"IRIS Business Services Limited

Quarter and Half Year Earnings Conference Call"

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MANAGEMENT: **MR. S. SWAMINATHAN – CHIEF EXECUTIVE OFFICER – IRIS BUSINESS SERVICES LIMITED**
MR. K. BALACHANDRAN – CHIEF FINANCIAL OFFICER – IRIS BUSINESS SERVICES LIMITED
MS. DEEPTA RANGARAJAN -- WHOLE-TIME DIRECTOR – IRIS BUSINESS SERVICES LIMITED
MR. PKX THOMAS – CHIEF TECHNOLOGY OFFICER – IRIS BUSINESS SERVICES LIMITED
MR. GAUTAM MAHANTI – IRIS GST - BUSINESS HEAD

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Call of IRIS Business Services Limited for the quarter and half-year ended September 30, 2023. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. If you need assistance during the conference call, please signal an operator by pressing star, then zero 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; and Mr. PKX Thomas, CTO of the company.

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

S Swaminathan: Thank you—thank you all for joining the call. As usual, we seem to have a fairly large turnout of people on this call, which sometimes scares me. Not all are shareholders; some are analysts, some AIFs, I can see. It's a nice group of people we have here.

I believe it's been a good half-year, a good quarter as well, and it's been on expected lines. The big highlight of the last quarter, the last half-year, is how we stepped up our marketing expenditure. So whatever cash we generated, we spent it on marketing to increase our footprint. We spent money on acquiring customers by being present at more conferences and more trips to customers. Customer outreach and marketing is where a significant increase in spending occurred.

That's the one highlight I want to emphasize. The revenue numbers and the cost numbers are in front of you. We also had to make some significant cost corrections, which is the reason why the expenses increased as much as they did. In a landscape where people are losing their jobs and talent is supposedly available, good talent is still hard to find and very expensive.

That's the challenge for companies like us. We had to make some course corrections to attract the right talent. Most people in the IT space come from a services background. Finding someone with a product orientation has not been easy; they are hard to find, and we have to pay more. This trend is likely to continue.

The trade-off going forward is balancing revenues and expenditures, which is critical. Balancing the revenue objective with the profitability objective will be an important trait for us going forward. Sometimes one will be more important, sometimes the other, but that's where we are.

For opening remarks, I hand over to Balu, our CFO, and Co-Founder, who will then take you forward. After that, we'll address your questions. Balu, over to you

K Balachandran: Thank you very much, Swaminathan, and a very good afternoon to all of you. I also wish you a very happy Diwali. It's good to meet all of you after six months for this conference call.

Let me quickly delve into the numbers. I'm happy to report that we have achieved an all-time high turnover for the quarter as well as for the half-year. This is very gratifying, as Swaminathan mentioned. This was expected because we have been performing well in our Collect segment, where we offer solutions to regulators.

Let me quickly run through the highlights of our performance, and I'll delve more into the movement of our H1 numbers as the quarterly print doesn't fully reflect the business dynamics. Looking at the H1 numbers, you will see that our top line is up by 30%, while the profit after tax has increased by about 88%. The EBITDA margin, compared to the corresponding half in the previous year, is maintained at 13%. Some of these numbers have already been uploaded in our investor presentation on the exchange website a couple of hours ago, so some of you might have seen that as well.

I won't go into the other ratios, but you will notice that commensurate with our increase in revenues and EBITDA, our other ratios have improved, especially our return on equity. Happily, we have also reduced our debtors as days of sales slightly. If we look at our expenses, as Swami also mentioned, our costs are kept in line with the top line, even as we spend on new recruits along with higher sales and marketing outreach. This is expected as we are also ramping up our presence across markets outlays.

Looking at the segment revenues, you will see that Collect segment revenues are up sharply by close to 70%. On the other hand, revenues from the Create segment, which includes IRIS CARBON, GST, and an automated data product called IRIS iDeal, are a bit more modest at about 10%. Our non recurring revenues have gone up, especially due to the implementation part, by about 36% compared to the previous period, where it was lower. This was expected and mentioned in the previous conference call.

If we look at the revenue geographically, you will see that our export revenues have increased, while Indian revenues have come down to about 30% of the overall pie.

I just want to mention that our order book has improved compared to where we were, and we mentioned that in May 2023 as well. We do have an improved order book position compared to the previous year. So we are looking at executing that well while giving that much-needed push to the market on the Create side. Thank you so much.

S Swaminathan: As I've been saying all the time, without resources, I think a 20% growth every year is possible. It's not a no-brainer. We still need to work hard, and if mandates are available, I think we can always grow a little bit faster. The availability of mandates plays a significant role in how fast we grow because the replacement market is challenging to break into.

But going forward, the strategy we're actually adopting is to go beyond the replacement market and delve into non-mandate-led activities. The entire Disclosure Management initiative is being led by Deepta who has been working on it for quite some time now. So, I'll hand over to Deepta to make a few comments about it, and then we can take up questions. Over to you, Deepta.

Deepta Rangarajan: Thank you. We have discussed our disclosure management market opportunity in the past, which takes us beyond mandates. Essentially, it targets the office of the CFO, focusing on profit efficiencies and improvements. We are pleased to announce that we have recently rolled out the new and improved disclosure management solution in the marketplace.

We have also established partnerships with a couple of early adopters, including a Canadian partner. This partner aims to introduce the solution to the North American and European markets starting from January next year. Additionally, we have signed agreements with other partners across Europe and directly with end companies. We believe that once this gains traction, momentum, or, as with our other products, begins to take hold in the marketplace, we will see a ramp-up in this non-mandate-driven aspect of our business. This development should help balance out our business and reduce dependence on mandate driven opportunities.

S Swaminathan: The other significant development from the past year is our involvement in various GST cases and data-enabled lending. I have with me someone who will share insights into what's happening on the GST front. As you may recall, we became an IRP last year, one of the four IRPs in the country. We had high expectations, and while we are doing reasonably well, it's crucial to note that these are highly competitive areas with four IRPs nationwide.

Nevertheless, the market we're pursuing, particularly in the replacement market, involves applications with GST data. Now, I'll hand it over to Gautam to share with us the updates on the GST front.

Gautam Mahanti: Sure. Continuing along the same lines, we are exploring opportunities considering the GST mandate, which now applies to all companies in India with a turnover of more than INR 5 crores, covering e-way bills, e-invoicing, and GST mandates. In the replacement market, our focus is on achieving additional process efficiencies and improvements for the Office of the CFO. We are also delving into new initiatives and products.

One noteworthy initiative is in accounts payable automation. The entire process in India has undergone changes post the implementation of GST, and we have already seen some early successes in this space. Being an IRP, one of the four private entities permitted to generate an invoice, is also significant. Currently applicable to taxpayers with a turnover of over INR 5 crores, we anticipate that as this gains momentum and the mandate threshold is lowered to INR 1 crore or INR 1.5 crores, encompassing a vast number of taxpayers, it will connect the entire vendor-supplier ecosystem.

This initiative is poised to automate both the accounts payable and receivable cycles, addressing compliance, collections, and payouts. We are also exploring value-added services through the IRP IT platform. There is a growing need for automation, auto payouts, collections, and invoice archival storage, especially for small taxpayers.

Additionally, there are certain exempt categories, such as the BFSI companies, which have been outside the invoice mandate due to high volumes. However, with the emergence of private IRPs, they are expected to come under the mandate, presenting a new market opportunity for us to target, given the anticipated significant invoice volumes from that segment.

S Swaminathan: Thanks, Gautam. I also believe that this entire e-invoicing initiative takes us into a new realm. While traditionally, our focus has been mainly on larger companies, we recognize the importance of extending our reach to smaller companies. We aim to provide solutions and explore partnerships to make this expansion a reality.

The last person I have for you on this call is perhaps the most crucial individual in the company today. This person is instrumental in making our products scalable, our processes steadier, and is leading the entire technology transformation at IRIS. I'm referring to Thomas. So, Thomas, over to you. Please enlighten us on where we stand on the technology side, the challenges we're facing, and what the future holds.

PKX Thomas: In the realm of technology, we position ourselves as a company in the compliance space, particularly focusing on regulatory technology. Our primary emphasis is on security and security compliance, underscoring the importance we place on maintaining a high level of security. Simultaneously, we also have the challenge of ensuring that the technologies we employ and the applications we develop align with the latest global technological trends.

Our objective is to guarantee that the quality of our products meets world standards, proudly made in India. Moreover, we are committed to maintaining security standards that are robust and compatible with other solutions and systems worldwide. These challenges are significant, but we have a dedicated team of core professionals who continuously monitor and ensure that our products uphold the highest technological standards while meeting stringent security requirements.

S Swaminathan: You want to talk about the Surat centre?

PKX Thomas: Yes**.** We have also initiated the establishment of another development centre in Surat. Surat, being a location abundant with skilled professionals, has provided us with a significant boost in expanding our product offerings and product lines. Two key factors contributing to this success are the exceptional leadership quality of the individuals there and the unwavering commitment of people there to their work. Both aspects are remarkably high.

This centre is making substantial strides, offering us considerable support and contributing to numerous improvements in our products.

S Swaminathan: Thank you, Thomas. I think we should open the floor for questions. I will now hand over to Rocco, who is moderating the session here.

Moderator: The first question comes from Ankit with MRLR Capital.

Ankit: It's good to connect with the management, working with us for the first time. Congratulations on a great set of numbers and starting out with the journey ahead. My first question is regarding the current sales and marketing setup of the company. I want to understand how the teams are aligned and what kind of professionals we have on board leading the business in the compliance function currently.

Considering that the businesses have slightly different customer bases, how do you manage that within the company? And how do you foresee that evolving over the next...

S Swaminathan: So, should I take the question now, Rocco, or should we aggregate the questions and answer them later? Rocco, what's your call?

Moderator: Yes sir. You can answer that individual question, and then we'll move to the next one.

S Swaminathan: Thank you very much for your question. As you rightly said, the business is slightly complicated with different divisions, each having unique dynamics. The iFile business, which is the Collect segment, is primarily driven by RFPs (Request for Proposals). The challenge here lies in engaging with regulators, making them aware of our presence, and positioning ourselves to ensure that RFPs come to us. We actively participate in conferences, engage with regulators, and present our credentials, ultimately bidding on their RFPs. It's a competitive process, and we win some and lose some.

For the Create segment of the business, particularly in the case of iDeal and GST, I'll let Gautam answer the question. Regarding CARBON, I'll hand over the question to Deepta.

Gautam Mahanti: Okay. iDEAL is a mandate-driven opportunity where banks are mandated to connect to the Reserve Bank of India. It's more of an inbound process, requiring minimal sales and marketing efforts and we have a near monopoly, with more than a hundred financial institutions using the product. It's primarily an inbound process.

On the other hand, in the highly competitive GST business, within the Indian SaaS and tax tech landscape, we have a dedicated sales team led by our India sales head and regional sales managers covering North, South, and West regions. They are supported by a marketing team and an inside sales team, which is part of the marketing function, responsible for lead generation.

We actively participate in various events, including CFO events, seminars, both offline and online. We conduct regular webinars to build mindshare, leveraging digital marketing strategies to maintain a strong online presence. This includes efforts to ensure a high ranking on-search engines like Google.

The traditional sales and marketing approach involves tracking the entire intake process through our CRM system, covering the complete six-stage sales cycle from prospect identification to closure. This ensures a continuous and effective sales funnel. If there's anything specific, I haven't covered, I'll now pass it on to Deepta.

S Swaminathan: Before Deepta comes on, there's one small point that I must mention. Gautam seemed to indicate that iDEAL is a monopoly, and the business is inbound. I want you to know that we don't get business solely because we handle the RBI compliance platform. These are completely two different things. When iDEAL was first launched, there was a need for it in the market. In the first year, we had only four customers.

Over time, the quality of our product has stood out, and people approach us today not just because we are associated with RBI compliance, but because we have a viable, great, and the best product in the market. Even though we do get customers out of the 120 in the country, we have 85, which is a good number. People often ask why we don't have all the customers. Somewhere along the way, the L1 and L2 works, and procurement rules come in the way of us being able to sell to them. I want you to know that even though iDEAL involves hard work, the inbound queries come in because people know we handle RBI, but that's not the sole reason they choose us. We still have to go out, make an effort, and work hard to acquire the customer. If Gautam, by mistake, gave you the impression that it comes on its own, it does not. It still involves hard work.

Now, over to Deepta for CARBON.

Deepta Rangarajan: CARBON, being an enterprise SaaS product, is targeted at international markets, and navigating the challenges of sales and marketing is crucial, especially during ramp-up. Our approach involves multiple strategies. Firstly, we collaborate with partners, with a significant focus on partners and channels. Additionally, we engage directly with customers.

Acquiring customers is driven through digital means, including outbound and inbound lead generation. We also actively participate in events, we have a significant emphasis on obtaining references and testimonials from CFOs. Building trust and brand recognition in markets like Europe and the U.S. is a priority. We work diligently to secure customer testimonials on public platforms like Gartner and G2, enhancing our credibility. Case studies and references, especially in the context of disclosure management, play a vital role.

Leveraging our existing customer base, we explore opportunities to introduce new modules, such as the disclosure module. Customer acquisition is pursued through a combination of on-site and digital efforts. Currently, we have a team in the U.S. in Europe participating in events.

Having said that, we acknowledge the need to strengthen our sales and marketing infrastructure, recognizing its crucial role in scaling a product like CARBON in international markets in the coming years.

S Swaminathan: If you examine the financial statements we've provided, two notable items will stand out. Firstly, there's an increase in marketing expenses from INR 44 lakhs to INR 88 lakhs. Secondly, you'll observe a rise in travel costs. The increase in travel costs is essentially about reaching out to customers. Of our 6,000-plus customers, almost 5,000 were acquired one at a time. The remaining 1,000 came through a partner who brought a bulk customer set to us. Now, we are actively working to directly engage with each customers directly, aiming for visibility.

iDEAL has a smaller customer base, around 100 customers, compared to the 5,000-plus customers for CARBON. The challenge is to leverage the relationships we've built to encourage iDEAL customers to explore other components of our offerings. Deepta highlighted the importance of having satisfied customers, and indeed, customer advocacy is a significant metric for our marketing team. The goal is for customers to willingly speak about their experiences with us, whether positive or not. You will see us strongly focus on negative feedback to make our products better.

Our entire strategy revolves around having a great product that places us in the consideration set of anyone looking to make a purchase. Being in this consideration set doesn't guarantee automatic conversion, but it puts us in the running. A recent success story with a multibillion-dollar company reinforced that, showing that even significant enterprises take notice of competitively priced products if they meet the criteria of quality, reliability, and integrity.

In essence, our approach is to showcase the product, strive for excellence, and let the quality of our offerings speak for itself. I hope this addresses your question. Thank you.

Ankit Minocha: Yes, that's clear. My second question is about the growth outlook. I'm interested in understanding whether, given the higher order book we had already anticipated do we expect a similar trajectory for H2 in terms of growth, especially driven by the Collect division in the short term? Additionally, in the long term, as top management, what are your thoughts on the growth drivers and what can be achieved over the next 3 to 5 years?

S Swaminathan: Typically, we don't delve into these questions, but I'll provide you with a broad sense of our direction. While we maintain optimism and hope for positive developments, we also need to be realistic about our financial constraints and act accordingly. Despite having limited resources, we've achieved considerable success in attracting talent, but the team still needs significant expansion. I could offer a more comprehensive answer if we had a budget, especially a marketing and sales budget, to facilitate growth, but that hasn't materialized.

Once we secure the necessary financial support, our plans and strategies could be more robust. Currently, we engage in planning and brainstorming, albeit with imaginary financial scenarios. Given our extensive customer base, including the partnership with a Canadian company with a substantial customer footprint in the U.S. and Europe, we are optimistic about the demand for our product. If we had the financial means, we believe we could outperform the 20% to 25% growth rate. However, the lack of funds necessitates careful spending.

Our current approach relies on physical outreach and modest marketing efforts to increase our visibility. Looking to the long run, if we could secure additional funding, especially for sales and marketing, it would significantly enhance our prospects. I'll now hand this over to Balu, who might have additional insights on the more challenging aspects of this question.

K Balachandran: I don't have much to add. I just want to emphasize that the short-term trajectory is not looking bad. I'll leave it at that.

S Swaminathan: Referring to the new paper called "The Hindu" in Tamil Nadu, there's a joke suggesting that they check the news of a person's demise directly with the person before they write. Balu falls into that category, so please bear with him. I'm the sales guy in the company, and Balu handles the finance side. You can imagine the different profiles we bring to the table. I apologize if I can't provide more precision, but that's how we operate the company.

Moderator: And our next question today comes from Rohit an individual investor.

Rohit: Congratulations on the impressive set of numbers. It's great to see Collect performing well. Before delving into the numbers, could you please elaborate on the board meeting that took place yesterday? The agenda included the authorized capital increase. Could you provide some insights into that?

S Swaminathan: Certainly, we can discuss that. The ESOP consideration is quite different this time compared to the last time we had ESOP before the IPO. Currently, our aim with the ESOP scheme is twofold. Firstly, for existing employees, and secondly, to attract new talent. Many potential hires have placed compensation expectations beyond our current cash range. To bridge this gap and entice the right talent, we are looking at a combination of cash and ESOP.

During the recent board meeting, the board requested more details on the ESOP scheme, particularly the allocation metrics, given that this is our first ESOP issuance post-IPO. Importantly, it was clarified that the ESOPs will be issued at market price without any discount. As the board sought more information, we decided to defer the ESOP discussion with the understanding that we will return to the board soon with a comprehensive scheme.

The increase in authorized capital was also linked to the ESOP. Since we are currently in the market raising funds, combining the money raised and the ESOP would surpass our operating capital. To be prepared for potential investor interest, we decided to increase the authorized capital. Although technically not required for ESOP, we connected the two to be ready for any situation where investors might want to invest in the company. This interconnection led to the deferral of both the ESOP and the capital increase discussions.

Rohit: Understood. Sir, I mean, since you spoke about the capex, could you speak about that? I mean, what are we thinking there?

S Swaminathan: I believe a more pertinent question is what investors are thinking, as my personal thoughts are less relevant in this context. This brings us to the same point. I am aware that the market has positively rated the company, resulting in an upward movement in terms of price.

It's worth noting that the promoters don't have the funds for a rights issue. In past meetings, discussions have arisen about the negative signal associated with promoters not contributing to a rights issue due to a lack of funds. We do need some capital for that, which is why the rights issue is currently a nonstarter. If we do decide to raise money, it won't be at these valuations.

I believe the current valuation is significantly better than six months or a year ago. If the market recognizes the true value of the company and revalues it accordingly, we would be prepared to move forward. We have been engaging with investors, reaching out to various parties, and there is genuine interest. It's important to clarify that we're not looking to sell at value of scrap. That's the key point.

Given our situation, where a 20% growth is guaranteed, we need to align our actions accordingly. Simultaneously, we are actively working to make it happen. So, Rohit, if you're willing to write a check for INR a 4100 crores, I'll be outside your door tomorrow.

Rohit: That's a very nice picture, sir.

S Swaminathan: I'm not laughing.

Rohit: No, I'm just imagining we writing out check for INR100 crores, I think, I'll be in the jail if I do that.

Rohit: So I just wanted to touch on Collect a little more. Like last quarter, in the AGM in the annual report, we spoke about having a INR120 crores order book. Could we speak about over what -- I mean, I'm guessing this order book is not to be executed in 1 year. So what is the tenure of this order book?

S Swaminathan: Balu will answer the question. All the easy questions, I take. The difficult question Balu takes.

K Balachandran: So, this INR120 crores order book, of course, is split over a couple of years. It is also linked to one large implementation order that we have, from the South African Reserve Bank, which we mentioned in the previous call as well. So we expect some more orders to come from them, maybe not of this magnitude, but there is an overall envelope of work that we're executing there. So it seems that this particular INR120 crores, which we talked about in the AGM, has been expanded. Even after executing some amount of work, we still are at about INR120 crores plus at this point in time.

And we feel that this could be executed over a period of 18 to 24 months.

Rohit: Okay. So just to clarify, Balu sir, we have begun the execution there already, and that is contributing to the Collect growth. We expect the remaining implementation of INR120-odd crores to happen over a span of 24 months so as of today, November 2023, we expect to complete it by December 2025, is that right?

K Balachandran: Yes, let me just qualify this. When we say INR120 crores, it is not just the Collect part alone. It is a combination of what is there in Collect, of course, of which a good portion has come from the new orders. Additionally, it includes what is currently from our recurring revenues, which is coming year after year, and I would say it's now between INR55 crores to INR60 crores.

Rohit: I understand, sir. So it's a mix of both revenues that -- the recurring revenue of INR55 crores, INR56 crores, which we'll execute on an annual basis plus whatever -- so it's very -- I mean, there is a little bit of a confusion to the reason I'm asking it. Do you have this Collect segment revenue, which is going to be executed over 2 years? And then we have the Create segment, which is an annual recurring of INR55 crores of every year. So I mean you have...

K Balachandran: In Collect, there is also a recurring revenue element. We have customers who provide revenue through recurring services in Collect. When new orders come in, the nonrecurring revenue in Collect tends to increase. Therefore, in Collect, we have both the Annual Maintenance Contract (AMC) revenue and revenue from new orders.

Rohit: Understood. Fair enough, sir. Fair enough. And just a follow-up. I mean, so I just want -- just a suggestion on this order book because see the recurring revenue that we've had overall, we win the company INR56 crores, INR56 crores. Now if I take that time period of 2 years from here, we technically the order book further from the recurring revenue is INR110 crores, INR120 crores by itself, right, because we are expecting that revenue to repeat every year. And then we have this implementation, which is a onetime revenue, which is to be done over a 2-year period.

So I mean, it creates a little bit of a confusion because I'm guessing the order there referring to has a recurring revenue for this year and then the implementation revenue for the next 2 years. So just a thought there if you can bifurcate it a little better, that might help to understand the order book better.

K Balachandran: I understand. The order book has two components – recurring and one-time. While we could provide a breakdown, it might be divulging too much information.

Rohit: No, I understand, but we will create a confusion because the recurring part is only for this financial year, while the nonrecurring part is for the next 2 years. So if the whole order book is given for the same time frame, then I would guess the number would be higher by INR50 crores, INR60 crores, INR80 crores, probably...

Swaminathan: I agree, Rohit. One of the motivations for sharing information is to confuse the competition. So very often, what we need to consider, Rohit, is that there are people taking notice of what we're doing. One of the significant struggles we face as managers of the company is figuring out how much information can end up compromising us with the competition. It's one thing to provide information to investors, which is fine.

However, there are also people who come on the call, representing the competition, and seeking information for their own ends. That can be detrimental to us at times.

Rohit: Okay. I understand. So I hope -- I mean please continue in more confusing information in that case. The next question I have on Collect. Again, sir, I believe the COVID has sort of created a delay a lot of the mandates and the government focusing on recovering from COVID, we had talked about this in the past.

Since then, I guess, we have won 2, 3 deals, the South Africa being the big one. Sorry, on South Africa, Balu sir, one confirmation is that in addition to the INR120 crores mentioned, you said we have said, is there more that is potentially to be added or all the adding has already been done? Or do you think more implementation component or some of the components can come online here?

K Balachandran: Okay. Now this INR120 crores, it's not only South Africa, alone. Let me just make sure that we understood that. But as compared to where we were in the last conference call, contractually, we have progressed in the South African deal. So, I would say some further elements of execution requirements are coming.

Rohit: Okay. So that would mean we'll be adding to this order book in that, is that, right?

K Balachandran: Correct. If you look at that particular bucket.

Rohit: Okay. Perfect. And on Collect, could you speak about that a little more because, have more RFP started coming are countries opening up to increment more of the implementation.

S Swaminathan: The answer is yes; there are countries moving towards bigger XBRL implementation. At the same time, some of them are not necessarily willing to work with us for various reasons. There's a language barrier, for example. Africa, specifically Morocco, had an RFP some time ago, and it seems we may end up losing it based on the current outlook.

So, in these markets, more and more RFPs are emerging. Another crucial factor, Rohit, is the impact of the global recession on companies' spending capabilities. While we point out to them that moving towards the electronic disclosure platform and improving regulatory oversight can help them save money in the short run, it costs them money. Many countries are seeking funding to undertake such initiatives. We know of cases where the World Bank has stepped in and cases where ADB is willing to fund certain projects. For example, ADB is willing to fund the Philippines, which has a higher priority in terms of other implementation.

Today, Egypt wants to move in a certain direction, but given their current negotiations for an IMF loan, that's their top priority. The global economic situation is affecting countries' abilities or willingness to move towards electronic disclosures among regulators. I never thought there would come a day when a company like IRIS would be affected by global issues, but we are seeing this every day.

While post COVID has certainly prompted people to wake up and start new initiatives, COVID has also taken a toll on countries' finances. For instance, Bangladesh took two steps forward and three steps backward. There are green shoots, but they might not be sufficiently long for us to get hugely excited. We are comfortable. It's okay.

In the same context, we are also trying to engage with customers to explore upgrades, new features, and the incorporation of new technology. Ultimately, our objective is to continue growing at 20-plus percent every year going forward, and that trajectory will persist.

Rohit: Understood. On the following up from the previous participant on sales -- so we have appointed Mr. Thomas as a CTO for the company. So does it make sense for us how do you think of having a sales officer? Is it difficult because we have different segments taking different institutions?

S Swaminathan: Absolutely. I think having one common sales executive is very, very different, but we are trying our level best to find the right set of people. That's why the ESOP is very, very critical, but it will happen soon. So, we're not terribly concerned about it. It will happen soon.

And we are not going away; the world is not going away unless the world comes to an end, but which is unlikely the way it looks right now. We are looking at extending the sales team where we're including people, but recruitment has not stopped. Our marketing team is significantly strengthened. So, I'll ask Deepta to share with you the nature of the work being done by the marketing team and how they're actually working. Deepta, you know that CARBON is a big driver of growth, and that's where the marketing team is doing a huge amount of work, both for CARBON and GST.

Deepta Rangarajan: Sure. As we mentioned earlier, I think both CARBON and GST are enterprise SaaS, and there the digital marketing side plays a large role. It includes webinars, content marketing, outbound, inbound. We keep trying to strengthen the way we work organically as well, trying to grow our presence. So that's one part of it.

The other part is physical, which is events. So, we try to participate in more and more events, definitely an increased spend on that front. Since CARBON is very internationally oriented, there's a lot of conferences that we go for in Europe and the U.S. Around that, we try to plan a series of meetings as well.

Like I already mentioned, we also try to do consciously customer success stories, customer testimonials, as much customer publicity and customer references as possible because it makes a huge difference. I think it's probably the same theme that we try both across CARBON and GST. That said, like Swaminathan already said, we are certainly looking to see how to strengthen the sales infrastructure as well because we do believe that can really help us unlock far more value on the base that we have built.

S Swaminathan: Absolutely. Also, as an example recently, SEBI said that you must report related party transactions, and that becomes an add-on to what we're already doing. So, there are adjacent opportunities in terms of products, which also gain their customers as the people working with customers and delivery are also taking ownership for revenues.

. There are people who will be working with the customer or working with a bunch of customers in MCA filings or other filings who are now engaging with customers and saying, 'You know what, we have a related party transaction module, so do you want to start using that.'

So, there are adjacent opportunities that are coming. And I think the growth in digital reporting, what we are driving, and the fact that we have so many customers already on board with GST or MCA gives us huge confidence in India that this will improve and go further. So that's really what the growth driver is currently. If we had the money, we would be even more aggressive, and we would do much, much more.

Rohit: Like following up on the way the customer feedback that we received for the for filing we did with the energy company in U.S. How difficult or we could transition such a company like in for them. So how easy is to convince them to do an SEC filing with as we mean we are working with the competitor.

S Swaminathan: See, the thing to understand is that energy compliance happens in a different department of the company, and SEC filings are the CFO's office are two different sets of people. So, is it possible to take the linkage from one and go to the other? It's quite possible, but it's not as easy as it seems. That's one. But ultimately, I think it's a lot easier than Maxwell scoring all those runs today.

I think it's still much easier than that, but I will let Deepta takes the question.

Deepta Rangarajan: So, it's not a cinch. It's not that just because we've got an FERC customer, making them switch, to our SEC reporting solution is easy. Sometimes they find that, like, let's say, CARBON for FERC has turned out really, well for them compared with what they were using earlier, but they are happy with their current SEC solution. And so, they have consciously decided to come with us only for the FERC part. Having said that, there are two things that we are seeing kind of play out. One is because we already have a rapport with those customers on the FERC side where they are very happy with us, and and because we are already in the door through one solution.

since many of these large energy companies that contracting terms and we are through with those, we have started showing some of them our disclosure management solution as well. Some of them seem to be interested in evaluating and looking at that. So, the entry is there, we've got a foot in the door, let's put it like that. It's not that the deal is done, but we have a foot on the door. So we're trying to let and see how we can extend things like test drives on our disclosure management and other modules. We've got some good customer testimonials one large energy company, for example, has named one of our largest Competitors and talked about the switch to IRIS CARBON. And basically, they mentioned that they found out IRIS CARBON was far better, far more intuitive. So, we try to use those types of feedback in our sales process. But it doesn't mean that prospects will simply switch over to our other modules.

Rohit: So next is, I just wanted to get a follow-up on the other mandates that we are excited about, like the ESG mandate in is there any development here? And sort of an add-on here is -- we -- so when the Collect segment is firing well, I believe the Create segment is dependent on mandate, at least to the discretion management file. So how do we see growth in Create which over the last 2, 3 quarters have been relatively subdued as compared to its really strong past.

S Swaminathan: I think the ability to get non-mandate related customers will be hampered by the money, number one. Number two, on the ESG front, I think the mandate has been going quite slowly. I don't see any great urgency on the part of regulators in most countries to basically implement it right away. Though there are indicators that it might pick up pace soon. I don't know to what extent the global slowdown has an impact on the regulators and their behaviour. And I'll let Balu take the question. Balu, you want to...

K Balachandran: ESG opportunity is there for sure, there are talks going from the market that it might get postponed by 1 year or so. Of course, the final word is still not out. That's what we hear. But the 2024 starting when a company has to submit returns in Europe might get some further leeway, and that's what we hear. Having said that, there are companies who are our customers who are looking at what should they be doing with the ESG reports.

So, we are planning to get start having a dialogue with customers from next year, early next year onwards. So that is certainly there. Outside that, you've been in the U.S. there was a lot of expectation that the ESG reporting requirement from the SEC and that is the elephant in the room because almost all the large market cap companies from the U.S., that has been pushed back maybe by under 6 months or so. So that is the another development that has happened in the ESG area.

Outside that, from U.S. state reporting, which is supposed to go to national -- I mean, supposed to go to machine language ready format. I think there is surely some movement. FDTA Act that is something which we expect to gather some pace in the next couple of years.

S Swaminathan: . So one more thing that we do is trying to see whether we can monetize the data side, which can we create a significant traction on the consumer side, that's also something we're pursuing where we have been talking to various people and trying to push the products. I think the monetization is still some time away, but we are optimistic that something can happen next year.

Moderator: And our next question comes from Milan Shah with Urmil Research Consultancy.

Milan Shah: Sir, my very great congratulation on a great set of number and Happy Diwali. Sir, my question is company is going to develop a development centre in Surat. So it is for a tactical point of view or your customer point of view?

S Swaminathan: There are no customers in Surat I'm hoping that my colleagues will actually present me with a diamond, which they have not done so far. It's more -- see we have a bunch of colleagues who are based in Bombay, who are from Surat. During COVID time, they wanted to go back to Surat. And therefore, we use that opportunity to basically give them the freedom to develop a centre in Surat. They got some really good people.

So the word is a tactical yes, but it's long-term tactical. It's not a short-term opportunity thing. We now have -- so let's Thomas take you through th plans in Surat. Thomas, how many people do we have and what profile...

PKX Thomas: Currently, we have around 35 plus people. All of them are actually involved in development. They are developing two products, namely CARBON and the GST product. All are well-engaged with the new technologies and the new working methods that are happening.

Also, we have signed up with a lot of colleges in and around Surat. We can get very good talent which is untapped. So, we are tapping into that area, and that's really now yielding results. From those colleges, we should get to around 50 people by the end of this year.

The centre will then have a much larger set of people responsible for developing and enhancing the product line and its functionalities.

Milan Shah: And sir, on call, but Swaminathan, sir, in your team is explanation for companies and products is very and satisfactory. And my question, what is the percentage of exports and domestic...

S Swaminathan: So 70-30. 70% export, 30% domestic.

Milan Shah: Okay. Sir, can you plan any fundraising for or right issues and planning is you are talking about thoughtful of money for marketing guys. And our company is doing excellent because of your credential. And we are thinking that it's a good platform for us.

S Swaminathan: Sir, give us money, we will take the money. The point is, we are in the market for money. But at the same time, we will not sell at a low value. We are very confident in the growth of the company and where we are headed. Regarding a rights issue, today, for example, the promoters don't have the money to subscribe to the rights. I mean, I hadn’t taken a salary for so long, and our current the salaries are not so big that it can be used to subscribe to rights.

So raising money for subscribing to rights is ruled out. It has to be something where we can do some kind of a private placement, preferential placement, or something similar. We are talking to people.

Milan Shah: And you people are very competent. So you -- when the venture are investing so much money in companies and right now when company is doing expanding all the fronts. So you may get more money than your valuation.

S Swaminathan: Problem is that we are not operators in market. We are simple people.

Milan Shah: No, you will get more money, because you good presentation. I listen to your con call often and as per Swaminathan sir explanation in annual report. I didn't see in any other companies.

S Swaminathan: Sure. Sir, people come to us and they can say, "Why don't you trade in the market. We don't trade in the market. We're not going to trade in the market. So some of these things don't go down well with investors. Some people says it is good and some says not good. What we can do?

Milan Shah: In future like Infosys. Infosys were a small company in past, but in 25 years so I wish our company are going also be big.

S Swaminathan: Sir you don't have Diabetes?

Milan Shah: What? No.

S Swaminathan: Ghee and Sugar in your mouth.

Milan Shah: I wish to visit your Surat office.

S Swaminathan: Sir please you visit our office.

Milan Shah: Sure, sure, sir. Can you send me your office address?

S Swaminathan: Yes I will send it you. Rocco, over to you.

Moderator: That concludes our question-and-answer session. I'd like to turn it back over to the management team for closing remarks.

S Swaminathan: Thank you very much. And I think Ankit back with the question. Ankit Minocha.

Moderator: Thank you sir. This concludes the question-and-answer session...

S Swaminathan: Rocco, we have a guy called Ankit Minocha who wants to ask a question.

Moderator: I see that. I will join them up now. Apologies, please proceed with your question, Ankit.

Ankit Minocha: My question was linked to the disclosure management tools that you're working on. Any indications on what are the kind of -- what's the kind of sales potential that we're looking at and the kind of business potential we're looking at presale?

S Swaminathan: Ankit, I couldn't hear the question at all. There's a lot of traffic on the call, and there also it's almost like you are in a wind tunnel. So can you just repeat it, please?

Ankit Minocha: Sorry, is this better?

S Swaminathan: Like 5,000% better than the previous one.

Ankit Minocha: About the disclosure management software. I mean, how far along are we in terms of business for that in terms of are we just starting? And where do you see this like is this like a very small percentage of our business, say, in the next 2 or 3 years? Or do you see the significant filling up?

S Swaminathan: I think you hit the nail on the head. Disclosure management is going to be the mainstay of our business going forward. This is where our biggest growth is going to come from. Ultimately, companies want to benefit from digital reporting, and they want to find an integrated filing platform. Companies want to go digital, regulators want to go digital. And what we've been able to do by combining Collect and Create will actually come home to roost in a very positive sense.

Going forward, the DM solutions we actually have, and as you rightly said, now that we have about 6,000-plus customers, of which 5,000 could be potential customers. We're now being approached by partners who are saying, 'Can you do exclusively with disclosure management?' and we said no. There are partners who come and really do a white label agreement with us, and we said no.

if you noticed one thing, the DM product is also called IRIS CARBON because it actually sits on the disclosure platform that we have for reporting. So we're starting with a nice customer base.

It's a question of how many more modules we can sell them and how many more things we can sell them on top of that. So we are, very optimistic. But for that strategy to really work well customers have to experienced it and be able to appreciate the ease of using the solution for all the other reporting requirements.

Ankit Minocha: Right, right. And if I look at the management, that's the SaaS piece of it, there's obviously the other part creators, which is a fast piece of it? What percentage of your revenues would you say come from SaaS?

S Swaminathan: So somebody is furiously punching on the calculator to get the number out.

Management: Yes, I think it will be about 55% to 60%.

S Swaminathan: Ankit, you heard that 55% to 60%.

Ankit Minocha: 55% to 60% is SaaS revenue, of the total revenue.

S Swaminathan: Correct. So the repeat revenue is a are much higher, but this is pure software-as-a-service revenues.

Moderator: This concludes the question and answer session. So I'd like to turn it back over to you for closing remarks.

S Swaminathan: Well, I think we don't have much more to say. I want to thank everybody who joined the call. Thank you very, very much. I think we had a great turnout. I started by saying that when you see such huge numbers, it scares you. But I think we’re on a good wicket. I think the foundation has been laid. The challenges are big and getting the right people in. We will come back to you with the ESOP proposal very soon, and that will again catapult the company into the next 12 months. We'll be able to attract much, much more experienced talent than we have now.

Much of the senior talent in the company have grown with the company. Sometimes it's important to get perspectives from outside. We are in the process of doing that. I will continue to always provide support, and we will continue to be fully transparent. Please fully note that it's not just possible; it's to the fullest extent. We want the word to go out that we are a transparent company. We are a well-governed company where the directors of the company stand up and do what is right for the shareholders and do their job.

So, three cheers to our independent directors for what they did yesterday by asking us the questions they did. And that's the kind of company we want to be part of because ultimately, while we may manage the company, we are also shareholders, and we want to ensure that value accrues to all of us as well, just as it does to you.

On that note, thank you very much, and until we have the next call that's going to happen in 6 months' time. Thank you very much. Bye, bye now.

Moderator: Thank you. This concludes today's conference call. On behalf of IRIS Busiiness Services Limited, we thank you for joining us, and you may now disconnect your lines.