

July 20, 2023

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: Information pertaining to business of the Company for the shareholders.

We wish to submit replies provided by the Company (given in Annexure – A) against shareholder queries related to business of the Company for the information of the shareholders of the Company.

The above is for your information and records.

Thanking you,

Yours faithfully,

For **IRIS Business Services Limited**

Santosh Sharma

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

IRIS Business Services Limited

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Annexure – A

- 1. In 2021-22, about 45% of your revenues were domestic, rest global. Share of revenues from the EU region saw a big jump from 6% to 11%. Did this trend hold FY 2023, and will it hold in the coming years?**

IRIS: This year (FY23) European revenue is 12% of the consolidated revenues while domestic revenue accounted for 38%. We expect that in FY 24, our revenue share from Africa might increase due to the Implementation project which we received from South African Reserve Bank. Because of this, market share from Europe may go down. However, we are targeting the Europe and USA for the Disclosure management platform which we are building and we expect the revenues to go up in these markets in absolute terms.

- 2. Also, why did the share of revenues from the Middle East fall from 14% to 9% in FY 2022?**

IRIS: In FY 21, we had implemented 2 iFile Projects (Collect business) in Qatar and Oman. Revenues from these projects were substantially booked in FY21 as majority of the work was completed in FY21 and as such the revenues in FY22 were lower. Further, there were no new implementation projects in FY22 in the Middle East.

- 3. In 2021-22, some US energy/utility companies opted to use Iris Carbon because the Federal Energy Regulatory Commission (FERC) mandated them to file ESG reports. In 2022, GAP started using Iris Carbon. Has this trend picked up? Have other US companies (utility/energy and non-utility/energy) also started using Iris Carbon?**

IRIS: Yes, we have a clutch of energy companies in USA who are using IRIS Carbon for the FERC mandate. FERC mandate is not related to ESG reporting.

Gap Inc. has used IRIS Carbon to voluntarily create an ESG report in Inline XBRL. We expect ESG reporting mandates in XBRL to commence across countries, and this should drive demand for our offerings.

- 4. If yes, is the trend sustainable?**

IRIS: Going forward, we expect ESG reporting mandates in XBRL to emerge and drive demand. The FERC mandate coverage is expected to expand as well to more utility companies.

- 5. In FY 21, Iris Business Services (IBS) earned a PAT of 4.14 cr on revenues of 57.37 cr. In FY 2022 you reported lower margins, but that is history now. In FY 2023, IBS reported revenues of 73.5 cr and a PAT of 3.71 cr. What was the reason for the dramatic decrease in the PAT?**

IRIS: Two fold. Our revenues from Collect revenues shrunk as there were no new implementation project in FY 22. Due to Covid, most of the regulators had gone slow with new RFPs which impacted revenues. Further we also faced pressure from the cost side as increased demand for expert technology resources pushed salaries up due to demand for good talent.

- 6. Will SEBI's tough stance on funds and asset management companies help your Office 365-Based Disclosure Management Solution?**

IRIS: It is too early for us to comment since our Disclosure Management Solution is just in the process of getting launched.

- 7. Of your 3 business segments, Collect, Create, and Consume, the first segment's contribution to revenues witnessed a sharp drop in 2021-22 from 56% to 38% while Create's contribution zoomed from 38% to 57%. Consume's contribution was flat. I do not have 2023's breakup. How do you expect this trend to shape out in 2024, and onwards?**

IRIS: For 2022-23, Create business contributed 59% of revenue while the Collect business accounted for 37%.

Considering we expect the revenues from implementation project in SARB and Bhutan in FY24, the share of revenues from the Collect segment could see a jump. However, we also expect the Create segment to continue the momentum and in the medium to long term our revenue share from the Create segment should be higher.

8. Rank your products (not segments) based on their revenue-generating potential from 2024 and beyond. From top to bottom.

IRIS: We are unable to provide a ranking of our individual products on their revenue generating potential since it is contingent on a variety of factors. We believe all our existing products have significant revenue potential. We have also seen the rankings on the basis of contribution changes frequently even between quarters.

9. Which product or products (not segments) contribute highest to your recurring revenues (78% in 2022)?

IRIS: "Create" segment contribute highest to our recurring revenues and in that IRIS CARBON contributes highest to our recurring revenues.

10. What is the revenue-earning potential of your GST e-invoice registration platform? How many companies are using your services, and how big is the "uncaptured" market in terms of Rupees?

IRIS: Private Invoice Registry Portals (IRPs) are required to provide basic e-invoicing generation facilities at no cost to the taxpayer since it is a compliance mandate. The revenue potential lies in providing VAS (Value Added Services) wherein private IRPs are allowed to store invoice data with taxpayers consent and providing VAS on top of it.

Some of these VAS offerings include:

- a. Storing, archiving and retrieval of invoices for the supplier for long duration
- b. Invoice customization for the supplier (Invoice template with their logo and custom format)
- c. Electronic Invoice Presentment and Payment (EIPP) services for the supplier and recipient - Customer receives the invoice digitally and make payment
- d. Automate accounts payable process for the recipient - Buyer can automate its purchase ledger recording thereby minimising manual errors and delays in communication.
- e. Invoice financing and discounting
- f. Scoring for credit rating/monitoring and analytics purposes

Regarding the market size, the current mandate of e-invoicing is applicable for taxpayers greater than 10 crs of turnover and this is less than 10% of the total registered taxpayers. The threshold is being lowered to 5 crs wef 1st Aug and expected to cover all taxpayers doing B2B transactions soon. Our year one focus is to drive adoption and get volumes post which the VAS will kick in.

11. The global Regtech market is expected to grow at a CAGR of 20.8%. Can I assume your company's revenues and profits will grow at or around the same rate?

IRIS: We expect to certainly outperform the industry growth rate.

12. In your 2021-22 AR, you had mentioned that the market potential for exports was about \$42 billion. How much of the market share can your company capture? Is your marketing team strong?

IRIS: Our aim is to profitably grow the business at an attractive rate and higher than the industry growth. We have built a good marketing team and we plan to invest more in sales and marketing.

13. Are you planning to exploit AI's capabilities into your products? If yes, by when?

IRIS: Technological upgradation is a continuous process. This is an ongoing activity and even now IRIS Carbon does use some elements of AI in the tagging process. Going forward, we plan to embed more AI features into our product suite. We certainly see, going forward, embedded AI technology as one of the key features in our products.

14. In FY 2023, IBS's Trade Receivables were about 25 crores, or about 34% of your revenues. What is the reason for the delay in collections? Are the collections milestone-based?

IRIS: The timing of raising of an invoice depends on many factors including percentage of project completed, the transfer of a product licence to a customer, contract clauses and so on. It is always in adherence of well established and accepted accounting practices. However, just because a contract is raised does not mean that the client agrees to pay. In any WIP situation in the software world, the customer does not always have visibility of where the project is at any time and often uses such ambiguity to delay payment. It must be borne in mind that these are fixed price projects and not T & M where monthly billing is agreed upon in advance with the customer. It may be noted that receivable levels are at our normal levels.

It is also pertinent to note the seasonality of compliance which inevitably causes invoices to increase fast while collections follow with a lag, causing receivables to increase around those times.

How is the partnership with Hylobiz progressing? How much turnover has been achieved, and what is the potential?

IRIS: With Hylobiz, we are planning to offer a combination of Cash, Commerce, Compliance and Credit services to MSME taxpayers. The integration and launch of product (Peridot+) has taken a little longer than expected. Currently the cash module is ready and piloted with one customer. The cash module allows taxpayer to generate a payment link and send along with the invoice. System automatically sends collection reminder requests with payment link via WhatsApp/emails and reconciles the collection cycle. Integration has been done with one Gujrat based accounting software company which the customer is using. The monetisation of this partnership will happen through credit module which will be driven by the cash and compliance data. The credit will be driven by Vayana's supply chain platform engine.

15. Why did one of the founders, Mr Balachandran, decide to sell 2,00,000 shares this year, in January 2023?

IRIS: The company does not comment on personal decisions of its promoters. What will hopefully be appreciated is that he has set a new high standard in transparency by announcing his intentions in advance.

16. Companies like DeLoitte, PWC, EY, etc., provide Regtech XBRL services. How does your company compare with them?

IRIS: Our Regtech offerings are in the product space. We only offer specialized assisted services in the last mile for customers using our products.

17. Have any of the big global accounting firms used your services? If yes, what is the possibility of recurring business? If no, do you expect them to – I mean are you marketing to them?

IRIS: Yes. Big accounting firms continue to use our products or assisted services in certain markets. A large part of it is recurring business. They also seek us out to partner with us in certain markets for regulatory compliance solutions.

18. What is the average client ticket size? And are your revenues dependent on a few big clients? Please provide some statistics (revenues: clients) for the last 2-3 years

IRIS: Client ticket sizes differ from segment to segment and geography by geography in which we operate. The idea of average will not be very meaningful against this backdrop.

Like in the 'Collect' segment, the regulatory project based on the type of regulators and the scope of implementation has ranged from 0.5 mn USD to even as high as 5 mn USD, depending on many factors.

When it comes to IRIS Carbon, we have users paying annual subscription fees of USD 10,000 or more on the one hand and as low as GBP 200 per filing in the UK, for instance.

Over the years, customer concentration has been coming down. Our revenues from top 10 customers contributed to 35% of the total revenues in FY 23 as compared to 42% in FY 22. Earlier, we used to have the top customers contributing a significantly high proportion of revenue, and that's basically because our Collect segment was much, much bigger than the Create segment. Today, the Create segment is bigger, smaller ticket, but larger number of customers.