

# DATAMATICS

“Datamatics Global Services Limited  
Q3 FY '23 Earnings Conference Call”

January 20, 2023

DATAMATICS



**MANAGEMENT:** **MR. RAHUL KANODIA – VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER – DATAMATICS GLOBAL SERVICES LIMITED**  
**MR. SANDEEP MANTRI – EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER – DATAMATICS GLOBAL SERVICES LIMITED**  
**MR. MITUL MEHTA – EXECUTIVE VICE PRESIDENT AND CHIEF MARKETING OFFICER – DATAMATICS GLOBAL SERVICES LIMITED**

**MODERATOR:** **MR. PRATIK JAGTAP, E&Y INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Datamatics Global Services Limited Q3 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the 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 ‘\*’ and then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pratik Jagtap from E&Y Investor Relations. Thank you, and over to you, sir.

**Prateek Jagtap:** Thank you, Inba. Good afternoon to all participants in the call today. Welcome to the Q3 FY '23 Earnings Call of Datamatics Global Services Limited. The results and investor presentation have been already mailed to you, and it is also available on our website, [www.datamatics.com](http://www.datamatics.com). In case anyone has not received a copy of the press release and presentation, please do write to us, and we will be happy to send it out to you all.

To take us through the results today and to answer your questions, we have with us the top management of the company, represented by Rahul Kanodia, Vice Chairman and CEO; Sandeep Mantri, EVP and Chief Financial Officer; and Mitul Mehta, EVP and Chief Marketing Officer. Rahul will start the call with a brief overview of the quarter on business, which will be then followed by Sandeep talking on financials. We will then open the floor for question and answer session .

As usual, I would like to remind you that anything that is said on this call, which gives 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, which you can find on our website.

With that said, I now hand over the call to Rahul. Over to you, sir.

**Rahul Kanodia:** Thank you, Pratik, and welcome, and thank you, everyone, for joining our Q3 FY '23 earnings call. Excited to have you all on the call today. Let me begin by wishing everyone a very happy and prosperous new year. We announced our Q3 results yesterday, outlining our operational performance.

I will briefly discuss some of the key business performance, and Sandeep, our CFO, will provide an update on the financials, after which we will open the floor for questions and answers.

Coming to the business update, I'm pleased with the overall performance of the business. We are delighted to report that our Q3 performance was strong, with a year-on-year growth of 23.9% and a sequential quarter growth of 8.5%. The growth was broad-based driven by all 3 segments of Digital Operations, Digital Experiences and Digital Technologies. This performance is noteworthy given the backdrop of an uncertain global economy and Q3 being traditionally a weak quarter for the IT sector due to the holiday season. Our EBIT margins have improved sequentially from 12.5% to 13.5% primarily led by a healthy business growth, price negotiations and cost optimization.

While Sandeep will speak on segment numbers, I would just want to speak about how our segments are performing. I'm happy to share that our Digital Technologies business, which was under stress for the last 2 quarters, has bounced back. Our EBIT margins have improved from minus 2% to a positive 2.2%.

-I'm very happy to inform you that Datamatics has successfully delivered Automatic Fare Collection and mobile ticketing system for Mumbai Metro Line 2A and Line 7, which was inaugurated by our Honourable Prime Minister Shri Narendra Modi Ji yesterday. It is a proud moment for every Datamatician to be associated with this project which will be transformational for millions of Mumbaikars. Kolkata Metro also went live with our AFC solution last month, which was also inaugurated by Honourable Prime Minister.

In Digital Operations, we have witnessed strong growth on the top line. However, EBIT margin declined by 323 basis points sequentially. This is in line with our expectations as we ramped up our headcount for Q4.

In Digital Experiences, our EBIT margins continue to be strong at 27.8%, up by 235 basis points sequentially.

On a YTD basis, for the first 3 quarters, we signed new business worth of \$57 million. Our deal pipeline remains healthy.

In conclusion, going forward, we are optimistic about the overall demand environment and are confident of maintaining a growth of over 17% in this financial year.

With that, I will now hand over the call to our CFO, Mr. Sandeep Mantri. Sandeep, over to you.

**Sandeep Mantri:**

Thank you, Rahul. Welcome, everyone, and thank you for joining us in Q3 FY '23 earnings call. To begin, I would like to wish everyone a very happy and safe New Year. Let me take you through the financial performance for the quarter ended December 31, '22 results, and then I'll take you to 9 months financial performance.

Despite normally being a seasonally weak quarter, we reported strong revenue growth driven by all 3 segments we operate in. Our Q3 FY '23 revenue stood at INR 372.6 crore, which is 8.5% up on a sequential basis and 23.9% on a Y-o-Y basis. A healthy growth, favourable exchange, and cost optimization, all these have led to a healthy consolidated EBITDA for the quarter at INR 59 crore or 15.8% of revenue, which is up by 14.2% on a sequential basis and 16.7% on Y-o-Y basis.

Our consolidated EBIT for the quarter was at INR 50.2 crore or 13.5% of revenue, which reflects a growth of 17.1% on a sequential basis and 18.1% on Y-o-Y basis.

We aspire to keep and grow healthy double-digit EBITDA and EBITDA margin in the coming quarters as well.

Our other income on a consolidated basis stood at INR 10.6 crore, which is a growth of 10% sequentially and 87% on a Y-o-Y basis. Primary reason is better return on investments and favourable exchange rate.

Our tax rate for the quarter was at 25.3% as compared to 24.2% in Q3 of FY '22. We expect our tax rate to be in the range of 22% to 23% on a yearly basis.

Our quarterly PAT after NCI was at INR 45.9 crore, which is growth of 14.8% on a sequential basis and 24.1% on a Y-o-Y basis. Our EPS for the quarter was at INR 7.78 per share, which is higher than last year, same period, which was at INR 6.27 per share.

When we see segment-wise performance-

Our Digital Operations revenue was at INR 152.8 crore, a growth of 6.7% on sequential basis and 24.2% on a Y-o-Y basis. Digital Operations EBIT margin was at 19.5%. Its contribution to total revenue was 41%. The margins are in line with our expectation as we ramp up our headcount in Q3 in preparation for Q4.

Our Digital Experiences revenue was at INR 61.2 crore, a growth of 16.7% on a sequential basis and 46.9% on Y-o-Y basis. EBIT margin was at 27.8%, and the contribution to total revenue was 16%.

Our Digital Technologies revenue was at INR 158.7 crore, which is a growth of 7.4% on a sequential basis and 16.6% on Y-o-Y basis. EBIT margin improved to 2.2% from a negative 2% in last quarter. The technology contribution to total revenue was 43%. And the primary reason for this margin improvement is growth in revenue as well as optimization costs, resulting in better recovery.

In terms of geographical footprint, US is the largest geography, with 54% of our business coming from U.S. India is 29%. Rest of the world, including U.K. and Europe is 17%.

When we talk about industry footprint, BSFI continued to remain the largest segment for us, which is 24% of our revenue, followed by education and publishing, which is 22%. Then technology and consulting, which is at 16%, non-profit or nongovernment organization are at 13%. Manufacturing, infra and logistics is at 12%, Retail at 8% of our business, with other businesses at 5% of our total revenue.

Our client concentration remains very healthy, with top 5, 10 and 20 clients contributing to 24%, 37% and 52%, respectively. We added 13 new clients in the quarter.

Now coming to 9M FY '23 financials, our revenue was at INR 1,042.9 crore, a growth of 17.5% on a Y-o-Y basis. Our EBITDA was at INR 158.4 crore, which is up by 11.7% as compared to last year. EBITDA margin stood at 15.2%. Our EBIT was at INR 132.3 crore, which is a growth of 12.5% on Y-o-Y basis, and EBIT margin to revenue stood at 12.7%.

Our other income was at INR 33.4 crore, which is a growth of 135.6%, which is primarily due to exchange in SEIS incentives and better investment income.

The tax rate for 9 months is 22.3% compared to 21.4% in the same period of previous year. We expect tax rate to be in the vicinity of 22% to 23% for full year.

Our PBT before exceptional item was at INR 163.3 crore, which is a growth of 25.3%. Our PAT after NCI was INR 129.2 crore, which is a growth of 15.5% on a Y-o-Y basis. Our EPS for the 9-month was at INR 21.92 per share as compared to 18.98 per share in the last year same period, which is a growth of 15.5%.

If you see segment-wise revenue mix for 9M FY '23-

Digital Operations revenue was at INR 443.4 crore, which is up by 18.2%, and EBIT margin for the same segment was at 21.8%. Our Digital Experiences revenue was at INR 159.8 crore, up by 35.4%, and EBIT margin for Digital Experiences business was at 25.7%. Our Digital Technologies revenue was at INR 439.6 crore, up by 11.4%, and EBIT margin was at negative 1.2% on a 9-month basis.

Our balance sheet continues to remain in a very healthy position. As on December 31,'22, our total cash and investment stood at INR 455 crore. We don't have any debt in our books now. We are a zero-debt company. Our DSO was at 68 days for the first 9 months of this year as compared to 74 days as on March 31, '22.

With this, I will now pass on the call to the operator to open the floor for questions and thank you for your patience and continued interest in Datamatics. Thank you.

**Moderator:** We take our first question from the line of Faisal Hawa from H.G. Hawa & Company.

**Faisal Hawa:** Sir, for a midsize or a small-sized company, IT company like ours, where do you see the actual opportunities and how will we compete against much bigger rivals as we may have a problem both for talent as well as business from a major company. So what is the positioning that we are taking to grow our revenues quarter-on-quarter? And what is the revenue increase that you see in dollar terms year-on-year for the next financial year?

**Rahul Kanodia:** So in terms of competing with the large customers, we service different market segments. So we don't see very heightened competition in the segments that we serve. We don't very often come across TCS or Infosys, or anybody of that kind. Occasionally, we do. And in fact, statistically, we tend to win more often than they're winning. The reason being that we tend to work more closely with the customers and our solutioning efforts tend to be far more engaged.

In terms of the market segments, still the US is the largest market. It's still a huge market and I don't see any issues in terms of growth. As far as talent is concerned, if you see our attrition rate, it's pretty much in line with the rest in the industry. So we're not having any attrition rate that is higher or lower. So, and we are able to attract talent. We don't see an issue that talent is going to Wipro or an HCL and not coming to Datamatics. So I don't see that happening at all. So I don't

see those headwinds that you may perceive and we've been around and we continue to grow at a very healthy pace. So have we seen those challenges, then we would not have had the growth that we are currently showing. So I'm not seeing those headwinds for us.

**Faisal Hawa:** And sir, for the next year FY revenue guidance?

**Rahul Kanodia:** So this year, we will certainly give about 17% growth. Next year. I am certainly looking at 15%-plus. We are right now going through our business planning exercise, so I don't have all the numbers ready. But yes, it will be in the vicinity of 15% for next year.

**Faisal Hawa:** And sir, what would be the top 5 clients concentration in revenue for us?

**Rahul Kanodia:** Our CFO just mentioned that, and I will just tell to refer to that.

**Sandeep Mantri:** 24%, 37% and 52% for 5, 10 and 20 clients.

**Moderator:** The next question is from the line of Harshit Toshniwal from Bottomsup Research.

**Harshit Toshniwal:** Thank you and congratulations for a good set of numbers. So, the question was, sir, on two parts. One, when we look at our business, if you can throw some more color. I think in one of our calls, you mentioned that Digital Operation is basically the back-end processing. Digital experience is more the front-end services for the client, like maybe a website designing, website management, etc. And digital technologies is largely the automated fare system business for us. So if you can throw some color on the understanding of these three businesses. And the second question is that our margins are very high in the digital experience and the digital operations. But for technologies, what would be a more sustainable state of margin? And if I understand it correctly, the metro automated fare system, etc., all these would be more like software as a service, which we provide. So in that case, shouldn't those margins be more around 30%, 35% levels because gross margins are typically high. But if you can please help me clarify on these understanding aspects?

**Rahul Kanodia:** Sure. So our digital operations in the back office where we do a lot of finance accounting services, the banking back office operations, insurance back-office operations and back office for a lot of publishing and retail companies. So that's what we do on the digital operations side. The reason is digital is because we use a lot of technology tools, automation in doing the back-office operations for our customers.

**Harshit Toshniwal:** So just to clarify on this. When you say back office for insurance, etc. So does it mean the claim management or anything? so is it more like a software-based service? Or it is more like an IT solution, which is a constant service?

**Rahul Kanodia:** It is a BPO service on the back of technology platform. So we do lot of tech processing, account opening, KYC, those kind of things. So that's on the digital operations and digital experiences, as I said, front office, which is more customer management, and that is led driven by a heavy research and analyst team. So we do a lot of analysis and research on customer behavior and customer life. And based on that, we engage with customers. So that's a lot of customer

management services. And the digital technologies is not only AFC. AFC is one component of it. There are many other things that we do on cloud, on mobility, on low code no code, application modernization and migration things like that. So there's a lot of work we do on digital technology. Fare collection is one component of it. So if you see our traditional margins have been fairly healthy even in technology. It's last two quarters, we had a huge challenge. And that is because of some project overruns as well as some clients which had a multi-vendor strategy, so the part of the portfolio went up to other vendors. The other issue is last six months have been for the IT industry quite troublesome in terms of attrition and salary hikes. So it's a combination of all these things that have put together. Plus, we have been investing on our product space. So that investment continues. And therefore, we see a little muted margin. Otherwise, if you sort extract the investments we are making, our margins are in the vicinity of about 13% to 15%.

**Harshit Toshniwal:** So just a few questions on that. So it's very clear on the experiences part and the digital operations part. On that, the only question is the margins which we maintain are very high, around 20% margin from for a business process so is it that we have created our own IP products like TruBot, etc., which helps us to command this margin? So that was the first question. And on the digital technology, sir, if I try to look at it, this is more like an IT service there where we would be, say, competing with the TCS, Infosys, Wipro, etc. So to that extent, when we look at our margins, even historically, we were there in the around 8% to 10%. Is there room for this margin to improve to a 15% kind of number over time, obviously, gradually ex of the investments in the products??

**Rahul Kanodia:** Yes. So you're right. So the margins will improve. Certainly, this year, we'll see better margins on Digital Technologies. One of the reasons the margin is muted is all the investments that we're doing in AI and robotics and all that stuff, intelligent automation is captured in the technology space, and we are not capitalizing those expenses. We are expensing them out.

On the maintenance of the margin on the Digital Operations and Digital Experiences, we expect that we will maintain the margins roughly in the same range. It might go 1% up or down, but that's normal when you're having this 26% to 27% margin. 1% fluctuation is not something that's unexpected. But we will maintain fairly healthy margins even in the next year.

**Harshit Toshniwal:** The question on the operation side was that the margins of 20% are very strong. What is it that allows us to maintain such high margin in our business outsourcing world? Is it the stickiness? Or is it the automation IPs, which we have created, that helps us to maintain that margin?

**Rahul Kanodia:** Yes, it is the automation IP that we are deploying in our operations, which gives us the production huge benefits.

**Harshit Toshniwal:** Just one last. So I think on the cash part, sir, our cash balances have improved a lot over the last 2, 3 years because of the strong accrual. So we are sitting with around INR 450 crore. And if I understand correctly on products from our previous call, I remember, we invest roughly INR 20 crore to INR 25 crore per annum on products part. Now I just want to understand the way you look at this cash flow, you want to distribute it at some point of time, maybe because of some regulatory hurdles you are waiting for that or you think that it is ultimately going to be used for

acquisitions at some point of time. Because if I remember, the balance used to be around INR 150 crore, INR 200 crore earlier. But the way we are generating cash flow, this keeps on increasing. So some plan on that, if you can throw some light?

**Rahul Kanodia:** So we are looking at acquisitions actively. We are in dialogue with some of the companies. Obviously, nothing has happened till it all happens. So we are looking at acquisitions, and some of these funds will be consumed in M&A activities. We are in dialogue with some companies, but we will talk about them or announce them as they mature.

**Harshit Toshniwal:** But the reason I asked, sir, because we are already growing at a very good pace of 15%, 20%. And I believe your guidance is all ex of acquisitions. So to that extent, which is why I asked this question because if we have an acquisition of around INR 400 crore, then probably it adds 20%, 25% to our current sales broadly roughly. So that was the one part which I wanted to clarify. And I have one more question after this. Maybe I can add it right now or I can ask after this?

**Rahul Kanodia:** No. So you can ask because I think I already answered the question that we are looking at acquisitions. Obviously, you're not going to block INR 400 crore on an acquisition because we've got to keep some reserves for working capital, and plus, we are doing R&D, we keep investing in new technologies. So you do need funds for that. You need to have a healthy reserve in any case, you never know when certain things go wrong in the global market. We had the wireless issue. We had the war with Ukraine. Something else can pop up. So it's important that the company maintains a healthy reserve. Having said that, yes, we are actively looking at these investments both in R&D and technology and acquisitions.

**Harshit Toshniwal:** And sir, the other question was on the investment in the product and the technology part. So if I remember last three to four years, we have been investing in it and probably if I take an annual expenditure of INR 25 crore, INR 30 crore, then we would have already put around INR 150 crore of expenditure on the various products. I think at some point of time, you mentioned that you would want to give some number on the product revenue when it scales up, but just understand that it has been five years since we have been investing in products and that is impacting the margins of the technology business. So what is the outcome, which we are getting out of it? If you can throw some color of what out of the total digital technology revenue is coming from the various products and how much more time of investment and scale up do you think will be needed here?

**Rahul Kanodia:** Sure. So we are beginning to see an uptrend in terms of the deals we're getting. That's one direct benefit. There's another indirect benefit. When we go to the market with these products, we're getting spin-off benefits on the BPM side. So some of the deal sizes that we're getting larger deal sizes on BPM is on the back of some of these products. Now one does not correlate and therefore, offset those costs. The cost is showing as investments because we're building the product. We are ready. We have deployed them in our own operation, which has given us efficiency, because of that, we are able to get larger deals and new deals. So there is a spin-off benefit to these investments. Unfortunately, the product license in terms of a direct sale has been a little muted. Having said that, we are seeing a good upswing in terms of the deals.



- Mitul Mehta:** So yes, this is Mitul here. So from a product perspective, as Rahul mentioned there are green shoots. The pipeline looks really healthy. So we have already onboarded some customers this year, and there have been some real marquee customers. And going forward, we also feel that next year will be also in here that we will see a good growth, which will bring a certain amount of weight to the entire business. So I think next year is going to be critical for us.
- Harshit Toshniwal:** And sir, if I look at our shareholding, I think there was some promoter stake, which was spared down in last, this quarter. If you can throw some color as to the reason for promoter stake coming down. If there's something because regulatory, we are well below 75%. So that was not a concern. But just wanted to get a sense of, is there any update on that part?
- Rahul Kanodia:** So if you read the SEBI disclosures, it's all over there. The promoter as they age are providing for their grandchildren and therefore, they've created a separate trust in which they have deployed some of the equity.
- Harshit Toshniwal:** So the public holder which we see universal trustee, that is nothing but that trust itself.
- Rahul Kanodia:** That is correct.
- Harshit Toshniwal:** I think, a great set of numbers. Thanks a lot for answering all the questions. Just one request at on the technology part, if you can separate the product investments, and show it as a separate line item, it will give us much clearer picture of the technology margins. Because I think that is 1 business where analyst tend to compare your margins with maybe a typical IT service company, and that creates some discrepancy to the difference between the margins, because of the operations part, we are definitely commanding a lot of margin. And the way I was thinking is that all these investments in products is actually helping us in the business versus outsourcing business. The operations business. So does it make sense to classify them as a part of the operations cost rather than taking it in the technology piece? But any which way, I think thanks a lot for the good numbers. Wish you all the best.
- Moderator:** We'll take our next question from the line of NGN Puranik from Enam.
- NGN Puranik:** Rahul, congrats on a good set of numbers. Excellent. All around we have been doing very good all across businesses. I've a question on your automation business. So if you can give a meaningful understanding of what's happening in terms of creating the market-focused solution, taking into the market, branding, marketing, customer targeting and is the hiring complete? What's the long-term outlook for this? Are you happy with what's happening in the product business? Or some of these automation businesses it has to see the result in a reasonable amount of time. So what is your view?
- Rahul Kanodia:** Yes. So overall, I am not as happy about our performance so far on product business. I think it needs to be much better. And we are looking at how we can further augment the channel team because we've built a channel team, but that needs to deliver better results. We have been in dialogue with some of these analyst firms like Gartner and Everest in terms of working our

strategy for the segment and we've had several rounds of discussion. So along with them, we are relooking at our strategies as we plan our next year. So that is a work in progress.

I think in another month or so we should have nailed that program. I do see some, as Mitul mentioned earlier, greenshoots we do see an uptick in the deals that we're getting. I think also we had a slow start, and that's towards pulling us back. But now the new logos in the marquee logos that we are getting, are extremely promising. Some of them, we've signed. So it's not that their prospects. They're signed customers. So I think on the back of that, we will get more-and-more bigger logos. Because they feel confident in the 1, 2, 3, 4 big companies buy from you. The other large companies also feel confident in buying from us.

So overall, it has been much slower than I expected, and I'm not very happy with that. But I am still confident and bullish that we are in the right place at the right time. The analyst coverage that we've got has also been very-very good in terms of the reports have written about us. So I think we are in a good place. We are not increasing our burn substantially. Of course, we are spending INR 25 crore to INR 30 crore a year. But just given the size of Datamatics, that's not a huge number, something we can easily absorb. So it's not causing us nightmares. But yes, that does need to improve, and we are working very actively on that.

**NGN Puranik:** Do you think you have the right product the market wants?

**Rahul Kanodia:** Yes. From the feedback that we've got from customers and from the analysts, they are extremely positive. So I'm very confident because the right product and we are at the right place.

**NGN Puranik:** Do you need to fine-tune or sharpen your product to the market in relation to the competition?

**Rahul Kanodia:** No, I think we do need to sharpen some things around the market segment and the focus and the solutions that we take to that segment on the back of this process. So that need be sharpening that's for sure. But I still, I'm very confident that we are in the right place, and we are recalibrating our strategy. As I said, we are talking to these analysts firms getting market inputs because they talk to 100 of companies. So they give us very valuable insights in terms of how we should re-strategize.

**NGN Puranik:** So what market segments you think are the right one to focus? Is it BFSI, or is it technology?

**Rahul Kanodia:** I will just say one or two things then Mitul will chime in. So BFSI is certainly the largest user, and within the BFSI segment, there are sub segments. Mortgages is being one, wholesale banking is another one, but there are many-many segments within insurance also, life insurance, the general insurance, health insurance. So they're all different segments. So we are recalibrating that. Plus, the area of manufacturing is also very-very important, and we did not focus on that as much earlier, but now we are beginning to focus on that again. Specifically around the F&A space from a domain point of view, apart from the industry, the F&A practice is a good practice for automation, on the back of robotics and TruCap and TruBot. So Mitul, do you want to chime in?

**Mitul Mehta:** So I think that's fairly you covered most of that Rahul. So IDP has very specific industry focus basically BFSI, logistics, healthcare, government is also a big buyer. So these are the few industries which would make about 80%, 85% of the market. As Rahul mentioned, last year, we have definitely done better than what we have been doing last year. So green shoots new customers have come on board. And those customers have been across all regions. US, Europe and India. So it has been a fairly muted customer acquisition.

Going forward, we're not changing this strategy per se, but you have to put to be a little more focused in terms of which verticals to be enter into. And that would hopefully give us a faster time to close. As Rahul mentioned, what's not agreeing with us is the time taken for deal to close, is longer than what we had expected. So I think we are working on it. Our strategy is going to get fine-tuned with the right set of challenges, which we are identified and going to the market.

Now I think you also answered about recruitment. I think recruitment, we have fairly done. We have good sales teams, both on ground in the US and India and Europe. So at the East and the West both. We may add strategically a few members, but more or less right we are good for our this coming year.

**Rahul Kanodia:** I think the biggest challenge early that we faced is the cycle time to close. It's actually longer. We have thought that it closed the cycle time will be two to three months, but it's substantially longer.

**NGN Puranik:** Rahul, the client wins you have, are they significantly referenceable client range?

**Rahul Kanodia:** Yes. That almost everyone.

**NGN Puranik:** Sir, from their deep pocket to sophistication of maturity using technology from that perspective?

**Rahul Kanodia:** Yes. Absolutely.

**NGN Puranik:** That itself will get you a lot more wins because initially the positioning has to be important in terms of client wins and performance.

**Rahul Kanodia:** Yes. Right.

**NGN Puranik:** You have the right partner in place for selling this product?

**Rahul Kanodia:** We have multiple partners. I think as I mentioned a little earlier about five minutes ago, we do need to we improve our partner channel throughput that throughput is not as strong as we would like it to be.

**NGN Puranik:** So what do you need to motivate them to sell more?

**Rahul Kanodia:** It's a \$1 million question you are asking. That there is the some of the product companies like UiPath, their revenue is about \$1 billion or a little over. There's losses are about \$1 billion. So their spend is that mean \$2 billion. If I spend that kind of money, I'm sure partner will be very happy.

- NGN Puranik:** No, I understand what you're saying, the UiPath is in a good path actually. So that's a different model. But the key is how do you get to redirect this kind?
- Rahul Kanodia:** To engage the partners into some of the market logos that we have, which is encouraging them to get more-and-more. So I think there, it is good, but some of it is a slow process. These partners will learn they get confidence, it takes time. And honestly, I don't want to go to a burn more very heavily..
- NGN Puranik:** No. It's not advisable at all. All this burn mode will take you nowhere. So that's why I was asking you because you are focusing on the right customers, it's very important there because at the end of the day, you look at a customer, you look at profitability, liquidity and referenceability. The referenceability will be help you get more wins. And there's also motivate other partners. That's why I was asking that.
- Moderator:** Our next question is from the line of Shreya Pawar an individual investor.
- Shreya Pawar:** First of all, congratulations for the best results Mr. Kanodia. My question is about the supply of the talent. So globally, tech companies are facing talent supply pressures. So are you also facing the impact of this?
- Rahul Kanodia:** So if you remember, about six months ago, the industry was going through a lot of turmoil, very high attrition, very high salary hike. That has eased off right now. It's not come around to zero, but it certainly cooled off. We are not having major challenges in attracting new talent. So I think on the supply side, good news is that it's easing up also what's helping us is the announcement made by the big tech firms in the US, Facebook and Twitter and Microsoft and Amazon, they're all announcing layoffs. And that layoff is creating its own ripples in India. So therefore, I think there's some degree of easing off, which is very helpful. So by and large, we are okay, by and large we're not having any major challenges.
- Shreya Pawar:** I have one more question. So in last quarter investor call, you had mentioned about the guidance of about 15% of the growth. And today, you are already at 17% of, for this particular financial year. So I just wanted to know what has contributed for this revised positive guidance?
- Rahul Kanodia:** So this is a combination of three things. One is that our price hikes that we've re-negotiated several deals with customers because of the turmoil in the industry. So the price hike has given us a little bump up. We've not yet expensed all of the benefits, but some of it will continue in the next one quarter. And of course, there is genuine revenue growth. So we had a good deal flow, and we continue to see healthy deal flows coming in. So the revenue growth is basically contributing to the growth that we are experiencing.
- Moderator:** Our next question is a follow-up from the line of Harshit Toshniwal from Bottomsup Research.
- Harshit Toshniwal:** The follow-up is on the product part itself. So if you can throw some color on the key products which we are creating and we're investing more with respect to the use cases? So if I look at our website, when we see a lot of products like digital workplaces, we have products on trade

finance, etc. But I think are these the ones where we are investing or there are different product categories altogether?

**Rahul Kanodia:**

So there are three or four products that we've invested heavily in. Trade finance is not one of those. TruBot is one product. TruCap Plus is one product. TruBI is another one. And finally, is the TruFare, which is for the metros. So these four have taken significant investment. The TruFare piece with the metros, we've gone live with Mumbai Metro, we've gone online with Kolkata Metro. So there, I expect that the investments will come down now. We don't have to invest so heavily because we've got some live projects going on.

TruBot and TruCap are the two major ones. Even TruBI, the investments are minimal and now it's more in our sales mode. So I'm not expecting too much on investment there. So certainly these two, which is TruBot and TruCap, which are the main investment products. There also we will plateau the investments because we left, of course, sustain investments to keep the product current. We'll continue with that. The larger investment will not be on sales and marketing, which is very critical for us.

**Harshit Toshniwal:**

So when you look at these products, do we want to target the US customers itself? Or we want to target the Indian customers? That's the first question. And the second one is that both these segments of TruBot and TruCap are competitive. So we have a whole lot of US players. We have a whole lot of Indian startups who want to invest in the robotic process automation. So there are many small players who have their own software. How do we plan to differentiate on the product part?

One, and second part is the system integrator, the GSI channel, the only channel to sell the products. Because I think for large clients, taking to the clients will become very difficult. And secondly, is there an alternate channel, which we can use to target the small and medium enterprises? Say, for example, through a player like Redington, etc., to cater to that SME line specifics India. So wanted to get some sense on the customer set, the uniqueness of the product vis a vis the competition and the channel through which we want to approach?

**Mitul Mehta:**

So this is Mitul here. So I take one-by-one question. So one about how do we differentiate? So RPA, as you said, yes, it's a fairly crowded market and almost all the categories, all the players are at par. However, there are many wells and vessels within the product, what is the entire total cost of ownership of managing super digital workforce much better value proposition. So TruBot fits into that piece. And it brings down the overall cost of ownership for RPA.

TruCap+ is an IDP product. IDP is a new category overall, but it's getting a lot of traction. A lot of new players are entering the market. Where we differentiate is on our AI-based template free capture, which basically means that once you enter the document, it automatically identifies what document it is and captures the information selectively and puts it down to the downstream system. That substantially reduces manual workflow, manual workplace and also make a case for a high amount of state through processing.

So which makes it very lucrative for enterprises to really bring down a lot of manual data entry if they are doing, especially for paper-based processes, which are very compliant heavy processes which requires typically a wet signature or it could be banking, insurance, financial services industries, healthcare, which are very compliant with the industries. So they are the other use cases for that. And last is you mentioned about?

**Harshit Toshniwal:** Yes. One is the customers we want to target, the large or mid-tier in US or in India? And the third is on the channels through which we want to target?

**Mitul Mehta:** Right. So customers I just mentioned. So it's typically compliance-driven industry are a good target audience. Finance and accounting as a horizontal process because that is also compliance driven, especially if you are a publicly listed company. So those are also very good target audience for these products. Now how we go to market is, across...

**Harshit Toshniwal:** Sorry to interrupt, but also in the category of customer, the reason I'm asking that for example, if I take the example of an ICICI Bank or JPMorgan, there would always be a player like Newgen or some other mid-tier large cap, largely as player, there in the system, doing the same thing, so, when exactly do we want to target when we say customer? And is it more US customers or the Indian?

**Rahul Kanodia:** So, one is that we are focusing more on the US and European customers than Indian customers because Indian customers had to be far more price sensitive, and therefore, the margins tend to be squeezed, point number one. Point number two is we are targeting the mid-tier mostly. The small companies are too small because the effort to sell is not commensurate to the scalability that you like. You will get two, three new logos, but they want to scale. So the mid-tier are the ones where we're targeting because the large ones are already crowded as you rightly said. Having said that, I must say that some of the large companies that we've acquired recently, have come to us because they've already burned their fingers with some of our competitors. And therefore, I would not say that all the large companies are saturated. There is an opportunity for us, even in most large companies, and that's very important because you get some very large logos in your customer, which gives confidence to the rest of the market and the rest of the customers. So our real segment is the mid-tier, but we are getting a few large ones as well.

**Harshit Toshniwal:** And the last part in that channel, which you can throw some color as to do we have to get then tie up with system integrators, if that is the only viable channel to do this business? Not sure if we can, but if we can name some reference of the clients who we have tapped for these products? It will be very helpful to reference.

**Rahul Kanodia:** Sure. So I'm not so sure I bit liberty to talk about customers. But if our channels are concerned, they are system-integrated type of companies. Some of them are large global systematical and some of them are mid-sized and some of them are smaller. So even with the entire spectrum. The smaller ones tend to act as more resellers rather than value-added retailers, they're not large, but they're just resellers. The mid-tier tend to work as value-added retailers or SIs.

**Mitul Mehta:** And a lot of these partners are also regional market leaders in their categories, so they may not be like global companies, really large global SIs. They're may be a regional SIs, but they have good footprint. They are partners who are focusing on a certain vertical in a certain regions, and we're doing very well in that space. So we are speaking to both. So we have those set of partners. And now we are also talking to large global SIs who are likes of the TCS and the Deloitte and the Cognizant of the world.

**Moderator:** As there are no further questions from the participants, I would now like to hand the floor back to the management for closing comments. Over to you, sir.

**Rahul Kanodia:** Thank you, everyone, for being on this call. I really appreciate the time you spent with us, and I look forward to engaging with you once again next quarter. If you have any other questions, please feel free to reach out to any one of us, and we'll be happy to address your questions. Thank you once again, and wish you a very happy New Year.

**Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Datamatics Global Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.