



“3i Infotech Limited
Q3 FY25 Earnings Conference Call”
January 30, 2025



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 Limited Q3 FY25 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 E&Y Investor Relations. Thank you and over to you, sir.

Pratik P. Jagtap:

Thank you, Yusuf. Good evening to all of you. Welcome to the Q3 FY25 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 Business Update, after that, we will open the floor for Q&A session.

As usual, I would like to remind you that anything that is 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 prospectus filed with SEBI and subsequent annual reports that you can find on our website.

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

Raj Ahuja:

Thank you, Pratik. Good evening everyone and thank you for joining us on the Q3 FY25 Earnings Call.

I am glad to connect with all of you once again. I will share our financial performance and business update for the quarter. I will also share some insight into our progress, challenges, and outlook. Despite Q3 being a seasonally weak quarter for the industry, I am pleased to report that this is one of the best quarterly performances that we, as a company, have reported in recent times. We have witnessed a revenue of INR 181.4 crore, a growth of 2.1% on quarter-on-quarter basis. We have seen a significant improvement in operational efficiencies, which is demonstrated in our EBITDA margin of 6.4% this quarter, up from 3.1% in the previous quarter. This improvement shows our commitment to enhance profitability while maintaining investments in innovation and talent.

Our profit after tax stood at INR 40.6 crore as compared to a loss of INR 4.3 crore last quarter. This quarter, we also had forex gain of INR 38.9 crore, which is part of the profit after tax of INR 40.6 crore. As we have some legacy forex exposures and the rupee depreciation this quarter.

We have recorded this gain, as the company doesn't have a hedging policy. As on December 31 2024, our net cash position stood at around INR 7.4 crore at consolidated level. Our DSO currently is 81 days, which is improved from 98 days in FY24, which is an improvement of 17 days in the last nine months. We are working on the business strategy for the next few years to come and this should be showing impact in the upcoming financial year. But broadly, we would be focusing on our traditional line of businesses with our products business horizontally, contributing to the growth in future.

Coming to geographies, we are steadily growing in the US region, and we'd like to expand our focus on the value businesses, especially AAA business, cloud, cyber security, and the newest technologies like blockchain, AI, automation and data. In terms of our segment performance, in Q3FY25, our AAA segment which stands for Application, Analytics and Automation, contributed 68% in total revenues with a Gross Margin of around 12%. AAA is one of the highest revenue contributors with around INR 123.2 crore during the quarter, followed by infrastructure services revenue of INR 37.4 crore with a Gross Margin of 20.5% and the business process services which reported a revenue of INR 20.7 crore with a Gross Margin of 18.4%.

Coming to the quarterly performance of our geographies and verticals:

The US region posted a revenue of INR 74.4 crore with a sequential growth of 21.6%. We have won many new accounts in the AAA business with a favorable forex exposure. India region has registered revenue of INR 79 crore with a sequential degrowth of around 10%. This drop in revenue is majorly from the Business Process Services business, where due to regulations led the client companies to insource some of their operations. On the industry front, the verticals, the IT segment reported quarter-on-quarter growth of 28.2%. The BFSI vertical segment reported quarterly revenue of INR 73.1 crore versus INR 79.6 crore in the previous quarter.

During the quarter, we have secured 34 new contracts with both existing and new customers, while successfully concluding a couple of contracts with a strong focus on driving growth in the IT sector. Out of this 34, 16 are the contracts with new customers with a total contract value of INR 12 crore. We have won 10 accounts in the US region, 4 in India, and 2 in EMEA regions.

As mentioned in my previous calls, our primary focus is on maintaining our scale and driving organic growth within existing accounts. At the same time, we are restructuring and enhancing our sales strategy to expand our reach and drive growth in the new accounts. We are also making significant progress in strengthening our partnerships with technology providers and co-innovating with clients to deliver differentiated solutions.

Coming to some other important business updates:

I would like to update you on very important topic of forensic audit on legacy matters, which was initiated at the board meeting held on January 31, 2024 by the company's Board. For this audit, external consultants were engaged for the review and their final report was submitted to

the board on January 29, 2025. Following a comprehensive evaluation, the Board has reviewed accepted and approved the report which confirms that there are no further implications or adverse financial impact on the company. This is very positive news for our stakeholders as well as for 3i employees.

The next very important update is on the dilution of 3i Infotech's stake in its subsidiary - NuRe MediaTech Limited. I am pleased to announce a partnership with strategic investors marking a significant milestone in the monetization of our RailTel project. This investment reinforces 3i Infotech's position as a key player in public and private digital infrastructure and accelerates its efforts in digital innovation. The total consideration for the transaction is INR 17.5 crore and expected completion of sale is on or before 31st March 2025. With this new investment, 3i Infotech is poised to enhance the project's scalability, drive greater connectivity and deliver long-term value. This partnership underscores the company's commitment to advancing digital infrastructure and maximizing growth opportunities in this sector.

As a part of our strategy of global restructuring of our entities to optimize operations and enhance efficiencies, we have decided to voluntarily liquidate two of our direct subsidiaries, 3i Infotech (Saudi Arabia) LLC and NuRe Infotech Solutions Pte Limited, Singapore. Also, significant progress has been made on the restructuring of our US and UK step-down subsidiaries and we are actively working on few other regions as part of this strategic initiative.

I am also pleased to report some additions to the management team in this quarter. I am pleased to welcome Vaibhav Somani as our new Acting Chief Financial Officer and Navneesh Sarin as the Business Head, Business Process Services. Their extensive experience and strategic leadership will be very instrumental in driving our financial growth and business expansion. Vaibhav, a qualified Chartered Accountant, brings extensive experience in financial management across various industries. He has a strong track record in leading finance teams, implementing internal controls, and overseeing key functions, such as accounts finalization, IndAS conversions, audits, and compliance. Navneesh brings over 30 years of global delivery experience in banking and financial services. He has worked with companies like GE Capital, Bank of America, Genpact. He has held leadership roles across operations, business development, transformation and M&A, managing large teams across multiple countries. With expertise in operations, technology, risk and compliance, he has led teams of over 8,000 associates worldwide. We look forward to both of their contributions as we continue our journey towards innovation and excellence. Please join us in extending a warm welcome to the team.

Looking ahead, we remain optimistic about our long-term growth trajectory. But for this year, we anticipated a decline in topline year-on-year primarily due to our strategic decision to exit some low margin and loss-making deals, the results of which we had discussed in our last call also. However, as our growth initiative gained traction, we expect to see positive momentum by year end with fair growth projected to begin in FY26.

Our EBITDA and PAT have already turned positive this year and are expected to sustain and grow in the quarters to come. In conclusion, I would like to express my gratitude to our employees, clients and partners for their continued support and trust in us. While we acknowledge the challenges ahead, we are confident that our strategic initiatives, strong execution capabilities and dedicated teams will enable us to deliver sustainable growth and value creation in the coming quarters.

Thank you. I will now hand over the floor to moderator for the Q&A session.

Moderator:

First question is from the line of Harish, an individual investor. Please go ahead.

Harish:

First of all, with a welcome note, I would like to tell the management that the company's Chairman and Independent Director Uttam Prakash Agarwalji and the company's CEO Raj Ahuja, both of them have given a new lifeline to the company. There is a new life inside the Company. Earlier, Company was on ventilator. Efforts of our management have brought good results in this quarter, and I hope this will sustain for coming quarters. I have a total of 12 questions today in this conference call. And I request moderator not to stop me in the middle and give me a chance to put across all my questions.

Question 1: Rajji, yesterday you announced the result for Q3 FY25, but till now you haven't uploaded the result, press releases and investor presentation in the exchange. So, why was so much hurry to conduct the conference today itself. If you wanted, this could have done in 1 or 2 days later. By that time investors could have read and understood the details.

Question 2: You also know that your company has comparatively more shares than other small cap and mid cap IT companies. Means around nearly 17 crore shares. If you look from that angle, then company's equity share capital is around 170 crore. In this case you have to put lot of efforts in bringing EPS to double digit, because you are giving lot of ESOPs to your eligible employees and secondly you are also diluting the equity. I am not against ESOPs because those who deserve should get it. Can't you reduce the number of shares by scheme of arrangement, or by buying back the shares. By doing this, the company's quarterly EPS could increase in double digit. Please think about that.

Question 3: If you add new clients' quarter-on-quarter or sign new contracts with clients, then what is the contract size and term of the contract, why don't you release the details in press release and why are you not disclosing it? All IT companies do that. Are you afraid that competitors will come to know about your clients? If you start sharing it as a business update, then at least the market sentiment about the Company will remain positive and there won't be so much ups and downs in share price.

Question 4: The previous quarter you said that you are very confident of the RTA business. Why are you not incorporating separate subsidiary? Because it is an unstoppable, profitable, and growing business.

Question 5: After every quarter ending, for posting the shareholding pattern, you upload only after 20th, why it takes so much time? If you want, you can upload it as soon as possible around 10th of a month, which most of the companies do.

Question 6: One of the companies in AI field, DeepSeek is challenging leaders like Google, OpenAI and Meta and disrupting the market and on the other side, you are giving employment to 5,200 people. Do we really need this many employees?

Question 7: Today's world is mostly about digital and social media and most of the companies advertise their products on social media and in this condition, your company is not using that much. Company's Facebook page is off not working from 4th September and your official YouTube channel is inactive for last 10 months. I want to know, if you are doing this through outsourcing or doing it yourself by your Company's media team. Going forward, advertise your Company's products on these five Social Media sites i.e., Facebook, X, Instagram, LinkedIn or YouTube on a timely basis. Please take it as a suggestion.

Question 8: On 1st January 2025, on the first day of this calendar year itself, Mansi Shares and Stock Advisor Private Ltd. this operator has bought all the shares of the company in the upper circuit. And the very next day it sold all. What do you want to say about that, because this firm has in 2 days bought and sold the shares of the Company?

Question 9: In next quarterly results can we expect any unexpected issues or surprises there or not?

Question 10: Now you have a very well defined management team. So, in the coming days, would you mind giving guidance and business outlook for next couple of years or not yet?

Question 11: Is the company in initial level talks with any private equity player or another investor?

Question 12: How much is precisely the book value price? Please include this in the investor presentation going forward quarter-on-quarter. Also, why did you hide balance sheet and cash flow statements in the Company result?

That's all from my side.

Raj Ahuja:

Thank you, Harishji. It was a very long list of questions. But I must say that you have been, looks like, a great admirer of our company, and thanks for that. You have done so much of in-depth analysis and asked very relevant questions, which I keep handling on a day-to-day basis, even internally. I like to answer whatever I can readily in this call, both from a readiness point of view and from the legality point of view. Whatever I can share, I will try to share transparently as much information as I can.

First point, I think I take your feedback. I fully agree that there was a delay in uploading of the press release and the investor presentation which was done just around half an hour before this call. There were some last-minute changes which we were doing. For the last 2-3 quarters since I've been here, we have been trying to improve the quality and the coverage of our presentations. And there is some information which still flows a little late, and since this call was already scheduled, we couldn't have shifted this call to a later date because people would have blocked their calendars. So, we take your point. We will keep a little bit of a buffer between the release of the financials and this call from next quarter so that we have reasonably good time to create some analytics for the investor presentations. And we'll try to not to have any delay in the release before the call. And you're anyway welcome, even if you have some questions after you have gone through this presentation and press release later, you can reach out through our investor relations cell, and we'll be able to give you those queries. If you have any additional queries, we'll be able to answer them separately.

Number of shares is high. If you're following the company, you know that a lot of these shares have been issued as a part of our debt restructuring in 2021, where we had converted our long-term liabilities to the equity capital and that's why our number of shares is quite high. I agree with your analysis, but the restructuring of the capital structure is not an easy process especially share buyback. It will entail availability of liquidity in the company which currently we need for our growth purposes and we would not like to use that for the reduction in the share capital. We are very clear that we should be working more towards enhancing and increasing our revenues and profits so that we can justify paid up capital rather than decreasing paid up capital and getting lesser profits. Anyway, point taken and if there is some opportunity still exist, we will evaluate that and thanks for that feedback.

New clients' disclosure, that was your third question. So, new client disclosure, we have not been doing very aggressively in the past. Even in the past before I had joined, there has not been enough focus on disclosing and making deal specific disclosures to the stock exchange. That's a part of our DNA or strategy whatever you call it and again in this point also we will discuss internally and then we'll see that if some of the deals we can disclose subject to our confidentiality agreement with the clients. We will be happy to disclose and it's not that we are trying to hide but I think it's more of the approach we had taken in the past that continues even now.

Question number four on the RTA. Some of our press release this time including those to the stock exchanges, you would have seen we are trying to simplify our entity and subsidiary structures. At this point of time, we are trying to bring all the businesses to one main company or one operating company. We have no intention to hive off separate businesses or separate subsidiaries as of now and that includes RTA business. Though the size and the profitability of RTA business is reasonably good, there is no intention to separate out that business as a separate company even in future. It continues as one of our existing offerings out of the list rather than being a separate subsidiary company.

Fifth point, I take your feedback. I have Varika also in the room, who is the Company Secretary, and this point is for her feedback that we should be uploading the shareholding pattern much earlier than the due date, the 20th. We can do it, there is no challenge. As a matter of practice, it has become 20th, but we will advance it and there is no challenge there.

DeepSeek- AI market disruption, I agree that there is a lot of disruption happening in the market. Our services are little different than the services of what the AI and DeepSeek are doing. If you see investor presentation and you have been following our company, we are the people who are helping others to do what DeepSeek and AI is doing. We are the technology partner or technology provider for the IT companies, for banking companies, for manufacturing companies to do their automations. When you say that the AI is helping the general public in so many ways, the people behind are the companies whom we are supporting today. So, the 5,000 people are now 4,800 this quarter, they are the people who are helping our clients to create these technologies. So, cutting down this number, is not the right suggestion because most of our employees are billable resources and working with the clients to automate and to create these new technologies and hence each and every employee is like an inventory for me, whom I use for providing services to the clients and create my revenue. Cutting down employee count means actually cutting down our revenues. Having said that, obviously we have around 11% of our staff, which is non-billable, which includes people like me and teams in the corporate offices and the LOB-wise management teams. These are the people who support these balance 90% people to provide services to our clients. We continue to review and optimize this 11%. This number used to be around 14% six months back. We have brought it down to little higher than 10%. We continue to monitor and bring down these non-billable resources by automating, by optimizing processes and by taking care of their productivity so that we can invest lesser and lesser on the non-billable resources.

Seventh point was on our presence in digital media. This point came last quarter also. Obviously the last 1-2 quarters, we have not been very active on the digital media. That is also because of our business model, which is more B2B. Our B2B clients, though it is still important for the brand building, but most of the platforms which you talked about, which include Facebook, YouTube, X, Instagram, are more for the retail customers and not for B2B kind of promotions. Our clients are like banks, IT companies and manufacturing units and for that these social media is not a right method for creating a brand. For awareness, yes, I understand that some of these clients' employees in these companies are also on the social media. So, from awareness and brand building, it is important. I have noted this and we'll see that what best we can do in those platforms to improve our presence. But we'll never be using these platforms for active marketing. They may remain as a more brand building and awareness initiative.

On 1st of January 2025, there was one block deal which has happened, not in the form of block deal but, where one of our existing shareholder, which is a bank, have transferred the shareholding within their company, from one holding company to another group company and that had gone through. Suddenly you would have seen a surge in the price as well as on the volumes on that day but nobody has really bought the shares or sold the shares as a bulk deal

other than this share transfer which has happened from one group company to another group company of one stakeholder and we have not gone into the depth because like I mentioned last time we don't control and influence anything which is happening in the stock market, whether it's a large deal sale or transfer of shareholding from one company to another company or price movements. We use that as a barometer, but we don't intervene in any of those things. This was completely out of our control.

Question number nine, we are not expecting any negative surprise from here onwards. I think our major concern till now and also all of the stakeholders including you would have been the forensic audit which was initiated around a year back. That report has been received, that report has been accepted by the Board and reviewed and there is no negative implication of that report into the financial position and operational position of the company. Other than the normal business risk and business surprises which any company can expect, we are not expecting any negative surprises from here onwards.

On giving the outlook and the strategy, this point also was discussed in the last meeting. We had committed that along with the Q4 results, we'll be presenting our strategy with or without management team. So, it was not waiting for the management team to come on board. It was for me to settle down, clean up some of those things which have been haunting us in the last few quarters and then think about a strategy. That's why we had promised that we will, as a part of our forecast, present our next few years' strategy and at least a strategic direction will be set for the company. We will be coming back to the stakeholders of whatever we can share out of that. This is committed and that will be done. We are internally ready with a lot of thoughts on that, trying to console everything into one place and also take the board members into confidence before we make that public.

There is no talk as of now with any private investor or private equity player or any other such investor. There have been a couple of meetings which is more of our introduction to the group and mere evaluations as of now. There are no active discussions happening on any of our further capital enhancements.

I don't have this last information. I don't have readily with me the precise book value and maybe I think we can do one thing that we can do the exact math and make it as a part of investor presentation. We will upload it in the next few days one more version of including the book value of the group.

On why we have not uploaded the Balance Sheet and Cash Flow is because of the SEBI LODR requirements, as this is a limited review quarter. Q1 and Q3 are limited review quarters where only the financials are audited, not the complete financial statements, and Q2 and Q4 is when we release the complete financial set which includes Balance Sheet and Cash Flow. Having said that, we will see that if some portions of our top items in the balance sheet can be covered as a part of the investor presentation sometime in future. In Q4, anyway you will be getting the full view of the balance sheet. Q2, we had released the Balance Sheet also along with the financials.

And in future next year we will see that if we can do little bit on the balance sheet also in the investor presentations. I hope I have covered all the points and not missed out the points or the intention behind the points. Thank you.

Harish: If you think of me as a well-wisher, just before I hang up, please tell me that the worst is over.

Raj Ahuja: I won't be able to use these words exactly, but as I have said that as a part of your question on what is the negative expected, I have covered that well in that point. You will always have the business risks in any business. To the best of our knowledge, there is nothing hidden as of now. Everything transparently has been disclosed, and I am not expecting anything further. But there are unforeseen circumstances which keep happening in the market and elsewhere which can impact the business. So, this is what I can say as of now.

Harish: Thank you, sir. Best of luck.

Raj Ahuja: Thank you.

Moderator: Thank you. Next question is from the line of Kiran Rao, an individual investor. Please go ahead.

Kiran Rao: Thank you and congrats on the good set of numbers. So, I went through some of the companies that we have had tie-up with on the RailTel project. But I see most of them are basically very new. One company is as new as about eight months. So, I don't know if they really have a track record. Can you please throw some light on this? Second question is, a couple of years back, we had tied up with the IIT research park, Chennai to establish a future tech business lab. Is it still in place? Are we trying to leverage some technology out of this tie up? That's the second question. And now that we are liquidating two of the subsidiaries, will there be any savings, are we going to cut down the losses or is it going to be of any use to us or it is just that no profit, no loss on the balance sheet. And the final question is, now that we are EBITDA positive, now the earnings per share have improved, do we have a clear roadmap on the guidance or things like that or the future target?

Raj Ahuja: Thank you, Mr. Kiran. First on the RailTel project. There are four parties who are in partnership with us for this RailTel project. Three of the entities are more financial investors and there we have seen the financial strength of those parties for supporting this project. We have not done a full diligence on them from a non-financial point of view about their credentials. Obviously, we have done the complete KYC, and we have done the UBO and other checks. But the main party is Cantera. They are into the digital media space and have presence across. They have been working on a lot of projects on the digital media side, both in terms of their expertise in the past with bigger clients as well as their financial powers. We have done the diligence on whether they can manage this whole project for us and whether they have expertise and people to manage it. The other three investors are more financial partners for Cantera Group and so we have done due diligence. We have done the due diligence through independent law firms also, who have done the complete diligence on these parties about their credentials. Some of these companies

have been set up specifically for taking care of the retail project because they wanted a SPV structure. So, the companies you might feel are new but if you go through the UBO, the ultimate beneficiary ownership, they have a lot of experience and expertise in managing these kinds of projects.

On the IIT Research Park, yes, you are absolutely right. We had a tie-up with IIT, which we did it around three years back, where we had housed our 40-50 Future Tech subsidiary employees, who are working on developing new edge products. In collaboration with a lot of innovation and the startup labs and all were there, we were supposed to get a lot of mileage and give a lot of experience and expertise to the startups. It was more like helping this whole research park to create new-age technology and products. But if you're following us for a couple of quarters now, we have been reviewing all our product portfolios. In the last quarter, we had generally informed everybody that we will not be focusing on products development anymore. We used to be a products company but now we want to continue into the services space and our focus is more on IT solution and services. That's why in the last six months, Board has taken a conscious call of cutting down on our investment into the products and focus on IT services and solutions. As a part of that, we have partially dismantled our products portfolio with FutureTech and this quarter we'll also be giving up that IIT Research Park space. We'll be exiting out of that collaboration because of our strategic decision to focus more on the services and not on creating new products.

On the liquidation front, the whole purpose of this entity restructuring was that in the past we have set up many companies and subsidiaries across the globe and now we are refocusing on which geographies we want to focus. Accordingly, we want to cut down certain companies in some particular regions where we don't have a strategic focus now and that includes some of those companies which we have announced that we will be closing. In KSA, especially Saudi, we have business and it's a profitable business but not hugely profitable. The reason of exit there is very different which we had made it public through the Stock Exchange notifications couple of weeks back. There is an old tax matter with the authorities over there, which is almost to the tune of around INR 25 crore. We had gone back to the government for a settlement, but the government has not agreed for any kind of a settlement. And the current status of that company does not support us to make a payment of INR 25 crore. So, we had decided to close it down. So, the KSA liquidation is purely commercial driven. While other companies like what we have done in UK, US, we are doing some bit of restructuring in Malaysia, Singapore and couple of African countries. Those are purely because of the efficiencies which we are trying to create where we had zero or low business. Those entities were set up for some specific purposes at that point of time in last 15-20 years. That will obviously bring us a lot of cost saving in terms of the management of those companies, the filings, the directors, the auditors etc. So, this will obviously give us the cost savings.

I have already covered your fourth point which you asked about the roadmap guidance that we have committed that Q4, we are going to give a detailed strategic roadmap and the guidance, and we are committed to that. Thank you.

Kiran Rao: Thank you.

Moderator: Thank you. The next question is from the line of Ramalingam, an individual investor.

Ramalingam: First of all, congratulations to the team for the good results for the third quarter. My point is that we had the same result of the good PAT in the last Financial Year 2022, if my guess is right. But in Q4, whatever we received as a profit after tax, we ended up with the loss in the fourth quarter. So, my concern is, is it due to only some seasonal improvement or will it be persistent in the fourth quarter also that is what my first question. And the second question is, so for the top end, how we are going to improve? So, is there any strategy that we are going to focus in 3i Infotech? And that is my next question. As of now you are focusing on only how to increase the PAT, restructuring and the entire unit. So, after that, what is the strategy that we, 3i Infotech is going to focus? That's it.

Raj Ahuja: Thanks, Mr. Ramalingam. First of all, there is no seasonality as of now in the financials. We have shown a consistent topline in the last three quarters, which is in the range of around INR 180 crore. You are absolutely right, and we have also discussed it in the last meeting, that the focus for the last six months mostly has been on cleaning up of all the past issues including the forensic audit legacy issues and taking control of whatever has happened in the past and thirdly, how do we restructure our business to make it more efficient operationally by cutting down wastages, cutting down people who are not productive and so many other transformational initiatives which we have taken in the last six months' time.

While we are doing it, one is that there is no one-time seasonal impact. These are sustainable revenues and sustainable profits which we have been generating. In any of the financials, we have not taken a one-time gain or one-time hit, or seasonal variations encountered in our financial in the last three quarters. Whether the Q4 will be like say a repetition of FY22 is your worry and I have already told in the first part when I was replying to Mr. Harish that we are not expecting any negative surprises other than whatever happens in the market. We are not expecting any negative surprises which will take us back to those FY22 days. Our trajectory is expected to continue. We have already finished one month of the quarter and not seen any negative results as of now in the first month of the quarter and are not expecting also in the next two months. I don't see a repetition of FY22 but there are still 60 days left so we have to keep working hard towards ensuring that we deliver what we commit.

Topline improvements, if you see business wise numbers you will see that it is not that the business has been very smooth and stable. There are second level details whatever we operate with. There are ups and downs in the businesses and the fact that the top line is sustained at the similar levels and this quarter anyway we have even got 3% increase in the revenue. It's mainly because of the fact that while you lose certain contracts and that's very common in the market, but you also have the good sales pipeline to replace those lost deals so that you can continue not only to sustain but also grow the topline.

This quarter, especially the focus has started on the building sales funnel. The focus has been on fixing up the right geographies and right product mixes, which we have done in the last three months. We are focusing on the US as a market. We have started focusing on value-added businesses like application development, maintenance, testing, automation, cyber security, cloud, AI. We have started doing some bit of investment in those Technologies as well as the resources who understand those technologies for good customer interactions. Like any B2B business, it takes time to convert a customer into a sale and that's the process we have started. It should start yielding results, maybe some in Q4 and Q1 onwards. We have a good sales funnel, and we continue to build more sales funnel while in parallel, we try to create a management team. We are looking for some good strong sales team which will happen in Q4 and Q1, which should help us in building up a good sales topline. So, this trajectory will continue. This trajectory on the topline, obviously will get more speed up starting from Q1, when we'll start seeing the results of the new sales team and the new priorities and strategy, which we have set for ourselves. I hope I was able to answer your question.

Ramalingam: Yes. Thank you.

Moderator: Thank you. Next question is from the line of Sanjay Khare, an individual investor. Please go ahead.

Sanjay Khare: Thank you for the opportunity. Congratulations, Raj, for a good quarter. Just, pardon me for some background noise. Good to see a sequential improvement in topline as well as operational profit for this quarter. And I hope this thing continues in Q4 as well. As one month is already over and considering the deals in hand, are we seeing that there will be a sequential improvement in both topline & bottom-line for the Q4? That's the first question. Second question is about in Q3, the other expenses have gone down almost to INR 9 crore from INR 15 crore compared to last quarter and about INR 25 crore compared to last year's Q3. So, what are these other expenses and are we going to see that other expenses are going to be in the same range, or it will be going again up?

Raj Ahuja: Thank you, Sanjay. Thanks for the questions and thanks for the wishes. Obviously, we have done a lot of hard work to get out to these results and the trajectory will continue that's what our efforts are. We have not given a formal Q4 outlook, but we are looking obviously to improve from Q3 as of now both in topline and on the bottom-line. That's what we have been targeting so this trajectory is expected to be continued. I am not able to comment as of now on the numbers or the guidance or the range even, but our endeavor is to continue to improve from here quarter-on-quarter basis.

In terms of the other expenses drop to lower level, the number, which is there in the Q3, except for some few small exceptional item which is immaterial, these numbers will continue. We are not expecting this number to go up. That is one of the efforts which we have done in the past few quarters of reducing these other overheads which was also some portion of that investment into sole product creations, some bit of work on this infrastructure where we had taken a lot of

initiatives in cutting down a lot of costs by closing some offices, by merging some offices and moving to different locations and a lot of rejigging in the operation structure, manpower structure, non-billable resources cut down, advisors and professional consultants cut down. There's a lot of initiative which has been taken to bring these cost levels to these levels. Is it sustainable? To the extent of maybe 90%. Some portions will keep going up as we go back to our growth trajectory. We might have to do more investments in future, but it will not be disproportionate to the revenue line item. So, if my revenue is going up, obviously this cost line also will go up, not in the same proportion, but it will continue to go up anyway. We will have to sustain as of now these similar parameters in terms of operating cost percentages. That's what we are working on.

Sanjay Khare:

Sure, Raj. I have a question related to NuRe MediaTech. Now this dilution is happening. So, are we seeing any impact to the revenue as well as cost savings in Q4 distribution or will the impact come only from the Q1 onwards?

Raj Ahuja:

Since we have signed the definitive agreement, we will see the impact in this quarter itself. Currently we have been spending amount of roughly around INR 3 crores to INR 4 crores every quarter on the RailTel project to keep it alive while there was not much of revenue, very negligible revenue. Now from this quarter onwards because we have signed the agreement, the cost will go into this subsidiary where you will also have a partner. This means that cost will proportionately reduce. On the other hand, since we have an established partner with us, we are expecting the revenues to start going up now. We have already started talking about the sales funnel in the digital media space, which will work on the RailTel project and that we have started working on. So, our revenues will start accruing to us in Q4 to some extent, but Q1, obviously, full impact will come in next quarter. You will see the impact of the RailTel in this quarter itself because this deal is effective 1st September. So, you will have a cumulative impact of September till March in Q4 results. The cost obviously will get into the subsidiary will have 51% partnership and revenues will start accruing in the coming quarter. So, it will have a positive impact on the overall financials.

Sanjay Khare:

Thank you, Raj, and just last question that 3i Infotech has invested into Exium Company, I think, two years back. So, is that investment now still there? Any returns we got or investment back or the investment is already forgone?

Raj Ahuja:

This investment is still live. We had done this investment as a part of our product expansion in the cloud and the cybersecurity space. We had jointly developed the product called NuRe Edge, which is because of our investment in Exium. As a part of the deal, we were supposed to do this investment in the company and they were supposed to help us in this product called NuRe Edge, the details of which are there in the investor presentation. This product is already live and it's giving us a lot of revenues and so, there's an indirect benefit out of that investment. It is actually a startup company which has created this product, and the valuation of the company also has gone up in the last 3 - 4 quarters. We're not looking to exit as of now. We continue to stay

invested because of this investment, we have this partnership with the partner for our NuRe Edge product.

Sanjay Khare: Got it, Raj. Thank you very much and wishing you all the best.

Raj Ahuja: Thank you Sanjay.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to the management for closing comments.

Raj Ahuja: Thank you once again to everybody for joining this call. Looks like the people have been waiting, they're going into the depth, and they have a lot of expectations. We are sure that whatever we need to do to come up to the expectation, we'll try our level best. Thank you for supporting us and expect the support to continue. Thank you.

Moderator: Thank you. On behalf of 3i Infotech Limited, that concludes this conference. Thank you for joining us. 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.