

## **ALL E TECHNOLOGIES LTD.**

CIN: U72200DL2000PLC106331

**Transcript of**  
**Q3 & 9M FY'24 Post Earnings Conference Call**

**Wednesday January 31, 2024**

Management Representatives

**Ajay Mian - Founder and Managing Director**

**Rajiv Tyagi - Co-Founder and Executive Director**

**Ritu Sood - Executive Director**

**Sandeep Jain - Chief Financial Officer**

**Sandeep Salman - Head of Cloud and Managed Services**

Call Coordinator



**Kaptify Consulting**

Strategy & Investor Relations | Consulting

### Presentation

**Moderator:** Ladies and gentlemen, I welcome you all to the Q3 FY '24 Post Earnings Conference Call of All E Technologies Limited. Today, on the call from the management team 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; Mr. Sandeep Salman, Head of Cloud Services; and Ms. Heena Mahajan, Head of Marketing.

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

I would now request the management to quickly detail to us about the key performance highlights for the quarter that went by. The growth plans and vision for the coming year and the years after. Post which, we will open the floor for Q&A. Over to you sir.

**Ajay Mian:** Thank you very much, Vinay and thanks to everyone who has taken time this afternoon to join us. Many of you ... we have met before ... but always a pleasure to meet you in each of our calls. Let me pull out the slides, and then we can begin our conversation on that.

So as in the last call, we are going to just talk about the highlights, we'll talk about the numbers, the little story behind the numbers. We have for the sake of completeness, put what has been steady over this period and the normal annexures, which are the numbers that some of you might have seen already.

If we look at the numbers, we had an operational income of ₹30 crores ... a little more than that. Total revenue including other income went to ₹31.8 crores. The EBITDA was ₹7.3 crores, net profit at ₹5.3 crores ... which resulted into a profit margin of 16.8%. The operational revenue growth Q-on-Q has been 4.2%. Y-on-Y it has been 34.8%. The repeat and recurring revenue have been 91.5%, and most importantly, we added 18 customers in this quarter.

The corresponding numbers for the nine-month period are also on the slide. The total income from operations is now ₹85.9 crores, and the total revenue including other income is ₹91.2 crores. EBITDA stands at ₹19.47 crores. The net profit at ₹14.17 crores. The nine months profit margin is 15.5%. All these numbers mean that we have had an operational revenue growth Y-on-Y of 34.4%. The repeat and recurring have been 91.4%. The total number of customers added in these three quarters is 45, and the team size has been largely the same. We'll talk more about this as we proceed further.

Looking at the comparisons, we already spoke of the revenue going up 4.2% quarter-on-quarter, 34.8% Y-on-Y. The EBITDA in percentage term has been 22.9%, the net profit at 16.8%. The EBITDA growth, Q-on-Q was 10.6%, Y-on-Y was 71.5%. The EBIT growth was 11% Q-on-Q and 71.7% Y-on-Y. And the net profit growth was 11.4% Q-on-Q and 57.5% Y-on-Y. Corresponding numbers for the nine-month period, operational revenue growth Y-on-Y 34.4%, EBITDA 21.3%, Net profit 15.5%. EBITDA growth has been 75.5% Y-on-Y. The EBIT growth Y-on-Y has been 75.9% and the net profit growth has been 60.9%.

This slide shows the spread of our services revenue, geographically. So in this quarter, you would see that India has grown more than usual. The percentage of service revenue from India for nine months period was 37.5%, but quarter three was 39.8%. The U.S. is 40.6%. Africa is 8.4%, APAC is 7% and Europe has been 4.2%. For the nine-months period, the numbers are given, which are just 41.8% for U.S., 9.7% for Africa, 7.4 for APAC, and 3.7% for Europe.

These graphs show the trend, how the last three quarters have been in terms of revenue, EBITDA, and net profit. And this slide talks about our customer add. As I mentioned, 18 new customers in this quarter, nine domestic and nine international. Over this period of nine months, we added a total of 29 domestic customers and 16 international customers. So that's a total of 45 customers.

Revenue from the top five customers in this quarter has been 17% and 26.6% from the top 10. And for the nine-month period, the top five have been 16.7%, and the top 10 have been 26.6%. These numbers have been in the sheets that we submitted to the NSE in the morning and now also on our website. But the important thing always is the story behind the numbers. So what is it that's driving these numbers?

The first thing which is driving the numbers is cloud adoption. We have seen cloud adoption take a new peak this quarter. Out of the 18 customers that we added this quarter, 17 of them chose cloud. What that means is that our recurring revenue from these customers would continue and give us increased repeatability of business with them in the future. I think this is the first quarter where we have had 17 out of 18 customers on the cloud and only one has been an on-prem customer. That's a very strong momentum towards cloud adoption, which is going to be good news for a business like ours. And everyone who's adopting the cloud basically opens up new opportunities for us. And as I said, it further strengthens our recurring and repeat business.

The other thing which has been driving growth has been the AI adoption. So we wouldn't say that AI adoption has been something where customers are using it for their production purposes (yet), but everybody is trying to now understand it more, and experiment with it. So be it the AI as it has been in the products that we have spoken about earlier, and also the generative AI, these are becoming a key part of the digital transformation conversations. People are trying to understand, what more can they do which they do not know of today. And key enterprise functions - almost all functions are now candidates for productivity gains and insights by leveraging AI. We can talk more about it as we progress. We are kind of getting to a point where it's becoming evident that the business and technology ecosystem is now at the verge of taking a leap -- we today talk of digital transformation, but very soon we will start talking about the AI transformation.

When we talk about the customer segment that we typically work in - I think we will start talking about AI conversation in maybe a year's time, if not earlier - give and take a couple of quarters. That's where the world of business and technology is moving, and we are poised to leverage it, and gain from it.

Well, Microsoft results were out this morning, and happy to see those results. There was some part of their business that was impacted, which is the business of I think personal computing, which talks about some Windows Operating Systems and some gaming devices. But in the area that we work, Microsoft has seen healthy growth. So

Intelligent Cloud has grown 18%, Azure has grown 31%, Azure Plus related services and Dynamics 365 has grown 21%. By the way, the same percentages - if seen in constant currency - then the Intelligent Cloud in constant currency, actually grew by 24%. Azure Plus services grew by 39%, and Dynamics 365 also grew substantially higher. I don't have the number on top of my mind, but I think it was like, 27%, 28%. So very large growth in all the areas of our interest at Microsoft. So that was a very warming news this morning.

AI is powering all the Microsoft products that we talk of. And during this quarter and the quarter before, Microsoft came up with many co-pilots. So the co-pilots are now available not just in Microsoft 365, but in the ERP and CRM, be it Business Central, Finance, customer service, customer insights, field surveys, project operations, sales, commerce and supply chain management, all the products are now powered by copilots. And the co-pilot incidentally is the implementation of generative AI, the Open AI services in the Microsoft product line. This is going to substantially transform the way users are using these products and the way businesses are leveraging them - in the coming quarters and coming years.

And we have seen some of these things bring benefits to us and to our field. I have taken a couple of important examples that we have seen happen this quarter. One of the large organisations in Canada, this is the Technical Standards and Safety Authority of Canada, which is responsible for all the -- it's a regulator for elevating and amusement devices. They adopted Azure, which we have moved in to provide them, and it's a very, very large install from our point of view. This one customer - just to give you an idea - over a year, this one customer could potentially mean revenue of \$0.5 million ... that's the potential. So that's a win that we had in this quarter. Very, very important. And other than that, of course, there were several other customers that we added on our Azure Services. But this one was the most noteworthy.

The EdTech momentum continues. One of the new wins was the O.P. Jindal University. This is a university based in North, in Sonipat. A large university, with about 11,000 students and 1,100 faculty members. They have adopted our education solution, and in fact, Phase 1 of the solution has even gone live. And five institutions are now live with the product. Several implementations are underway, and similarly, several assessments are underway. As I had also mentioned, I think in the last call, we were adding the generative AI functionality to it, which has now been done, and customers are beginning to taste it now.

On the international side, we added new customers. In Africa, we added a new country. We have had a good project win in Ethiopia. That's an ERP project that we won in Ethiopia. In Rwanda with the Bank of Kigali we are now starting a new project. We had done their customer service earlier with a couple of other enhancements, but now we are beginning to do sales with them. And then both in U.S. and Canada, our pipeline has been strengthening. And now with more sales feet on the ground in U.S. and Canada, we are seeing enhancement in the product revenue there as well. So these are positive things, which we'll be able to build on in the coming quarters.

On the operational side, you might recall we mentioned in the last call that our headcount has largely stayed the same over the last several quarters. We have been operating with a headcount of ~ 350 plus minus, a little bit minus actually, but then we have now added a new batch of trainees. These are all campus placements. And we

have done some lateral hirings. So we will have an increased headcount in this quarter, which means also a little bit higher on the wages side.

We have signed up some new partnerships in the U.S. and Africa. By the way, this Ethiopian project was signed with a partner. You have all been asking me questions about our M&A. I don't have a result to report, but happy to share that there is at least one Dynamics partner and one data engineering company that is currently in the pipeline, that we are in conversation with. Please don't ask me when will they conclude because these things - they come and they slip - and it takes time because we have to be really careful in doing these things.

The rest of it is all steady. You have seen these slides. Anyone who looked at these presentations, nothing has really changed with them. The same Board of Directors, the same lead management. Our offerings, these slides have not changed, nor have our industry served the Microsoft relationship, our competitive strength, SWOT analysis, growth drivers, strategic focus, everything the same. The annexures are different, which are now the quarterly and nine monthly income statements, and you can take your time to look at that.

So with that, I know having a conversation is much more interesting both for me and I hope for you. I will therefore stop sharing my slides, and we can open up for discussions.

### Q & A Session

**Moderator:** Sure, all those who wish to ask a question may use the option of raising hand and we will then be unmuting you to ask the questions. Anybody who wishes to ask a question? Puneet Chawla, you can go ahead, please. Anybody who wishes to ask a question? Vinay Alluri, you can go ahead, please.

**Vinay Alluri:** Yeah, hi. Thank you for the opportunity and congratulations on a great set of numbers. So, my question was behind the sectors what we are operating right now, what we see is the travel and then the educational tech. And in one of the slides, I've seen that we're also seeing one of the customers in the banking sector. So we are also looking into the banking sector, which because the banking sector is what I see as a good growth sector also.

**Ajay Mian:** Indeed. So, your question is predominantly about the industries that we work in and specifically, a couple of industries have been of interest. So you're right. We do work in the banking sector. Last quarter, we had reported about a win at the National Bank of Kenya. That project has now started. It's underway currently. The National Bank of Kigali has been our customer in the past for one solution and now we are starting to build yet another solution for them.

But even in the past, we have been working with companies in the banking and financial services sector. And when we talk of that sector, this could also be nonbanking financial companies. ...

On the education side, yes, we have our own solution. It's an IP that services from admission to alumni, large universities, and we have had universities, some of them from the Manipal Group. We spoke of O.P. Jindal and we have a couple of other universities both in India and internationally, in Malaysia, in Dubai, in Antigua. So that's a very important piece of our business. What else were you asking?

- Vinay Alluri:** Are we also looking at IPs banking financial sectors?
- Ajay Mian:** So our IP is named BAFINS. We had a slide on it in the last presentation. This is actually our IP, which is built on top of Microsoft's Dynamics 365 Sales and Customer Service with several changes done for the financial sector and some new functionality developed for the financial sector. So that is our IP. And when we go into these banks, this is a component of the revenue that we have in the overall project.
- Vinay Alluri:** Yeah, thank you. I have one more final question from my side. So, right now we are seeing good growth in our numbers with respect to revenue. So can we see the same momentum that could continue in the coming quarters? Or how we are because we are coming from a small base, and then we are reporting good Q-on-Q and Y-on-Y numbers? So how would be our revenue growth would be in coming quarters?
- Ajay Mian:** So, internally, we take the target of keeping our growth rate 25 plus (annual), okay, broadly. Now there will be quarters when it is a little bit less. There can be quarters where it will be a little bit more. Okay, but broadly, we are saying that over the period of next let's say eight to 10 years, we want to grow at a rate of 25 to 30. And you're right -as the number on the revenue base increases, getting that increment becomes harder. But then the number will increase only when the organisation is also growing. So on a bigger number, which means that there are more people doing more things. All right, so it is never easy, but then we are not here to do easy things only, right?
- Vinay Alluri:** Correct.
- Ajay Mian:** As things grow, as the organisation grows, the numbers will keep growing.
- Vinay Alluri:** Yeah, thank you. That's a great set of guidance also. Thank you so much. And then I wish you all the best for the future.
- Ajay Mian:** Thank you very much. Appreciate your time.
- Moderator:** Thank you. We'll take the next question from Sougata Ghosh.
- Sougata Ghosh:** Yeah. Hello. So I have more of my questions related to the industry at large and how it will impact you although you have mentioned in your slides that...
- Ajay Mian:** Sougata, would you like to switch on your camera?
- Sougata Ghosh:** One second. Is this better?
- Ajay Mian:** Absolutely.
- Sougata Ghosh:** Yeah. Hi, so my question is that although in your opening slides, you mentioned that Microsoft has reported decent numbers. My question is that the one other observation from the Microsoft annual, results is that the adoption of Cloud, which has been declining has now hit a steady state growth. So point is it was that cloud adoption is on a downward trend. That is the rate of growth. And secondly, if we look at the results of other major IT players, they are saying that the pipeline is not increasing at a very big rate. The budget is not increasing at a very big rate. So do you see any threat from these two global and macro-level observations to your company?

**Ajay Mian:** Okay. So first of all, we have to understand that cloud is not just a set of machines, okay? When we typically talk of the cloud, in the mind of a common person would be that my hardware, instead of being in my data center is in the cloud. The thing is that everything new, be it a new set of applications, be it a new set of services, when they are getting rendered to you from the cloud, so the term used for it is the Intelligent Cloud. So when you talk of Azure, Azure is a set of infrastructure, it is a platform, it is (also) SaaS. So you have Software-as-a-service, and then there's a whole set ... for example, when we talk of the adoption of AI, where is AI getting rendered from? AI is getting rendered from all these services which sit in the cloud.

And if the adoption there grows, the whole cloud momentum grows. So please do not look at cloud purely as using machines, or a set of hardware from a place other than your own data center. In fact, everything which is happening now is happening in the cloud. So that is the answer to your one question. Your other question was in terms of, can you just repeat it?

**Sougata Ghosh:** So my question is that the large IT players, the listed companies when they're reporting their results, they don't seem to be reporting fantastic pipeline numbers, the future pipeline numbers. I mean, the discretionary spending cuts seem to be still in place for the larger.

**Ajay Mian:** Yes, you are right.

**Sougata Ghosh:** What impact do you see from there on your company?

**Ajay Mian:** Sure. So first, as some of us have already pointed out, and that's absolutely spot on. In the overall scheme of things, we are a small player. Okay, our numbers are nowhere in comparison to, let's say an Infy, which might have faced some challenges or some other organisation. But you see, wherever we are, we have to see from that spot how the next several years look like, and we have to play in our sandpit. Now from within our sandpit and from where we are, if you look at the composition of our business and the type of things that we do, a lot of customers globally have the option of either using someone like us or using a big player, maybe a big four. So when they see that they are able to get similar solutions by leveraging us, and if they have a cost advantage, an economic downturn in those regions can actually work out advantageous to us. That is one thing. The second thing, I also want to bring out is, it's very important for us to see that we work across diverse geographies. For a very large percentage of IT companies, particularly from India, India is not the market, right? But for us, India is still ... half the business. So you can see in the last quarter, India has grown. So this is how we are able to balance out. If something goes down somewhere in a particular period, something else comes up. And this is the reason we have chosen not to base our business on supplying a set of bodies to somebody, who may have his needs going up or down, almost 100% of our business is with end customers directly, and we work with these customers to help them solve their business problems.

**Sougata Ghosh:** Can I ask one more question?

**Ajay Mian:** Please go ahead.

**Sougata Ghosh:** So my other question was on the marketing aspect of your business like when you get a deal, can you speak about how you source a client, how you source a project in a sense like can you take us through the process?

**Ajay Mian:**

Absolutely. So I can tell you easily that more than 90% of all work that we do is direct customer acquisition. Now what does that mean? When you say (ask) what do we do - we do everything. ... (for example) we have an inside sales team, which will work on searching for leads, doing Internet search, doing cold calling, doing various types of qualifications, so that is one thing. We have another team which is working on digital marketing. Through all the digital marketing initiatives ... we are in a business where nobody buys these solutions just because we reach out to him - he has to have a need at that time to buy our solution. So it basically means that at a time when we reach out to somebody he may not have a need. But our objective is that when he has a need, he thinks of us. So, therefore our digital marketing initiatives become super important. So we get a lot of incoming inquiries that we promptly respond to.

When these inquiries come from international geographies, then our teams in the U.S., Canada, (and) Africa ... and of course the team in India ... we respond to these queries quickly, and it's an elaborate sales process. You go for an assessment, then do product demos, ... these are several demos. And each of these can take a couple of months, two months, three months and sometimes six months to close or drop off.

So it's an elaborate process. And besides that, we also have some partnerships signed up. So for example, in Africa, we have a couple of partners. These are partners who do other things. For example, somebody may be doing a modern workplace of Microsoft, but he has no competence in business applications. Now in general, business application space is a hard space to work in, right? It's very difficult because it's a consultative-led opportunity that you pursue. And you have to have understanding of not just a product line, you have to have understanding of the industry.

And you no longer can go with just an out of the box solution. You have to when you go and present to somebody, you have to show that you understand his industry. You have to show that you have done something for a similar industry. That's when we are able to win. So just because now over this period of 20 plus years ... we have worked for over 900 customers. So those many projects, across probably 30 countries. For many industries we have dozens of customers for whom we would have done these solutions. And then, lastly, there are opportunities that we also get from Microsoft.

Microsoft would reach out to us. If Microsoft comes across an opportunity, the first thing that they do is to see which of our partners has built a solution in this industry, right? So by that rationale, they reach out to us for many of those opportunities. But then, ultimately it is still for us to engage because Microsoft goes only with a partnership model. So it is for us to engage, do all the presale and do the sales. So that's what I said, almost probably 99% of our business is all direct.

**Sougata Ghosh:**

And my last question like, when you mentioned that, the opportunity lies in a situation where bigger players may not be able to do well. Like your clients', clients could be looking for cheaper and better alternatives. My question is what is the size of projects that you think you can replace? So for example, what I mean is, say a big IT company like Infosys may be doing a project worth \$50 million. Now the resources required to do that project may not be right now available to a company like All E Tech right now. So what is the ticket size of the project that you would be willing to compete for in such a case?

**Ajay Mian:**

Very important question. So I think when we ask that question, we should look at the anatomy of such a \$50 million project. The anatomy of such a \$50 million project



would be there would probably be a combination of maybe 20 different projects, which comprise that \$50 million. A large part of it would probably be some kind of a BPO or KPO operation. You are offshoring something and you are providing some maybe desktop services or something like that. A very, very large percentage would be BPO, KPO. We don't do that. We are focused on business applications. We are focused on digital transformation, and that is where there is a very specific set of areas that we look at. We look at the enhancement of operational efficiencies of a business, and we do that through ERP systems. We look at the enhancement of customer engagements, and we do thread through the suite of the CRM systems. We look at other automations, and we do that through the whole power platform, the PowerApp and the Power Automate and all of these things work together. And when all of this is happening you generate a lot of data. And when that happens, we enable the customer to leverage its data for business insights, right? And enable him to use machine learning and parts of AI in order to enable them to do more. So that is what we do. We also, in some cases help them integrate all of this with their commerce portal, okay? In some cases, we also help them build and support their commerce.

So if you look at this piece of the operations and all businesses are trying to go digital now. So we look at the portal where a customer is coming in to place orders or even if it's a B2B, it can still be a portal. Then we look at the next thing, you have to look at the operational efficiencies ... how do you source and how do you account for all of this, and how do you dispatch and your logistics? So that is done with the ERP systems.

Your whole customer engagement, when you talk to customer, you take orders and you service them. You may have field service there. You may have marketing with them. You may run campaigns there. All of that is done through the CRM systems, and then you have pieces of automation. And they could be just simple, one point automation applications that you have to build, so that is what you do. And finally, you work on the data for data insights and machine learning and all the other things.

So that is what we do. We don't do facility management, but one other thing that we do, and this is what has changed in the last five years. We tell the customer that while you are working with us on all these systems, you don't need to set up your own data center. You don't need to have your own people. So this is where Azure Solutions comes in, where we provide them all of these solutions on top of the cloud, and we provide them the managed services for that cloud, right. So that's what we do.

And you would rarely see a project doing just that for \$50 million. So those projects would probably be a couple of million dollars, and you are right. We don't do \$20 million projects. But for example, at the moment, there is at least one project that we are involved in, which is about \$1.5 million. But then, we are happy to do, for example, in this quarter, you might have seen we added 18 customers. Nine of them were international customers. I feel happier doing a \$100,000 or \$200,000 (projects) for those nine customers rather than trying for a \$5 million single project. Because if I have more number of customers, I have a stronger base. My recurring and repeat are much better. The risk (due to) of losing one large customer is very high. So, therefore, you will see our top five customers give us only 17% of revenue. Our top 10 give us only 26% of revenue. And the total number of our active customers, that we would have serviced during the year at least once, this number is more than 250 both in India and internationally. So that is what gives the business a solid base that we build on.

And then finally, the last take on this, important for us is not the value of one single project. Important for us is the lifetime value of the customer. Most of our customers have been with us for five years, 10 years, 15 years. That's key to us, and that's what we focus on.

**Sougata Ghosh:** Thank you. Thank you for answering all the questions.

**Ajay Mian:** Thank you very much.

**Moderator:** Thank you. Before we move to the next participant, I have a question in the chat from Amit Kumar. He has some background noises, so he's not able to ask you a question. The question is, our penetration in high margin European markets still seems to be very low. Are there any plans of expanding a footprint there?

**Ajay Mian:** Okay. If you ask me whether we have a plan of expanding a footprint there, I would say that we have a desire, but that desire is not going to convert into a proactive action at least in the next one quarter or two quarters, okay. Our focus in the next two quarters at least is on consolidating our Africa, U.S., and Canada. But then we keep looking also at opportunities that come to us from Europe, but it is absolutely imminent that in a couple of quarters, we will set up in Europe. We do have a customer base there, and it's an important market for us.

It's just that we are not doing anything (proactively right now). We are prioritizing at the moment consolidating Africa, U.S., and Canada. But we will get into Europe in a couple of quarters maybe.

**Moderator:** Right. There's another question on the chat from Ameya. Congratulations on a good set of numbers. The question is on the new customer acquisitions we have made and especially the international customers, part of the equation. Are these wins primarily still in the transformation area, or somehow these are part of early-stage cost take outs or something similar?

**Ajay Mian:** I'm not sure if I understand this, but if I understand that fully when you say cost takeout, I don't know whether I understand it completely. But the thing is these are all in the area of what we do. And what we do is all a digital transformation initiative for these customers. So they are all in the areas that I talked about, enhancement of operational efficiencies, enhancement of customer engagements, automation, maybe digital commerce and of course Data and AI.

**Moderator:** The next question is from Bhavesh Bhatia. He has an issue with his camera. He would like to ask you questions verbally. Bhavesh you can go ahead, please.

**Bhavesh Bhatia:** Thank you. Firstly, congratulations on a great set of numbers. Love the way you and the management are handling the company and the investor relations. And the Alletec is a gold in the listed SME companies. Keep up the good work, and hope to meet you once.

**Ajay Mian:** Absolutely, Bhavesh.

**Bhavesh Bhatia:** Secondly, could you please tell us the current attrition rate?

- Ajay Mian:** Current attrition rate, I have the number from FY '23. I mentioned in my last call that our attrition in FY'23 was 21% or 22% overall. But if we (exclude) the people who had left during training or within the first year, then the attrition was 6%.
- Bhavesh Bhatia:** Great. Thirdly, on the acquisition side, are you going to acquire a single company with a larger base or two companies having a small base in two different locations?
- Ajay Mian:** See if I have to do it theoretically, I would say two. But some of these things are dependent on what is it that comes across your way. We are not going to say no if there is one company, which has two skill sets, but ... when we look out for it you have to give to an investment banker ... characteristics of an organisation. So we give these characteristics, and typically, they are able to find companies which have one or the other. I think when we get closer to this, we will know the target segment has one or the other. But if you look at our pipeline today, then the two companies that we have in our pipeline are - one is focused on dynamic and the other is focused on data.
- Bhavesh Bhatia:** Okay. So you will be utilising the full cash to acquire these companies, or will there be some proceeds still left?
- Ajay Mian:** No, you see it never happens. You don't spend all your cash on day one. So the way these things happen is, first of all - there's an earn out for the founders or the owners of that organisation. And that earn out is dependent on them meeting future forecasts. So it happens over a period of three to four years. So there's always some cash upfront. And then as the business moves and the business also generates cash, so you use some of that cash to buy them out in the future.
- Bhavesh Bhatia:** Okay. So currently, you're growing at a rate of 30% to 35%. So after the acquisition, do you think you could surpass that 40% to 50% mark year-on-year, because you're growing at a very good pace? In SME companies, you can't see such high growth tech companies. You can find these companies and some small cap companies or mid cap companies, but you're going at a very good pace. I feel that we can cross ₹200 crore within the next two years.
- Ajay Mian:** See, Bhavesh, with all humility, I must say that we are not doing any magic. We are only working hard, sincerely. And whatever happened is obviously a combination of various things. This is not going to make the next year or the year after any easier, but we stay at it with all sincerity. And given other things work out, what you are saying might possibly actually happen.
- Bhavesh Bhatia:** Great. Thank you. That's it from my side. Thank you very much. All the best to you and your management.
- Ajay Mian:** Thank you very much, Bhavesh.
- Moderator:** Thanks, Bhavesh. We take the next question from Lalit Rai. Lalit, you can unmute, please.
- Lalit Rai:** Yeah. Hi. Good afternoon, and thanks a lot for the opportunity. I actually have just one question, and that's around the margins. So firstly, I think the numbers were very impressive. We heard from a lot of other IT companies big and small that the furloughs were higher this time and which resulted in a depressed Q-o-Q performance. But here, we've seen a phenomenal Q-o-Q as well as Y-o-Y performance, so many congrats for that.

**Ajay Mian:** Thank you very much.

**Lalit Rai:** The other thing is, and this I want to combine with one more thing. So over the last six, seven quarters, we are seeing the continuous trend of margin expansion where we've gone from 9%, 10% kind of range in I think that was in December '21 to almost 18%, 19%, kind of levels now. So wanted to understand if there are levers available to us, for a further expansion in these margins, and that I wanted to combine with another question, which was around what you mentioned 17 out of the 18 clients that we added are on the cloud side, and this brings about more recurring business. So is this business also higher margin versus the on premise business that we do? And, also, given that it'll be recurring, so we'll not have the selling expenses associated with it. So which anyways, will bring somewhat better margins. So just around that. So more trying to understand the trajectory for margins that we should be expecting going forward? Thank you.

**Ajay Mian:** Yes. Absolutely. So, Lalit, the improvement in margins is a result of predominantly two factors. The first factor is the percentage of international business that we do. I have mentioned in some of our past conference calls that our gross margin on the international services is in the range of about 50%, somewhere between 50%, 55%. And the same work when done in India gives us a margin of about 22%, 23% something like this. That is one thing. So which basically means that as the percentage of international business increases, the overall margin will also increase. That is one part.

The second part is the magic is in the cloud. What cloud means is that customers have to now spend that budget, which they have allocated for their products - every year. And you are right - when a customer decides to go in for a solution, he has to spend that money year-after-year, and this is indeed a recurring business. So we really don't have to incur any sales expenses on recurring business, but we do have to incur some expenses on the repeat business. Repeat business would mean that you have more projects and more to do with the same customer.

We have discussed earlier in our last call that how this recurring business on the product guarantees us a set of revenues unless something goes completely disastrous. And this will keep happening for times to come, and that is what gives the business a very solid base. And with all the investments and all the push that we are doing on the international side, that side of the business will also grow.

Now having said that, we cannot by any stretch of imagination, undermine the developments happening in India. India is changing. India is growing and India is adopting technology like no one else, perhaps. We may be at a different stage in the overall adoption in some areas than maybe some developed countries. Of course, if it comes to something like a UPI, we are leading the world. But in things like, let's say ERP and CRM and data, we still have some way to catch up. But you see, India for this quarter has grown and we have to therefore stay very much grounded here. And with all these things and with the geographic spread that we have, we expect these numbers to strengthen, as time passes.

**Lalit Rai:** Sure. Thanks a lot. That's very helpful. Thanks.

**Ajay Mian:** Thanks, Lalit.

**Moderator:** We'll take the next question from Mihir Shah. Mihir, you can go ahead, please.

- Mihir Shah:** Congratulations for the good set of numbers.
- Ajay Mian:** Thank you, Mihir.
- Mihir Shah:** So my first question is, can you throw some light on the Africa activities and how have you approached this client? And if this business, how do you aim to target more customers in that?
- Ajay Mian:** Sure. Good question. Because Africa is not one country. Africa is, like 50 countries. We have been doing business, we have had customers, in Africa for a long time. I think our first customer in Africa we acquired at least 18 years ago and this was Mauritius. I think we just got to that customer because we were participating in some event and we happened to meet them and so on. But from that time onwards, then there are things that have happened because of the references that we got from earlier customers.
- But in the past couple of years, we have done more focused ... sales and partnership development activities in Africa. We have developed partners in all the regions we have been talking of - particularly in Kenya and for Ethiopia and in Zambia. But then there are projects that we also get directly. For example, the project that we are doing in Nigeria, which is a retail implementation. It's a project that we participated in an RFP and it was a bidding process and we won it.
- So it's a combination of things, not just one thing. So there is direct, there is digital, there is partnerships, and sometimes we also get references from Microsoft.
- Mihir Shah:** Okay, so my another question is that you have added 17 to 18 clients in the past quarter, what's the revenue potential of the business from these clients also which includes the new international customers?
- Ajay Mian:** See, very clearly when we acquire (when we take) a customer, there's that process of qualifying the customer. And the process of qualification basically is to kind of sense what is the investment appetite of this customer, not for one project, but over the period of the next several years. So data shows that we have always earned multiple times the revenue from a customer over let's say a five-year period, compared to the value of the first project that we had from them.
- Digital transformation is not an event, digital transformation is a journey. ... you don't do it (once) and be done. You start with it, you build up more. The technology changes, customer base changes, business undergoes a change. So it's an ongoing process. And absolutely, we look forward to doing more business, and I would say significantly more business with these customers over the period of next five years.
- Mihir Shah:** Okay. So I want to ask another question like can you talk a little bit about the new partnership developed in USA. And in which areas are these partnerships?
- Ajay Mian:** See, the partnerships are not in any ... I'll tell you what type of a partner we tie up with. Let's say there is a company who is doing modern workplace work. There are companies who for example maybe (are) working with 100 other customers and only selling let's say, Microsoft Office, which has various components. So if they are selling Microsoft 365 which is the modern workplace, they find opportunities for business applications at this customer base, but they don't have the competence to do business applications. These companies are not doing ERP, CRM, Data, AI or all this work. So when they find this opportunity, these companies want to reach out to somebody who

can help them and work with them to close the deal. And that's what we do. So these are the types of companies that we tie up with and partner with. So this is the nature of our partners both in Africa as well as in Canada and U.S.

**Mihir Shah:** Yes, so the last question is the merger and acquisition pipeline you mentioned is with respect to potential acquisition of a company or with technology, what is exactly? What drives you toward these targets?

**Ajay Mian:** As I mentioned, one company in the pipeline is a Dynamics company, which basically means that if it happens, then it means that we will have, we will be able to reach out to more customers in that geography. And another one which is Data, which basically means that we'll be able to strengthen our data engineering practice.

And also reach out to their customers not just with the offerings that this company has, but also with our offerings. There are always opportunities to cross-sell and upsell.

**Mihir Shah:** Okay. Thank you. This was very helpful.

**Ajay Mian:** Thank you very much.

**Moderator:** Thanks, Mihir. We'll take the next question from Yashi. Yashi, you can go ahead, please.

**Yashi Lohia:** Congratulations for your good set of numbers.

**Ajay Mian:** Thank you, Yashi.

**Yashi Lohia:** I'm actually relatively new, so I wanted to understand something. So as you mentioned, the significant variance in margins between international and domestic clients. So I wanted to understand what factors contribute to this play. And if it that is so, are we going to should prioritise international clients or domestic ones going forward?

**Ajay Mian:** So I guess your question is that why is there such a difference between domestic and international? Is that right?

**Yashi Lohia:** Yes.

**Ajay Mian:** So the answer to that is very simple. I mean, we are two different economic areas and the rate of work both in terms of labour and what you get paid for is very different. In India, for example when you compare it to the U.S., the salaries are different. What the customer's pay (us) is different. But you see for us the margins are widely different because our people are the same. Some people out of the same pool work for an international customer and the same people may be working for a domestic customer.

So, when you pick up a project from a domestic customer, you have less margin. And because you get a better rate when you work for international customers you have more margin. So it is as straightforward as that.

**Yashi Lohia:** Okay. So like going forward are we going to prioritise more international clients over domestic ones?

**Ajay Mian:** So the way I would like to answer your question is that - it's not a matter of our prioritization. We have two separate teams. There's a team that focuses on the

domestic market and they do everything to try and win everything that comes our way. We win some, we lose some. Similarly, there is a team that is focused on international business. So it's not one or the other. We need both. India is growing. It's the fastest growing economy in the world. We want to make sure that we stay here, and we have seen that this quarter, India has grown well. And at the same time, we want to keep going in the international market, we don't have to choose one over the other.

**Yashi Lohia:** Okay, thank you. That was from my side.

**Ajay Mian:** Thank you very much.

**Moderator:** Shall we take the last set of questions, which we've received on the chat. There is a follow-up question from Ameya. Given the expansion of your team size, what do you see the margin impact? Do we, and if we can have utilization numbers for the quarter that went by?

**Ajay Mian:** Okay. You see, clearly, when you add people, there's an increase in cost. But it does not mean that everything else is going to stay constant. We also look to increase the revenue. I mean, fundamentally, we are adding people because we are looking to increase the business. Now whether it will have some impact on only Q4 or some impact will also go on to the next quarter, it's hard to tell, but my guess is it should not be significant. Okay. It's a race. We continue to run. We continue to try and bring more business.

And all the people that we now have, we are training them. And at some point in time, we expect to put them on projects and kind of convert them to at least partly utilisable. Our utilisation numbers are high. so let me put it this way. I don't think there is anybody in the organisation who at some point in time would say that I have nothing to do.

At the same time, however, you see, it's very hard to differentiate or distinguish for a person who says that I'm working on a project which is earning revenue versus I'm training on something or I'm working to build a product - because we are not a resource augmentation company. Therefore, we are not able to say that, okay, 80% of people deployed and 20 people on the bench. It doesn't work like this for us.

We target 100% of the people to be doing something productive, whether it is generating revenue at that point in time, whether it is building an IP that will be used at some other point in time, or it is in training. So everybody is doing something or the other. So that's how we work, and that's how we assess ourselves.

**Moderator:** There's another question in the chat from Pratik Kotari. Any timelines on completion of acquisitions?

**Ajay Mian:** Well, I think we have tried to answer that question, if left to me, I would say tomorrow. But we know it doesn't happen like that, right? It's an ongoing activity from our side. The ones that we are looking at may happen, and for all you know, they may not happen. But if that doesn't happen, we will have a new pipeline being built up. It's an ongoing process. But it's just that it's an important thing in our mind, because we know that as the numbers base grows, we need these acquisitions to keep increasing our revenue growth as well as our profitability growth.

- Moderator:** Okay. We've got a question from Gopi Chand. Since the energy sector is seeing good growth, do we have product IP to solve problems in this area?
- Ajay Mian:** So we already have a solution which is for companies who are in the renewable energy business. We have several customers. Our solution ... is built on the base of an ERP and has got some other components. We help these companies set up their renewable energy plants.
- Moderator:** Okay. There's a question from Shubham. What is the trajectory of margins in India business?
- Ajay Mian:** Well, the trajectory of margins, I would say it's been improving because we are also trying to increase our rates. Our product revenues are strengthening, so it's becoming healthier than what it was a couple of years back at least.
- Moderator:** And a follow-up question from Bhavesh Bhatia. What is the current order book? Typically, not into any specific products, a rough estimate would help.
- Ajay Mian:** I mean, you see ... when you talk of an order book .... it's much easier to give an order book if you are in a resource augmentation model because then you say X number of my people are booked for a Y period of time. But you see a lot of our business is projects business. And if you ask me your order book, probably certainly a couple of million dollars, but we don't track or report it from that point of view, so I think that's a question which wouldn't be meaningful for me to respond to.
- Moderator:** We take the last question for the day from Varun Agarwal. Varun, you can unmute and go ahead, please.
- Varun Agarwal:** Thanks for the opportunity, Vinay. Congratulations, Ajay ji and team for the excellent results.
- Ajay Mian:** Thank you very much.
- Varun Agarwal:** If you take a new university client which you have onboarded just for a rough idea when the solution gets fully implemented, what is the size of annuity revenue do we get from such clients?
- Ajay Mian:** The annuity revenue for a customer like this you see, some of these customers also grow as they start adopting a solutions ... but I would say the annuity revenue would probably be in the range of ₹40 to ₹50 lakhs.
- Varun Agarwal:** Okay. And for these new acquisitions which we are discussing in the pipeline, would you mind discussing the size of these acquisitions?
- Ajay Mian:** Very broadly, because as I said, it's just pipeline, right? It's not like something that we are signing a term sheet on. So both of them are in the range of ₹3 million to ₹4 million.
- Varun Agarwal:** Okay. Thank you so much, and all the best.
- Ajay Mian:** Thank you very much, Varun.
- Moderator:** Thanks. So that brings us to the end of the conference call. Dr. Ajay Mian, would you like to give some closing comments?



## Q3 & 9M FY'24 Earnings Call



- Ajay Mian:** Well, yes absolutely. And I'm grateful to all the investors, some of whom have been with us for the entire year almost. Thank you very much for the confidence that you have been exhibiting. We continue to grow the business, and we continue to make sure that we meet the expectations that we have from ourselves and the market has from us, and we will continue to do that.
- My colleagues, Rajiv, who incidentally is in Mumbai for a conference, and Ritu and Sandeep Salman and Sandeep Jain, we stay at it with all our energy and with our passion and we hope to continue bringing success to the business. Thank you very much. Rajiv, do you have any words to add?
- Rajiv Tyagi:** I can only share that with the AI, I think the potential is very much there. So by all means, there's a huge opportunity in front of us. It is only for us to capitalise that part.
- Ajay Mian:** Ritu, do you want to say something?
- Ritu Sood:** Yeah, I think we are getting some good traction in the international market, and our schedules are also growing. We are getting some good pipeline with the ISV solutions that we have in the international markets. We are also looking forward to more closures in the next couple of quarters.
- Vinay Pandit:** So thank you so much to all the participants for joining us on this call, and thanks to the entire management team at All E Technologies, we now end this call. Thank you so much.
- Ajay Mian:** Thank you very much.
- Rajiv Tyagi:** Thank you, everyone.
- Ajay Mian:** Thank you, everyone.