"3i Infotech Limited

Q2 FY 25 Earnings Conference Call"

November 06, 2024

MANAGEMENT: MR. RAJ AHUJA – ACTING CEO

MODERATOR: MR. PRATIK JAGTAP – E&Y INVESTOR RELATIONS

Moderator: Ladies and Gentlemen, Good Day and Welcome to 3i Infotech Q2 FY'25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and 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. Pratik Jagtap from EY Investor Relations. Thank you and over to you, sir.

Pratik Jagtap: Thank you, Tanmaya. Good afternoon to all of you. Welcome to the Q2 FY'25 Earnings Call of 3i Infotech Limited. The Results and Investor Presentation have already been mailed to you, and you can also view it on our website at www.3i-infotech.com.

To take us through the results today and to answer your questions, we have the top management of 3i Infotech Limited, represented by Raj Ahuja, Acting CEO. Raj will start the call with the Business Update, after that we will open the floor for Q&A Session.

As usual, I would like to remind you that anything said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included, but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports that you can find it on our website.

With this, I will now hand over the call to Raj. Over to you Raj.

Raj Ahuja: Thank you, Pratik. Good day to everybody. Thank you for taking the time to join us today to discuss the financial results for Q2 FY'25.

It's my privilege to address you all today for the first time on the Earnings Call as acting Chief Executive Officer of 3i Infotech. I bring over 30-years of experience in finance, strategy and operations across technology, media, FMCG, banks, financial services. My focus here is to drive strategic growth, operational excellence and compliance, leveraging my experience from companies like YES Bank, Paytm, Reliance Jio and Wipro.

Over the past few months, I have focused on understanding our business strengths, the unique value we bring to our clients and the significant opportunities we have in our markets. We are in an era marked by rapid technology advancement where adaptability and innovations are essential for our ongoing success.

My vision for 3i Infotech is straightforward, to establish our company as a productive player in this evolution, leading in digital transformation and innovation, while remaining true to our core strengths. I'm committed to building on the solid foundation led by this team, and I look forward to cultivating a culture of innovation and growth as we move ahead.

Currently, we are going through the transformation phase which is built on Three Foundation Pillars:

- Compliance.
- Profitability.
- Sustainability.

These pillars go beyond strategic objectives. They reflect our commitment to rebuild the company with integrity, financial stability and long-term value creation.

Over the past year, 3i Infotech has undertaken a strategic realignment to stay competitive in the rapidly changing market. This effort focused on refining the company's core strengths, optimizing resources and preparing for future demands. While we maintain our strong presence in the BFSI and the government sector, we are expanding into high growth areas such as healthcare, manufacturing and telecommunications also. Additionally, we have taken significant measures to improve operational efficiency and cut non-essential cost, positioning us for resilience, adaptability and operational excellence.

Coming to Q2 FY'25 Results, I will start with a Summary of Quarterly Results, followed by an Update on Business Events and Outlook.

This quarter, our revenue stood at INR177.6 crores while gross margin was INR20.3 crores versus INR16.9 crores in Q2 FY'24, which is a testament to our cost optimization efforts. Our operating EBITDA was at INR5.5 crores, a growth of 55% quarter-on-quarter, continuing positive trajectory from Q1 FY'25. During the quarter, our net loss netted to INR1.2 crores as compared to loss of INR6.1 crores last quarter.

Our current focus is on sustaining our scale and driving organic growth within existing accounts. Alongside this, we are revamping our sales strategy and structure to expand our reach and drive growth in new accounts. During the quarter, we have signed 23 new contracts with both existing and new customers. This includes the addition of four new clients in government and manufacturing sector and accelerated our shift to next-gen solutions through AI investments, initiatives that position us for sustained growth in FY'25 and '26.

Coming to Some of the Quick Business Updates:

As previously communicated through stock exchanges, we had received in-principle board approval to divest partially or fully from the RailTel project as it was a non-core B2C venture that would have required substantial investment and resources. We have since signed a nonbinding term sheet with investors and will provide further details upon signing the definitive agreement which we intend to close within this quarter.

Additionally, we have reprioritized our Future Tech product portfolio, focusing on selected set of products for the next six to 12 months with plans to divest or close the remaining products.

To further strengthen our leadership, we have recently restructured our management framework and we are in the process of appointing some key management personnel this quarter.

In terms of Balance Sheet Update:

We have effectively reduced our receivables by maintaining a strong focus on collection cycles and implementing rigorous follow-ups in the market. This will continue to be a priority area under direct management oversight. Furthermore, we have made appropriate provisions for legacy issues that may emerge following the completion of the audits.

An Update on Forensic Audit:

Currently it is in its final stages and we expect completion by Q3 FY'25.

Looking ahead, this year, we anticipate a decline in top line primarily due to our strategic decision to exit some low margin and loss-making deals. However, as our growth initiative gain traction, we expect to see positive momentum by year-end with fair growth projected to begin in FY'26. Our EBITDA has already turned positive this year and we expect this effort to continue with the target for exit positive PBT for FY'25.

With this, I would like to stop here. Thank you for your continued support and trust. I will now hand over the floor to moderator for Q&A Session. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Harish Tawate who is an individual investor. Please go ahead.

Harish Tawate: Sir being an IT company why are you doing an unrelated work or non-core business such as RTA? If you want you can outsource it as well. Question #2, if the gross profit margin of the company is not coming 20% to 30% range then how come the net profit margin of the company can come within the range of 10% to 20%? So, does it mean that company does not have a pricing power at all? Question #3, as you are hesitant to give the guidance for the coming quarter so shall we assume that your self-confidence is low regarding the growth of the company? Because of your fundamentals of your company and not giving the guidance about the growth of the company it has created an atmosphere of fall in the share prices of your company. As of today, the share prices of your company is near all time low. Question #4, Board has designated you as the CEO, after that you have announced EBITDA positive in Q1 & Q2 FY25, but the market has not cheered you up so shall I assume that the market did not like the leadership of

Mr. Raj. Question #5, the way you have made the changes in the previous management like CMO, COO, CFO, Statutory Auditors, will you change the Company Secretary, and internal auditor means the probation officer. That's it from my side.

Raj Ahuja: Thank you, Harish ji. Quite good set of questions and I'd like to think about how do I answer some of these difficult questions. Let me go question-by-question. First question was on our RTA business. RTA business, we actually had set up as a start of this company as an RTA company only and that business has continued for the last so many years. We have no plans to get away from this business because this business is part of our BPO and KPO businesses, which we normally service to our clients. RTA is a sort of KPO for the share transfer activities. It's a good profitable business with a good margin as of now. We have not shared separate numbers for this business, but this is a good profitable business for us, adding almost like INR4 crores to our contribution margins. With the recent changes in the stock exchanges guidelines, we actually have a lot of growth prospects for this particular business and we really want to do investments in this business with our approach to lot of professional associations, which manages the clients RTA business, we are working on improving and upgrading our RTA platform, we are working on a GTM strategy and we actually want to play a very active role in RTA. We see this as a subsection of our BPO business and we continue to develop on this line because it's a good growing regulated and profitable business for all of us.

The second question was on the gross margin. The gross margin percentage will continue to go up in the next few quarters because we have taken a call of setting up our pricing strategies in such a fashion that we get into a gross margin of 20%-plus over the next two quarters. We have exited some low margin deals, some negative deals.It is visible that despite a degrowth as compared to last year in our revenue top line, our profitability has increased, EBITDA has increased, our losses at PBT level have come down, mainly because of the fact that we have decided to improve on our gross margin by exiting non-performing deals. At this point of time, my short-term objective is to cross a 20% gross margin. Obviously, if the gross margin is 20%, we can't have net profit of 20%. I don't want to give guidance at this stage, but obviously this will be lower than 20% margins. We will surely be, in Q3 and Q4,targeting net profit to start moving towards the positive zone, which is currently at negative levels.

Question #3, on the upcoming guidance, missing confidence, our share price drop, share market, obviously we know it's volatile market nowadays because of so many factors in the international space whether it's a war situation at two places or whether it is the US elections, so many other things happening across the globe and the markets are very, very volatile. As a part of it, mid and small cap markets are also taking a lot of beating and so is our share price. If you have seen post our declaration of the results, our stock is up to, around 29, 30 levels today and very frankly, we have no role to play and we don't want to play any role in the share price movements. The market should determine based on our performance whatever is the right value and award us with that value. Our focus is to continue to work on improving performance on quarter-on-quarter basis. I have not given any upcoming quarters guidance as of now, mainly because I just came in and this is my first quarter. This is my first interaction with this group and I need some more time to start working on giving you proper guidance. As of now, the guidance which I have given earlier through the AGM as well as through today's call and our press releases that we are expecting this revenue trend to continue for the next two quarters. We are not going to degrow further from this level, neither we are going to be very, very aggressive in the sales pipeline because we are readjusting our sales strategy at this stage by building up the complete GTM strategy fresh by getting good senior leaders in that space and redefining our geography and product strategy. This will take us around one or two quarters more to stabilize everything and till then we are holding fort on the existing business we are having. We will continue to grow a little bit like we have added four new clients this quarter, we have added 23 new contracts this quarter, so this trajectory will continue. But my guidance is don't expect miracle for the next two quarters as far as the top line is concerned. We will continue to be growing slowly and steadily from here onwards.

Question #4 about market reacting to my joining, not so positively. I think share markets and everywhere else, the investors look at the performance and not at individuals. I don't think that since I have come, the share price will react positively. They would like to wait for two, three quarters and they will see whether I'm able to deliver performance or not and then I'm sure the share markets will react according to the performance. I'm not expecting either a positive pat on my back or the negative till I am able to prove that the performance can be sustained.

On the last question on the CXO changes, there were some CXO changes which was done in the previous quarters, which was part of the whole repositioning and reshuffling of the management team because of the performances, especially in the last four to six quarters and the board obviously has taken the calls what they felt was good for the progress of the company. We have no plans and other than the top management which had gone in Q4 and Q1 beginning, other than that we have not induced any exits from the company, they were all part and parcel of the original management leaving us and including the CFO who left us for his own personal choices and not we have exited him. And similarly, we have no plan as of now to replace any other senior management or any other auditors. We have already replaced our auditors who have resigned of their own because of the pressures what we had on cost optimization, and we had wanted some kind of a reduction of fees which they were charging us and since, they have shown their not so much of eagerness to drop the fees, we had to change our auditors. But we are not going to compromise on the quality what we have been having in the audits because of the fee drops and other things that you all rest assured. I hope I am able to answer your questions.

Moderator: The next question is from the line of Srikanth Kamath, who is an individual investor. Please go ahead.

Srikanth Kamath: My question is why the current assets are much lesser than the current liabilities? Current liability is very large because of one-time legacy issue, INR165 crores. What are this legacy issues, INR165 crores on current liabilities? Will this make a pressure on the balance sheet in the future? In which quarter, the company will make the net profit?

Raj Ahuja: Thanks for your questions. First of all, thanks for the wishes. Coming to the questions, the current asset versus current liabilities, at this point of time, my major focus in the last one quarter has been to liquidate as many assets as possible and convert them into cash so that that cash can be used for the future growth of the company. And that's how the focus has been on receivables, deposits and any other asset which have been locked up as of now and this quarter we have done huge collections including in October, which obviously has resulted into drop in the current assets. As compared to that current liabilities stands high, the RailTel liability is a major liability out of this which is swinging this whole current liabilities versus current assets mismatch and RailTel, we are trying to discuss on the payment plan for the RailTel commitments as of now, along with our new investor which obviously we will share the details in a couple of weeks from now and that liability will get squared up with the introduction of the investor, who is going to fund this previous liability. In addition to that, we have normal liabilities, we have some overdues which we are reviewing, we have tightened the process of payments to the liabilities because we wanted to review each and every liability before we make payment after this change in the management. These all part of the special audits which we are conducting in the transactions of the previous management and the previous vendors. And that's why there's a slowdown in payment to the vendors because of this extra check and balance which we have introduced to make the payments to the vendors. This situation should get corrected with RailTel and with the old vendors getting paid. I think Q3, this situation will come back to normalcy. On the net profit side, my target is obviously Q3, but I'm not sure as of now, I don't want to make any commitments, but Q4 surely like I said in my first part of the session, I mentioned that we are planning to have exit PBT-positive, which means Q4 is my target. We will see that if we can prepone that by a quarter, but as of now this is what it looks like.

Srikanth Kamath: What is the current cash balance in the company? You said INR45 crores.

Raj Ahuja: I don't know from where you got that figure of INR45 crores. Is it coming from the balance sheet what we had published?

Srikanth Kamath: Yes.

Raj Ahuja: Our current balance put together is almost INR50 crores, but I must say that big chunk of this balance is with the banks as deposit against our facilities for availing the bank guarantees and other deposits which we have to give as a part of our government business. If you really ask me, liquidity wise, we are like say roughly around one month of working capital as of now we have the cash balances, rest all is linked to our deposit to the banks as a lien against the bank guarantees and other limits what we avail from the banks.

Srikanth Kamath: Will the company face any problem in running debt saying cash crunch in the system?

Raj Ahuja: Yes and no. I'll give a loaded answer here because we have seen like the fluctuating cash requirements versus the fluctuating cash collections as of now. During the month, we are able to fulfill all our liabilities including regulatory liabilities and everything else. The challenge what we are having at this point of time is the mismatch of collections versus payments on a day-to-day basis, mainly because of the fact that most of our collections happen in week-3 and week-4, while most of our payments are due in week-1 and week-2, including the employee salaries and rentals and all that. But we have not defaulted on any of our payments. There have been some intermittent delays in some of the payments, some because of the process which I just mentioned that we have introduced for our vendor payments and some because of this cash flow mismatch by a few days… and we have not defaulted, I'm repeating this statement, we have never defaulted on any of the payments, there may be some delays, but there has been zero default in our payments as of now.

Srikanth Kamath: What is the net debt you have now in the company balance sheet? Zero debt?

Raj Ahuja: Yes. Our company is a zero-debt company. Other than small credit lines in some geographies, we don't have any bank limits as of now. So, we are a zero-debt company completely. For the next one or two quarters, my focus is basically to liquidate all investments, wherever we can convert them into cash, including our intangible assets, including whatever product businesses we have done the investments in the last three years or so, and basically make the balance sheet light from the assets point of view. And current assets and liabilities, I've already mentioned, focus will continue to be that how do we cut down our DSOs, our receivables levels and convert them into cash faster than earlier and continue to settle the current liabilities, which is mainly the vendors payments. I think Q3 should get stabilized, so current liabilities will also get stabilized. This is the plan as of now for the balance sheet.

Moderator: The next question is from the line of Anurag Singh who is an individual investor. Please go ahead.

Anurag Singh: My first question is the current liabilities of INR167 crores. Does that include any component of the legacy issues that have been identified or it is just related to the RailTel project and other current liabilities. Second is a connected question. If so, there was some news about some funds being generated or raised for the RailTel project. Could you just explain on this a little?

Raj Ahuja: On the RailTel project, while I will not be able to give more information at this stage because we are still in the process of negotiating our definitive agreement and the more details I will be able to share only after signing those agreements. But, in summary, we are looking at partial stake sale in the RailTel project only where the investor is going to fund our future liabilities and some of the past liabilities in exchange of certain stake and that will take care of the whole RailTel project monetization, which we have decided not to pursue further of our own, mainly because this is a non-core business to our structure today, this is not part of IT services, it is more of digital media business. That was the thought process on RailTel, and we didn't have major experience in managing digital media kind of businesses. We have got a partner who is more like an investor as well as a specialist in digital media space. That's what we are going to do. In the next few weeks, I'll be able to share more details with you. On the current liabilities, I've already explained, it's a mix of both the RailTel liabilities what we had for the last almost now four quarters, five quarters or so. Obviously RailTel has been kept informed and they are a party to that why we are not paying and what we are working on with them on monetizing that contract. Other than that which I mentioned the current liabilities is also on a higher side, mainly because of these extra checks and balances which we have created for the vendor payments as of now, plus the small mismatch of the cash collections . So, it's a mix of 2-3 items which should get stabilized in this quarter.

Anurag Singh: But that doesn't answer my question on legacy issues at all. So, are we saying that we have not accounted for the legacy issues at all in the report that we published till now?

Raj Ahuja: As of now, whatever legacy issue internally we have been knowing, those have been fully provided for. I'm not expecting any major surprise because of the legacy issues. Our balance sheet, whatever are the provisions and everything else will take care of whatever exposures might accrue because of the legacy issues. Some of it, as we have disclosed it enough in our March '24 balance sheet also as exceptional items and some more such smaller items have been taken care in Q1 and Q2. So, as of 30th September balance sheet, I am not privy to any exposure which we might have more than what we already know as of now.

Moderator: The next question is from the line of Kiran who is an individual investor. Please go ahead.

Kiran: So, basically my question is in your initial remarks you mentioned that you look at growing the top line. Is there any particular reason for that?

Raj Ahuja: On the growing top line like I mentioned that this particular year we want to do the full transformation as well as the prioritization of our approach to the go-to-market strategy. We have been working on finalizing what products I want to focus on, what geography I want to focus on and what kind of team I need to deliver that and that's why we have taken some time. We have not stopped the growth like I mentioned earlier, we have added contracts and we have added clients. But, we are not aggressively pursuing new clients till we are very clear that which path we want to take, more or less, we are clear as of now. In the last board meeting, we had discussions about the future roadmap and it will take us one or two quarters more to set up teams to realign ourselves to become clearer on what we want to do and we will be ready to get into the next level of growth starting from next year onwards. Not that we will not grow as of now, but we are not aggressively pursuing growth and these two, three, four quarters, we want to use it for the whole transformation, our cost structures, our revenue structures, product and geography priorities, team building up, cleaning up all whatever is leftover in the legacy and the forensic issues, we want to clean up everything and then we move on to the growth trajectory starting from April. That's what the thought process is as of now. It may happen earlier than that, and there can be a progress on a daily basis, it's not suddenly going to happen on 1st of April. Every day we will keep working and keep improving on what we want to do for future.

Kiran: When it comes to the RailTel project, I'm not sure whether you mentioned, are you giving away the project or it is just that you are bringing in an investor and a partner who can manage the business and share the revenue?

Raj Ahuja: Like I said, while I am not going to share more details, but the second statement is true, we are not giving up the business, we continue to be part of the business. We are getting an investor who is specialized in this area who has done this kind of business earlier and also bring cash on the table, helping us in managing the project obviously with the share in the profits.

Moderator: The next question is from the line of Manoj Bagadia from Equicorp. Please go ahead.

Manoj Bagadia: My first question is, sir, if you look at all the legacy issues, whatever is forensic and then whatever is there, as of now, what we have shown in the half yearly balance sheet, you mentioned that you don't foresee any significant additional liabilities or provisions to be made. But still, do you foresee that it may come up in future, you might not see it right now, but do you foresee that there are open ends that can hurt us probably in future? That's the first thing. To clean the books and to have a clean slate, so what needs to be done for that? In case if there could be a potential thing, would you be looking at providing the whole thing and clean it up in FY'25 before you get on a growth path? That's my first question. The second question is about the fundraising. You mentioned about the RailTel project and selling part of the stake to clear the liability with the RailTel. And you also mentioned that it's a non-core business for us. Why are we looking at only selling the partial stake, I mean, are you open to selling the full stake, get that money and put back into the main business and grow that business and create better value? So, are there any thought process for that or probably Stage-I, you are just looking at clearing of the past liability, get a partner and then maybe going forward you will look at it? So, if you can just throw some light on the thought process about the RailTel project. And third thing is you said that you are still mapping out in terms of the transformation in terms of the go-to-market strategy, in terms of the cost structure, in terms of what products, geography and people resources that you have and you need to add. So, can you just talk a little bit more about that and hopefully from 1st April onwards we should be on track for that. So, how long do you think that execution will take to ensure that we are on a stable path and from there we are looking at the annual growth rate? If you can throw some light on what is the long-term outlook if you look at next three to five years and what is your vision or goal for this company that you would be happy with if you achieve that?

Raj Ahuja: Coming to the first point, legacy issues like I mentioned while responding earlier to Anurag's question earlier, in my opinion, we have taken care of all the liabilities which may arise because of any legacy issues. There may not be any more surprises. There may be very few surprises small here and there, which obviously will take care as a part of the Q3, Q4, but I'm not expecting any huge surprise to the markets as of now as far as the legacy issues are concerned. We have already reached a clean slate level. We don't want to overdo provisioning just for the sake of it, just to have a clean slate, we don't want to do overprovisioning. Whatever we could estimate at this stage, we have done enough of that and that should be sufficient for us to take care of any of those issues. For the future, your question was that what we are doing to ensure that this kind of thing doesn't keep getting added over a period of time and it's a one-time activity. And so, what we have done is, we have taken a cut off of 2021 where anything prior to that we have covered as a part of the legacy issues, and anything after that we have done a lot of work in terms of going through the past three years, we have cleaned up everything as a part of our business, that's not a special legacy audits for unsecured, as a part of our internal checks and balances last three years, whatever the assets and liabilities has been created, some of which we have shared as part of the future RailTel projects and all that, we have been cleaning that up. We are trying to monetize as much as possible of those investments, especially the things which we felt was non-core and we don't want to invest synergies and resources in that. So, legacy plus post legacy, we are good as of now. Q3 we will finish all these activities, the final last stretch is left in the forensic audit, but we know that what is going to come out of that report and that's how we have provided for whatever we could. On the RailTel monetization, you're absolutely right. We internally have said it's a non-core business and like say we could have exited fully into this rather than partially, but this is a government project where we have been lead party to it and investor also wanted our skin in the game because we have been front-ending that with RailTel as a customer. We know the history, we are the lead bidders over there and we had won in our name there. We couldn't have replaced us with anybody else without going through the retendering and other processes which would have diluted the value of the project. We had to stay in the project, we had to be an active participant but we needed somebody who can help us in the execution phase and that's where the investor role comes in. Does that mean that we will not do a similar project like RailTel? If our association with this partner get stronger and we are able to get more confidence, this RailTel project is in a separate entity, we might continue similar projects in that entity using our partner, but, as of now, we have not thought through after RailTel what in that particular entity. That's on the RailTel piece.

In terms of transformation, yes, I think I've said that Q3, Q4, most of our work will be over and we will be ready for taking 3i to the next level starting from next financial year, this year is more going to be transformation and clean up year for us. Next three to five years, it's a little difficult for me to put any targets at this stage because my focus in the last one quarter has been to understand 3i and set up my strategies and the next two, three quarters is going to be more on execution of those strategies. By Q3 and Q4 beginning, I'll be able to fix up my long-term strategic plan with the help of my management team because as of now some members of management team including my CFO is also missing. Once we have the full management team, once we have done the basic transformation, I'll be ready to have a look at the long-term strategic plan. In the Q3 investor call, we might see that if we can give you a proper full guidance on the future at that stage. I'll need some time to come back on this topic.

Manoj Bagadia: Just one question on the transformation part and then getting the right talent. Are you confident that we will be able to attract the right talent what we need for future growth? So, one is about talent. And the second thing is about the investments. Do you foresee any significant investment to be made in business for future growth, and if it is, then if you can just give the idea what you need and then is there going to be some cash flow and then some other ways to fund those investments?

Raj Ahuja: In the IT services space, talent acquisition anyway is a difficult task nowadays with so much of demand and supply gap as of now and people preferring onsite assignments as compared to working in India as the offshore assignment. So, talent has always been the challenge. Also in the BPO space, where the attrition rates are always higher in the industry, mainly because that's an entry level job for the graduates and then they keep moving jobs. We are having challenges, it's not that we don't have challenges. Getting a right talent is a challenge because of our history because of the management changes which has happened in the last six months or so, because of whatever negative news coverage we have got in the market, because of these events including legacy and forensic audits and a change in management, but I will not say that like we're not getting the talent, in this quarter we have closed our CRO position, we have closed our CTO position, we are actively closing our CFO position in the next few weeks. So, we are on path. It's not easy, I must say, but with the right attitude and with the right communication and right challenge given to the candidate, there are people who are ready to take these challenges and join us and that is true all across, not only at CXOs level, but also at the next levels. I'm saying that like it's a question of communication and management commitment and the right talent is available in abundance in Indian market. So, I'm not having major challenges. Struggling but there's nochallenge.

In terms of investments, I don't think we need any major investment at this stage whatever I can foresee. Our business is more capital-light business, and it's more manpower-intensive business, whether it is digital services, whether it's BPO services, whether it is info services, it doesn't require major investments. So, I don't think investment is going to be a bottleneck for our growth. Small investments like offices and infrastructure and all will be required, but that can be managed, that's not an issue for us as of now.

Manoj Bagadia: I'm really happy to hear that, I mean, although the industry is also facing challenges and given our position, still you are able to attract talent. So, it's the company challenges in addition to the industry challenges and despite that you are able to attract talent. So, I mean congratulations for that. But I mean, I would say herculean task actually. And for the next six months, that's the most important thing. And once you put the company on a stable path, then it will be much easier, but, as of now, it must be a big challenge for you actually. And I'll wait for your plan, what you have for next three to five years maybe in one or two quarters.

Moderator: The next question is from the line of Sharan who is an individual investor. Please go ahead.

Sharan: I have a few questions. How will you manage or improve your working capital requirement because you said like you have a working capital for one or two months? On the same line, do you have any plans to infuse more capital, but apart from increasing more capital, are you planning to invite promoter stake in the company? And my third question is, will we take any cash after the statutory audit that we are going through, will there be positive result from the statutory audit where we will have some cash coming in? The fourth question is again which we have been discussing a lot. So, what will be our support in RailTel, will we be providing IT-based support or will we be just sharing the profits and someone else will be doing work? My next question is, right now the company has turned down and how will you improve the confidence of the investors because what I'm seeing is kind of like investors confidence needs to be more, so do you have any marketing plans to improve the confidence of the investors? And sixth question is, there are many subsidiaries like in Thailand, which is not kind of a question mark on its ongoing concern. So, what are the situation of these subsidiaries, are we planning to shut them down? And my seventh question would be when will you lead as a full time CEO?

Raj Ahuja: Thanksfor asking these questions. First question, working capital requirement plus the plan to introduce more capital. As of now we have regular working capital for meeting our day-to-day requirements and we might require a little bit of an investment to be done for the growth which we might require in the next year. We are evaluating various options at this stage as to whether we should come out to the capital market for fundraising for our growth requirements or whether we should look at some kind of a debt at this stage. We have not finalized our plan. It's a little early for me to comment on that as of now. But we might need a little bit of investment at this stage based on our assessment and we will come back to the market as and when we are ready to discuss or disclose that. But I take your point, and I agree with your point that we might need a little bit of investment in future. May not be huge, because we are not a capital-intensive industry business segment, but we still might need some to smoothen our working capital as well as the future growth requirements.

On the confidence of the investors, I'm not sure that like say I somehow don't believe in marketing activities to jump up the share price or to bring more investors. I would like to leave that to the investors. My focus has always been, in my past career also to focus more on the performance, to deliver numbers, to deliver growth and meet investors expectations. Once you do that, automatically, market will start igniting you in a few quarters if not immediately and that's what my style is. I would like to show more performance and then you evaluate my performance by going to the share markets and helping me increase my price rather than me trying to do anything to bring more investors or bring the prices up.

We don't have any promoter like you know. We are completely held by the retail investors and some couple of institutional investors. We have one old largest investor as of now, what we would have seen it. From that point of view, there is no discussion on increasing investors type or bringing a promoter there and, as of now, there's no discussions around that.

On the subsidiaries, yes, there is a plan. Like when I said, there's a transformation, I didn't touch upon that topic, but we had huge number of subsidiaries almost 30-odd subsidiaries across the globe and India put together. We are working on a plan to restructure everything combine, delete, wind-down some of those entities, including in India, we are looking for full restructuring. That may not happen immediately because, like you know, these kind of things are more legal processes dependent and can take two to three quarters to get executed, but we already started the process. In a couple of geographies, we already started shutting down some dormant companies, we have started merging some of those entities, in India, we have started some talks. So, in the next two quarters from our FY'24 balance sheet versus the FY'25 annual report you will see some activity happening on simplifying our organization structures.

Full time CEO? I'm the wrong person to answer this question. Board is the right person. to answer this. I think they will wait for some performance to be shown before they can take call on the CEO. When you said full time, actually I'm full time only, I'm not part time. I'm only acting as of now. I'll leave that question open to the board. In some forum or the other, I'll tell my board to make some kind of a statement to the investors that what they want to do with this position. If you can just repeat that part of the question, when you said change in the strategy, will it bring some cash or something like that, I couldn't get that point.

Sharan: So, what I was asking was of the strategy audit. Will we have any cash coming or how will be the outcomes, are you expecting any stack movement from this statutory audit?

Raj Ahuja: Do you mean forensic audit?

Sharan: Yes.

Raj Ahuja: I'm not sure as of now. there are a couple of areas where we are raising some dispute on the past transactions. Whether we will be able to recover some money out of that? I'm not too sure as of now. It's little too early to comment on that piece because we are finishing the last leg of our investigations and the concerned people, even the past management and past to past management are being talked to for some certain details. There're dialogues happening on that to get into some of the transactions deeper. Whether it will result into a recovery and whether it's result into some cash coming in, It's very early at this stage to comment on that.

Sharan: And with regard to RailTel, will you be providing IT support or how would sort of relationship will be with RailTel or will it be just give some venture to them and some ex-party will be handling it?

Raj Ahuja: No, the execution part of the RailTel project, we are not going to give up everything. It's not about giving full management. It is a joint activity which will be owned by both the parties where we will bring our expertise because it has lot of digital components in that project.We will still be part of that whole execution team where we will be managing the digital platforms and digital applications and everything else including security, while other partner brings more of the business experience in terms of digital media. It's a combination of the skill set of both the partners. It is not that we will play a dormant player over there and they will play active role, both parties will play equal role and reaping the benefits in a defined share.

Moderator: We will take that as the last question. I now hand the conference over to the management for closing comments.

Raj Ahuja: It was quite a good interaction. This has been my first interaction with this community, and I want to reassure everybody that investor has always been a top-most stakeholder for me. Everybody else is a player in the game, like our board, management and everybody else. For me, the people, who have put their money and trust into the company, have always been my topmost priority to deliver performance. I want to assure everybody that we are trying to do our best to bring back this company to its glory days. Thank you, everybody for giving me time and asking questions. I hope I was able to answer or at least clarify some of the doubts which you might have. We will keep interacting and thank you once again.

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

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.