it won't be that substantial that one needs to start getting, pencilling it out in your projections.

Manan Poladia:

Right. Sir, my second question is more of a book-keeping. It's two parts. One, we have a cash balance, I believe, of about INR30 crores, INR35 crores or something of that sort. One, how do we intend to use that? And what is its strategic investments? Or do we intend to do other acquisitions or something of that sort?

My second question on the book-keeping side again is how do we treat our software while we are developing it? Like how do we think about capitalizing software costs versus expensing out through the P&L?

K. Balachandran:

Okay. So maybe Vineet do you want to take the second question first on the capitalization part?

Vineet Kandoi:

Yes. So, whenever we build new products from which we expect to generate revenue, this is a policy to capitalize those expenses. And also, if we are going for an existing product, but there is a new revenue stream or a mandate which is kicking in and we are developing some modules in that, we go on capitalizing those expenses.

Otherwise, all the product development expenses are expensed out in the same year. So, just to give you an example, like Malaysian e-Invoicing, which came in earlier this year, we capitalized some of the product development expenses, which went to develop the module for invoicing mandate in Malaysia.

K. Balachandran:

Coming to the first question, you talked about our cash balance. In fact, if you add the mutual fund investments that we have made, cash balance is about INR50 crores. It is not INR35 crores. So, as I mentioned in my first set of remarks, we want to make sure that we are very frugal, and we calibrate our expenses. And we want to do our spends mostly related to our SaaS business. We want to scale it up over the next 3 to 5 years in a substantial way.

So, towards that, we'll be spending money. But at the same time, and if you look at this particular business, our sales marketing spends to the revenue, that ratio is still quite low. We want to bring it up. We'll be spending, but overall, from a company's perspective, since we are getting revenues from the SupTech side, and we'll continue to get good revenues, robust revenue growth from that business, we should not see any significant dropdown in terms of our overall margins. That's what we'd say.

But the money that we raised about INR20 crores through private placement, plus we have generated enough cash through accruals during the last 1 to 2 years. So, both together, the cash balance reflects about INR53 crores or so. That we'll spend in a very thoughtful manner. Of course, we have plans and we are fine-tuning these plans, and we would do this in an iterative manner as we go along this path. That's what I would say.

Moderator:

The next question is from the line of Rohit **Potti**, an individual investor.

Rohit Potti:

My first question is on the Qatar deal. Could you give us an understanding of the size of the deal in comparison to South Africa? Or is it more along the lines of our other SupTech deals that we used to win in the past?

K. Balachandran:

So, this is more along the lines of the Central Bank deals that we have won in other geographies, not with the blockbuster South African Bank deal. So, I would say it would be definitely on the lower side by a fair margin as far as the Qatar deal is concerned. Of course, we'll implement it much faster as well. South African deal, South African deposit insurance platform that we are building, the implementation will go on for 3-plus years, which is not the case here.

Rohit Potti:

So how far along are we on the South African deal? And given the large size and that segment being a treadmill segment, will we be able to sort of maintain our growth rate once that deal tapers off?

K. Balachandran:

This is again a very good question. This is a question we have been asking ourselves as well. So, our strength is the South African business, we still need to execute a fair bit there. So, I would say maybe about 35% is still left to be executed. And we are working on a number of other deals which are in the pipeline as well.

So, if you look from a 1 to 2 year perspective, we don't see that weakening our growth in this segment. Anyway, if you look at the ARR of the company, that has already gone up. We are at about INR75 crores of ARR roughly. So, as a percentage, recurring revenues will also go up as we move forward.

And there are other deals in the SupTech segment, which we are chasing. Of course, these are those kinds of deals will take time, and there is a decision period involved. But that should make up as we go along. Even in the South African business, this insurance platform has many, many levels of requirement. So, it is not that it is just not an open and shut case once the current deliverables are done. So let me stop at this point.

Rohit Potti:

It is helpful, And then my last question is on the initial commentary you made. See, historically, we've always been informed that mandate will drive our ARR growth in the RegTech segment. And we saw jumps when the FERC and the ESA mandate had come in. Now it seems like we are going to be mandate independent from the commentary at least.

So, it will be helpful to understand more details on the confidence in terms of the 3 buckets that Servo was talking about. And I also was wondering, I mean, again, this is taking off from the answer you gave Balu, sir, do we expect a meaningful maintenance component from the South African deal, which will add to the ARR of the company?

K. Balachandran:

There will certainly be an ARR component to the South African platform that we are building. Of course, that will be there. That will come once the whole thing goes live. And of course, that component from a proportionate point of view will be less than the overall deal size for obvious reasons. So, of course, any typical platform that we build has an AMC component, which kicks in. For example, the PFRDA, which went live, it has an AMC component which has kicked in. So that kind of mechanics will continue to serve us in good stead.

Coming back to the question on our ARR being driven not only by mandates, maybe I'll ask Deepta to take it.

Deepta Rangarajan:

Rohit, thank you so much for the question. So yes, you're right. I think in the past, when we have spoken, especially from the RegTech segment, we have always said, and it's true that when there is a mandate, there is normally a tailwind of growth. So, when Servo was explaining that we've got 3, let's say, subproducts or modules or call it what you will, there is an XBRL, there is a disclosure management, and a sustainability set of solutions.

So clearly, when there is a mandate, what happens is there is a driving imperative for enterprises to immediately adopt a solution. There is an external deadline of pressure. So, we've historically seen tailwinds when mandates are announced. What we were looking at even in the ESG space, there was to be an ESG reporting mandate rolling out from this year, and that was going to provide us added tailwinds of growth as well. But because, like Servo said, there was slowdown after the of U.S. elections, a little bit of stalling on the ESG side, it doesn't give us those tailwinds.

So now what I would say is when you take a look at the non-mandate, which is the disclosure management and the general sustainability report in which companies are anyway reporting, nothing to do with the mandate, our sales engine or our sales machinery has to work differently.

And that is if you remember from the conference calls or these earnings calls of a couple, 6 months ago or so, I think we talked about the fact that we are consciously rewiring ourselves also to go after deeper into the CFO organization, more value add, less driven by mandate, and more up the value chain and therefore higher prices, the sales rhythm and the sales mechanism works differently.

So, while we might not see those kinds of tailwinds, we believe that the value of the deals in these non-mandate ones will certainly be richer. We will go deeper, and we're already seeing early signs of that. So, for example, in the early disclosure management deals, we are seeing customers are willing to pay more, are seeing greater value in the solution and are leveraging it more.

As an example, we start with one report type for one company, and then it expanded to other report types, other subsidiaries, et cetera. But this sale unlike the place a mandate driven sale, where there are tail winds of mandates. So, we'll keep ourselves prepared for both.

But nonetheless, I think where we are headed is a part of a conscious plan to also go outside of mandates into a deeper value-added space.

Moderator:

The next question is from the line of Sakshi Garg from Nivesh Securities.

Sakshi Garg:

My question is what are the 5-year plans of the company? Are we jumping into any new segment, any capex, any acquisitions we are planning to do in the next coming 5 years?

K. Balachandran:

If you look at the next 5 years, I won't be able to answer that question. All kind of options will be on the table, including acquisitions. But this is something definitely not baked into our current operating plan. That's what I would say.

Sakshi Garg:

I've seen a company's track record. company is doing great, coming with the new numbers, jumping into new segments like new type of technologies, data technology, Reg technology. So, I think company should jump into a new segment and should find opportunities in new sectors and new technologies as well.

K. Balachandran:

Understood. So, you're saying that we should actively go and look for new segments and maybe guide on new technologies so that we can drive our revenues. That's what you are recommending.

Okay. We hear you, very good point. In fact, I should just point out that the state initiative that we are doing is a fresh segment where we feel there can be a significant opportunity for us as we develop the whole ecosystem. So that is definitely there of course, but we hear you in terms of in the RegTech itself, whether we should start looking out for new segments. But we within the management, we feel the runway with the existing business is still quite substantial, and we should run after that.

Moderator:

The next question is from the line of Vikas Kasturi from Focus Capital.

Vikas Kasturi:

Sir, could you just speak about some of the investments that we are making towards the future growth of the company? So, for example, I remember about 3, 4 years ago, Mr. Swaminathan used to say that we didn't have funds to add more people in America and so on, right? So, where are we on some of those initiatives with respect to adding people, especially salespeople in some of the key geographies? That is number one.

Number two is, sir, on the Taxtech and especially on IRIS GST, what is the business model there? I think it is to give the e-filing free and then make money on other value-added services. So, could you just speak about where we are in that journey, sir, on the tax? So, these are my 2 questions.

K. Balachandran:

Maybe on the Taxtech side, we'll answer that first, I'll request Gautam Mahanti, who handles the business to give his views.

Gautam Mahanti:

So, the Taxtech e-invoicing that you mentioned, we actually are running the e-invoicing platform for GSTN. So that's a government e-invoicing platform, which is a compliance requirement, and that's offered for free and value-added services can be offered on top. But that is not a core offering of the Taxtech business. So that is one which is anyway has been mandated by the government.

The core offering of the Taxtech segment is a suite of SaaS platform being sold to enterprises and taxpayers to enable their entire GST compliance, GST filings, returns filing, doing the monthly reconciliation, e-way bill and e-invoicing, which is charged on a subscription-based model, depending on the number of tax IDs and the volume of transactions that these companies perform on a monthly basis. That's the core GST tax compliance.

So last year, we also expanded into a newer territory geography, which is the Malaysia e-invoice mandate. We launched our platform and working with companies through partners. And within India, we're looking at expanding beyond compliance, going beyond the mandate, reaching out

to the CFO with accounts payable automation and downstream litigation management and insights, and reporting solutions.

So yes, your point is partially right that the IRP (Invoice Registration Portal) system, which we offer on behalf of the government, we can't charge for it because it's on behalf of the government. But our core offering is for taxpayers, companies across all sizes to whom we charge the fees.

Vikas Kasturi:

Great. So just a follow-up question on that. So why do we have EBITDA margin as negative? So, are we doing some investments in that line of business?

Gautam Mahanti:

Yes. So last year, we did some heavy investments in terms of building out some new products. 2 products which I would like to call out, one is an accounts payable automation product. So, we would like to now start cross-selling to our existing customers to go upstream and automate their entire accounts payable cycle, which then connects to the core compliance. So, this year, we hope that we will start, and these will be slightly outside of the mandate products. So, we wanted to build in greater stickiness with this customer.

So, investments in building products is what has led to the negative margins for this year. And also, there's another product on CFO dashboards, which we have invested to build insights for the tax and the CFO of a company to take decisions.

K. Balachandran:

Vikas, you had a first question on our sales and marketing ramp-up, so let me quickly answer that. Of course, our liquidity position improved substantially from the middle of FY'25 onwards, somewhere, say, July onwards. And we have been, of course, cognizant of spending more on sales and marketing. We have started doing that.

We are doing that initially by focusing on getting the engine right in terms of marketing and the sales engine, which is initially operating out of India in terms of contacts and getting the discovery calls going, and taking the customer through the journey towards the closure. So, some of the points which you talked about, I think, will definitely kick in. And this is something which the team is actively working on at this point of time, how to put the key pieces in play, which has some of the resources on ground as well. Servo can supplement a bit.

Servo Sawhney:

Yes. Thanks, I'll just add to what Balu said. I think we have been in the phase of recruitment now more actively than ever before in the geographies in North America and, more importantly, Europe.

I think, like you said, the foundation is the most important part, getting the process and playbook in place because when you bring in a person who is sitting remote or further away, you want to make sure that you're giving them enough tools and ammunition to go out and be able to send for you. Hence, we need to first get our act together over here and then bring those people on board. Important thing is we are doing that more actively now than ever.

Moderator:

The next question is from the line of Sidharth Shah, an individual investor.

Sidharth Shah:

Maybe to follow up on Rohit's earlier question, given there may be less mandate-driven growth, are we seeing disclosure management as kind of the key product that would drive growth

forward, given it's more high-touch, it could be private or public companies. It's kind of just mentioned a single source of truth, so maybe connected to a lot of the underlying ERP systems that a company and aggregating data. Is that how you all are looking at this product going forward?

Deepta Rangarajan:

Correct, Sidharth. So, we still see also runway for XBRL modules as and when mandates kick in, for example, ESG reporting mandates, et cetera. But we see disclosure management certainly as a high-touch, more value-add, deeper driver of growth. So, you probably know that Sidharth, I think many times in the past, we've talked about Workiva, which is a very well-known name in the space of disclosure management, U.S.-based company, USD 700 million in revenue, and growing.

And the entire space of disclosure management, if you just take a look at kind of research reports, for example, Gartner or G2, etcetera, the space itself is growing because it solves for a problem which is ubiquitous in large enterprises as well as mid-market companies across the world.

So, more complexity, more reporting, single source of truth, deeper connections with their ERP system. So certainly, we'll see this as kind of like a key driver. Within that, there are like flavors and add-on modules. For example, sustainability reporting is another form of reporting as well. It's just that over there, there's an overlay or a jump-off point for Chief Sustainability Officer.

. So yes, we see this as a pretty significant deal part. Having said that, I think like we always have maintained in the past, both on the SupTech side and on the Regtech side, we certainly see mandate-led opportunities as and when they come to also give us tailwinds in new markets and new opportunities, and that boost.

Sidharth Shah:

That's very helpful. And just a quick follow-up was, I think from what I understand, our R&D has been very efficient, especially on XBRL because we use kind of windows as the underlying product and built on that versus Workiva, that did it from scratch. Is that same kind of cost efficiency being used for the disclosure management product as well?

Deepta Rangarajan:

So, thanks, Siddharth. So one is, by the way, the Windows product is the disclosure management product. Sometime, by the way, we invite all of you to come and take a look at our products as well,. It would be wonderful to take a look at this in detail and see what it is that we do. We'll be really, really happy to walk you through it, too.

But coming back to the point, our disclosure management product is Microsoft Office based. And that gives a greater degree of comfort or a greater edge in the sense of it's the tools that CFOs are most comfortable with and most familiar with. And yes, we're using that when we are pitching our solution overall. Just one more thing. The R&D and the cost efficiency for us is also in part because we are India-centric. We are headquartered here.

Moderator:

The next question is from the line of Hiren Thakkar, an individual investor.

Hiren Thakkar:

First question is, is AI is expected to ease the regulation compliance for medium and small companies? And then how will this impact our business?

Deepta Rangarajan:

Maybe I can just start off and then Thomas can come in. So, see, I think this question on AI is like a recurring question on how we see it either benefiting us or being a threat. We actually see AI helping us on 2 fronts. One is just greater efficiency within our own firm. And the second is something that we can leverage in our solutions for faster or better or smoother customer experience. So Hiren, when you're saying that can it help the smaller and midsize firms, I'll actually pass this on to Thomas, who will talk about some of the solutions that we are just in the process of rolling out, which will exactly help the smaller and midsize firms leveraging AI.

P. K. X. Thomas:

Good evening, we recently launched a product, which actually can do auto tagging. . So, like your regular way of actual filing returns like a signed files or unsigned PDF files, it can actually pick up those PDF files, find out the right set of tags and map it to the right taxonomies and can file on XBRL/iXBRL output . So, we started with test actually we are using this tool.

We are giving it to a set of people who actually can do upload a PDF file, get it auto tagged , validate it and then do the filing. So that is actually just out. So, we will be actually commercially launching it later. So, we use a lot of AI in our development process, whether be it for documentation process, be it for creating automation testing, etcetera, for our software. We do that actually.

Deepta Rangarajan:

So just to add to what Thomas said because we spoke about the mid-market segment. Business registry mandates apply for all companies from big to very small companies. So, automated XBRL report creation becomes very useful for small companies in the business registry market.

And once we are able to successfully establish that this is working, we can actually take this and roll this out across every market where business registries mandate XBRL.

We also have a couple of other examples of the use of AI, for example, I think we have also talked in the past of the use of AI in a couple of other instances like, for example, in our GST business where we used it to support our litigation management systems. So, where you can automatically read the litigation or the GST and notice, craft an appropriate first response. So, we have spoken about this. So, while there are a couple of these examples, what we also are looking at doing is creating a small cell or identifying the first pool of resources so we can have a sharper team within the company to drive AI initiatives across the firm.

Hiren Thakkar:

Yes. And my second question is what kind of monetization we have done with the deal with Karnataka, Goa and Telangana government? And can we get any major contracts ending details for this year? Can we disclose any contract to the shareholders?

Deepta Rangarajan:

So again, I'll take the first question. First, which is on Karnataka, Telangana and Goa. We have signed these 3 MOUs with 3 state governments. But like Balu already mentioned at the beginning, this business of ours, which is the MSME or the DataTech business is a pre-revenue business. So, at this point in time, we do not see these as, from a kind of a revenue perspective, we do not see this contributing to revenues in the coming years in any significant or meaningful way.

However, we believe it has large potential in the long run. And therefore, at this point, it is more about creating the right set of products, ensuring that there is kind of the value proposition

established for the different stakeholders. In fact, over the next couple of months, we will actually be rolling out some of the products in the market with some of the state governments.

So, you will be seeing that basically. But we do not expect these to contribute in a significant way at this point. But we see this as our, in the longer term, really kind of kicking in and adding more value. I'll just pass this to Balu to add a little more.

K. Balachandran:

I'll just say that we may be able to give you a better update or more useful update in the next conference call, which will happen after 6 months, where some of these products would have been launched in the market. We will know the use case for MSMEs. And once you have a sufficiently large use base, you have a critical mass, then the monetization will start happening from there on.

So, we'll get a much better idea. But the basic trust is to work with the states in partnership, offer platforms which bring in substantial value to the MSMEs operating in those states, get them on board, build a community and using that community, then start offering, then enable products such as lending products on the platform so that we start the monetization of whatever we are doing at this point of time. So, this is something work in process. We should be able to give you may be a better update in the second call after the first half is over.

Hiren Thakkar:

Sir, I just also ask because first point, we said we are getting 35% of the revenue in some particular segment from South Africa. So, I just wanted to know, is there any major contracts ending this year that are not renewing for next year?

K. Balachandran:

We didn't say 35%. We said overall our revenue from Africa is about 35%, of which, of course, South Africa component is very, very significant in that. The contracts, we announced one contract this year so far, which is Qatar Central Bank and we are chasing a few other contracts as we speak, but that is part of the business process itself. So that's what I would like to say at this point of time.

Servo Sawhney:

I'll just quickly add one more thing. The nature of these contracts in this business is as regulators complete one part, they then understand what else is coming up and what needs to be done. That is when they might reengage in a new contract. So, it's an ongoing process.

Even if one comes to an end, there is a good chance or possibility that they might have more work that needs to be done. So, let's not stop that if there is a contract that ends at the end of the world, no. With the same regulator, things continue to move on. It's a long-term engagement to solve their problems at large.

Hiren Thakkar:

Understood, sir. Thanks a lot.

Moderator:

The next question is a follow-up question. It's from the line of Rahil Dasani from MAPL. Please go ahead.

Rahil Dasani:

Yes. Thank you for the opportunity. I actually have several questions, but to take over a few. In FY '24 for the South Africa order, we were very bullish on the SupTech segment and said that we have bid for multiple RFPs and even said that next quarter, we will have an announcement.

But in terms of the order wins, there is only one recently from the Qatar bank. So if you can explain what happened here because historically, I believe our win rate in this segment has been 55% to 60%?

K. Balachandran:

So the RFPs have been postponed. That's what I would say. And a few, since have not been taken, but we did win PFRDA in the previous year. And by end of the financial year, we won Qatar Central Bank as well. So, it is not that the previous year was a washout. We did win 2 substantial RFPs and a few are all, are in the pipeline as well.

But there is a certain decision period involved, and we don't have too much control over when the decisions are made. For example, we had bid with one of the Middle East regulators and I think the RFP the bid had got in maybe in September. But even now it has not moved even into the evaluation process. So, there are in situation like that which happens.

Rahil Dasani:

Understood. So, sir, if you can maybe share how many RFPs are ongoing right now where we are participating?

K. Balachandran:

We can't give a number at this point of time, but I would say a good handful of RFPs is in play. Let me put it like that.

Rahil Dasani:

Understood. Okay. Sir, next coming to the cross-selling opportunity, I wanted to understand we have 6,000-plus customers. So what issues are we facing to push more of our products to these customers? For example, the disclosure management module or the tax product, particularly the value-added products in the TaxTech segment because we launched all these products a while back, and it seems that they haven't scaled up as much. So, if you can explain what issues are we facing here.

Servo Sawhney:

I think great question, Rahil Dasani. There is ample opportunity for us to go and cross-sell. We are already in motion and play. In fact, we've already cross-sold disclosure management to multiple existing customers along with new logos. So that is in play. What is important to understand because there is no mandate, the urgency is not always going to be there. Is it a large enough problem for them to go after and solve? That is something that we need to sit down and discuss with the client.

So, we need to understand what is their buying process, what is the urgency and how big of a problem it is. There are conversations that are going on with multiple existing customers. And we have to slice and dice because 6,000 is a large number. So, we need to prioritize whom do we go after first based on geography, based on revenue, based on multiple factors. It is already in play, but good question.

Rahil Dasani:

Understood. So maybe on the urgency, I was under the assumption that particularly for the DM module, the current potential customers were doing it more of manually and this service would have been a great help to them. So, while I understand there is no bandwidth around it yet, but maybe to better understand the urgency and all this?

Servo Sawhney:

I think very, very good question again, Rahil I think the way companies buy software is something they need to understand. Typically, what happens is they need to allocate budget for

a software as a part of their financial year planning. So, in many cases, they might be able to get an approval out of turn if the amount is not too large. In some cases, they need to vote, especially larger, bigger organizations.

They may have to go through certain approval processes, get it added to that budget, and they will eventually buy, but that urgency will be filled in once they have the budget approved as well. So, they have a problem, there is pain, they are solving for it, but it may take time. That is what I mean when I say there may not be so much of an urgency at that point in time.

Part of our sales cycle is understanding, how big of a pain it is, what value we can add and deliver and then see if there is already an urgency or if there is some form, we can create some urgency. In some cases, for example, giving an incentive for them to sign up sooner is a possible way of creating urgency.

In some cases, they may be using another vendor and the contract is up for renewal, and they may want to look at us and choose us as an alternate option is another case of creating an urgency. So, there are multiple scenarios we need to understand and the software buying process within the organizations. Definitely a good play, definitely a big enough opportunity for us; we need to continue focusing and case by case.

Rahil Dasani:

Understood. So just in continuation of this question, in Q4 FY '24, you explained that a leading indicator of the non-bank business growing would be the growth in the pipeline of customers as we find more pain points. So maybe you can explain what more pain points you have found compared to last time and how has this pipeline grown?

Servo Sawhney:

Actually, I think in the interest of time, I don't want to get into too many pain points right now. What I can say the pipeline has been growing significantly, both with the existing customers to cross-sell.

Along with that, we've run a marketing motion where we are reaching out to creating more awareness, having those conversations with new prospects and identifying where we can sell more. I'd love to maybe take it offline if you're interested to know pain points and how to solve for them, Rahil But I think for the audience we have today and the time limit, I'll skip the pain points for now.

Moderator:

The next question is from the line of Rohit, an individual investor.

Rohit Potti:

Just a follow-up on my previous question. So I mean, in the three buckets that we talked about in terms of XBRL and the ESG and then the disclosure management, could you help us understand the sales cycle for each and the, I mean, not the exact pricing, but the difference in the quantum of pricing for each of the product when we sell and if, let's say, it goes as a solution, then what happens in terms of pricing?

Servo Sawhney:

Rohit, always a pleasure hearing your question, very interesting questions. You're going to ask me to tell my secret sauce out here in the public domain. I'm not going to do that right now. What I can say is there is a significant difference between what we have traditionally priced towards what we are doing for disclosure management.

We see there is traction and a lot of demand for the disclosure management as a product as well as we are able to demonstrate value and hence charge more compared to what we have traditionally done. I'm not going to give any more details than that. **Rohit Potti:** I mean that gives me a sense of what you're trying to say.

Anuradha RK: Sure, Rohit. In summary, for everyone, the disclosure management solves certainly a pain point in the CFO's office. XBRL is a compliance requirement. Both need to be met. But this one actually definitely comes with a multiple value of XBRL.

Moderator: The next question is from the line of Mitesh Mehta from Long-term Investment Group.

Mitesh Mehta: Most of my questions are being answered. But one question I have regarding TaxTech, like when are we expecting the TaxTech segment to turn around? And what are the further planning for?

Gautam Mahanti: So, I think the last year, we have put in the hard work of building the products, and that's why we went into red. So, I'm extremely positive and confident about turning around TaxTech this year because those products will now be out in the market and should be driving our top line.

Mitesh Mehta: Okay. And like are we planning to expand to other geography as well in TaxTech segment? India and Malaysia?

Gautam Mahanti: Yes, absolutely. So, Malaysia was our first foray internationally, and we continue to push and gain market share, both in India and Malaysia. We'll be looking, we are also seeing opportunities coming up in Singapore and UAE for which we would be building those platforms looking for future growth.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to the management for closing comments.

K. Balachandran: Thank you once again. Thanks for coming in good numbers and asking your questions. We always find it very instructive to listen to your questions, and we always go back and look at these more deeply. We do get information that we can use going forward as well. So, thanks once again.

So as per our normal practice, we typically hold our conference calls after every six months. And that we'll continue this year as well. So, we could meet on our results conference call in the second half of the year after our Q2 results are published. So have a good evening, and thank you so much once again.

Moderator: Thank you. On behalf of IRIS Business Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.