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Intellect/SEC/2025-26 May 16, 2025

1. **National Stock Exchange of India Limited,**
   Exchange Plaza, 5th Floor, Plot No. C/1, G Block,
   Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

   Scrip Symbol :
   INTELLECT

2. **BSE Limited,**
   1st Floor, New Trade Ring, Rotunda Building, PJ Towers,
   Dalal Street, Fort, Mumbai – 400 001.

   Scrip Code :
   538835

Dear Sir/Madam,

Sub: **Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 – Disclosure of Transcript of the Earnings call**

In accordance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the transcript of the Investor earnings call held on May 09, 2025 for the 4th quarter and financial year ended March 31, 2025.

The Transcript of the earning call is also available on the website of the Company.

Kindly take the above information on record.

Yours truly,
For **Intellect Design Arena Limited,**

VUDALI VENKATA NARESH
Digitally signed by VUDALI VENKATA NARESH
Date: 2025.05.16 13:02:03 +05'30'

V V Naresh
Company Secretary and Compliance Officer

Encl: As above

Q4 & FY 2024-25

Investor Earnings Call Transcript

Praveen Malik:

Greetings and welcome, everyone!

Thank you for joining us today to discuss the Intellect Design Arena Limited financial results for the fourth quarter of the fiscal year 2024-25, ending 31st March 2025, and also the full year FY25. The investor presentation and the press release have been sent to you and is available on our website. Our leadership team is present on the call to discuss the results. We have with us today

Mr. Arun Jain, Chairman and Managing Director

Mr. Manish Maakan, CEO, iGTB

Mr. Rajesh Saxena, CEO of iGCB

Mr. Banesh Prabhu, CEO of IntellectAI, and

Ms. Vasudha Subramaniam, CFO

Besides some other senior members of the Intellect management team, are present on the call.

Now I hand over to Ms. Vasudha to take you through the results. This will be followed by Q&A session where your questions will be replied to by the management team. Once the Q&A starts, you can ask the questions by clicking on 'raise your hand' and we will unmute you so that everyone is able to hear you.

One safe harbour, I would like to remind you that anything which we say which refers to the outlook for the future is a forward-looking statement which must be read in conjunction with the risks that the company faces. With this, I request Ms. Vasudha to give her briefing. Over to you, Vasudha.

Vasudha Subramaniam:

Thank you, Praveen. Good evening, everyone, and thank you for joining us today for our Q4 and full year 2024-25 earnings call. The PR and investor deck have been uploaded well in advance, and I hope you have had a chance to go through the same. Let me walk you through our performance for the quarter and the full year and then share some deeper insights into our business drivers and future trajectory. Starting with the numbers for the 4th quarter of the financial year 2025, we reported revenue of Rs.749 Crores, reflecting a 19% year-on-year growth as well as a balanced performance across all geographies and products.

This growth was driven by new customer acquisitions as well as deepening client engagements, driven by our eMACH.ai platform and Purple Fabric, the open business impact AI platform. Our license-linked revenue, which includes license AMC, cloud and SaaS platform income, which defines the success of our IP-led monetisation strategy, stood at Rs.392 Crores. We delivered a healthy EBITDA of Rs.227 Crores for the quarter, representing an EBITDA margin of 30%. Profit before tax for the quarter came in at Rs.181 Crores, reinforcing our continued focus on profitable, scalable growth.

EBITDA grew 48% year-on-year. Collections remained strong at Rs.712 Crores, keeping our operating cash flow healthy and aligning with revenue recognition.

We closed the year with a cash balance of over Rs.1,000 Crores. Now, we looking at the full year performance. We closed the financial year 2025 with total revenue of Rs.2,577 Crores and license-linked revenue contribution of Rs.1,247 Crores, which accounts for 50% of our revenue from operations. As mentioned earlier, this is a significant indicator of our maturing product footprint and increasing stickiness of our platforms. Our annual recurring revenue based on Q4 run rate stood at Rs.870 Crores, giving us a strong base as we enter the financial year 2026.

It is important to note that this is real, predictable, and sustainable revenue anchored in long-term client relationships. Our EBITDA for the year was Rs.608 Crores, and the PBT was Rs.442 Crores. Margins continue to be healthy even after absorbing key investments into Purple Fabric and new client success programs.

On the commercial success and market momentum, we ended the year with 43 new customer wins and 53 successful digital go-lives, a clear demonstration of the impact of First Principles Thinking led Zero Waste Architecture is creating amongst global financial institutions and our ability to execute at scale through composable, open architecture and iTurmeric platform. Just in Q4, we on boarded nine new logos and executed 16 go-lives across geographies from Africa and Asia to the Middle East, the UK, and Europe.

Two wins I would like to spotlight here:

First, a landmark AI transformation deal with a leading London market brokerage firm. This is a 200-Cr engagement, which is one of the earliest real-world implementations of our new platform, Purple Fabric, combined with the 2 P&C Insurance applications, Magic Submission and eMACH.ai Xponent, that already have a significant presence in the US in production-grade underwriting and clients' operations.

Second, a multi-country wholesale banking deal with a European headquartered global bank that selected eMACH.ai to drive composable transformation across its treasury and transaction banking businesses.

Both these wins underscore the confidence large institutions, which follow a rigorous architecture and technology assessment, have in our ability to deliver large transformations at scale. Apart, we have wins across North America, the UK, Asia, and the Middle East for eMACH.ai platforms in the retail, corporate and wealth spaces.

Let me now turn to what I believe is the most exciting development this year: our launch of Purple Fabric, the world's first open business impact AI platform for financial institutions.

When most people hear the term AI platform, they think of conversational chatbots, personal productivity tools, or isolated agents. Purple Fabric is not that. This is a purpose-built AI platform architected from the ground up to drive concrete business outcomes like enhanced customer acquisition and growth, operational excellence, more robust governance and compliance, and faster and sharper financial decisions.

It is built on four foundational technologies:

One, the Enterprise Knowledge Garden that combines organisational data from structured and unstructured sources from the ecosystem and regulatory sources to knowledge-as-a-service. This powers our Enterprise Digital Experts, modular task-specific co-pilots that address underwriting, trade and supply chain finance, customer on boarding, fraud detection, and more.

What sets Purple Fabric apart is its governance-first architecture. We have embedded 18+ AI guardrails, ensuring explainability, fairness, and auditability of both data and decisions, apart from enforcing security and entitlements at the level of roles, workspaces, and tenants. We have also introduced the first-of-its-kind open LLM benchmarking capability, allowing institutions to choose the best-fit LLMs based on the triple constraints of cost, accuracy, latency, and interpretability for each application.

As we move into the financial year 2026, our strategy focus is clear.

Deeper Purple Fabric deployments with several live installations and a healthy pipeline of new enterprise AI programs, and strengthen international business. Our banking business has been very successful in Europe and is breaking new ground in the US. We also have a strong presence in Canada, which was significantly bolstered by the integration of Central1. We hope to leverage these, as well as the Purple Fabric presence in the US to deepen our footprint in that geography.

Similar potential exists in other key geographies like Australia, Asia, and IMEA. We are entering this new fiscal year with confidence that comes from having innovated, delivered and delighted clients consistently across product lines. Before I close, I want to thank our investors for their continued trust and our Intellect associates worldwide for their commitment to excellence. With the twin engines of eMACH.ai and Purple Fabric, we are extremely bullish about the next phase of our growth gen

Thank you.

Arun Jain:

Thank you, Vasudha, for sharing the results.

Praveen Malik:

Can we start the Q&A?

Arun Jain:

Yes, please. Because all the details are simply the same. So, whatever is being declared, whatever is a continuation of the AI commentary which is going on…

Praveen Malik:

Now we are opening for Q&A. Please click on "Ask Question." Hello. Please click on "Raise Your Hand" to ask a question.

Arun Jain:

I think there are eight participants.

Praveen Malik:

Please click on "Raise Your Hand."

Arun Jain:

Praveen, they have already raised their hand

Praveen Malik:

Yes, Arun?

Arun Jain:

No, no. They have already raised their hand

Praveen Malik:

First, we have Mr. Rahul Jain from Dolat Capital. Rahul, please ask your question. Please unmute him.

Rahul Jain:

Yeah, hi. Thanks for the opportunity, and congratulations on a very strong execution during the quarter. I have a few questions. Basically, this win, which you announced during this quarter, and you have mentioned all these deal wins in your press releases as also. First of all, just for clarification, is it safe to assume that most of the deals we have announced related to this London market brokerage firm and others are captured in the Q4 financials, or they are partially part of the results, by some of it would feature mainly in the April-May-June quarter?

Arun Jain:

Yes. To your very specific question, I think that the brokerage firm's deal is not fully accounted for. This Rs.200 Cr will be distributed over the next three years. A very small portion has been recorded in the last quarter.

Rahul Jain:

Right. And you know, our wins have come at a time when we are seeing a very dramatic shift in the macro thought process. Although many companies are talking positively about BFSI spending so far, it would be great if you could share the big picture as well as your near-term thoughts process on the little demand scenario, including the risks associated with that situation, considering how the macro and geopolitical factors are evolving.

Arun Jain:

Let me take that question. I would like to point out a few parameters. One is our strategy at Intellect Design Arena, where we go product by product in the market and have aimed to create market growth opportunities over the last 10 years. If you look at the journey of the last 5 years, iGTB led until 2019. iGTB was a strong engine, and the iGCB engine started building momentum, while the AI engine has also begun to develop. Thus, three different trajectories are running.

First, we fully invested in the iGTB business. It is the business with the highest profit margin, followed by iGCB, and investments are still being made in the AI business. This is how the overall composition of the revenue comes in. This is about on my product-based revenue commentary

If I look at the geography commentary, we began in Europe, starting from Canary Wharf, UK. The Europe business is now a substantial part of our overall business and is the largest segment. One of the advantages of this business is its well-distributed nature. When I analyse it, my US, North America, and Europe segments account for about 45% of total revenue, coming from the US, North America, Canada, and Europe. While the remaining 55% is evenly distributed equally among India, IMEA, and APAC. This shows that all three regions contribute almost equally, reflecting a well-balanced business.

There is no dependency on the product or market, resulting in a very well-balanced business. In America, we focused substantially last year, and we mentioned that America would grow. America has started to grow significantly, with lots of subscription-based insurance businesses contributing to growth in both the American and Canadian markets due to the Central1 investment. With the acquisition, this business will also expand. Therefore, my European and American businesses will balance each other out next year, which is excellent news for our balance sheet. Most likely, these two regions will make up 50% or more of our business next year. That's what you are looking for.

If you have been tracking the company for quite some time, we have been running a quarterly revenue of Rs. 500 Cr. Every year, if you look at the numbers, we moved Rs. 100 Cr per quarter, and I mentioned to you in the first quarter of last year that we are targeting Rs.700 Cr to be the next milestone, and that's what it took us some time, three quarters, to achieve. In the first quarter, the number range from 550 Cr to 750 Cr in the same year is a completely normal business, and that's the nature of the business.

If you look at it, the revenue for the last 12 months grew by 11%. So, in the previous quarter, when we were pushing ourselves to grow that much, we could grow around 11% last year, excluding GeM. So, that's a commentary on the overall business.

Ideally, we should have grown 15% when we designed the business. We achieved 11% and then 12%. We reached those numbers year on year. My cost structure, when you look at the last 4-5 quarters, averages close to Rs.500 Cr. This quarter/ average quarter, due to the Central1 acquisition, we have an additional Rs.16 Cr added to that cost. Otherwise, it remains in the same range.

The global scenario of BFSI suggests that while people are seeking more modernisation, both Europe and America require the same improvement. eMACH.ai represents our great story, as does First Principles Thinking. They do not notice any vendors using First Principles Thinking who assert that they will reduce your costs going forward rather than increase them. This is the reason we won these deals this quarter.

In last April, I mentioned to all of you that we are moving our eMACH.ai to the US and Europe, and it will take some time for them to catch up because they started telling the story of eMACH.ai to US and Europe customers after the April conference. Within 9 months, we are able to see the impact of eMACH.ai, hopefully because of the disruptive technology. So, I'm not saying its incremental technology; eMACH.ai is the disruptive technology that we have. It's completely codeless. Along with that, the second platform, which is the Open Business Impact AI platform, will be launching on Monday morning in the Financial Times, London, and is one of the most suitable enterprise platforms in the AI space.

There are three spaces in AI. For all the investors, I want to emphasise that there's a space focused on foundation models like DeepSeek, OpenAI, or Bedrock, which are the foundation models.

Then the second area involves using these models to generate specific problem-solving tools, like Gamma for creating presentations, along with many other applications that utilise our model to address particular issues, such as making PowerPoint presentations, writing letters, and recording meeting minutes. These are Point applications of AI, including tools like Cursor for programming and software development.

And there's a third space, which is a platform space that enterprises want to implement in an enterprise setting. There's a company called Palantir, and there is a company called C3.ai. There's also a company called H2O.ai. These three companies are part of the platform space and are still evolving. But as Vasudha highlighted, we are the first company to create a technology stack. All four technology stacks that we are announcing constitute an open business AI platform designed to enhance efficacy. So, this is the summary, Rahul, in short, that I wanted to share.

Rahul Jain:

Mr. Arun, thanks for providing that context. I just have a couple of clarifications. You are basically saying that our business is designed to achieve 15% growth regardless of the current environment, and that's the trajectory we should expect. From a cost perspective, as you mentioned, the current quarterly run rate of expenses is around ₹500 Cr, plus the Central1 component. This cost base should remain largely stable. So, on an annualised basis, there could be meaningful profitability improvement. Is that the correct understanding?

Arun Jain:

That's right. We have mentioned that we are investing ₹100 Cr in the AI business model, which will lead to some incremental costs. However, our core business has stabilised at ₹500 Cr, with an additional ₹50 Cr for Central1, making it ₹550 Cr. With some extra costs, the overall structure could be ₹560–570 Cr. So, don't immediately look at Purple Fabric investment separately. We are not separating the company, but we will keep the costs separate.

Rahul Jain:

So, just to get the math right. Even at a ₹700 crore run rate we are getting 200 Crore EBITDA and even if after adding ₹25 crore of quarterly run-rate to the coast, It should give us 25% annualised run rate of EBITDA So, is that what is basically our objective to achieve?

Arun Jain:

That's right.

Rahul Jain:

I am just trying to understand what can be considered as a guidance. Yeah, understood on that part. That's quite helpful. Just one or two bookkeeping questions for Vasudha. In the presentation this quarter, we couldn't find the break-up of cost items. It would be helpful if you could share the details for software, sales and marketing, and R&D expenses.

Vasudha Subramaniam

Sure. Since we introduced more rows this quarter, the breakdown may have been inadvertently missed. We will share that with you.

Praveen Malik:

Rahul, I will share it with you.

Rahul Jain:

Ok, got it. And just one more clarification. As Mr. Arun mentioned, this Central1 was included in this quarter, and our understanding at that time was that it would not be a very profitable business to start with, given the pay-out for the transaction. However, it seems that we have performed quite well, even considering that. So, is it safe to assume that the profitability should be viewed as significantly better, even when accounting for Central1? Or do you think there might be more investment coming in the subsequent quarter, which could also pose a headwind for profitability?

Arun Jain:

I think it's the last time you didn't pick up the right signal. We said Central 1 is one of the best acquisitions we could have considered. Sometimes you miss those 171 banking customers in the Canadian market; these 171 is one-third of the banking market over there, where we can cross-sell lending and core banking. So, that is the misinterpreted signal.

Even though we started operating Central1 on the 1st of March, we only had one month of revenue, and it was profitable. It's not a very high profitability, but it's not a loss either. There was a profitable high single-digit profit in the new business we acquired. It's not a value eroding-reative; it's a highly value-accretive acquisition with a significantly lower cost to pay for this business.

Rahul Jain:

Right. I understand the potential. I was just discussing margins, but thanks for that additional colour. That's all from my side. Thank you!

Arun Jain:

Thank you.

Praveen Malik:

Thank you, Rahul. Next, we have Mr. Bhavik Mehta. Bhavik. Just unmute yourself.

Bhavik Mehta:

Yeah, thank you very much for this opportunity. I wanted to add that globally, the Agentic AI family's Saas-driven revenue is part of ARR. Regarding our ARR number, does Purple Fabric or anything related to it contribute to the platform part, or does it form part of the ARR? From the previous quarter to now, our ARR has increased by approximately Rs. 175 Cr. Is any of Purple Fabric included in there? Is it split into two different verticals?

Arun Jain:

Yes, small numbers are present right now. However, I believe it will further grow significantly in ARR. Next year, it should be substantially larger.

Bhavik Mehta:

So, primarily, any contract we have related to Purple Fabric is an ARR-driven number, right?

Arun Jain:

Most of them.

Bhavik Mehta:

Okay, so the current deal we have announced is a mix of eMACH.ai and Purple Fabric. So, even within this, what component of Purple Fabric is involved?

Arun Jain:

That's right.

Bhavik Mehta:

What will be the component of Purple Fabric in this Rs. 200 Cr deal?

Arun Jain:

Most of them are led by Purple Fabric, and the rest is a brokerage platform. This entire Rs.200 crores deal over the three-year period will double the revenue in the Alpha 1, Alpha 2, and Alpha 3 cycles.

3 years cycle doubling the revenue for 3 years. It's all classified under Purple Fabric.

Bhavik Mehta:

So, as a family, this Rs.200 Cr is entirely in our ARR. That's what I want to know.

Arun Jain:

That's right. However, 200 Cr is not booked for the quarter. A period of 45 days has been allocated within this three-year timeframe.

Bhavik Mehta:

Sure. When we say three years, generally, ARR contracts are annual. I'm just trying to understand if we are still considering the multi-year contract format and just dividing it into ARR. How are we approaching deals related to Agentic AI? Is it user-based? Is it at the company level? Is it customised? Is there any understanding?

Arun Jain:

There's no standard practice. Practices are evolving over time, so there's an ARR deal. There's a transaction-based deal, measured by the number of transactions or a percentage of business. This deal is based on a percentage of business volume. For many Purple Fabric deals, we are taking a percentage related to the business volume. Then, this will grow from year 1 to year 2 to year 3. This is also a pattern we are observing. The three-year value in the third year would exceed Rs.100 Cr per year. The third-year value will be more than Rs.100 Cr.

Banesh Prabhu:

Okay, it's Okay. Go ahead.

Bhavik Mehta:

Yeah. So, the last question was about our commendable target for Purple Fabric over the next five years. Is there a yearly plan for FY26 regarding what we expect from Purple Fabric, specifically in terms of ARR addition?

Arun Jain:

Maybe we don't want to provide any numbers on that? I think the potential is quite significant. We don't know how it will pan out. Let's wait and see as it develops; we will share updates with you.

Bhavik Mehta:

Yeah. Thank you.

Praveen Malik:

Thank you, Bhavik. Next, we have Mr. Sushovan Naik from Anand Rathi Securities. Sushovan, please unmute yourself.

Sushovan:

Is my voice audible?

Praveen Malik:

Yeah, Sushovan. Please go ahead.

Sushovan:

Thank you very much for the opportunity, and congratulations on a strong set of numbers. Before I ask my question, I would like to sincerely thank Praveen Sir and Vasudha Ma'am for providing us with a detailed explanation of the walk-through of the company. I really appreciate that. Now, I have two questions.

So, basically, we have seen historically that whenever the implementation revenues have come down as a percentage of total revenues, we see an exponential growth in profitability, and SG&A also reduces because your tech subcontractor costs reduce in SG&A. This quarter, I think we have seen a 400 to 500 basis points improvement in the mix. So, I just wanted to understand what you envisage the implementation revenue to become as a percentage of revenues for FY26 and FY27. I just wanted to get your feedback, and I have another question, but we will ask after your response.

Arun Jain:

I think we don't define too many things in each quarter, which is so variable. That's why we don't like any number; it's just License Linked Revenue, which is more than 50%. Ideally, our target is to make it 60% in the next 2-3 years. If my License Linked Revenue at 60%, obviously, the margin will increase by 10 percentage points. Then, we will be comparing ourselves to all the best-in-class product companies. Individually, product-wise, we have the same best-in-class product margins. However, on a consolidated basis, we have an innovation engine which will drive the sustained growth, a different strategy. A lot of times, product companies don't have as much innovation coming from a single company. We have a wealth of products that are now performing very well in the market, and our wholesale banking is developing great after the core banking and lending over the last year.

I believe in the company's entire capacity to continue investing. There are three cycles: Horizon 1, Horizon 2, and Horizon 3. Horizon 1 becomes a 30% to 35% margin business, Horizon 2 develops into a 20% to 25% margin business, and Horizon 3, which is the investment business, will operate at a 5% to 10% margin. We are now adding a new segment called Direct to Corporate; we are transitioning from banking to the corporate segment, and we have initiated the entire GeM force, which has been working with us. We launched three products: iGPX, the Government Procurement eXchange; iCPX, the Corporate Procurement eXchange; and iAPX, the Accounts Payables eXchange. Currently, these three products are managed by Direct to Corporate. This business will be quite flourishing by 2028-29 as we expand into this line. However, all the costs have already been invested in the business. We are investing close to Rs. 40 Cr per annum to build the capacity, which the GeM team has developed, creating three products using my eMACH.ai architecture in less than 12 months. This showcases our innovative capacity. The margins will grow, but I cannot comment on the next 12 months regarding that.

Sushovan:

Understood. Do you have any views on how much the Capex investments will be for this year and next year? When I say this year, I mean FY26 and FY27. Any thoughts on that?

Arun Jain:

Capex investment on capitalisation will be around same as last year, we aimed for 140. This year should see the same figure, 20 million dollars. Therefore, 20 million dollars will be my Capex investment, while Rs.160-170 Cr will be my Capex investment on the product side, which will be capitalised.

Sushovan

Understood. Thank you so much for the opportunity.

Praveen Malik:

Thanks, Sushovan. Next, we have Mr. Vivek Kumar from BestPal.

Vivek, please unmute yourself.

Vivek Kumar:

Am I audible, Sir?

Praveen Malik:

Yes, please go on.

Vivek Kumar:

So, thanks for the opportunity. Given that we are now a multi-product company and that not many products are mostly into Horizon 3, most should align with Horizon 1 and 2. Additionally, since we are operating in multiple geographies and considering our outlook as a disruptive technology, should we assume that the 700, 720, and 750 run rates will be maintained over the next 3-5 quarters? That’s the first question.

Second, regarding margins. I'm not specifically inquiring about margins, but can we assume that around 24% to 25% can be projected in the model for next year?

So, the first question is this, sir: we are not reverting from the 720-750 range back into the 600s, right? That's one question.

Arun Jain: We would not be commenting on quarter-on-quarter. So, we went up to 550 and then came back to 700, so I will not commit that 700 is the safer side. But obviously our target now is to move to 800. So, in the next four quarters, we should be crossing 800. That should be our target, and that's what we will be striving for.

Vivek Kumar:

And can we assume a 24%-25% margin for next year?

Arun Jain:

That's right.

Vivek Kumar:

Thank you. All the best, sir.

Praveen Malik:

Thanks, Vivek. Next, we have Mr Nimish Soni from Carnelian Capital.

Nimish Soni:

Hi, am I audible?

Praveen Malik:

Yeah, Nimish. Please go on.

Nimish Soni:

Yeah. So, first of all, very congratulations to the management for a good set of numbers. My question is about the R&D capitalisation: how do you define what a new product is and what an existing one is?

Vasudha Subramaniam:

Can you please come again?

Nimish Soni:

Regarding R&D capitalisation, how do you define what pertains to the new product and what applies to the existing one?

Arun Jain:

What is the question? Well, I think the point is that we are accounting for two expenses. One is the R&D expenses, which are close to 200 Cr and are used for maintaining the existing products.

Vasudha Subramaniam:

These are basically the research phase. So, whatever is in the research phase is actually charged off to the P&L. That's what you see; something goes to Rs. 200 crores for the year, wherever we develop the functionality for the release of any major versions, and that's where it's getting capitalised. That's about Rs. 140 crores per year.

Nimish Soni:

Okay. Thank you so much.

Praveen Malik:

Thank you. Now, we have Mr Manoj Dua from Geometrics. .

Manoj Dua:

Am I audible, Sir?

Praveen Malik:

Yes, please go on.

Manoj Dua:

Are you noticing a trend where the revenue is based on outcomes rather than license or transaction-based models that indicate the kind of output, savings, or deals we could achieve by implementing your software? Is there such a trend?

Arun Jain:

We are not accepting this. We don't want to take that risk right now. We will do it later.

Manoj Dua:

Okay, thank you. Best of luck.

Arun Jain:

Okay. Next.

Vasudha Subramaniam:

Praveen, are you there? You can open the next question.

Praveen Malik:

Next, we have Mr. Pavan Kataria from Bulls Eye. Mr. Pavan Kataria not there.

Next, we have Mr. Vipul Kumar Shah from Sumangal Investment.

Vipul Kumar Shah:

Hi, thanks for the opportunity. So my question is on the funnel, which was shown in our presentation. On this funnel, can you say how many deals are for pure Purple Fabric? Or does every deal include some portion of Purple Fabric? Your comments are welcome, Sir.

Arun Jain:

As of now, the funnel has a 10 to 15% component from Purple Fabric. More components are getting built up, so that's how you can look at it.

Vipul Kumar Shah:

Every deal will have 10 to 15% of Purple Fabric?

Arun Jain:

That’s right.

Vipul Kumar Shah:

Okay. Thank you, Sir.

Praveen Malik:

Thank you. Vipul. Next, we have Ms Jyoti Singh from Arihant Capital.

Jyoti Singh:

Yeah. Thank you so much, sir. And congratulations on the good set of numbers and execution. Sir, my question is basically on the margin side, like you mentioned to the earlier participant 24 to 25% margin for the next year. So, overall, we are targeting this range going forward or earlier, we mentioned 30% plus operating margin going forward, just clarification on that side. Also like the traction on the AI front that you discussed earlier with some of the participants. So, what are the targets on the AI side? And how much are we seeing? Will it be beneficial on the revenue front?

Arun Jain:

Two things are there. In the long run, the margin is 30%, which we are still staying because we have demonstrated this. This quarter our margin was 30%. So, if you look at the margin of this quarter alone, 30% annualised is around 24%?

Vasudha Subramaniam:

23%.

Arun Jain:

23% is annualised basis. So, obviously, this will grow year on year and more licenses when you grow as the previous person asked that question. So, this margin should grow 2% to 3% year on year. So, if you are looking for a three-year perspective, definitely the margin may inch towards 27-30% depending upon how the license works and how the Purple Fabric comes. I mentioned during the 18th December Purple Fabric conversation for investors that this is a business which can be Rs.1,000 Cr to Rs.5,000 Cr business.

We are quite sure of Rs.1,000 Cr. We are now in the last 4-5 months, we built up the entire use cases or business cases to make it Rs.1,000 Cr business in for next three years for Purple Fabric. We have created a complete pipeline, market, and strategy around Rs.1,000 Cr business. The next milestone is, can we make it a 5,000 Cr business? That's where our efforts are, where Banesh and I are working along with Manish and Rajesh to make this as the greatest AI product in the world where we can challenge Palantir, c3.ai. That's a dream we are running on.

Jyoti Singh:

Thank you, Sir.

Praveen Malik:

Thank you, Jyoti. Next, we have Mr. Jitender Agarwal from Relax Capital. Jitender, please unmute yourself.

No, I think that Jitender is not there. Next, we have Mr. Umang Shah from Banyan Tree Advisors. Mr. Umang Shah?

Umang Shah:

Hi, thank you for the opportunity. Glad you shared the results much earlier and both the results and the presentation, we could go through it really well. One question that I had was with the use of AI, you are able to create more use cases for your technology. I just wanted to understand internally how it is helping us with respect to employee productivity and if it is, how do we plan to grow the employee base that we have?

Arun Jain:

Yeah. So, observe that the cost of Rs.500 Cr remains constant in spite of the salary raises being directly equitable to productivity and the revenue has grown from excluding GeM from almost 11%, and that 11% increase has not translated into the cost structure. That is a productivity gain. More productivity comes with more and more implementation of Purple Fabric within Intellect. And AI doesn't give only productivity. It gives you accuracy and better success chances. So, first of all I want to clarify the role of AI is to augment the capability of the manager in the company, not replacing him. So, there's a myth over there that AI will replace people. AI will make the people more efficient and effective, and that's what we are making Intellect that our deliveries are on time. We did 16 transformations last quarter. So, we are able to complete those transformations faster so our collection can be better. These are the objectives of AI, not just the headcount reduction.

Umang Shah:

Great Sir. And just Sir, one more question. One more question was you had started putting up a front end for selling Purple Fabric. I think 6 months back that's when you start talking about it. So, where are we on that journey? Do we have sales force now in Europe and North America? Or is it still work in progress? And if it's already there, how is the response so far?

Arun Jain:

Yeah, we are still building the sales force. Partnership network is already there. Some of the partnership is working right now. So, some other service players are working in Europe and Europe sales force is still there. In the Americas, we are just building up.

Umang Shah:

What is the size of the sales force?

Arun Jain:

Today it's an integrated sales force. Because the sales force is not separate from Purple Fabric but as all the sales force which is more than 100 plus sales force is selling Purple Fabric along with their current portfolio.

Umang Shah:

Great, Sir. Thank you so much, sir. All the best.

Praveen Malik:

Thanks, Umang. Now, next we have Mr. Samir Dosani from ICICI Mutual Fund.

Samir Dosani:

Yeah. Am I audible?

Praveen Malik:

Yeah, Samir, please go on.

Samir Dosani:

Yes. Congratulations on a great set of numbers, Sir. Can you share qualitative feedback/comments around the progress of the US business? I think we started speaking about it in the last 6-9 months when you develop business. Any qualitative comments, how is it going? And I think you had a target of some, let's say it will become X percentage of your revenue in 3 to 4 years so. Where are we on that journey?

Arun Jain:

Qualitative comments have been already given. What is the question? You can listen to this conversation because qualitative conversation was given at that time.

Samir Dosani:

Okay, Sir. So we already have a sales force on the ground that we are growing? You know you like the execution. I think that's there, right?

Arun Jain:

Right.

Samir Dosani:

Okay. And there were two large deal wins. So, one of them I think is the 200 Cr Purple Fabric deal. You said it will start coming in from Q1, the other large deal is it already part of Q4, or it will have to be accounted for?

Arun Jain:

That is already accounted for.

Samir Dosani:

Sorry, Sir?

Arun Jain:

That is already accounted.

Samir Dosani:

Okay, Sir. Okay, thanks. Thanks. That’s it from my side. All the best.

Praveen Malik:

Thanks, Samir. Next, we have Mr Srinivasu from TIA. Srinivasu, are you there?

Srinivasu:

Hi Sir, am I audible?

Praveen Malik:

Yeah. Please go on.

Srinivasu:

Thanks for the opportunity, Sir. Congratulations for the strong set of quarterly numbers. My question is about looking at the deals that you signed in Q4. We can clearly see that there is a shift from the traditional digital transformation deals to AI driven transformation deals. Are you seeing increasingly clients moving towards this kind of nudging use cases?

Arun Jain:

Yes, definitely. There's a big trend on AI, plus eMACH.ai. So, the complete deals are there eMACH.ai deals and the AI deals. Manish if you want to share the second large deal with the trend of eMACH.ai on transformation that will be helpful for them.

Manish Maakan:

So, the second largest deal is a fairly large UK bank for the wholesale bank transformation across all their international franchises. This is the capability to integrate and compose using eMACH.ai. I think you have been seeing that we are winning large transformation destiny deals. What's changing now is the embedded AI inside the platform is giving the right excitement to the banks that we are not just doing a patch on co-pilots which give you a momentary high but do not show the business impact. I think that's a differentiation which the market is really looking for and with the work we had done on Purple Fabric and in the last 24 months on eMACH.ai, the combined power of them is able to make this impact out. It's very exciting right now.

Srinivasu:

Okay. And which verticals are you seeing more demand for this Purple Fabric? Is it insurance underwriting or finance and accounting, back-office operations or document processing? Where exactly are you seeing the demand?

Manish Maakan:

So, if you look at it, we have started this journey with insurance, and that's where we really cut our teeth on this technology. It's gone into lending, payments, and it's getting into trade and supply chain finance. So, I think there are two things:

One, we are embedding this in a standard platform like Arun called out.

Second, we are building it as an independent platform which can sit across whatever knowledge bases you have and how we build an Enterprise Knowledge Garden and how we build digital experts on top of that. You go look at the world got excited with Co-pilots and everything. What's it delivered? Go ask any CFO, how much is your cost reduced genuinely, net of Azure cost added on to it and you will find very different answers. Because it was not a holistic design. You were just looking at the structured data component of the data lakes and you are not harmonising along with the unstructured data.

And that's what we started doing with insurance, and now it's a global launch to be able to take it across all products we have embedded it already into a number of platforms. We have got about 68 digital experts available already, and that's what Arun said. We will formally announce it globally on Monday. And the following week, Arun, Banesh and I are in London and we are rolling it out and then doing a global roadshow around it.

We have got this confidence with the 200 Cr deal which we have announced, the scale of transformations we can actually do and when we are able to say we are going to take basis, the impact we created. That's truly it's not just saying, hopefully, wishy-washy some cost will reduce. We have really put our stakes on the ground on the business impact and that's why we are calling it business impact AI.

Banesh Prabhu:

Just to add to what Manish said to your question, it is a combination of eMACH and AI coming together. So, even the big deal we won is a combination of eMACH insurance product along with AI that's coming together and it is impacting both operations and the actual business delivery overall. Because that combination is what makes it give the final business impact to the customer.

Srinivasu:

Thank you, Sir. Just to follow up on that. When you say productivity improvement to clients, what kind of ROI is expected for clients, say three years for especially this AI deals? Is it 10% or 15% or 20%? Ball Park.

Banesh Prabhu:

I think. Very difficult to give a percentage like that. You know, for every use case in every business, we show improvement in risk. We show improvement in compliance. Some of them are cost, some of them are improving the quality of those risk decisions. So, it's very difficult to give that kind of an impact.

But you know for one of the deals that we had won with the largest wealth manager in the UK. There, we had a significant improvement in turnaround time for complaints. What used to be five weeks was being done in a fraction of the time. Mostly it runs into something like 30 to 45 minutes. I think there are different ways in which we measure it and eventually of course it reduces risks or compliance risks or even potentially cost of operations.

Srinivasu:

Thank you, Sir. Best of luck.

Praveen Malik:

Thanks, Srinivasu. Next, we have Mr. Prathmesh Dewar from Tiger Assets.

Mr Prathmesh, please unmute yourself.

Prathmesh Dewar:

Yeah. So, just one question from my side. As we have grown Purple Fabric as of now till 1,000 Crs. Any timeline would like to give by when we can reach Purple Fabric to 5,000 Crs.

Arun Jain:

That's a difficult thing. Also 1,000 Crs will also reach in three years, we currently have visibility of 1000 Cr.

5000 Cr is what we are attempting to make with the brand in Financial Times and the branding we are doing. That's the potential we are looking at. Because if Purple Fabric alone gives 5000 Cr banking gives you 5000 Cr, we are a 10,000 Cr company.

Prathmesh Dewar:

Got it, Sir. Thank you so much and all the best.

Praveen Malik:

Thanks Prathmesh. I think, we don't have anybody else. Arun?

Arun Jain:

Very right time to close the questions. Thank you, Praveen.

Praveen Malik:

Yeah!

Arun Jain:

Has somebody raised a hand?

Praveen Malik:

So, can. Can we close it, Arun?

Arun Jain:

There’s somebody raising their hand right now. It's showing 5 participants on the screen.

Moderator:

Some people are there. Just check

Praveen Malik:

Doesn't seem to be any.

Banesh Prabhu:

Nobody's there, Arun.

Arun Jain:

Thank you.

Praveen Malik:

Thank you, everybody, for participating in the call. In case any more questions are there, you can just write to us and we will reply. Thanks for joining the call today. Thank you. Now you can log off.

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