ALL E TECHNOLOGIES LTD.

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Transcript of

Q1 FY'24 Post Earnings Conference Call

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Management Representatives

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Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q1 FY'24 Post Earnings Conference Call of All E Technologies Limited. Today on the call from the management we have with us Dr. Ajay Mian, Managing Director; Mr. Rajiv Tyagi, Executive Director; Ms. Ritu Sood, Executive Director; Mr. Sandeep Jain, Chief Financial Officer.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainties. Also, this is a gentle reminder that this call is being recorded.

I would now request the management to detail us about the business, the performance highlights for the quarter that went by, their growth plans and visions for the coming year, post which we will open the floor for Q&A. Over to you, sir.

Ajay Mian: Thank you very much, Vinay. And thank you everyone who have taken time to attend this call today. Besides the people that Vinay mentioned, we also have my colleague Sandeep Salman who runs the Cloud Practice at Alletec and Akash Chaudhary, who is our Company Secretary.

I have slightly altered the presentation structure this time to bring to the front things that are most important. We spoke three months back, naturally in any organization a lot of things stay same or similar. So, I have chosen to first talk about things that have changed and moved a little to the back what is steady.

So, we speak about what's new, a little on the financial highlights, what's steady and then some annexures. So, to begin with - the most interesting thing - which is the business updates. As you see the numbers on the slide - we had the total income for the quarter at just a little over Rs. 27 crores, of which our EBITDA was Rs. 5.57 crores. Our international services revenue grew by 27.4%. Our net profit was a shade over Rs. 4 crores. We added 16 new customers this quarter. Our net profit stood at 14.1%. The repeat and recurring revenue was 97.5%. There hasn't been change in the team strength. Maybe a few people came in and a few left but we are still a little short of 350 people.

Highlights of the performance for this quarter, and we have compared the quarter with the quarter one of last year, and the quarter four of last year. So, compared to quarter one of last year - which is now YoY, the total income grew by 23.9%, EBITDA grew by 35.6%, the net profit grew by 37.4%. And compared to the last quarter which is Q4 of '23, the income grew by 11.1%, EBITDA by 19.7%, and the net profit by 23.3%. The row below gives you the changes in bps, which you can read at your own leisure and do the needed analysis.

This is how the services revenue was spread during this quarter. India comprised of 36.2% of the revenue. U.S. comprised of 42.6%. Africa had a sharp increase, so it went up to 10.6%. APAC had a slight increase and went to 8.3%, and Europe was 2.3%.

So this next is perhaps the more exciting of the slides. Our growth momentum has continued in this quarter. Amongst some of our key wins have been a leading bank in Kenya and we have now the order from them to deploy a CRM system. We also acquired and now have already started working for a Wellness Tech company based in California. And one of the most important customer engagements that we have now is in East Africa, where we are now the consulting partner for a large - over $10 billion firm, with operations in 164 countries - which is primarily into advisory and taxation services. We are doing multiple projects for them, including their ERP and some data work. And we are also now working to acquire some business from some of their other regions. We also acquired business in Maldives this time from a leading medical equipment distribution and hospital consultancy company in that region. And we picked up some new projects from Canada's largest independently owned poultry processor. And this is already a Canadian $1 billion company.

We have continued our push for sales, particularly in the international segment. So we just confirmed appointment of a Sales Head in Canada. He will join us next month. With that, our Canadian operations will strengthen. We will incorporate a new company there. Our efforts for identification of target segment for inorganic growth continue. A couple of conversations are currently on, and we have also added some sales strength in India and looking at adding more sales in some other international regions.

The data and AI practice has strengthened this quarter. We are now in the process of undertaking a project which is for Azure Data Analytics for a large global investor. They are investors in sustainable infrastructure with over $12 billion under their management. Another data analytics project includes engagement for a global association of the world's leading life insurance and financial services professionals. They operate across 70 countries with about 500 companies as their members. There are two other data analytics projects which are going to start this quarter and one project possibly next quarter and both Africa and U.S. have a healthy pipeline.

Our momentum has continued in the higher education vertical. We added two new customers this quarter. This is Bennett University and the Antigua University America. We increased customer acquisitions in this segment. We have multiple upcoming projects which will start in the coming weeks and months. We just took live the Manipal University in Jaipur. They are in the stabilization phase. Some sales and marketing campaigns have been planned on this vertical. We have also added more sales capacity for this vertical.

One of the questions that I face, or investors ask from time-to-time is - why are you putting your bets only on Microsoft. Well, as I have always been saying - we could have had our solutions on any other product line as well, but we continue to feel - and more strongly than ever before - that Microsoft's product line is getting better than before and data shows that they are growing faster than the market. So, unless we are talking of a specific product which is not in the Microsoft stable or is not that strong, the standard product line, be it the ERP or the CRM or the Data and AI segments or the Cloud segment, Microsoft products are stronger than what you see across other competition.

And it's important naturally for us and for all our investors to see how well they are doing. So, as you would know that Microsoft had their earnings call on the 25th of July, and the data on the left is from the recordings of that earnings call. Their Intelligent Cloud business grew 17%. Azure had a growth of 27%, and interestingly Dynamics 365 grew the fastest 28%. Microsoft continues to strengthen its leadership position in the Data and AI market. The OpenAI's ChatGPT – and as you might know, Microsoft has a very large stake in this company. So ChatGPT is now integrated with most of the product lines of Microsoft and they are increasing the use cases where ChatGPT is getting used.

So, besides Microsoft 365, business applications side have released what are known as Co-pilots for Power BI, Power Pages, Power Virtual Agents, Dynamics 365 ERP and the CRM. So, all product lines are getting integrated with what we know as generative AI and the strength of these solutions continues to enhance. We continue to feel that our choice of being with Microsoft for the product lines that we currently work on, is correct and is enabling us stay ahead.

In the backdrop of all this, what's ahead of us? Given what's happening around the world, we see that there is urgency for businesses to embrace digital transformation. And we see this happening from the number of leads and inquiries that we get. We can feel that on a day-on-day basis. So what this is going to do is - it's going to enhance the momentum for the adoption of world-class ERPs and CRM solutions. And adoption of Microsoft Dynamics is growing faster than the market. So this clearly has a direct impact on Alletec's business.

At the same time, the demand for businesses for intelligent data platforms is growing. What intelligent data platforms enable them to do is - bring together operational databases, analytics and governance to integrate all their data estates. And when all of this is put together - that's where organizations begin to leverage data, get insights and use that data for their growth and movement further.

Businesses also have a lot of legacy applications, but the way the technology has grown, and the way the AI piece is growing, the need for businesses to modernize their existing applications is also growing. And they are doing this by leveraging cloud, adding analytics and leveraging AI into their existing applications. And this need, along with everything else that we discussed, is also strengthening.

The acceptance of Azure is growing. It's growing faster than other cloud offerings and the demand and acceptance of this is only going to pick pace. We are seeing some major opportunities with us right now, which could be fairly transformative and we hope to have more news about it when we speak next in the next quarter.

The demand for low-code no-code applications for automation of point solutions and other bespoke applications is also growing. Besides ERP, CRM and the other analytics applications, there are always some bespoke applications that organizations need. And these applications are increasingly getting developed on low-code no-code platforms rather than the standard traditional development platforms.

And finally, the one thing very important for us is - any slowdown that the world may face in one region or industry, will be offset by a spurt in other geographies, and in other industries. We have seen this happen. For example, our Africa business grew substantially this time, and we are sure that in the next couple of quarters we will have some of these regions, which appear a little bit low right now, compete with other regions on equal footing.

Well, this basically ends the section which I called What's New. Some of the other things are important, but a little mundane to talk about. I will nevertheless go over some of these slides and we can stop wherever you want to. So this slide has our quarterly income statements, and some of you might have already seen them, analyzed them. And then this is how some of the key indicators shaped up this quarter. We added 16 customers, of which 13 were domestic and 3 were international.

And then we are in the same territories. Our momentum forward with IP led solutions continues, and we have the same people as the Board of Directors. And also the lead management continues to be the same. Our lines of business are the same. We work in similar industries that we spoke of a quarter back. The Microsoft relationship stays intact and strong and we work very closely with them to sell in the market.

(Next slide) Our competitive strengths - we spoke about these last time. Our SWOT, we are working on some of it. As you will see that we spoke of international sales needing strengthening. We are doing that by adding a Sales Head in Canada. We spoke of industry solutions footprint currently being limited to India. And as you heard - we made our first education solutions sale to Antigua. We are working on both these fronts and this momentum will continue.

(Next slide) These continue to be our growth drivers - the IP led growth, International focus, and inorganic growth. The three areas of strategic focus. And then the standard annexures - these are the same as last time, because these are the annual income statement, annual balance sheet, the annual charts, our CSR.

Vinay Pandit: That should be good enough.

Ajay Mian: Yeah, we are done.

Q & A Session

Moderator: So that brings us to the end of the initial presentation. Anyone who wishes to ask a question may use the option of raising hand please.

Yes Varun, you can go ahead, please.

Varun Agarwal: Hi, thank you for the opportunity Vinay, and congratulations Ajay ji and team for the wonderful set of results. And I like the way the presentation is modified this time, so that we can spend more time on the new things and quickly move to the others. So just wanted an update on the inorganic growth part? Is there any progress in that?

Ajay Mian: You see, as I have mentioned, these are conversations which are ongoing. Currently, I am talking to two companies. There is no way to say that either one of them will conclude or not conclude, but this is something that you have to do every day. And no week goes by without talking - the first time, second time, or third time - to a company, asking them for more details. So this is an important activity. And at the same time, we realize that there's also something that we should not go wrong on. We are not overtly conservative. At the same time, we are not just hazarding bets without having a reasonable level of confidence.

Moderator: Can I request you to end the presentation screen so you can see.

Ajay Mian: Yes.

Varun Agarwal: Okay. Thank you and wish you the best for the coming quarters.

Ajay Mian: Thank you very much.

Moderator: We can still see your screen.

Ajay Mian: Just give me a moment, I will.

Moderator: Yeah. We'll go to the next question from Avinash Baskar. Avinash, you can unmute and ask your questions.

Avinash Baskar: First of all, thank you so much for taking the time out for the entire team [indiscernible] [00:22:16]. So I have a few questions. This is the first time. Am I audible?

Ajay Mian: Yes. You are audible.

Moderator: It'll be better if you hold up the mic closer to you.

Avinash Baskar: Yeah, is it better now?

Ajay Mian: Yes.

Avinash Baskar: Okay, perfect. So the first question that I have is from whatever I've understood by reading the documents, I can think of three different categories of revenue for Alletec. So one is what you could call as the services component, and then one is what is the reseller component? And then there is the third, which is the IP component which you are developing. So would you be able to provide a split of these three? First of all are these three the right categories? And then would you be able to give us split up revenue of these three categories?

Ajay Mian: Sure. So, first of all I want to clarify - while our overall offerings to a customer comprise of product and services - it will be misleading, if not wrong, to think of it as a reseller component, because everything that we do is consultative. It is consulting led. So the products that we bring to our customers, of course have a Microsoft component and they also have our IP.

It's like saying that if we were to provide 100 of something to a customer. Let's say 70 of it is prebuilt, which we take from Microsoft. Another 10 of it maybe we have developed over it which is our IP. And the 20 of it, and these numbers could be a little bit here or there, is our services that we add on top of it. So without our 20 and without our 10, we will never be able to sell the other 70.

So it's not really a reseller. A reseller would be when we would buy X from somebody and just trade it over to somebody else. Okay, you can take it like us buying some raw material, working on it, and then handing it over. Without us doing what we do on it, nobody would be interested in this raw material.

Avinash Baskar: And I can just…

Rajiv Tyagi: Ajay, can I barge in? I just wanted to tell one thing Avinash that in the IP led verticals where we are working right now, we are getting approximately 20% to 25% share of the IP in these verticals.

So IP revenue would be around 25%. And this is what we are striving to increase because that is what will add to the bottom line going forward. As our products mature, as we have more market share, we will see that value add. Let's say tomorrow, we add Co-pilot AI components into the solution. So what we'll be Increasing is our IP share in the solution that we'll be offering to the customer. Because that obviously will have much more margins to us than what you'll get otherwise.

Avinash Baskar: Just for the sake of my understanding, help me deconstruct what this IP would mean. For example, I saw the names like Travel 365 …. So is it like it's a readymade product that people can purchase off the shelf and use it over again, there's going to be an implementation layer from some third-party partner or by us, how will that work? Is IP a readymade product or how is it?

Rajiv Tyagi: Yes, so you're right. So what happens is - IPs are kind of readymade products, but they still need implementation. So it will always have the component of services involved in it. It actually reduces the risk for the customer, in that you do not get into long development cycles. They get the results very quickly and they are much more confident because they can see all the functionality for their particular industry.

Let's say if you are talking of higher education, so whatever is relevant to the higher education, that functionality is already built in, but it still requires some level of tweaking for every university because they may have some specific processes and then there is always a services component, which is the implementation part. Now, tomorrow, if we go international and sell it through a partner network, then the partners may be providing that service component to the customers.

Ajay Mian: So I want to add to that Avinash. The core Microsoft products get used for, let's say a manufacturing company, somebody who is into process manufacturing, somebody who's into discrete manufacturing, somebody in services, in travel, in hospitality, in retail, in banking. So, the core product is the same. However, when we add our IP to it … (the solution gets tailored for an industry). The IP we have are increasingly over the last some years. And, it's not one product, it's a combination of several products - even five, six, seven products because you bring the best of breed and bring it all together. So you add your IP layer on it, then you say that now this is tailored for this industry. So the product line which is our EdTech 365 is now for the educational institutions. For these educational institutions now, for example we tailored it for Manipal, but now even for Manipal there are different institutions. There is Manipal Jaipur, there is Manipal in Malaysia, there are other Manipal institutions, and they are separate (organizations).

So even over the IP that we have - which tells you that now this is a solution for an EdTech company - you need to then further tailor it for that specific business. To give you an idea when we first go and sell the product, and these numbers can vary a little bit, but most of the times our services component would be as much at least as the product component.

And the product component would have a part of our IP in it and a part will be the Microsoft products - on which of course, when we position Microsoft products, we get our (partner) margins. So - we get margins on product, we get our IP cost, and then we get our services. And fortunately, the nature of our business is such that nobody would say that I will use it once and then I'm done. All customer relationships are multiple years, 10 years, 15 years, and the businesses change, technology changes, they (customers) want more functionality.

These are all ongoing relationships and therefore the lifetime value of a customer becomes more important than what you are doing right at the start.

Avinash Baskar: I'll just get back into the queue and come back if I have more questions.

Moderator: Thanks Avinash. We'll take the next question from Aseem Gupta. Aseem, you can unmute your line and continue.

Aseem Gupta: Yes, thank you. So thank you for the opportunity first of all and my question is I mean I don't know whether I have the accurate data with me or not, but it is more of a general knowledge for me as well as I'm continuing to learn the valuation things. This is regarding the non-cash earnings.

So I'm given to understand generally speaking, I mean not taking Alletec's example, there is a non-cash earnings component which could be rebates and things like that. Now typically this also starts to contribute in certain industries in a very significant manner and that gets reflected in the revenues of these regular quarterly results. Now, there are positives and negatives of it as well, right?

I mean this could lead up to some sort of a misinterpretation of the company's growth. What I mean to say is that until the real value of the sales has been realized in cash, I mean until the full service has been developed, you will not be able to collect the cash.

But then the non-cash earnings continue to inflate the numbers. And I was reading a little bit about it, and I found your company's reference somewhere around these lines. So I just wanted to get your view of how do you see this as a concern or a risk in terms of valuation.

Ajay Mian: So, first of all, we don't see it as a concern or risk for two reasons. First of all, in our case, these numbers are very small. But the most important thing is when we are investing, for example, in building a product, it's not like we have to wait three years, five years before it's built, and then we are able to encash it. You do a rollout one and you have version one. Then you have version two, you have version three. And as you keep moving forward, there is obviously an initial investment done, and there's a continuous investment that you have to do on it, but you also start getting back out of it.

Aseem Gupta: Understood. Thank you.

Ajay Mian: Thank you.

Moderator: Thanks, Aseem. We'll take the next question from Abhinav Aggarwal. Abhinav, you can unmute and ask your question.

Abhinav Aggarwal: Hi, everyone. Thank you for the opportunity. I'm from the Intellecap family office. And the business looks very exciting, so that's why we're kind of looking at taking some positions here. What I wanted to understand is on the two questions I kind of let you answer after I ask each. But on the Antigua contracts, it's good to see that you guys are going global and picking up these specific regions. Is there now a very specific go-to-market plan of how you will kind of expand in these regions? Is it largely going to be feet on street salesforce that you're going to deploy? Is it partners? Is it some other strategy that will allow you to actually see that success across these regions? And I'll let you answer then I'll ask the second.

Ajay Mian: Sure. So first of all, it's not one or the other. We have to look at both. So for example, as I had mentioned, you might know that we already have sales presence with an office in Dallas. We are adding now another Sales Head who will be based in Toronto. And so this is something which will continue. At the same time, as and when we are able to find partners who are interested in our solutions and want to move with it, we will explore that - but I must also say that at the moment, there isn't anything that we have specifically done on that line.

At the moment we are just doing the push directly. But we will, I think in the next maybe possibly two quarters bring the solution on the Microsoft cloud (market place) to make it Microsoft co sell ready. And once that happens, we will have the Microsoft network of partners able to position the products in their geographies. Rajiv, you want to add anything to it?

Rajiv Tyagi: Yeah, I'd just like to add that for the international presence and not only international, even in the domestic India market, we leverage the Microsoft salesforce in a big way because we have very strong relationships. The Microsoft sellers have their list of accounts and we have to educate them about our solution potential. We get them listed on the marketplace and these sellers actually take us to their customers. So for the enterprise space as well as for what they call the corporate managed accounts, it is the Microsoft sales team that we leverage. And besides that, for the SMB market we have the partner network and our salesforce which is working.

Abhinav Aggarwal: Got it. That makes a lot of sense. The second question I had is kind of along the lines about from this whole component, how much is the recurring component of a lot of these contracts? Is it largely going to be that 70% Microsoft component or do these contracts have like the services component as well as your IP? Are they also recurring deals so that the customer is paying them year-on-year so we can kind of budget in that revenue is going to keep hitting us? Or do you have to fight for that deal every year on the services and the IP part, your IP part of it?

Ajay Mian: So, two things there. First of all, if you recall, on the very first slide we had shown that our recurring and repeat business was now 97%. This comes from all existing customers. This shows that the business that we keep getting from our existing customers is the most important component of the business. But now coming to a new deal - the solutions that we are talking about are large footprint solutions. These are sophisticated solutions. They take time for organizations to absorb and to gain full benefits from. When we go and position a solution, as I said - 70% is both the Microsoft component as well as our IP component – which are recurring. They will come every year. So we will obviously get our piece of the IP. And we will get our piece of the margin that we get out of the Microsoft component, which is healthy. And then the services, as I mentioned is something which is ongoing.

You have multiple new things in the product line. You end up absorbing some pieces of it now and then in the next quarter or next year you pick up some new pieces that you bring in. And then you keep adding other stuff. You add the data side of it, you add the AI side of it, you add collaboration side of it. Because the organizations that we are working with, majority of them are large organizations and some of the solutions that they are talking about are large footprint solutions - so these (engagements) are not like one time eaten and done.

Abhinav Aggarwal: Got it, and what's the typical sales cycle for a new customer? And when you say large footprint, what range are you looking at for customer deal?

Ajay Mian: So I would say the typical sales cycle is ballpark six months, it can be four, it can be eight. But six months I would say is typical sales cycle. It includes multiple demos, conversations, because this is all consultative sales. The customer doesn't come to us because he wants to buy a Microsoft product. The customer comes to us because he's looking for a solution that helps him, let's say in this case in the management of his educational institution. And that educational institutions has diverse aspects to it.

Of course, there is financial accounting to it, but then there are also so many (other aspects), there is student lifecycle management to it, there are so many other student touch points to it. And all of this needs both automation and management. When you talk of the value of the project, as I said, the most important thing for us is the customer lifetime value. But I would say all of the projects that we have been speaking of would have a ballpark - initial contract values can be in the range of Rs. 1 crore, some are little less, some little more. But then it just keeps moving on (building up).

Abhinav Agarwal: Got it. Thank you so much.

Ajay Mian: Thank you.

Moderator: Thanks Abhinav. We'll take the next question from Puran Singh Sachdeva.

Puran Singh Sachdeva: Yeah, hi. Thanks for giving the opportunity. So my question is particularly on two things. Like first one is if we look at the share price of All E Technologies - in past we are performing well, we are on track towards achieving our goals. We can't see the impact on our share price which is Rs. 120 as of now. If I look at the past few months, let's say from last year December, so there is not much upside we have seen. That's one question. If anyone can answer, please?

Ajay Mian: I mean I can answer that to begin with, and then I will have Vinay if he wants to add anything to it. You see the most important thing for us to recognize is that our business is to run the business. Our business is not to operate the (stock) market. We are not punters and we are not playing the market. We have been observing what goes on in the market, and you all know what goes on in the market. We have refused to play in the hands of maybe some people. And we will steadfastly continue to do that. We will keep focusing on building the business, and that for sure will take the business forward. Playing on the share market is a short-term thing. We don't do it.

Puran Singh Sachdeva: Thanks, Ajay, sir. Yeah, I do understand where you are coming from. And just that if company performs well so we see the direct impact on the share price, right. So if we are showing a growth in past, since three or four quarters and we are keeping our margin, which is my next question. So this quarter, we have a 19% of margin as you shared, right. And it's been a kind of static margin we have been keeping it. But any plan to increase the margin in our next quarter?

Ajay Mian: Yeah, absolutely. It will be wrong for me to say what it will be the next quarter or the quarter after, but I can for sure say what it will be in two years' time or three years' time, because the share of our international business will grow. And also the share of our IP led solutions will grow. Both of these give us higher margin. So the overall margin of the business will improve.

Puran Singh Sachdeva: Okay. Thank you.

Ajay Mian: Thank you.

Moderator: Thanks, Puran. We will take the next question from Avinash Baskar. Avinash, you can unmute and ask your question.

Avinash Baskar: Sorry, I think I already asked. I see Raj and Kamran on the line. I'll come after them.

Moderator: Sure. We'll take the next question from Raj Sood.

Raj Sood: Good quarter, guys. First of all, thanks everybody. Just full disclosure, we are an existing investor and also a customer of the business. A couple of questions. Rajiv, nice to see some international customers coming on Board. We were talking before about our solution being primarily for the Indian market in the EdTech space. With the Antigua win we now comfortable that we have an international solution or is that work still ongoing?

Rajiv Tyagi: So it is already ready for the international market. We are already doing one implementation in Malaysia. Dubai is in the pipeline, which has to start in a months' time.

Raj Sood: Can I just ask, is it for Gems?

Rajiv Tyagi: No, this is not the Gems, this is Manipal Dubai. They have a separate institution in Dubai as well. From an international standpoint, the solution is very much ready. It only requires some level of integration in different countries depending upon what local solutions they are using.

Raj Sood: Okay. Good to see. So my specific question on the Azure side. Can you just give us a bit of color on what's going on there? I see some interesting opportunities. Just interested to hear kind of what's happening there?

Ajay Mian: Yes, absolutely. Before I come to that, I want to just make a point on one of the questions that Avinash and somebody else had also asked earlier. The one thing I should mention is - even when we take our IP product to a new customer, because the solution that we are providing is a large footprint solution, it (invariably) has to integrate with multiple other solutions that exist with the customer (organization) at that time. This whole integration piece is also a large piece of the project, which is a service component. All of these together make our services component a substantial and major part of almost all the projects that we undertake.

Now, coming to Azure - Azure is picking up very, very quickly and in ways that we would have probably not thought of maybe even one or two quarters ago. For example, and we hope that we would be able to make a more formal announcement about it by the time we speak again in the next quarter - we currently are in the process of moving a financial accounting software in India (to Azure). Instead of them running on their own Cloud, we are moving them to Azure. Once moved, this solution would run in the first phase about 40,000 users on Azure. Over the next couple of quarters this could possibly move up to being ~100,000 users on Azure. So you see, there is somebody who has his own solution, which works already in the cloud, but is finding a value for us to move it to Azure, and for us to do the whole architecture around it, provide the security around it, and the managed services around it. These are large opportunities. Getting these opportunities and delivering these opportunities requires a substantial amount of maturity and experience to deliver, because these are mission critical applications for those organizations.

That's on one side of it, on the other side, Microsoft's entire intelligent cloud sits with Azure. All the AI pieces that are coming up, all the analytics pieces, they are all Azure services. And as you might know, ChatGPT runs on Azure.

Raj Sood: Yeah, I'm just trying to get a bit of color on value for this, which might be helpful for everybody, because it sounds fantastic. I know it's difficult.

Ajay Mian: There are some numbers that are known from the Microsoft's K-10 filings and some numbers are not as evident. But the total cloud value for Microsoft in the last year was $110 billion.

Raj Sood: And for our context, if we're looking, because this is a pretty large win for us, and I'm conscious we can't say certain things on the call, so if we can't disclose it, that's fine. But I think it will give people an idea of the scale of opportunity that everybody's excited about, because 40,000 users is a very nice win for any client, any business, and certainly one of our size it will be substantial for us.

Ajay Mian: Correct. So I think we always have to play a dual role. Business is important for us. At the same time, it's also our responsibility that we optimize the customer's consumption of Azure. The smarter we are, the lesser revenue we might earn for a short period of time, but then we have the customer for a longer period of time. And then we have those as repeat to get more such instances. So Azure is going to be a significant part of our overall revenue this year.

Raj Sood: Thank you.

Ajay Mian: Thank you very much.

Moderator: Thanks, Raj. We'll take the next question from Kamran.

Kamran Din: Thank you for allowing me to talk. So you explained why your partnership with Microsoft is so critical and important, because their share in the industry dynamics has beaten the industry's standard of growth with an increase of 28%. And you touched partially upon their AI and how this is affecting the industry. And you've been talking about the AI in the questions, and now lots of other companies are integrating their AI into software. For example, Salesforce and Dentsu are working together to produce a generative AI powered customer experience platform.

Now, my question is, do you think because of this new AI involvement in software solutions in lots of companies, Microsoft will continue to dominate the industry? And if other companies, namely your competitors like Salesforce, rise to become the industry norm as opposed to Dynamics 365, how will Alletec evolve if this happens?

Ajay Mian: Okay, so we have to understand when we compare - let's say Microsoft as an organization, if we try to compare that with (let's say) Salesforce as an organization, or SAP as an organization, or Oracle as an organization, - it's not a comparison of orange and oranges. This is a little bit like oranges and apples. Salesforce has a nice suite of products, but it's very small. The same is true with SAP or Oracle. Microsoft stack is humongous. It provides everything and it integrates all its offerings, right from the operating system to the infrastructure to networking, databases, all the productivity applications, all the business applications, the AI piece of it. And yes, Salesforce is also integrating ChatGPT. But guess who owns like 40% or 49% of ChatGPT? It's Microsoft. The more somebody runs ChatGPT, the more revenue Microsoft earns because it runs on Azure.

Similarly, Microsoft has a very close relationship with SAP, because SAP on Azure is a large component of the business. So this is not a comparison between equals. They have their own suite of products, but the Microsoft suite of products is very large. And if you come to specifically the business applications side of it. if you take the whole ERP plus CRM plus power platform, plus Data and AI plus collaboration, all of these (solution stack) are much richer.

At the same time, I would say - if there was like a mega organization, let's say if there was an oil company, large oil company. Yes, for them, they'll go and do SAP. And nobody will probably go and tell them that don't do SAP, do something else. But that's fine. But then - you have a large set of enterprises, which are large and mid-market, and upper mid-market. That's a humongous market. And that's the market in which this whole momentum for Microsoft has been strengthening over the last several years and would continue to do so over the coming years.

The kind of fundamental research that Microsoft is doing, for example, on the AI side, nobody else is doing that fundamental research. And that's the reason that Microsoft is able to bring some of these products to market first.

Kamran Din: All right. Thank you.

Ajay Mian: Thank you.

Moderator: We'll go to the next participant. Ashish, you can unmute and ask your questions.

Ashish Kuvadiya: Congrats [Technical Difficulty] [00:54:25].

Moderator: Ashish, can you speak up a bit louder, please?

Ashish Kuvadiya: Pending order book.

Moderator: Ajay ji, he is asking if there's any pending order book?

Ajay Mian: Obviously there is pending order book. Otherwise, how shall we survive? Everybody has pending order book. So the fact that we say that 97% of the revenue is repeat or recurring, that means that there is pending order book.

Moderator: He's asking for the size of the pending order book?

Ajay Mian: You see, I don't have a figure that I can rattle for you right now, because some of these projects which will complete in the next quarter, some will complete in the next two quarters or three quarters. So I won't be able to give you a number which is there for, let's say, the next quarter or the quarter after. But obviously anybody looking at our business and understanding the nature of the business would know that there is a substantial order book that we work on.

Moderator: We'll take the next question from Manan Madlani. Manan, you can go ahead and ask your question.

Manan Madlani: Hi, thanks for the opportunity. So I'm relatively new for this business, so it would be helpful if you can explain our services or consulting business with the help of one of the clients whom you represent, let's say for Manipal or any other industry?

Ajay Mian: Yeah, for sure. So, Rajiv, you want to take it up? Maybe you take example of Manipal?

Rajiv Tyagi: Yeah, I can do that. So Manan, what happens is that when we get engaged with a customer they already have certain processes (for which) they will be using some systems and this is where we get involved with them. We do a discovery session with them to figure out what all are the areas of inefficiencies where our solution can bring in more productivity, better experience for the stakeholders like students, faculty, external ranking and accreditation agencies and whatnot.

So, this is typically what we do and then we provide them this consulting that how they can improve and what should be the order in which they should actually execute the whole project so that the risk is contained, minimized and the benefits are optimized. So, this is the consulting that we provide to the customers. And these could be -- I just took one example of education industry in a similar way.

Let's say if it is a solar power company where we are doing (a project), ... areas in their business (will be) related to the sales or the project management area. For a renewable energy company, even one day of delay in the project will mean loss of cash. So they are very focused on the project management side of things. So this is the consulting that we provide to the customer.

Manan Madlani: Okay. Sure. And when I look at the numbers, so earlier, that means before COVID, we used to have a single-digit EBITDA margin and now we are almost close to 20%. So, what has changed in the business?

Rajiv Tyagi: It is just not one factor. I think it is multiple. One, the share of international business. Two, the infusion of these IP led verticals, which provide you more margin. And obviously over this time we have also optimized our processes. So we are also using technology to the maximum possible. So these three are the broad drivers, which I'll say have helped us to improve the margins. And this is continuing. This is not the end. So this is where the whole focus of the organization is. So we are on the journey.

Manan Madlani: Can we say that with increasing share of international market, not only we can sustain with this margin, but we can improve from here on also?

Rajiv Tyagi: Absolutely.

Ajay Mian: Absolutely. That is correct. And we also have to realize that in our business there is also counter pressure of increasing cost of resources that keeps happening year-after-year. But then the winner is the one who is able to successfully surpass that challenge. So increasing international business, increasing contribution from IP led businesses will enable us generate bigger margin, which will increase our profitability as well as enable us to be amongst the best payers in the industry.

Manan Madlani: Sure. And the last one is that earlier you mentioned that the company will continues to give dividend approximately of 10%. So are we continuing that or is it planned to increase or decrease?

Ajay Mian: If you look at our DRHP or RHP, we have written 10% there. So from that point of view, we are committed to do that. It will be too premature for me, and even wrong for me, to say that - shall we increase it? That's not a decision that I have to take as an individual. That's a board decision which will get taken at an appropriate time.

Manan Madlani: Sure. Okay, thanks. That's it for my side. All the best.

Ajay Mian: Thank you very much.

Moderator: We will take the next question from Gurbaxeesh Ahuja.

Gurbaxeesh Ahuja: Thank you sir for giving me the opportunity to speak. Most of my questions have been answered. Just one quick question on the expansion into international geographies. I think you mentioned that we have some representatives now in Canada and we might have a similar strategy for other geographies also.

My question is that there would be partners, Microsoft partners in Canada existing natives to that region or country, what makes us tread this path that we can compete with them effectively? And how intense is the competition in this space cross country?

Ajay Mian: Sure. So I will let Ritu address that question. But before she does that, see it's very, very important to have competitors in a geography. If you are in a geography where you don't have competitors, it means you are in the wrong market, because nobody is selling what you are selling and nobody is probably buying what you are selling.

Competitors enable you to build the market and you can only succeed in a market which exists. So we are very happy with the competitors. They help us. The ecosystem comes first and we only take a piece of the ecosystem and sell to build that ecosystem.

So competitors are very important. But let me hand it over to Ritu to share with us what is it that she's facing in Africa in terms of competition and partner ecosystem and what is her strategy to succeed in Canada?

Ritu Sood: [Technical Difficulty] [01:02:45].

Moderator: Ritu, I think you can unmute and speak now, probably it won't echo. We can't hear you.

Ritu Sood: Do you hear me now? Am I audible?

Moderator: Yes, that is good. You are audible.

Ritu Sood: Yeah, so when we talk about our breadth, and I would say also depth in these geographies, for example, it could be Canada, it could be Africa - first of all, I can tell you that the ecosystem and the culture in these countries is different. And what sets us apart (in different geographies) also changes with respect to the geographies that we are talking about, because the maturity of the consumers in those geographies to take solutions is also different.

So, for example, when we look at, say the U.S. or the Canadian market, the maturity level of a customer, their appetite for our solutions, is going to be much higher than, for example, what it will be in the Africa region.

So that's the first component. And then at the same time, what sets us apart is our sheer depth of the understanding of the industries that we have worked with, our depth of these solutions. And then one more thing that sets us apart is we are a full stack partner.

So, when we enter these geographies, for example, in Africa, we would find many companies who are our competitors, but who are doing for example, just ERP, just CRM or just data. But we bring in this entire collaborative stack from the Microsoft suite, which we then bring to our customers to give to them what we call hyperconnected organizations. So that is what really sets us apart.

Gurbaxeesh Ahuja: Thank you, Ritu Ma'am for answering that. That is helpful. I would just maybe add to my question. So if there is a competitor in Canada, for example, which is a Microsoft Channel partner, I understand we might have some competitive advantage in terms of our skill set or the kind of professionals we employ.

But does a company in Canada have an inherent advantage, the location advantage, as far as winning over the client's confidence is concerned? I'm just trying to understand how does this business model favor a company which is native to a geography?

Ajay Mian: Yeah, sure. Let me give you a couple of points there. So, first of all, at 350 people, we are amongst the largest Microsoft business applications partners in the world. If you leave aside the global system integrators like an EY, PwC and I'm not talking about the Tier-1 IT companies of TCS, Infosys, etc. who do everything, and by the way, they don't do business applications in India, but they do in other geographies but the customer segment that they work on is usually very different from what we do - so one - we are significant in size, we are large (as a Microsoft Business Applications company).

Two, we obviously bring a pricing advantage also. So in the whole thing (project), we have some onsite work going on, (and) we have the ability to do something from here (India). And the shared experience of having done more than 800 projects and having worked in the industries of our choice (with) dozens of customers - brings them the confidence, which is usually not easy for them to find in the local market, so it's all of these things together, that brings us the advantage.

Gurbaxeesh Ahuja: Got it. So scale does matter.

Ajay Mian: Yes.

Gurbaxeesh Ahuja: And it favors us for the time being. There would be definitely bigger players in the market also, but we do have some bit of size is what I understand. Is that correct?

Ajay Mian: Absolutely.

Gurbaxeesh Ahuja: Yeah. That clarifies. Thank you, Ajay.

Rajiv Tyagi: I just like to add one more point, which is among other partners, one big differentiator is that we are also a development partner to Microsoft. So that puts our credentials on the table very strongly that we are just not the implementation partner, but because we have much stronger hold on the product side because we work with the engineering team of Microsoft. So that does give an edge.

Gurbaxeesh Ahuja: Got it. Thank you, sir. Thank you for that. That's all from my side.

Moderator: We'll quickly take one question each from the remaining participants. Deepesh, you can unmute and ask your question.

Deepesh Sancheti: Yeah, hi. Just one question about the cash on our books. We have about Rs. 95 crores of cash on our books. What do we intend to do with this? Are we looking at any acquisitions or … just wanted to know what we are going to do with so much cash?

Ajay Mian: Yes. A large part of it is kept for inorganic growth. And in addition to that inorganic growth, as we (you) just heard (said), we are also expanding organically. We are, for example, setting up Canada. Now, that will require investment. We will continue to make investments for organic growth, but a large part of this cash will be utilized for inorganic growth.

Deepesh Sancheti: And how much of the inorganic and organic would add to our sales as in what percentage?

Ajay Mian: You see, it obviously depends on what is it that we finally end up acquiring. The businesses that we talk to - they range anywhere from US$ 5 million to US$ 15 million in some business segments, and in some other business segments they are smaller, like US$ 2 million, 3 million.

So those are niche business segments, and obviously it's not just one, but we will (look for) at least two acquisitions happening. So at what time they happen … (To your 2nd question) if you ask me, what will be great will be to have half coming from organic and half coming from inorganic.

But some of it is timing issues. Some of it is a matter of finding the right company within a reasonable time. We don't want to paralyze ourselves just because we are finding a perfect match and we'll perpetually wait for it.

At the same time, we don't want to throw money over because we have lost patience.

Deepesh Sancheti: Okay, thank you.

Ajay Mian: Thank you.

Moderator: We'll quickly take one question from Salil. Salil, you can unmute.

Salil Chitale: Yeah, thanks for the opportunity. I would just like to know any plans to explore the European, South America or the APAC market in near future.

Ajay Mian: At the moment, our exploration of these markets is more by virtue of opportunities that we get. From time to time we get some opportunities from Europe. We address those opportunities. But I would say at least in the next couple of quarters we are not planning to go and hire someone or set up an office either in South America or in Europe.

(For) Europe it's not the best time of economy that they are currently facing. We are therefore putting more mindshare on some other geographies. APAC, there is a possibility, we are working on this. We are looking for some people to head our sales in APAC region. We hope that we will find some success in the next one or two quarters which will enable us to make this beginning.

Salil Chitale: Yeah, thanks a lot.

Ajay Mian: Thank you.

Moderator: We quickly take one follow-up question from Avinash.

Avinash Baskar: Is it audible now?

Ajay Mian: Yes.

Avinash Baskar: Yeah. So there was one of the subsidiaries that has made a loss of around Rs. 90 lakhs or around Rs. 1 crore at least in the RHP, where we had 90% [indiscernible] [01:12:48]. Just wanted to understand is it that we have it, it's going to turn around or what is this? And second is I also just want to understand as a holding company, what are the difficulties that we are going to face to realize the cash from the subsidiary companies? Is there going to be some loss due to banks? How do I think of it?

Ajay Mian: So let me answer the second question first. We have absolutely no problem at all or no challenges at all in realizing cash from our subsidiaries. Absolutely none at all. Okay, if you will see our financial data, our AR is very healthy, very, very healthy rather. And it's an area of high focus for us. We just keep our fingers on it and we make sure that we get our dues in time. The loss that you are talking about, Sandeep, you want to take that up the Rs. 90 lakhs that we had a couple of years back?

Moderator: Sandeep, you'll have to unmute your line.

Ajay Mian: So by the way, while Sandeep comes up, we had made a couple of acquisitions over the last 10 years. For one of the acquisitions we had extended some loan to this entity (where we) had made that acquisition. As things pan out, we had to merge that business over, but this entity remained and we had to then take a decision to write off the amount that was given to this.

Sandeep Jain: Yes, what is the question?

Avinash Baskar: I think questions first of all, is that a subsidiary still loss making or is it profit making for a long period?

Ajay Mian: Let me take that. So (amongst) the subsidiaries that are operational, the subsidiaries that you see is loss making, is no longer operational really. So the subsidiaries which are making revenue today - besides the parent company of Alletec, the other subsidiaries which make revenue today are All E Consulting, the U.S. (company), we make some revenue in Australia. Anything else?

Sandeep Jain: … subsidiaries were loss making few years back. That is why I'm little confused.

Avinash Baskar: Okay. I saw it in the red herring prospectus, I'll maybe just send a screenshot…

Sandeep Jain: If you can clarify (and if you can) give the year which you are sensing that?

Avinash Baskar: Year was 2021.

Moderator: We will take this offline probably and once you've just looked, you can just get back to us. We will take the next follow-up question quickly. One question from Abhinav Aggarwal.

Abhinav Aggarwal: Yeah, just wanted to understand on the IP that you've created on top of Azure, just to get an understanding of the IP. Is it almost like your own independent SaaS solution or cloud hosted solution that sits on top of Azure that you're providing? Is it an Azure image that gets deployed when you provide Azure or is it like a container? Just to value the IP, we want to understand what format are you kind of currently delivering it to your customers for example?

Rajiv Tyagi: So our solution basically sits on top of the Microsoft products. Whether they are the CRM, ERP, Power BI (the BI products of Microsoft), we use the Microsoft code base and on top of it we develop our industry layer. That's the way you can build your own IP and then you have to get it registered with Microsoft, for that particular solution.

So whenever we offer this solution to customer -- the base is Microsoft Azure and on top of it is Business Applications and our layer which sits on top of that. So it is not that we have created an image of Azure and then they subscribe to our SaaS, they subscribe to Microsoft SaaS and in parallel they pay the recurring fee for our IP which sits on the standard Microsoft Azure.

Abhinav Aggarwal: So almost like a Dynamics app which is for education or an app for the ERP platform of that.

Rajiv Tyagi: Absolutely.

Abhinav Aggarwal: Got it, got it. That makes sense.

Moderator: Thanks, Abhinav. We'll take the last question for the day from Rambabu. Ram, you can unmute and ask your question.

Rambabu: Why the standalone numbers are not growing that much. Is there any reason?

Ajay Mian: Why these standalone numbers are not growing? It's a little bit artificial for us to look at our numbers standalone. To be honest, I always look at the numbers all up and (that's) because we are working to increase our international businesses more. So that is where our focus is and that is where our numbers are growing. So, trying to look at one component of it, it will only be misguiding. It will give a very misleading understanding of the businesses.

Rambabu: Okay, yeah.

Moderator: Thanks Rambabu. That brings us to the end of today's con call. Dr. Ajay, would you like to give some closing comments?

Ajay Mian: Thank you very much. This is an exciting time for us. I appreciate all of you taking time to come and meet us this afternoon. We are very happy the way the whole Microsoft ecosystem is building. We are happy the way our solutions are being accepted in the market and the way our international business is growing. And the next couple of years are going to be certainly the best that we would have within the organization. So we'll hopefully have more exciting news to share in the coming quarters. Thank you very much.

Vinay Pandit: Thank you, sir. That brings us to the end of today's con call. And thank you to the management team for giving us their valuable time. You may all log off now. Thank you.

Rajiv Tyagi: Thank you.

Ritu Sood: Thank you.