



“IRIS Business Services Limited Q4 FY24 Earnings
Conference Call”

May 21, 2024



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M. K. BALACHANDRAN – CHIEF FINANCIAL OFFICER
Ms. DEEPTA RANGARAJAN – WHOLE-TIME DIRECTOR
MR. P K X THOMAS – CHIEF TECHNOLOGY OFFICER
Ms. ANURADHA RK – BUSINESS HEAD - IRIS
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MR. GAUTAM MAHANTI – BUSINESS HEAD - IRISGST
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MR. ARUP GANGULY – IRIS BUSINESS SERVICES
LIMITED**



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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Earnings Call of IRIS Business Services Limited for the Quarter and Year ended 31st March 2024.

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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

We have Mr. S. Swaminathan – CEO, Mr. K Balachandran – CFO, Ms. Deepta Rangarajan – Whole-time Director, Mr. P K X Thomas – CTO of the Company.

I now hand the conference over to Mr. S. Swaminathan. Thank you and over to you, sir.

S. Swaminathan: Thank you. I think it's really extraordinarily a good year, thanks to that the South African contract that we won last year. And from where we were about 6-7 years ago to come to this stage where we have crossed 100 crores level, I think it's a big deal. And I am grateful to all of our colleagues for making this happen.

As I said, I think the nature of performance will keep changing from time-to-time. This whole year has actually been driven by the first business, which is the Collect business of the company. As you know the business has three parts; collect, Consume, collect from the regulators, create the enterprises and Consume the data analysis part. Collect business is the one that actually drove performance this year, though increasingly our focus is on phase. We are also trying to take this away from mandate-led opportunities to other areas which we will see going forward. But I think the momentum that we have, the changing that we have, and the cash we have in the bank, going forward we will still have cash in the bank. All this gives us the confidence that we should be able to mount a reasonable attempt at capturing more market share. How would translate into revenues going forward? It's something that only time will tell.

The presentation has been uploaded. But I think before I get on to anything on the chart, I will let Balu take you through the broad numbers before we get everything. Over to you, Balu.

I think we have Servo on the call who is our recent sales hire. He comes basically with all experience on the on the SaaS sales front. So, he's also available. If you want to pose any questions to him. We also have Arup, who's been working on taking CARBON Beyond the Mandate. We also have several other colleagues joined you can always contact if you have specific questions on specific areas. But we start with Balu.

K Balachandran: Thank you very much, Swaminathan. I hope all of you can hear me. Good evening and it's great to see a nice turnout for this conference call. It's also good to meet with all of you after a gap of 6-odd months.



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So, as usual, I will quickly run through some of the highlights of our financial performance for the year-ended March 2024. I hope some of you would have seen our investor presentation, which we uploaded on the exchange websites a few hours ago.

Coming to Financial Performance for the last quarter:

You will see that we have pretty much carried the momentum that we have shown in the previous nine months, previous quarters, just that we have done a wee bit better this quarter.

The top line growth is a tad more compared to the previous quarters, while at the PBT level we have done a bit better as well. However, we continue to maintain that it is best to look at our company's growth trajectory from a 12-month perspective. For the full year, we have grown at about 37%, while the EBITDA increased by 45%, at the same time, the profit before tax nearly doubled.

Take a look at the expenses, you would see that costs have nearly kept pace, little less with the top line given our need to spend on growing the business, especially on the create side. So, that continues.

And as expected, and as Swaminathan mentioned, this year's performance has been boosted by a stellar turnover from the collect segment, which grew as much as 70%. On the other hand, the Create segment growth was more sedate, though in terms of number of customer additions I would say it is quite decent as well.

Now, let me just go through a couple of interesting financial indicators:

I am happy to report that our return on the networth, the key ROE has moved up substantially to 21% from the previous year's 14%. But if I look at the number from a return on average networth, we do it at the end of the March balance sheet figure. But if you look at it from an average point of view, this would be even better. So, that is something which is quite gratifying, especially to me given the fact that we need to use our capital in a revise wise manner.

The other thing I would like to highlight is that we have done quite reasonably well on our collection process. Collection efficiencies have improved with the result that receivables as days of sales have reduced to about 80-days, which has also helped our working capital management as well.

And before I wind up, I also want to mention that our net operating cash flow for the full year is now close to Rs.12 crores and more than doubled from the previous year's numbers which is again quite gratifying. Having said that, there is still a modest number, we need to make sure that we do much better going forward. The balance sheet cash position also has improved which



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Swami also mentioned, giving us that extra room in spending, so we can scale our SaaS business in a much more meaningful manner.

So, that is all from my side at this point of time and we can perhaps open the session for Q&A.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Mitesh Mehta from Investec. Please go ahead.

Mitesh Mehta: My first question is related to marketing plan for collect business like how do we plan to expand the business and geographical reach for this business, because I feel that holds a very good potential?

S. Swaminathan: So, every segment that we have has significant potential. The nature of marketing in the collect business is very different from the nature of marketing in the schemes or the other businesses. The collect business is in the RFPs where regulator issue RFPs on which we did, and then we thereafter win some, we lose some. So, the way we approach this segment is by getting in front of as per the regulator if possible and telling them that we are potentially good partners to work with if they are looking to implement a regulatory filing platform. And that's what we do.

Mitesh Mehta: My second question is, is there any further plan in company to bifurcate the business or the business into two specially to generate more capital for further expansion?

S. Swaminathan: There is always a discussion that happened within the company about subdividing the company to various parts, including collect and Consume. These are discussions that happens with the board at every single level and if and when anything comes to fruition, our shareholders will be the first one. We always have academic discussions that keep happening all the time. So, our board is very active, and we keep asking questions about these plans. So, as I said I mean once we think we need to do, I think we will go ahead and do it.

Moderator: The next question is from the line of Rohit Potti who's an individual investor. Please go ahead.

Rohit Potti: My first question is on collect. South Africa mandate drove majority of the growth this year. So, what proportion of the contract is done and how much more of the order book is left? And the pipeline in collect, I mean what after South Africa is the other question?

K. Balachandran: While we don't want to give out precise numbers, I would broadly say that the South African contract, you could say perhaps about 30%, 35% is already done at this point of time, the current contract shape. Of course, we can expand it as we go along. So, that's one number that you can keep in mind. And what I have seen in the last few months is the collect pipeline is looking more and more interesting, more and more enquiries are floating in the market. We are responding as well. It takes time for the whole process to come to fruition and the award gets announced. But



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I would say that the pipeline is certainly looking interesting, and we don't see much of a problem in terms of not being able to substitute whatever we accrue on the execution of the South African project. That's what I would say at this point of time.

Rohit Potti: So, just curious if any tenders not just up for bit, but any tender results have to be out this year where we can announce any deal wins like we did in the past with Bhutan and others?

K. Balachandran: Yes, we are hoping that we will be able to make a few announcements over the course of the next few months. Having said that, we can only do that if certain paperwork, etc., gets completed and we are confident that this is something where we can meet the requirements, conditions which are required before announcement. Having said that, I wouldn't be surprised that, before we meet again, there would be some announcements.

Rohit Potti: So, some tender results are going to be coming out. So, that's good to hear even if we're not. So, the other question is on create. I mean it was a very hard thing to see. I mean despite no new mandates coming out globally, we still had a 20%-odd growth which indicates that we are winning market share with the sales and marketing team that we have right now. So, in that context it will be great to hear more from the management, I mean you have had a new hire also in a chief sales officer and we added a product officer and now a sales officer. So, great to see. So, it'll be great to hear more on your strategy for converting more customers to CARBON going forward because on one hand we understand the product is sticky, so the conversion is difficult. So, how do we intend to do that with the absence of new mandates going forward?

S. Swaminathan: So, there was one very interesting development this year, which actually surprised all of us. One of our former partners came back to us because we discovered that their current product does not meet the requirements in Europe like ours does. I think Deepta or Anu can tell you more about it.

Anuradha RK: This is Anuradha. So, we've been working closely with partners in Europe. In fact, one of the early partners that we had signed up of course initially they were giving us good business, but I think over the course of years, I think they are trying to go global, they are looking for a partner who's able to overall cover and cater to global customer base, which is where CARBON perfectly fits in, it is being positioned as one platform for multiple geo reporting, multiple regulatory reporting and now of course we have mandate which is upcoming as well. So, it is very, very interesting to see how the customers in the past were actually back with us with possible newer opportunity. However, it's a very early-stage conversation, we need to see how this pans out.

S. Swaminathan: The recent conversation with the partners, where they found that our product -



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Deepta Rangarajan: I want to talk about the partners where they actually came back to us after evaluating other products and said that our products seem far better, the product market fit. I think Swami wanted to speak about that.

So, yes, this is specifically in the European market. We had a partner five years ago who actually was our product as well as some other third-party product as well is in the marketplace this year. This year, this partner came back to us and said that they wanted to work with us far more seriously, they actually check that the other products in the market were not as good falling behind and they said that I was doing the Irish CARBON product and we're doing much better, especially given the changing complexity of the mandate where the things like text blocks need to be tagged, etc., They said a CARBON clearly seems to be a much better product. We would like to take this as a main product out. We'd like to position this to our leadership as the main product that we like to take out into the market. So, I think that is the constructor.

S. Swaminathan: Rohit, the point I am trying to make here is the following. Since we operate in multiple geographies, we have to work with different kinds of mandates. So, CARBONCARBON has had to deal with multitude of situations. So, with the two new situation at us, we probably have seen it before in another country. Therefore, our preparedness for any change in the mandate by virtue of being in so many countries is actually much better than people in single markets, within just one uniform market. So, EU is one uniform market. So, if we basically are selling CARBON just new, well, that's all you have, but you are selling CARBON in EU, in India and South Africa and selling of the market around the world you have been thrown different problems in different markets and therefore we were able to prepare for a new mandate change or a complicity in the mandate much more easily than in India. So, this conversation that we had with our partner was a huge vindication of our strategy of going to multiple markets.

Rohit Potti: So, the revenue from the partners has started coming or is it -?

S. Swaminathan: No, no, no, no. It's still early.

Rohit Potti: I believe that you mentioned we hired a new sales officer who has focus in the past, it would be great if you can hear from him on the strategy for that going forward, because I understand the competition sales sort of a basket solution and not just one particular piece. So, to get the customer to shift from one company to another preferably to IRIS, is it more difficult task is what I understood. So, how do we in absence of a mandate, how do we win more clients and how do we grow create is something that would be great because I believe from the past you mentioned that pricing is not something we'll grow on, but we'll rather grow on volumes.

Deepta Rangarajan: If you remember on the last call, we talked about two things. One is establishing product market fit and the second is strengthening the sales and marketing infrastructure. From a product market shift point of view, CARBON simplification management perspective, we have got feedback



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incorporated it and we have done with every other opportunity that we're doing on a situational management side. So, on the product side, it's kind of like happy to say that each passing the release and each passing the feedback we've established further and further significant product if I can put it like that. On the sales and marketing side, we've actually hired from a sales leadership point of view, Servo. He's on the call with us today, he is heading sales and marketing basically drives for IRIS CARBON and he comes in from the background of SaaS sales. He was earlier with a company called HighRadius. I think he will be able to talk to it much more where he has been part of the ramp up and if I have it correctly IRIS is now at about \$250 million ARR, but we've been through much of the scale up journey of HighRadius and Servo is with us now close to three months and now started setting the entire sales and marketing pieces in order for us to be able to take CARBON out of scale in the market. and on the call. Servo, if you can introduce yourself.

Servo:

Thank you so much, Deepta and hi, Rohit, and hi, everyone. So, as Deepta mentioned, I am coming from a background of SaaS sales selling to the office of the CFO and helped through the growth journey from a \$10 million to a \$250 million sales, right. So, idea is to replicate something similar here at IRIS CARBON selling to the office of the CFO. In terms of answering your questions, Rohit, very specifically, I think our objective is to move towards a non-mandate sales especially with the disclosure management. So, we are not going to be focused necessarily on mandate business, yet we will continue to do what we are doing, but the idea is to position ourselves where we show value for the disclosure management products and IRIS CARBON as a whole. That's number one. The second is I would say there's an awareness that needs to be created. So, IRIS CARBON has a great product, but in the North America geography and to some extent in Europe there is more awareness that needs to be created. So, we're focusing on creating that awareness at the same time directly as well as via our partners, so that we're able to generate more interest and visibility within the market. So, good product plus awareness hopefully should lead to an increase in sales.

Rohit Potti:

But a little more detail would help in the context. And my understanding is the product at least IRIS CARBON sales at let's say \$5,000 to \$10,000 per year and in that context, my understanding is that so at least because you are selling to the office of the CFO, right, they just want to get the work done and a saving of let's say, \$1,000 or \$2,000 won't cut it because to relearn the whole thing for the whole losses, it becomes a little painful for a \$1,000 or \$2,000 in an entire year savings. So, in that context, how do we go about converting, if it was a tech card option or a sale, something like that, it might have been different or if the saving was an order of magnitude higher than it would have been different. But in this context, is it not difficult to convert people from the office of the CFO who might not necessarily be very tech savvy to switch from one product to the other, in that context, how do we grow is where I am coming from?



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Servo: That's a great question, Rohit. So, I think the way we have traditionally sold, I think we have pivoted a little bit of late where we are trying to understand the overall value like you rightly called out. What we have observed is the value is a lot higher that we are delivering or saving to our potential clients. And as we quantify the value to them, they're able to position it better internally. To add to that, I would also say that price or cost is one of the factors that customers or prospects are looking for change. What we are trying to identify is the other factors which is causing that pain. So, as and when we understand the reason, in some cases, I will give you a small example. One of our competitors, big one is not using Microsoft Word, Excel, etc., as their baseline product to work of the disclosure management solution. We are positioning ourselves as you can continue to work using your traditional tools like Microsoft Word and Excel and not having to move out of them, that gives them a lot more comfort. So, there are different things that we are doing in short, understanding their pain points and then positioning ourselves accordingly to the situation. May or may not lead to the dollar delta. Some of them are not looking at like we said, the dollar value savings, but lot of them are looking at an ROI or a cost savings and we're trying to quantify that as much as possible which can add up to a significant number.

Rohit Potti: I mean, you are talking about ease of using convenience, whether a time value as well which will be very helpful for sure. And so just one last question. So, if the strategy is working out or not, the best indicator for us to track let's say over the next 2-3 years would be the create ARR number, would that be right in thinking to see if the strategy is working going forward?

Servo: Absolutely. I would call that a lagging indicator and output metric that you would like to measure. A leading indicator probably would be a growth in the pipeline as we move along. So, we measure both the leading or input metrics as well as the lagging and we'll get to know whether strategies are working or not and we'll make changes as and when needed.

Rohit Potti: I don't think we'll be privy to the leading indicator for confidentiality purpose perhaps. So, I will look forward to seeing the lagging indicator move up quite heavily going forward. Thanks, you so much for your answer and to the management and once again congratulations on achieving 100 crores mark.

Moderator: The next question is from the line of Deepak Poddar, who's an individual investor. Please go ahead.

Deepak Poddar: Firstly, congratulations on fantastic set of numbers, I had a couple of questions, right. One is on the product ID, right, which does the automated reporting side. I just wanted to understand the sort of revenue model here we invoice our clients implementation plus pay per usage type of model. And why I am asking this is like we all know the reporting requirements for banks and financial institutions are growing and will continue to grow exponentially. So, just trying to link if that's sort of linear relationship here?



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K. Balachandran: Ideally it's a very important and interesting product in the IRIS portfolio. So, we do work with more than one model for invoicing. One of course, when we started out with ideal, which is primarily aimed at the BFSI sector, and which typically handles large volumes of data and puts the data after doing the validations automatically into the regulators collection platform. So, we initially started up with the licensing and AMC model and that continues with - So, I was saying that we initially started with the licensing and AMC model, which also is seen more at this point of time and it continues with many of our customers. But we also have an offer, a subscription model where people pay as a subscription on an annual basis, and we have this I would say maybe 30-40% of clients are using the subscription model. So, both are in vogue. And we do have it on-prem at this point of time, especially in India and Mauritius where we are in operations. In South Africa, we also started to offer this product on the cloud as well. So, this is a product where we feel there's a lot of potential. Of course, the market is very competitive in Europe, especially where XBRL mandates came quite some time back. But in other countries, it is just opening up. That's what I would say.

Deepak Poddar: I had a follow up question. On the Consume business side, now with all this data that is getting reported to the regulators and the sort of standardization sort of coming in, right, again the expectation would be that regulators start looking at all this data for analytics and even for the policy implementations right now, or maybe in the future. Given regulators are a sort of very niche client category that we have, are we seeing that sort of discussions where we're looking at help on understanding and making sense out of all the data analytics and all of that or is it too early for that?

S. Swaminathan: See, we already have products in the Consume category. For example, if you see our flagship product for the banking system for RBI, something called "FIU" which is basically analyzing the filings made by banks to the RBI and we help RBI make sensitive and do things. So, with every customer depending on the scope of the implementation of the collect platforms, there's also analytics platforms. When you see the revenues in the case of Consume, a lot of the transactions from implementation of solutions like that. So, we've done something on those lines in Dubai, we've done something on similar lines in Oman. So, you are absolutely right and great question is that increasingly customers how to use the data better and also looking at how to use the data along with other data. So, Balu, you want to mention something about the Dubai opportunity that the Dubai delivery we did?

K. Balachandran: So, we provide Content Mall for our customer, which is Abu Dhabi Stock Exchange. The Content Mall is a product in which whatever data they collect from companies, essentially, financial data, can be further repackaged into data APIs and they Consume by the exchange customers is one of the offerings that we have in the Consume space. But outside that we also do in normal analytics. We have done that for central banks as well. So, it is many times bundled along with overall suit tech offering, which includes collection and analytics.



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Deepak Poddar: And in this space, as competitive as the other businesses, I mean like I mentioned, given our niche client segment here, is the segment as competitive or we have an advantage there?

S. Swaminathan: I think some regulators see this as a completely different thing altogether. Some regulators see it in combination with the platform that we develop for them. So, I think there's no uniform answer, there is competition, but then there is no competition. So, it's up to us. So, we try to talk to regulators, to our customers and they say, you can do this, this, this, this, this. Sometimes they bite, sometimes they don't bite. I think more often than not until now, they're not getting. But I think increasing we see a trend where people are saying data I have already collected so much data, what can I do with it and what other data streams can I have talking to it. So, I don't think there's a very clear-cut answer as to how competitive it is. But our strengths by virtue of what we have, are well known and therefore we are able to get customers in that. We're not really focused to the extent that we should accept the focus that we do in this one is at the time of the tender itself that we try to tell them what all they can do with it. So, it's not being done as a separate entity. As Balu said, Dubai for example we implemented the platform several years ago. They started talking about how to leverage the data. So, I think to each is one. So, it's competitive but not competitive. But we are in a good space there.

Moderator: The next question is from the line of Yash Naik from Investec. Please go ahead.

Yash Naik: Like how to grow our business in the Consume segment, considering it is our highest margin segment, so can we like see in next 4 to 5 years, is it –

Moderator: Sorry to interrupt, Mr. Naik, your line was not audible at the start, so could you please repeat your question?

Yash Naik: Could you shed some light on how to grow our Consume segment considering it is our highest margin segment? So, can we see the significant growth in the top line also going forward in the next four, five years in this segment?

S. Swaminathan: I think the Consume segment is something that people are investing. When you don't have money, you have to choose where you invest, you invest in collect and create. Now that we are slightly better off, we will invest increasingly in the Consume segment and we should see significant possibilities there. How fast will it go? What will it grow? See, the Consume segment has other possibilities. We can always collect the data for free in return for customers buying CARBON. We can offer data for free for people buying our GST Solutions. So, Consume segment can also be a marketing tool to acquire customers, Consume segment can also be a revenue generating business for us. So, how we use it is a functional maybe impact us. The reason we've not shut down this segment obviously because it's been very, very valuable in terms of helping acquire customers by using the data from the Consume segment as a marketing tool.



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But you are absolutely right, if we invest in it, we will be able to grow it much bigger and that's certainly one of the objectives in the years ahead.

Yash Naik: And mainly the IRIS Peridot is the revenue coming from that software or like application or it is just for the marketing?

S. Swaminathan: See, PERIDOT app is completely free therefore there are no regulations for it. But having said that today because we are a GST, we are able to offer data APIs to customers, data APIs to lenders, for example, and we have tied up with a few lenders. Gautam are you on the call? Gautam, can you talk about how we are leveraging data APIs?

Gautam Mahanti: PERIDOT app is completely free, but it actually gives the visibility to end users about the potential of data that it carries. So, we've been using this data APIs and providing to intermediary ERP platforms as well as some of the lenders to use both consent and non-consent-based data for various KYC purposes, for monitoring purposes.

Yash Naik: I have one regarding the ESG mandate. So, are there any like updates on that ESG mandates and how is it shaping up?

Deepta Rangarajan: The first region or geography where it is rolling into Europe, when companies in a phased manner will start reporting sustainability report. It's going to kick in from next year and extend after that, going a little bit slow, but there are still pockets in the US in certain states that are also pushing ahead, for example, like California pushing ahead of the other states. So, we expect the ESG mandates in the US will also start rolling out in a couple of years, but right now for us in ESG we see Europe is an interesting market where we will start rolling out our solution and making it available for the ESG reporting as well.

Yash Naik: Just to clarify one thing. Currently there is no revenue coming out from the ESG vendor, right, am I correct on this?

K. Balachandran: Yes, you are right, there is no revenue coming specifically out of ESG offering.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: First of all, many congratulations for very good sets of numbers, I just wanted to understand what's our annual -

S. Swaminathan: Deepak, can you speak louder?



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Deepak Poddar: So, I was just trying to understand in terms of your R&D spend, I mean what's the annual spend that we need to do and how much we capitalize and what would be capitalized amount in our books as of now?

S. Swaminathan: So, the nature of our business is that R&D is a continuous spend and if you take a look at CARBON, there's always constant improvements happening, there are constant products updates happening and there's constant R&D happening in terms of what the next thing should contain. Deepa, do you want to take the question on how we approach R&D in the context of CARBON?

Deepa Rangarajan: In short, there is continuous product enhancement both for newer modules such as articulation management module, ESG Module, etc., as well as for enhancement and functionality, for example, bringing in more, let's say GenAI into the product, or bringing in more analytics capabilities into the product. So, all of these kind of products continues R&D investment in both keeping the products current and also taking it ahead of competition.

Deepak Poddar: So, I was just trying to understand what is in rupees crores, what is the spend that we did in last year FY'24?

K. Balachandran: So, we do have a capitalization stream which will be less than the money we spend in R&D because certain conditions are to be met before we capitalize. So, the capitalization I would say about 2.3 to 2.4 crores for this year. But we do spend the money little more than that because some of these activities fit in for capitalization.

Deepak Poddar: And how much was the money spent in FY'24 in R&D?

K. Balachandran: FY'24 R&D on the whole, I wouldn't like to give a number, but I would say capitalization would be about 2.3 to 2.4 crores.

Deepak Poddar: And what would be total amount sitting in your balance sheet the capitalized amount?

K. Balachandran: So, the intangible assets, which are capitalization which are in process would be about Rs.4 crores.

Deepak Poddar: My second question is on your sustainability. I mean this quarter we saw a good jump in quarter-on-quarter revenue, and which also led to better leverage for our company and delivered higher EBITDA margin. So, how sustainable is this kind of EBITDA margin and what sort of growth we are looking at for FY'25?

S. Swaminathan: We don't make any forward-looking statements, but the rest of it I let Balu handle. Before I get to the question which you asked, I want to add one more thing here. There are different people



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in the company with different skill sets. So, for a company like us, don't look at R&D spend that something they happen to isolation. R&D spend for a company like us is largely salaries. R&D spend in many of the companies, they have a separate division, they have a separate lab, that's not really how it works here. So, we currently have, for example, a gentleman working on one product who is mentioning how to use LLM for different products. Now we'll get lead to something in CARBON, we'll create something in GST, we need something else where, well, these're all holding update in terms of what could actually happen. So, please don't look at R&D as a complete, separate division that we actually have maintained with a bunch of separate people. R&D is a continuous process for every product so which is why estimating R&D expenditure separately is a hazardous task. Now to come back to your question about looking forward for FY'25, we don't make any forward-looking statements at all. So, I cannot answer that question about FY'25, not in BFS.

Deepak Poddar: But are we seeing in the northward direction on a going forward basis I mean without giving any kind of objective numbers subjectively if you can define something that would be helpful?

S. Swaminathan: I don't make any going forward statements of any kind under any circumstances. I can only tell you that we can only look back and basically say what we have done. As a company, we are constantly striving to get the maximum bang for the buck. We are constantly striving to invest in US that gives us the best possible returns and we are constantly trying to allocate capital depending on where we think the best returns are. Now, what will we do going forward? Well, I think every quarter when we come up with something you will actually see it, we don't make any forward-looking statements as a matter of policy in this company.

Deepak Poddar: What is the tax rate we are looking at?

Vineet Kandoi: Yes, we are 25%, 26% marginal tax rate, but we do have some MAT credit available because we were incurring losses earlier and we were paying the taxes on the book profits and we have recognized the deferred tax on the MAT credits this year. So, effective tax rate would be around 10% to 12%.

Deepak Poddar: And this effective tax rate will continue or will normalize to 25%, 26%?

Vineet Kandoi: Yes, a little bit for this year I expect to continue.

Deepak Poddar: The reduced tax rate?

Management: Yes.

Moderator: The next question is from the line of Rahul Bhansali from Parami Capital. Please go ahead.



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Rahul Bhansali: So, our biggest competitor in the US, they spend around \$150 billion annually on research and development and still we have been able to compete quite well. So, what has helped us to compete with them in the last few years? And in general, how do you see the competitive intensity going forward in different regions?

S. Swaminathan: I think it's a great question. As I mentioned to you, we don't really account for R&D separately to the fullest extent, it's a continuous improvement process actually happens, unless unlike Workiva. And so I think there are differences in accounting treatment of R&D, that's what we let you know. Secondly, the reason why we are constantly ahead is because we have a motivated team. I don't know which car company. I think let me try harder. So, when you have a motivated team working on multiple countries pulling ideas from multiple countries and bringing it altogether onto one platform, you'll actually see constant improvement in the products and constant R&D happening. As I said, we do what's appropriate. So, what applies to South Africa is getting from what applies to India. What applies to India is very different from what applies to Singapore. So, the fact that there are so many countries automatically changes the way the approach product development, changes the way we do product deployment and today for example, every product that we have, that will be CARBON, Rifle or iDEAL our products that allow us to comfort of doing global. Even if take a look at GST, our reading voice experience that we have from India, while the product will be directly available for Malaysia, we are now taking the product to Malaysia and getting some piece of the attraction there. So, I think R&D is something that's happened in the marketplace. It's not something that happens in the labs. If you are constantly close to your customers, if you hear to your customers, then the customers tell you what is required, what the new things are. So, the example that Deepta gave earlier, does it require a huge amount of brain throughout the whole world works in Microsoft and knowing that can be differentiating factor in case of formal, it doesn't require a genius to do that because the whole world of Microsoft but Workiva being a dominant player and a big player said they're not going to work with Microsoft, they have their own flavors to work, that's the way they done it but tomorrow go to environment, absolutely. But I think the fact that we work close to our customers and we're completely talking to customers gives us the comfort to stay ahead of the curve and I don't know how many have actually seen this, just like Gartner listed services if you complete a G2 which listed products and on G2 rankings we consistently score ahead of everybody in the world. I think, Anu, you want to talk about the G2 rankings for a second?

Anuradha RK: So, G2 is an online rating platform where companies and customers can give reviews and G2 also publishes from time-to-time like a grid around the satisfaction and the performance of various products. So, if you see IRIS CARBON has been ranking high on customer satisfaction and that has been consistently there. So, as an organization, I kind of say we are a very listening organization, we speak to customers very regularly, we get feedback from customers. That's how we are able to keep our products always up-to-date and also we gear up for all future requirements. So, this is one of the key reasons how we are able to maintain a consistent ranking in terms of high customer satisfaction on the G2 rate and of course comparing to some of the



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key competitors if you see some of the parameters from a product perspective, we are in fact ranking higher than some of the bigger competition which exists in the market. So, that is very, very promising and nice to see as well.

S. Swaminathan: I would actually request every one of you who wants to know more about this thing to actually visit G2 and look at IRIS comparing with the other products. It will be a revelation I promise you.

Rahul Bhansali: How much was the recurring revenues for the entire year, if you could just give that number?

K. Balachandran: Recurring revenue for the whole of the year FY'24 will be around 62 to 62.5 crores.

Rahul Bhansali: The same figure for FY'23 was what sir?

K. Balachandran: There have been about 57 crores roughly.

Moderator: The next question is from the line of Shreyansh Ajmera, a Retail Investor. Please go ahead.

Shreyansh Ajmera: Sir, First of all, many congratulations for great sets of numbers, I had a couple of questions. So, this is specific to IRIS CARBON. So, how do we place ourselves against bigger companies like for example Workiva, America and the technology in Europe, like what specific sort of target market that we are targeting, like what kind of company that we're targeting, for example, some of these competitors have been able to onboard like some of these multibillion dollar organizations. So, are we targeting those or are we targeting like somewhat smaller organizations, how does our target market basically differ from theirs basically?

Servo: So, I feel historically some of the other competitors like you mentioned have been focused mainly on the enterprise market. So, over a billion dollars in revenue kind of client type. Our target historically has been the mid-market and SMB segment. So, anything under a billion dollars where we have been targeting. Now having said that, we do have quite a few customers who are also enterprise customers over and above in revenue. So, we've never differentiated necessarily on the basis of what the revenue size of our customers or prospects are. Moving forward, I think we will also start focusing. We were preparing the product for the enterprise customers, especially from a disclosure management point of view. Moving forward, we will continue our focus on the mid and SMB segment, but also start entering more and more proactively into the enterprise segment both in North America as well as Europe.

Shreyansh Ajmera: What is our USP if you should say or more compared to these organizations for example? I believe their enterprise is their selling point, right, they can cover like five, six departments aside from just the CFO's department. So, what is our selling point let's say one is our price I am assuming. I've seen the G2 reviews. That's why I am doing that.



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Servo: I think differentiator, the price is one factor like you rightly called out. But I don't think we are differentiating just alone on the basis of price. I think we have a fantastic product. We need to create more awareness and differentiate based on what value we are adding to our prospects for our customer base. We need to do a more effective job over there and an ROI-based sales, quantifying that value for them. There might have been more features and functionality in some of our competitive products, but that does not mean that is what the client needs is really solving a pain point of problem for them. We are focused on solving the problem end-to-end for our clients. And I think our after-sales service has been phenomenal. So, that's been a big differentiator. So, a lot of word of mouth and reference is what we also focus on.

Deepta Rangarajan: I think Servo more or less said it. I think our pricing is one out of it, it's not all of it. I think we have superb customer experience for the quality of service and the integrated bundle services we offer, and of course the product functionality with the speed of which I think Anuradha said is listening. I think all of that makes for a comprehensive package. So, I think, like Servo said, now it's just about making sure that we increase the awareness and get the cadence of getting in front of the right audience in the market. So, that combination is what is going to make the difference.

Shreyansh Ajmera: What would you say our total addressable market is for IRIS CARBON in terms of global, if you would have a number for me?

Servo: I would say addressable market for IRIS CARBON is roughly in the range of \$10 billion to \$15 billion. We are probably scratching the surface right now where Workiva estimates it will be a little higher, but I think from our point of view, we think it should be somewhere around those range.

Shreyansh Ajmera: Basically, we are banking on the fact that we will keep adding more and more functionality to our product because that's how this number will grow so high, right?

S. Swaminathan: Not really, not really. See, the point also multi, really but CARBON to choose for different kinds of reporting in different parts of the world. And what Servo said earlier moving away from the mandate. So, whether you add features or not, there is already a core product which can be sold to people. We're able to win away customers in our competitors at this point in time quite successfully. So, revenues will grow or revenues to grow you don't necessarily need to add more and more features. We will keep adding on newer features, but the sales does not depend only on adding new features. We already have a viable product that is currently accepted in the market.

Shreyansh Ajmera: And this is regarding collect. So, based on our November '23 conference call, we have expanded a lot in Africa. I can see that from your presentation as well. So, how do you see the current RFP pipeline for collect for the coming year?



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S. Swaminathan: See, RFP pipeline. I don't know much about for this because one fine day regulator issues in RFP and something actually happens but what I can say is increasingly RFPs are being issued and just because RFPs are being issued doesn't mean we will win them; we don't win every single of them. As I said, regulators are waking up to the need to move such platforms and increasingly it's happening. So, "Am I prepared to hazard a guess in terms of how many RFPs would be issued this year?" I have no idea. What I hazard a guess is in terms of what the values of those RFPs will be, I don't have any idea at this point in time. What I do know is that more and more regulators are waking and even surprisingly the regulators who did not expect, are waking up and started talking to people and saying, can I start looking at this? There are no numbers I can offer you if that's what you are looking for.

Shreyansh Ajmera: So, a follow up to this. What is our win rate in terms of RFPs, and of which market specifically we are focusing for collect?

S. Swaminathan: So, if you take a look at the win rate again, that's going to be a number that's difficult to come up with. I will tell you why. Before COVID we were winning 55% of the bids that we were putting out. After COVID it's only now that things are picking up. We still have a very small number to go by. So, if you have two people in the room and one person leaves, it will look like 50% of the people are actually left which as you know it's very hazardous to apply percentages when the number of issues is very, very small and that's where we are. Maybe in about a year or two years' time. So, when I gave numbers about 55% pre-COVID that is over a 10-year period. But right now, post-COVID, very few that have actually happened. Therefore, it's difficult to come up with the number of percentage of wins. As I said, five years from now, I will have a percent win, will be a meaningful number. Today the percentage does not make any sense for anybody at this point in time. And which markets are we tracking? There are 70 countries in the world that have operated XBRL, electronic filing, whatever. And which means that 120 countries have not done that. Every one of those countries is a potential market. I did not expect, for example, that Bhutan would be an adopter as they are at this point in time. It's surprising the kind of some countries are actually getting into I see some traction in Africa, I see some traction in Asia as well, so which is why we see us spending more and more time in Africa, but nothing significant to report at this point in time. For example, we got some licensing clients for bank reporting, even though the central bank is still not ready with the finance, with the reporting platform. So, each country is moving at its own pace, but we are reasonably confident that of the 54 countries in Africa, we expect something to happen going forward. Now that South Africa and Mauritius have examples to show. So, Africa is certainly an area where we are concentrating. Also, you may have seen that the CAG of India, the Comptroller and Auditor General of India has issued this issue about two years ago talking about data standards and how governments in India, state governments and government departments should follow data standards. We see that is possibly creating opportunities for us going forward, we don't know where the opportunities will come. We are trying, we are knocking on doors, we're talking to people and basically sensitizing them to the CAG report as well. So, where will the growth come from? Not being



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difficult, I just don't know. I know which doors I am knocking on, but if I keep start talking about which doors I am knocking on, the next step is why we're not doing, who won, who did not win. These are concepts that need to be sold. Structured reporting is a completely new concept, and we are fighting against previous based reporting and document-based paper-based reporting. So, we are optimistic, we're confident, but the focus as I said is on underserved areas like Africa and many other regulators even in a country of India.

Shreyansh Ajmera: Just a small follow-up question to this is, from collect we receive primarily the project-based revenue. Do we envisage this revenue to convert into annual recurring revenue in the future?

S. Swaminathan: It's not only project-based revenue, there's also product-based revenue, there is also a licensing revenue. Because IRIS iFile is sold along with the collect platform. Are we trying to move it on annuity-based model? Yes, we are. But are people willing to do that? The answer is no so far except for Mauritius. So, the Mauritius model gives us hope that regulators across the world will start looking at it. So, we are optimistic it will happen, but I think it's a fantastic question. We are trying to move it to an annuity-based model going forward.

Shreyansh Ajmera: So, a few months back we got the approval for raising our equity capital. So, do we have any plans to raise funds in the coming year?

S. Swaminathan: As a company, while we have 16 crores in the bank, we certainly want to add to the war chest to be able to mount a meaningful assault on the markets that we want to get into. We did not raise money earlier because of the way... I don't think many people still today have an understanding of how business like we do. And the people on the call have a good understanding of our business. But the majority of the people still don't. And I think until such time as that happens, raising capital is difficult. We raise offer capital also because we at that time were also looking at ESOP. We also did it because we wanted to be prepared in case suddenly, some offer came to us from investors enquiry came to us we wanted to put in money. I am not saying we are actively in the market looking for money, but I am also not saying that we are not inactively in the market looking for money. We need resources to grow to the next level. We with the 16 crores in the bank I think the equation changes. We have enough to kick start our activities. Is it enough? I don't think so. How much more do we need? You have some idea. So, the answer is yes and no. Complicated answer. You will think I am being difficult. I am not being difficult, I am just being truthful.

Shreyansh Ajmera: Sir, are we looking at debt instead of equity or is this -?

S. Swaminathan: Absolutely, no. We're not interested in debt. There have been people who come to us with the offer of debt. We will not look at it.

Moderator: The next question is from the line of Mitesh Mehta from Investec. Please go ahead.



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Mitesh Mehta: I have a few questions. One is promoter stake is reducing, that is just of factor of ESOPs or our promoters actively reducing their stake?

S. Swaminathan: Actually, I urge you to take a look at the filings. You will not find promoters actively reduce their position they're holding. Please look at the filings, you will have the answer.

Mitesh Mehta: My second question is like we have some 16-odd crores cash balance and we have some five to six crores short-term borrowing. Is there any specific reasons why borrowings are kept or like companies increasing war chest for some inorganic opportunities?

Mitesh Mehta: There is no inorganic opportunities of any kind that we are considering at this point in time. Under the provisions of the bank to limit that we are from ICICI, we are required to utilize something, otherwise we end up paying a hefty commitment fee. So, some utilization actually happens of the lines that we have from ICICI Bank.

Mitesh Mehta: And my last question is pertaining to client mining. Do we have an active team because we have a list of marquee clients. So, do we have a specific team working on client mining?

S. Swaminathan: I think everybody as sales is looking to cross-sell. So, we have a number of MCA customers who are also the GST customers, the number of GST customers also are also MCA customers. And logically when we have a new offering, we first go to our existing customers. So, is there a separate team for it? There's no separate team for it, but cross-selling is an extremely important thing. And even in the context of Europe, Servo will tell you. Servo, do you want to this question and add to how we are trying to get deep into clients, especially with the long mandate?

Servo: I think it's good, but if you want I can elaborate a little. So, we have an existing customer base across the board to whom we cannot just upsell, which basically means more of the same product, but we can also cross-sell. So, we've got multiple products across the board that we can sell to them. What we can also do is these are large corporates which are globally present and have multiple subsidiary or child organizations, if you want to think of it that way. The objective there is to bring in not just a product, but multiple products across the board. So, that's one of the strategies we're looking at to make footprints within our existing customer base.

Mitesh Mehta: And can I request like if management thinks like can we develop a special team for client mining because the kind of marquee clients company has, like we see a lot of potential in like increasing per client billing?

Servo: So, when you say client mining, I am not sure if I understood that, right. Can you elaborate what do you mean by client mining?

Mitesh Mehta: Cross-selling products as well as services.



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- S. Swaminathan:** I think it's a good suggestion. We will certainly see what can be done.
- Moderator:** The next question is from the line of Ketan Athavale from RoboCapital. Please go ahead.
- Ketan Athavale:** Thanks for the opportunity and congratulations on great sets of numbers, I wanted to know if our Q4 margin of 21% is sustainable on an annual basis?
- K. Balachandran:** Traditionally, you would have seen that our Q4 margins are little more than the other quarters margins. Having said that, I think it depends on the overall volume growth. The volume growth is robust. I don't see any reason why the margins should be less than our annual margins. Quarterly margins you should not see so much because there are certain quarters where there is higher volumes happening in certain parts of the business. But overall, margins are very closely linked to the overall growth in the top line. I just want to mention another. One is the EBITDA margin. At the PBT level, we do have some overheads, but overheads are growing at a much lower rate compared to the overall revenues. So, that also is something which looks quite promising. So, at the PBT level you would see that the PBT doubled while EBITDA went up by 45%. So, that leverage still exists for some more time.
- Ketan Athavale:** And on the employee cost, how much increase do we expect generally year-on-year due to increments or hiring?
- K. Balachandran:** So, it is hard to put a number because the different business, different requirements, for example in the SaaS business, we definitely want to increase our sales and marketing presence and make sure that we have covered our markets well in terms of both inside sales and some feet-on-the-street. Having said that, we have grown our employee expenses about 28% to 30% over the last couple of years, which I think is a fairly high percentage. In a business as usual case, I don't see the growth in employee cost going up above these levels.
- Moderator:** As there are no further questions. I would now like to hand the conference over to Mr. S. Swaminathan for closing comments.
- S. Swaminathan:** Thank you, everybody for participating. I hope all your questions were answered. Thank you all for your support and I just want you to know that our pride in the company is driven by the financial performance of the company and not the stock performance of the company. However, we're mindful of returns to stakeholders, and therefore we're mindful of our obligation to do the best that we can to ensure that our financial performance improves quarter-on-quarter But it's not a company that you should look at quarter-on-quarter, look at in the context of the year because quarter-on-quarter will give you the misleading numbers literally. So, I am grateful to you for participating in this conference call and keep your suggestions coming. People sent me question a some time ago asking why we're not paying dividend. We are not paying dividends because interest have to be made in the center of resources. We need to conserve resources and



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dividend paying is not the most optimal way we want heavily. I think the day we have enough cash and being a bypass of course paying dividend, we don't have enough cash right now, things like that, that's we actually allocate. So, if you are looking at a company that pays you dividend quarter-on-quarter, we are not the company to you, that's not the approach we are actually going to take. And as far as we are concerned, the money that we have right now needs to be conserved for activating our growth of our CARBON products and other products as well. So, I want you to understand that. Keep your questions coming. We may not answer certain questions from time-to-time, because we could be in a silence period where some people keep remind me of the questions, but to be aware of the silence period then we really don't take any questions and we answer it at the meeting like this. So, once again, thank you. I want to thank all my colleagues. We complete 20-years of business before. So, we're actually going to be celebrating with all of our coming this Saturday when we will talk about growth going forward, etc., We are also calling our internal auditors, our suppliers, our vendors, all of our partners which the company to start. But all of this can happen only with the support of shareholders. So, each one of you. I am deeply grateful, Balu, deeply grateful, Deepta, deeply grateful, Thomas very grateful. Thank you. Keep it coming and we will continue to do the best we can to ensure that everyone is happy. Thank you, again. Bye-bye.

Moderator:

Thank you, members of the management. On behalf of IRS Business Services Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.