3i Infotech®
LIMITLESS EXCELLENCE

August 5, 2022

BSE Limited
Sir Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai – 400 001
Security Code: 532628

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C-1, Block G
Bandra Kurla Complex,
Mumbai – 400 051
Scrip code: 3IINFOLTD

Dear Sir/ Madam,

Sub: <u>Transcript of the Analyst/ Institutional Investor Meeting held on August 1, 2022</u>

Please find enclosed transcript of Investor Call on the financial results for quarter ended on June 30, 2022, held on August 1, 2022.

This information will also be hosted on the Company's website at https://www.3i-infotech.com/wp-content/uploads/2022/05/Transcript-Investor-call-held-on-August-1-2022.pdf

You are requested to take the same on record.

Thanking you.

Yours faithfully,
For 3i Infotech Limited

VARIKA RASTOGI

Digitally signed by VARIKA RASTOGI
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Date: 2022.08.05 20:30:55 +05'30'

Varika Rastogi
Company Secretary

Encl: As Above

“3i Infotech Limited's Q1 FY'23 Earnings Conference Call”

August 1, 2022

MANAGEMENT PARTICIPANTS:

MR. THOMPSON P. GNANAM – MD & GLOBAL CEO
MR. SANJAY RAWA – CHIEF FINANCIAL OFFICER
MR. HARISH SHENOY – CHIEF PERFORMANCE OFFICER

Moderator: Ladies and gentlemen, good day and welcome to 3i Infotech Limited for Q1 FY23 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Thompson Gnanam – M.D. and Global CEO of 3i Infotech. Thank you. And over to you, sir.

Thompson P Gnanam: Thank you. Good morning, good afternoon, good evening, ladies and gentlemen and welcome to 3i Infotech Limited Q1 FY23 Earnings Call. Hope all of you and your loved ones are staying healthy and safe in the era of pandemic and endemics.

We continue to build our momentum of business acceleration on our last year strong foundation we have laid post carve out for the New 3i. The quarter was a good progress from our year-end results and in line with an annual growth targets. This year would be a year of building scale, enhancing margin and accelerating as a challenger.

I'm happy to inform you that 3i Infotech has begun the fiscal year with a good set of results in Q1. I'm happy to report that we have shown a year-on-year growth of 12%. As discussed earlier in my call with you all, we already articulated our Vision Statement for 2030 and we are close to achieving a billion-dollar trade.

Quickly on the revenues, for q1 our top line has been 179.1 crores, US$0.6 million with a gross margin of 11.4% and an operating PBT of 0.3 crores which is very positive for us, I think, to start the year with a positive PBT and it is very essential for the organization to build on this momentum that we have set forward.

For the benefit of everybody, I thought it would be better in our AOP call and in our year-ending call where we had set some of our priorities, it would be good to refresh your memories as we build this organization and we have very clearly demonstrated the "RUN, GROW and BUILD" strategy. In the run, very clearly this year, restructuring of our global organization, eliminate non-profitable engagement, the foremost priority, reduce right cost of support of existing businesses, right scale and reskill the organization, reduce revenue erosion for fortifying accounts expense to new lines of businesses, leverage loyal clients as brand champions of new 3i

For the grow, we enhanced our grow on book, more focused on account-specific strategies, and also see a very clear micro segmented go-to-market as well, a special focus on SMB and mid-market.

Sales cost efficiency will be a very important focus this year in terms of redeployment of our sales investments within the volume and the value business. Value is where we want to commercialize and generate revenues, for building investments we have made last year and which we continue to do this year.

NuRe 3i plus cloud-powered services will be an arrowhead and various other NuRE velocities which very quickly will beat us will run on our NuRe clouds. And Malaysia is our first launch which is on course and also we will follow it up with the US, UK and SMB segments, mid-market of these geographies.

And for the build, we spoke about very clearly, this year is an important year where we have to start increasing revenue plans for the build investments in May last year and also continue to invest, build cognitive computing services platforms, large telco offerings, 5G land as a service, Oracle COE and so on and so forth. These are some of the priorities which we kind of set for ourselves for this financial year.

Quickly, I will touch upon the macro economic impact. So, of course, because more than 50% of our revenues come from the US market. And the US market has the highest inflation now in almost four decades high, borrowing costs are surging, stocks are being beaten down. Conference are growing in that some of the economic activity for US into a recession. This essentially means that rationalization and reprioritization of some of the capital operational expenditures which will translate into reduced growth for tech industry. Margin protection is going to be the key focus area for the sector during this period.

So, just on that aspect, we see an opportunity even in this tough economic scenario, have increased the share of wallet as the clients spikes to optimize the cost, and consolidate partners and service providers, a challenger like us should go well to increase the business and move the revenue share from our Tier-1 competition. So, it is purely a reflection of this success for us as we are marching towards our goals.

Just so refresh our memories, we have given a guidance and a target of Rs.760 crores and a 15% EBITDA margins for financial year 2022-23, and we are on course for that, and we will try our best to achieve this outlook in spite of these headwinds, which we see in the industry.

Quickly, an update on some of the strategic initiatives based on the priorities we have set for ourselves. To have a better focus on the value sets, which is build business, it's the new lines of services of building, and we have carved out a new independent P&L unit, which will be run by our senior leader, Sai Krishna who will run this as an independent P&L. The objective is to drive these investments to monetization, drive at the margins, incubate and scale the various present entrepreneurship, which we're building. And this will work very closely with our business units which are aligned to the geographies in the New 3i, which is the India business region, the global business region. And as the geographies focus on the volume targets, the value business led by that will drive higher margins and transformation business and monetize some of the build investments we have made.

So, quickly on some of the key highlights:

We have launched our Center of Excellence at IIT Research Park, Chennai, where we are launching cognitive computing as a service and our 5G lab has been set up there. And where we are building our own IP in terms of 5G lab as a service. We recently launched the Oracle COE in Tirunelveli Unit Park, where we have got 100 engineers who are being trained in Oracle and this is also in line with the Oracle strategy.

Finally, also, wides of customer the way I look at it, key customers we're kind of busy in Q1, meeting some of our key customers in US and other geographies, trying to validate our strategy. And the good news is that it has been well received and the validation of our business strategy is very, very strong. The rebranding and repositioning of the New 3i is now underway. We've also been able to kind of generate a healthy pipeline of some of the new lines of service in the build businesses of almost $5 to $7 million US opportunities which have evolved in Q1, which are in cybersecurity operations, in cognitive computing services, and then some of these next generation cloud-based, cloud first, digital first, cognitive-enabled, automation-led services which we are trying to take it to market.

Finally, I would like to reassure you all the management team is working hard to convert these headwinds and global environment is an opportunity for New 3i, build a strong order book of Rs.100 crores of high value business and deliver the guidelines which we have committed.

Thank you. I would like to end my commentary out here and I will request our CFO, Sanjay Rawa, to share the financial highlights.

Sanjay Rawa: Thanks, Thompson and good evening, everyone. I'd like to start with giving the key highlights of our financial performance at a consolidated level. We achieved a revenue of Rs.179.2 crores for the quarter vis-a-vis the last quarter of Rs.175.6 crores which represents a 2% quarter-on-quarter growth. In comparison to the year-on-year number, we had revenue of Rs.159.9 crores, with a growth of 12% year-on-year.

Moving on to our cost line, I just want to give a highlight of employee benefit expense which has marginally moved up by about Rs.2 crores, primarily due to the increments that we had effective from mid of this quarter.

Our cost of other third-party products and services have gone up primarily due to two reasons: One is, we had seen a significant increase in our US subcon costs due to certain attritions that we had in the US, which had to backfill through the subcon mode and in Saudi Arabia as well. So, this is primarily related to the revenue growth, and we see that dropping down and the employee numbers coming up going forward.

Other expenses primary has gone up due to increase in travel cost and insurance due to increase in the revenue and our operation now, since post-COVID, we had to get into the field and the travel expenses going up.

This quarter, we have adopted the FCTR gain for our US operations. US operations effective from 1st of April have become non-integral, and due to that, we have adopted the foreign exchange to be moved to OCI. And related to that, there is a gain which we have recorded in our books to the tune of Rs.11.6 crores, which lands up into our PBT of about 31 lakhs and that's on the P&L part.

Like to give some highlights of the balance sheet, though we are not covering that. But our net cash we had as of 30th June of Rs.48 crores. Our DSO is at 99 days, which has moved up by five days, but we see that as a temporary increase. This was primarily due to certain government customers sign offs being pending and the delay in collection, but we expect that to get recovered in Q2 onwards.

CAPEX for the quarter has been around Rs.6.8 crores. And our overall foreign exchange average rate for the US dollar has been 78.8, which we recorded for the quarter as of June 30th.

So, this is what I wanted to give from a financial highlight point of view. Happy to take on any other questions during our interactive sessions. Thank you. I'd like to hand it over to Harish.

Harish Shenoy: Good evening everybody. So, to give you a quick overview of the operations that we had in Q1, and our way forward on that. So, I think as we have got into this new year with the new vigor and the strong base that was set by our organization for the last year's numbers, we've been working effectively on reducing our costs and improving utilization of the organization. So, as Thompson mentioned, we had to restructure the organization to make it more effective and we split our units into India business region and the global business region, built or the product development being called out separately, so that it becomes more efficient and effective for us more in terms of an IP creation as well as revenue generation from that per se.

When we're coming to operations thing, we are trying to bridge the gap, that's getting created due to the attrition era that we have gone through in the last year. So, as corrective actions or plans that we had in the last quarter, we've already set up the Tirunelveli Center of Excellence where we are getting 100 engineers to be trained on industry or vertical-specific skills, who can be deployed from the third month onwards, and they will start generating revenue for us.

In addition to that, we have also started taking trainees at various locations, other than that locations also, who will start working as shadow resources on projects and they also will quickly pick up on operations in a quarter or so. So, around 50 resources to 100 resources is what we are planning every quarter and getting them into billable resources in the next quarter onwards.

In terms of the spans and layers optimization, we are constantly churning out and evaluating each and every lines of businesses and identifying any ex-list I would say excess resources sitting there and ensuring that like the teams become lean and mean as we are delivering the processes.

So, we are also getting into capability enhancements by entering into strategic deals, wherein the entire revenue focus is also to ensure that we have a revenue mix change in the organization, rather than continuing with the traditional lines of businesses that we have been working on.

Some good news on our US geography operations, we had around 450 H1B registrations. So, we had one round of lottery already done, which is like, we got 50 of our applications selected. There is second round of lottery which is expected to be coming up mid-August or towards the end of August, where we expecd some more shortlist to be done there. So, in the next quarter or so, we should be having more headcounts in US being exported from India, who will boost up our revenue at a lower cost.

And in Malaysia, as we talk, we will be having our indigenous sovereign cloud being set up and it should be launched along with Oracle, and the Malaysian government supporting us on those initiatives.

So, in addition to the business operations, we are also effectively focusing on the general admin, sales cost for the organization. We have launched specific initiatives in the organization And the success rate for the Q1 is we have been able to identify annualized saves of almost around Rs.10 crores already and we continue to pick up lines where we might be able to optimize on cost in the sales and the GA costs of the organization.

So, by and large, as our business teams are focusing to get in more revenue quarter-on-quarter, internally, from an operations perspective, we're trying to make it lean and mean and trying to be making it more profitable. And there are specific initiatives being undertaken.

We also are ensuring that we are getting in very key resources will be very effective in bolstering this organization. So, we have had the global delivery head for telecom joining in the last quarter, who's going to strengthen our telecom delivery. Traditionally, we had the remote infrastructure management or the infrastructure management services being run out of the organization. We have a digital infrastructure management head, who has joined us last month. We have a couple of key recruitment done last on the human capital management also both locally as well as globally.

I think we are re-looking at the organization after completion of one year's business, and we have taken some corrective actions as to how it should be structured, and what are the key blocks that needs to be filled or replaced after evaluating our operations. And that's what we have done in the Q1 and taken definitive steps towards achieving the bottom line. So, that's like to summarize overall, what we have achieved in Q1 and also setting the tone for the quarter ahead. So, that's, all from my side. Back to Thompson.

Moderator: We will now begin the question-and-answer session. First question is from Siddharth Gupta from Voyager Capital. Please go ahead.

Siddharth Gupta: I must begin by saying that I am not as a personal investor as well as an entity we are not very impressed with the results that have been put forward. Particularly, my question is directed towards the fact that as a consolidated entity, we posted a loss wherein while detail during the conference call, it was detailed that we carried out CAPEX and increment. Can the management elaborate as to the reasons why we could not come in the black for the consolidated entity? We are in profit for a standalone entity. Secondly, I wish to know if there have been any major new orders that have been won by the company in the preceding quarter apart from the ones that have been publicly announced.

Thompson P Gnanam: Thanks, Siddharth So, see, if you ask me from an EBITDA level on a consolidated basis, there is a gap, because there were a few overflow, with costs and expenses . But the good news is that we've got the kind of operating rhythm in place, and we will be able to kind of deliver the profitability, even without the foreign exchange gain which we made. And that we can assure you that, quarter-on-quarter, we'll be able to do that, because as Harish explained also, we are also working on multiple areas to eliminate cost in parallel, and these actions have been taken in Q1, and the results of that you would see it in Q2 for sure. That's on the first question, which you spoke about, Siddharth. The second question is on a lot of new orders. The good news is that as I said even in my commentary, Q1 has been good because we were focusing heavily on our existing accounts and especially in US, because most of our new lines of business have been ready and we will be taking to market. It's been very encouraging in US, especially on cloud transformation areas within our own existing customers. We have been able to kind of secure intention to expand our businesses, in our top 2, 3 customers in the US, we have secured additional funnel of businesses which will really help us to get high margin revenues in the quarters to come. And also, there are a lot of new logos we have signed on. But these logos have huge potential because almost close to eight new logos, we have signed up in month of Q1. Each of the new logos have a potential to easily scale up to a million dollars. Right now the contracts might be small contracts like 200k or 400k. But each of them can be a million-dollar account by themselves.

Siddharth Gupta: I just had a quick follow up about the DSO days. It was mentioned that our DSO days have gone up. Could there be a bit more elaboration on that? Largely, is this a working capital debt that's coming on or is it a long-term debt that the company is staring?

Sanjay Rawa: That DSO primary is on account of delays by certain government customers in India for collection. Apart from that we are on track in terms of our target for the DSO.

Siddharth Gupta: So, fair to assume that there is no new long-term debt that came into play, just the receivables in terms of …

Sanjay Rawa: Yes, it's just a receivable. Yes, you're right.

Thompson P Gnanam: Absolutely. There's no long-term debt, Siddharth, for us, and in fact, we've been managing our cash flows, and we've been paying our employees on the last working day even with all these challenges and headwinds because of our secured collection.

Moderator: The next question is from the line of Vaibhav Badjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Badjatya: I think you mentioned in your introductory remark regarding this foreign exchange profit that is there on the P&L. So, if you can provide more details on what are the changes that has been done which has led to this profit?

Thompson P Gnanam: Sanjay, you can come in but I'll quickly set a context from a strategy perspective and then Sanjay you can explain it. The old 3i was a product-led company, which was the India-centric kind of operating model. And now, as the New 3i we are now evolving into a more geo-specific, geo kind of led organization in line with the other industry peers and services and organizations. And that's the key chain. So, effective April 1, what we have done is, we have now set these targets very clearly from a geo P&L perspective or independent geos are full-fledged subsidiaries and which work independently especially US, which is our big geography. And with regard to that, these things have happened. Sanjay, maybe you want to expand it from here.

Sanjay Rawa: Yes, just I want to add on to what Thomson said. Since this is primarily only for the US entity, our US entity being a subsidiary and effective from 1st of April, it has become more non-integral, it's not integral to the operations of India. So, whatever gain/loss that we get on translation as per Ind AS, it has to be moved through OCI to a reserve called foreign currency translation reserve, which sits in reserve. So, that's how we have that moved out and that's the reason the primary the gain has happened in India in consolidation.

Vaibhav Badjatya: So, it has come into P&L of Rs.11 crores. So, you're saying whatever was the gain till date it, it has come into P&L and then going forward how will it be? –

Sanjay Rawa: Not till date, this is for the quarter. See, what happens is when there is all the intercompany outstanding, all our overseas balances are intercompany balances primarily which gets into foreign exchange translation and at an India level whatever you get a foreign exchange at a consolidated level, it gets eliminated because ultimately all the receivables and payables in terms of furnishing gain/loss has to get nullified. But that is an integral operation. So, if US had a non-integral operation that was primarily the reason, therefore it had to be taken to a foreign exchange translation reserve and hence we have it in the consolidated results as a gain of Rs.11 crores, which is primarily the India gain reflecting on that account.

Vaibhav Badjatya: Sorry to ponder on this, but on a consolidated financial statement, I see foreign exchange gain of Rs.12.8 crores in the P&L and your notes-to-account says that for this particular reason, the impact was Rs.11.64 crores?

Sanjay Rawa: Correct.

Vaibhav Badjatya: This is coming into P&L?

Sanjay Rawa: Yes, because it's a loss. See, happens is the US entity records a loss on translation and that loss gets moved to the foreign currency translation reserve in the balance sheet.

Vaibhav Badjatya: But if it is coming through OCI in balance sheet, then it should not be coming into P&L is what my question is?

Sanjay Rawa: Till the last year, it was an integral operation. In the current year, whatever gain/loss, the loss is there, the loss gets recorded under the balance sheet as reserves. So, the India part of gain, which is generally eliminated because of this loss, which will get reflected as part of it on the same transaction. What we can do is, if you need a bit more explanation, we will have a separate call and we can discuss that.

Vaibhav Badjatya: That would be better.

Moderator: The next question is from the line of Harsh Sheth from HDFC Securities. Please go ahead.

Harsh Sheth: Just a couple of questions. So, just basically wanted to understand our vision for the edge computing business, and what strategies are we implementing to drive this particular business? Second one was on basically NuRe business now. So, if you could throw some light on this particular segment and our plans here, what is the commercial model and how do we plan to expand this?

Thompson P Gnanam: So, there are two part. One is that the NuRe is our cloud first business, which is kind of the foundation for all our other businesses, whether it is digital first or automation, or even cognitive just on our NuRe line of services. NuRE 3i plus is our Oracle OCI, cloud first which is led by oracle cloud, where we are now building our own sovereign clouds, we are building our own cloud in a box services and we have been successful in getting some new deals using these frameworks and methodologies as well. We've also been having these startups and resident entrepreneurs, bringing the secret sauce for us, in terms of hyper scalars or in terms of optimization engine which we are bringing into the NuRe as well. Even the NuRe 3i, which is non-oracle, which is on Azure or Amazon bare metals, we've been able to kind of demonstrate workload optimization and cost optimization to the tune of around 30% or 40%. In fact, one of the deals we closed in fact we have been able to give savings of 25% to our customers and still we make 25% gross margin. So, your point on the strategy, Harsh, is that we are focusing more on TCO optimization, especially in the cloud and the digital infrastructure management space where we take all the TCO and then commit to kind of a game or a game share over a period of time. That is one. And your first question on edge computing. For example, we have now set up this IIT research park, where we have gone on cognitive computing business being incubated. And we are now working on our 5G lab as a service. And from a edge computing perspective right from edge cloud to edge application development, security to edge analytics is what we are focusing on. Our first product called Edge NuRe is already launched, which is a facet product built on oracle cloud and it's our own IP where we already started getting a lot of customers. In fact, using NuRe Edge is not just assay, it could be a one-stop-shop for multiple security, platforms and applications. And in fact, as we speak, we are running advanced POCs with our existing customers to see if they can replace multiple tools, applications with a single platform of NuRe edge and also almost 25% to 30% cost savings for our customers for cybersecurity operations.

Moderator: Next question is from the line of Rahul Battulwar from Oak North. Please go ahead.

Rahul Atulwar: So, I have just one question. Given the high level of attrition that we are seeing in IT sector, how are you controlling the employee cost inflation?

Thompson P Gnanam: So, Rahul, this is industry problem. If you look at our Q1 numbers also, employees attrition gone up because obviously, it is costing us more to do business even in India. So, very clearly, what we are looking at is also de-risking ourselves by investing in Tier-3 cities and this NuRe park of Oracle COE, Tirunelveli is one such initiatives we have taken where we are now building this pool of engineers who will be trained and aligned to industry specializations especially the Oracle COE, is aligned, it's an effort in that direction. Second, we are also now increasingly focusing on investing these COEs onshore as well. Because more and more the things are getting tighter, there's also a need for more onshore presence and the margin can be enhanced by more humanoid and cognitive enablement and all. In fact, we are redoing our US officers to be able to deliver more onshore delivery, similarly in Malaysia, UK, Middle East is what we are doing right now. Because that's an opportunity for us to kind of derisk our dependency on kind of extremely heated up Indian environment right now.

Moderator: The next question is from the line of Kapil Joshi from SGS. Please go ahead.

Kapil Joshi: Sir, can you please elaborate when can we expect to be profitable, because EPS even after restructuring is showing a negative figure, even though this loss is reducing, however, we are far away from the net profitability, so, when can we see a good amount of healthy profit and EPS growing in multiple -- so, should it happen in the next quarter, can we expect that that will be a net positive by say end of Q2.?

Thompson P Gnanam: As I said, for most of you all have been invested with us for a long time, it might look like a continuum, but for us, the last year was a very important inflection point once we sold out the product division, and we are now building this new organization. To your point, we are already committed that this year as an outlook we said we will deliver profitable results in the start of the year. We are targeting Rs.760 crores and Rs.15 crores profits. And we are hopeful that we'll be able to do it, because we've got all the levers in place, we have kind of produced all the variations and surprises we had last year post the carve out. Also, the rhythm is building in terms of operational efficiency and excellence as well. And the revenue change also is now happening. And to your question, we will be definitely able to build a very profitable ongoing organization and definitely we will exit this year with profits.

Kapil Joshi: Sir, attrition is something which is hurting most of the IT companies. So, I believe 3i also will not be an exception. So, that is something which is causing a huge dent to all IT companies. Every company has its own style of working. So, I believe you must be also working on the same just a best possible way to minimize attrition, which is a big concern nowadays?

Thompson P Gnanam: So, what we're doing is derisking ourselves from this Tier-1, Tier-2 and focusing on Tier-3 cities. The Nure Park is a step in the right direction where 100 engineers are being trained, where we have almost no attrition because now we are creating jobs for this and similarly, we are going to create other hubs in west, north and east in India. Second, we are also building a similar Tier-2, Tier-3 in the geographies in US, UK, Middle East and APAC as well, because with more digital and cognitive and automation, we will be able to deliver very good margins even in onshore presence.

Moderator: The next question is from the line of Sanjay K, individual investor. Please go ahead.

Sanjay K: Mr. Thompson, in last six to nine months, you had multiple meetings with institutional investors and even you posted those meeting details as well. Are you seeing any interest from these institutional investors or anchor investors investing in 3i after so many meetings?

Thompson P Gnanam: Of course, because we have been constantly kind of communicating our strategy and the New 3i to all potential investors. There is a renewed interest and we'll be watching very closely. And I'm sure as we are able to bring this more predictable business and we are able to kind of generate predictable revenues and profits in the coming quarters, these interests would convert into more long-term partnerships or investment relationships.

Sanjay K: About the large deals or big deals, we had this announcement of Bamboo Rose about six months back. And since there is not much of this, we have seen much activity on big deals. So, how does thepipeline looks like and any traction you are seeing that the big deals will come? In maybe last quarter call or some call you mentioned about some Rs.60 crores deal what you're working on. So, what's the status?

Thompson P Gnanam: There are two parts. In fact, fingers crossed and you know some of the Indian large deals and especially POCs in government, it takes time, especially, even if after L1, L2 processes is there. So, we are in fact high probability of winning some of these very large deals in Indian PSUs, which are focused on infrastructure management services space. Hopefully, we should be able to come up with a good news shortly, at least in my mind, there are on two or three deals cooking. In the global space, what we have done is, we have started focusing on some of the existing accounts where we are now sitting and with all the investments we have made in all these new technologies and new services, trying to figure out and shape large deals. I think some of our key accounts, you please wait for some announcements to come in, where we are hoping to close something in cybersecurity operations, reasonably a large deal. And second, also in cloud transformation for some of our existing customers, which will be again a very large deal, because the spend could be almost close to $10 million, or $15 million over three years, which is entire cloud transformation. So, these type of engagements is where we are very confident. That's why I said this year, we want to take an order book target of around 100 to 150 crores some of these next-generation deals, which will give us higher profits, especially like, Bamboo Rose for your information, like as a reminder, today, we are already on course, in fact, the monthly run rate is increasing on a monthly basis and these are very highly profitable deals for the organization.

Sanjay K: One more question about, recently, 3i Infotech invested into Exium, US-based company, and various COEs what you're investing into, even last week's announcement of partnership with CoreStack. So, just my question is, when do you see the investment contributing to business, are you seeing already you're getting deals from this kind of investment?

Thompson P Gnanam: So, there are two parts. One is about the organization's structured stream. So, last year, we invested in all this NuRe, in Exium, which is our core technology for our 5G as a service. Our NuRe edge platform runs on Exium core technology. So, all these are now starting to bear fruit what we have invested last year. And that's why we have broadened a new structure this year. In fact, Sai is taking up this role of driving our go-to-market and a P&L for all the investments we're making, through these build initiatives, what we call, and own a kind of annual operating plan itself for this. So, that's what we call the value business. And we have a separate annual operating plan. In fact, what we committed as Rs.760 crores revenues in our current lines of businesses, which was in pipeline right now. But definitely the value business we are hoping for Rs.100 crores of order book. And, and we will have to hope and see how much of that we can convert as revenues for this year also. So, that pipe is building on all these lines of businesses. And this organization change, press release also will come, which will also kind of highlight the changes we are making for the company to ensure that all these investments bear fruit very quickly for all of us.

Sanjay K: My last question is about the Q1 results. Have you given annual increment to employees during Q1 or you're going to give increments in Q2?

Thompson P Gnanam: In Q1, if you see the employee costs have gone up because we have given the increments to employees and obviously so that is also increasing, but we have also done other levers as I said to ensure that we are on our first plan. Variable pay we will pay out in Q2.

Moderator: The next question is from the line of Shaju Perincherry, individual investor. Please go ahead.

Shaju Perincherry: I just want to understand one thing, the profit reported this quarter without foreign exchange gain, there was a loss of Rs.11.2 crores,Compared to last quarter, this is a big variance. And secondly, can you please give us an estimate of your revenue for the next quarter? I'm not asking about the profit, but what do you think would be whatever it was in Q2 from the trajectory?

Sanjay Rawa: The variance primarily, we had some exceptional cost on employees leaving the US wherein we had to patch in with subcon arrangement locally. That is one of the primary reason that we had a low margin. But, going forward, we think that with our resources getting in, in the US back and that's what we are working and we already have lined up people getting back, our margin should go back into a level, or I'd say improvement in the margins in the coming quarters. That was the primary reason to answer your question.

Shaju Perincherry: I just need some more clarification on this. It is a loss of Rs.11.2 or Rs.11.3 crores So, can you just give me five major cost elements contributed to this, otherwise, you just give me some graphical reasoning, more articulated response, but just give me the numbers, the main heads, where the cost has escalated where it is Rs.11.2 crores compared to last quarter as happens.

Sanjay Rawa: You can say, our con cost which is under the heading of cost of third party, that has gone up by about Rs.7 crores that is one. Travel expenses have gone by about Rs.1.4 crores that is about 8.5 and our insurance covering or indemnity insurance by about a crore. So, these are the primary elements which comes to about Rs.10 crores and over and above that the increment of Rs.2 crores. So, that sums up to Rs.12 crores that's one of the reasons that has backed into a positive result, if you add all this.

Shaju Perincherry: Is that going to be recurred in the next quarter?

Thompson P Gnanam: Like I said, some of the balancing which we are doing is that we are also in parallel taking some cost optimization decisions in Q1 which will start balancing some of these, for example, the cost of workforce increase will be balanced and netted off against that, that is one. Second, because of these green cards, and attritions in the US, which was an impact for us, which we are now replacing with our own resources, which will eliminate this third-party cost for us. So, that is a second thing to your point. Because on an operating level, without these exceptions and surprises, we are getting into a more rhythm of profitability. So, removing these two, I think, we will be back. And then the second question is, how our revenues are increasing and what they are going to contribute. So, definitely we are looking at, at least upside of Rs.185 to Rs.190 for Q2.

Shaju Perincherry: My concern here is that we being a long-term investors in this company been waiting for two years now and we thought things will be rosy. And now there are more and more challenges are coming in front of us. We want to get sort of a comfort from the management. This is one of the points I raised in my last participation. How to avoid these concerns?

Thompson P Gnanam: Some of this say for example, this green card issue which has impacted all industry, see, for example, when we closed our Q4, we never had these sudden green cards which was bowed out to people and once how it happens, once the employees are free to move on from our visas and impact, hits us in a routine base. But I think to your point, we are now mitigating it proactively, and we have a different pipe. Harish talked about it. We are now almost getting 100 people up proactively. That's going to give us an upside and also derisk some of these impacts which we might have. That is one. But otherwise, if you look at it, last year, we had surprises because of deal or fall through or carve out or something like that, and PDD, we have done all the cleanup. The last year was a year of cleaning up, we have done that. So, you will not have any more surprises in those aspects if you ask them. So, now we are cleaner, more predictable. Now we have to get our basics right and I need to start delivering result.

Shaju Perincherry: What's the reason if you decided to change your functional currency in the US dollar, because I still believe that the majority of your revenue comes from Indian rupees. So, why don't you stay back in Indian rupees other than changing the currency. That concerns me all these as a result of changing the functional currency was to some sort of and address the loss that show some profit before taxes?

Thompson P Gnanam: For example, I gave you the reason why we did this. This is the not reason. If you look at it, 3i was a product-centric, India-centric organization before the carve out happened and the products were sold. Okay? What we are left with the services organization which was not even on par with any other peers in services. Now, what we have done is, in this one year, we have now built a services organization, which has to be on par and in line with the industry. Second, our biggest geography is US geography which is almost 55% of our revenue. And that is what Sanjay explained how to keep this as a true P&L organization and its non-integral to the Indian organization. So, that is the key change we have made in line with other peers also. So, it's a strategic change the way we look at it. It is not a transactional way of looking at it like what you said.

Shaju Perincherry: I appreciate and I hope you will not change that kind of appeal in this quarter. Just one suggestion, since this company is now passing on by retailers and few banks, can you please publish a full-fledged quarterly reports in line with the IFRS or standard rather than following the SEBI regulation? Is there any reason stopping you in doing that

Sanjay Rawa: Not clear was that question was. See we are publishing report as required by SEBI which is in line with the Ind AS requirement.

Shaju Perincherry: No, no, no. Let me explain to you actually. Okay? What you are publishing in one page P&L statement some notes and an auditor's report, if you go back by your IFRS, there is a requirement of a quarterly report, to be explained based on balance sheet, condensed balance sheet financial with all the notes. Since you said you already changed into US dollar as a currency, why don't you consider coming up with the detailed quarterly financials in line with IFRS which will add so much of credibility to your numbers and the acceptance? Until there are no single owner here, I'm sure that most of the retailers would be very happy to accept the statement from you.

Sanjay Rawa: We are in alignment to the SEBI regulations and the reporting requirement as required by the Companies Act as well as the SEBI requirement. And what we will do is for September anyway we are going to publish the balance sheet as well. So, it will be a detailed one which will cover for both consolidated as well as the standalone results.

Moderator: We will move to the next question which is now from the line of Kapil Joshi from SGS. Please go ahead.

Kapil Joshi: My question is about employee stock options. This is something which is going to dilute the equity. So, it has been going on earlier as well. So, are we going to plan employee stock options as well, there is no end of the stock dilution, can't we avoid this?

Sanjay Rawa: Is it about your shares getting allocated that you're referring to?

Kapil Joshi: See, for example, company has a set of 700 crores of shares. Now, a few of the shares are given to employees. So, now you're given one crore shares extra, so whatever is EPS that goes further down when new stocks are added?

Sanjay Rawa: I think what is being shown as allocated are stock options which have been granted to employees over the last four or five years. So, they are only exercising and vesting their options. So, I don't think other than that, there are huge numbers which have been given to the employee stock exchange, and these are no new schemes floated which is getting diluted right now. That's point #1. I think that's what you're referring to. Just to answer your question, no new shares have been allocated in substantial quantity in the last few quarters. So, whatever scheme was floated and carved out for the employees is what is being given out of. Having said that, 3i Infotech having the brand image, whatever it has over the years, and in the era of attrition, we will need to have some schemes to attract employees, people for lateral hires in the organization to strengthen our capabilities. So, it might not be in huge volumes, but as an organization, we might need to have certain schemes by which we can, otherwise it will have to be compensated with huge salary packages. So, instead of being cash out as an organization, I think that would be a better way to compensate so, there is stickiness or retention by the employees with the organization over the next three to five years and like a company's P&L also is not hit by that. So, we are taking a very measured view, and we have not allotted huge amount of shares, which will reduce or dilute the shareholders' equity capital.

Moderator: In the interest of time, that was the last question. I will now hand the conference over to management for closing comments.

Thompson P Gnanam: So, thanks a lot and these are all very valuable questions and insights. And I like to thank all our shareholders and investors and thank you for your patience with the new 3i and the new management team. Need your continuous support and we will keep building on this momentum. And also we will also try to have some questions on trying to see how we can communicate more transparently and effectively. I think there was a question from Shaju. We will take those inputs, because our endeavor is to build a world-class organization, because this is run by professional entrepreneurs and we will bring those best practices to ensure that we build confidence and support with all of you. Thank you all once again in talking to you also.

Moderator: On behalf of 3i Infotech Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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