



“Aurionpro Solutions Limited  
Q3 FY2019 Earnings Conference Call”

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**MANAGEMENT:**    **MR. PARESH ZAVERI – CHAIRMAN & MANAGING DIRECTOR - AURIONPRO SOLUTIONS LIMITED**  
**MR. AMIT SHETH – CO-CHAIRMAN & DIRECTOR - AURIONPRO SOLUTIONS LIMITED**  
**MR. SAMIR SHAH – CHIEF EXECUTIVE OFFICER - AURIONPRO SOLUTIONS LIMITED**  
**MR. SACHIN SANGHANI – GLOBAL CHIEF FINANCIAL OFFICER - AURIONPRO SOLUTIONS LIMITED**  
**MR. SANJAY BALI - EVP, HEAD – SOUTH ASIA - AURIONPRO SOLUTIONS LIMITED**

**Moderator:** Good morning, ladies and gentlemen. Welcome to the Q3 and 9M FY2019 earnings conference call of Aurionpro Solutions Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve the risk and uncertainties that are difficult to predict. 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Paresh Zaveri, Chairman and Managing Director of Aurionpro Solutions Limited. Thank you and over to you Sir!

**Paresh Zaveri:** Thank you. Good morning ladies and gentlemen. I am pleased to connect with you all at the earnings call for the Q3 and 9M ended December 31, 2018. For those who are joining for the first time Aurionpro is a global technology solution provider that helps client, accelerate digital innovation, securely and efficiently. Our cutting-edge industry leading IP products are designed to solve challenges for clients in area of banking and Fin-tech, smart city & smart transportation and cyber security.

I am happy to inform that our business for the quarter and nine months ended 2019 was strong and going ahead we expect the same growth trajectory to continue. Our performance for nine month ended December 31, 2018 has exceeded our annual EBITDA and PAT for the entire FY2018. The nine-month FY2019 PAT is up by 24% as compared to the full year PAT of the financial year 2018. With our IP led business strategy bearing fruit across all divisions, we are confident of maintaining same growth and sustainable margins in coming quarters.

Now let me run through the quarterly business highlights for the three major verticals. On banking and Fin-tech business, which contributed to 55% of topline of our revenue for nine months ended for FY2019. We won four contracts with the leading international bank on our high cash flow iCashPro platform.

On smart lender side, which is also part of banking and Fin-tech both projects have gone live in last quarter. On ACE platform, we established a complete end-to-end savings account opening automation ecosystem for the large multinational bank in India. This includes on-boarding of new customers for savings accounts along with credit and wealth management services.

We are very optimistic about the banking growth backed by Fin-tech and driven by rapid adoption of cutting-edge technologies across the financial services industry.

On smart cities and smart transportation side, which contributed to 33% of our revenue, we are pleased to inform that Noida Metro, which is one of our prestigious projects on the smart transportation side is expected to be flagged off on January 25, 2019 with 21 stations going live.

We have achieved a significant milestone by completing the project in nine months period. For the next financial year, we expect this project to add about 7 to 8 Crores in EBITDA, going up to 12 to 15 Crores by third or fourth year annually. We also expect this to open large number of opportunities in AFC market, few of them are already under discussion.

On the smart city side, we won the project from Chhattisgarh Infotech on e-Governance project using Blockchain Technology. On Cyber securities, while it is traditionally a slow quarter due to Christmas holidays. We have expanded the sales funnel aggressively during the quarter with about 12 active PoS going on now with the potential pipeline of over \$5 million. We are confident of delivering stronger and sustainable performance from each of the verticals with immense growth opportunities moving ahead.

I now request Mr. Sachin Sangani, our CFO to take you through the financial performance for nine months ended FY2019.

**Sachin Sangani:**

Good morning all. On a financial side for the first nine month of a year the revenue stood at about 369 Crores against Rs.308 Crores for the corresponding period last year that is a 20% growth Y-o-Y.

EBITDA for the nine months stood at about 82 Crores against Rs.59 Crores that is an increase of 40%. As mentioned earlier, also our focus is now on higher EBITDA generating products along with cost efficiency program and higher utilization of existing resources, which has led to expansions in the margin.

PAT for the nine months stood at about 47.4 Crores as against 25 Crores for the corresponding period, this is an increase of 90%. PAT margins grew by 474 basis points as compared to the corresponding period. PAT margins for the quarter stood at 12.8%.

Moving towards the balance sheet side we are able to sustain our debt position to about 99 Crores and cash position stood at about 56 Crores backed by higher profitability and constant cash flows. Simultaneously our working capital cycle has also improved to 124 days compared to 135 days last financial year.

With this, I would like to open the floor for questions and moving forward the call.

**Moderator:**

Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Krunal Shah an individual investor. Please go ahead.

**Krunal Shah:**

I wanted to know current order book size Sir?

**Paresh Zaveri:**

Current order book is about Rs. 450 Crores.

**Krunal Shah:**

And do you wish to increase your promoter holding because it is around 26.7%, I guess

- Paresh Zaveri:** Definitely, we always look to increase as we have done it in the past but in this call I would not really like to get into how and what will happen on that side.
- Krunal Shah:** And Sir your Q-o-Q performance has reduced from 19 Crores to 15 Crores so any comments on that?
- Sachin Sangani:** I think overall the performance is still good, this is traditionally a slow quarter because of the large number of holidays and basically we expect the current quarter to make up for some of the numbers that were not there in the last quarter.
- Krunal Shah:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Umesh Matkar from Sushil Financial Services. Please go ahead.
- Umesh Matkar:** Thank you for the opportunity. Just wanted to know on the smart city projects, the smart city actually if I see they have grown by 120% year-on-year so what lead to this high growth and also on second thing what is the current status on the Rajasthan smart city, is it on track to be completed this year considering that there was change in government in this election? Thank you.
- Paresh Zaveri:** So basically, obviously the 3G smart city project that you referred to was one of the major reasons for the growth in the smart city revenue,. Change of government has no impact on it. Work is going on and I think data gathering is almost close to 80% done. This is a long-term project so the first phase of the software is already live and that has already been invoiced and we expect another major round of invoicing to be done by March and subsequent year, next year also we will have about 50 Crores of order for revenue which will go from this project continuing but this is a long-term project, so project will continue for about next three years.
- Umesh Matkar:** So you are saying out of 100 Crores that was expected in the second half around 50 Crores would come in next year?
- Paresh Zaveri:** Yes.
- Umesh Matkar:** And just on standalone performance it was quite flat on year-on-year and was down Q-o-Q what was the main reason for this downside?
- Paresh Zaveri:** Essentially this is the slow quarter due to some of the closures.
- Sachin Sangani:** Umesh, we look at our business as globally and on a standalone basis that this being a festivity and slow quarter as it is considered so you can see a flat movement in terms of a revenue but as Paresh mentioned earlier we will catch up in the fourth quarter. And you can see a margin improvement at all places and this is because of a lot of license booking done this quarter and we

expect fourth quarter to be compensating for the seasonal effect and we will see a better Q4 in terms of standalone.

**Umesh Matkar:** Okay and just heard that your one smart city project in Chattisgarh can you please elaborate on this?

**Sachin Sangani:** Sanjay will give you the update on that.

**Sanjay Bali:** So it is a e-Governance initiative which is taken by Chattisgarh Government where they want to implement a station state wide scheme for beneficiary as eligible using push services so they want to bring right from the childbirth to the people studying in multiple **locations and** sections and the student do their one time KYC so that is how they will be doing it under a using the blockchain technology.

**Umesh Matkar:** Okay and what would be the quantum of this order?

**Sachin Sangani:** The order is around 24 Crores.

**Umesh Matkar:** And would be executed in one year?

**Sachin Sangani:** Yes.

**Umesh Matkar:** Just couple of questions now the order book actually we heard that it was around 450 Crores, the order book has come down. It was initially 600-odd Crores which was mentioned in the annual report any reason for the slide?

**Paresh Zaveri:** Current pipeline we have is over 500 Crores so last quarter again because of the holidays the closures were less so probably when we have the next call you will see the number probably has and what you are referring to in the last report.

**Umesh Matkar:** Thank you. I will be in a queue. Thank you.

**Moderator:** Thank you. We will move on to the next question that is from the line of Nikhil Jain an Individual investor. Please go ahead.

**Nikhil Jain:** Thank you giving us opportunity. I have couple of questions actually. I wanted to ask let say first question was related to the business that we sold to KPMG, last year so I think we got around 200-odd Crores on that so that money during the demerger process, part of the business and the consolidation money actually gone to Aurinpro or did it go to Trejhara?

**Paresh Zaveri:** See Trejhara is a separate company with different businesses verticals, which is panned out so Cyberinc is not a part of Trejhara. Cyberinc is a part of Aurionpro Solutions itself.

- Nikhil Jain:** Cyberinc I understand but when we sold the IT services business to KPMG last year it was not Cyberinc that we sold, that is what I was just asking. What have we utilised the money for 200-odd Crore plus?
- Paresh Zaveri:** That all the money is in Aurionpro only, none of that money has gone to Trejhara.
- Nikhil Jain:** Yes, so now how you have we utilized that money because if I see the cash on the balance sheet in nine months' end which is around 50 Crore that means 150 Crores have been utilized.
- Paresh Zaveri:** Let me take you back to when this transaction was done. This transaction was done in January 2018 so that was a Q4 2018 subsequent to the proceed this has been utilized globally across that the loan repayment, investment done in ISLA, tax payment on account of the profits and settlement of a long outstanding liabilities and rest is the money is still lying in the bank balances.
- Nikhil Jain:** Fair enough Sir. My next question is related to, see if I look at the slide 12 in the presentation it seems that the cash that we have been able to generate for the nine months is around 12-13 Crores, so despite having let's say the operating cash flow of around... See the cash that you are able to generate is around 13 Crores if I look at the presentation so what are the liabilities that we paid Sir 60-odd Crores?
- Paresh Zaveri:** Our trade payables, we have a huge trade payable, you know we are operating in a smart city and smart mobility segment so there are hardware and material and services which we purchase so the major trade payables are settled current liabilities and employee related provisions and as well as if you see the last time the tax is also paid out of about 14 Crores.
- Nikhil Jain:** But the thing is that the cash that we are generating is actually, so it is all going into this 60 Crores payment for increase in capital work-in-progress and increase in intangible asset so if you can just give some view what is the capital work in progress and what are the intangible assets?
- Sachin Sangani:** If I can just interrupt you if you, look at the investing cash flow it clearly depicts the capital work-in-progress and the investment in intangible assets that is ISLA and whatever we have paid for the acquisitions.
- Nikhil Jain:** Intangible assets, if I again go back on slide 11 total intangible assets for the organization are almost 200 Crores, so all that intangible so where are they intangible so for which project have we used this money and are spending that money is it all on ISLA?
- Sachin Sangani:** Total yes, if you look at intangible asset it is totally in ISLA.
- Nikhil Jain:** 200 Crores right?

- Sachin Sangani:** Not 200 Crores, 60 Crores if you look at the cash flow which are looking at is a 60 Crores investment in ISLA and 40 Crores is invested in Noida and Nagpur metro.
- Nikhil Jain:** But if I look at the balance sheet, we have 200 Crores over there so another 100 Crores Sir?
- Paresh Zaveri:** These are the traditional acquisitions, which we have done, and the intangibles are lying in the books for the ISLA and the lending and the banking platforms, which we have acquired earlier.
- Nikhil Jain:** So, these are pertaining from the earlier times, is there any impairment on that or we continue to believe that these are all good investments that have done?
- Paresh Zaveri:** If you look at March 31 number, also it will give a clear picture.
- Nikhil Jain:** Yes, I am actually looking at that so somehow I just need to look...
- Paresh Zaveri:** You can contact Sachin separately, write mail and you can talk to him and understand the balance sheet in detail.
- Nikhil Jain:** This goodwill also Sir 50 Crores that is there on the books is that related to some previous transactions?
- Paresh Zaveri:** I think the acquisition in 2008 of the Integro Technology acquisition.
- Nikhil Jain:** But Sir 2008, so that acquisition the goodwill is still not gone out from the balance sheet so we are not doing any testing on that whether for impairment?
- Paresh Zaveri:** Every subsidiary is tested for impairment so if there is impairment then there is a write off of goodwill or something and we see our robust growth in the lending business so there is no chance of doing impairment for this goodwill.
- Nikhil Jain:** One of the other question, actually Sir Cyberinc we are investing so much money that however if you look at Y-o-Y nine-month number the Cyberinc revenues are down by 20% any specific reason for that? I understand for the quarter you have already clarified that it is a slow quarter but for the year also for the nine months it is down by 20% and which is only 40 Crores right so we are saying about six seven million dollars still now?
- Paresh Zaveri:** As I said right the product of ISLA is relatively new technology and we expect it to scale up. The market is opening more and more for the product and as we move on subsequent quarters we expect that number to grow significantly but at this stage basically the product will continue to be a key part of our focus because we see tremendous opportunity in cyber security specifically with reference to ISLA as a next generation product and I just said earlier right the pipeline from last quarter has grown to five million so I think in coming quarters we will see significant growth in ISLA revenues.

**Nikhil Jain:** If you can just give a little bit of highlight or help us to understand a little bit on Cyberinc so is this a product the ISLA product that we have is it like a licensed based product so once the license is taken so basically the company gets a revenue on the basis of the number of users using it or is it an enterprise kind of a thing that once license is given for the entire organization or anybody can use it?

**Paresh Zaveri:** Both the models. Currently most of the customers are on the second model where we have given the enterprise license but as I told last also basically we are working on the cloud product also which is expected to be launched by end of this month, and once we have the cloud product also then the business model will move more towards subscription it will be license plus subscription, currently license only.

**Nikhil Jain:** So have we seen some churn over the last year – year and a half on the Cyberinc product let say the ISLA basically somebody had taken a kind of not taken for the removal or something like that, because the revenues are down right so that is why I am just trying to understand?

**Sachin Sangani:** Most of the people who have bought, because that is license revenue so no one has discontinued using the product so the product is going on and I think as I say right the upside is yet to be seen which you will see in coming quarters.

**Paresh Zaveri:** Just on a year-on-year basis the number are also not comparable because the first quarter number there have been some run off from services business that we have sold off so standalone Cyberinc is still growing and as we see there are more than 12 live POC so we expect quite a few license fees in this current quarter and all of them would be on a per user subscription base.

**Nikhil Jain:** This is on every year basis right so every year you have to pay a fixed amount whenever the company decides?

**Paresh Zaveri:** Yes.

**Nikhil Jain:** Sir Can you give some idea about where do you see, how much potential from Cyberinc or ISLA product have let say in the next two to three years?

**Paresh Zaveri:** Market is over \$10 billion in terms of opportunity, it is a very nascent as a product as an industry not only for us for multiple people, so for example Gartner in their current report for the first time have added in the quarter as one of our competitors in that they are closely looking at Cyberinc as one of the potential players, so as this market opens up and grows we expect tremendous growth. It is just that at this stage I do not want to speculate how it will translate into number but every quarter I think it will get more and more solidified.

**Nikhil Jain:** Sir that the money that we are spending on ISLA in the development so what is that we are spending it on is it like marketing product development, improving the feature the cloud part of it so where is it?



**Sachin Sangani:** 60% would be on the product development and 40% on the sales and marketing side.

**Nikhil Jain:** And all of that are getting into intangibles right now is that correct?

**Sachin Sangani:** Yes.

**Nikhil Jain:** Right now that is all from my side. I will join the queue.

**Paresh Zaveri:** Thank you.

**Moderator:** The next question is from the line of Neerav Khimbadia an Individual Investor. Please go ahead.

**Neerav Khimbadia:** Good morning everyone. Sir few of the questions I had already answered but I want to know more about ISLA, I mean first thing you mentioned you have around five million dollar pipeline that pipeline is for what period you are talking about next three months, six months, one year?

**Paresh Zaveri:** It is the current pipeline I mean how much we will close in this quarter; I cannot speculate but I think significance of it will be closed I expect in less than six months.

**Neerav Khimbadia:** Another thing is we had a major win last quarter I believe major US retailer or something?

**Paresh Zaveri:** It was a Best Buy, yes.

**Neerav Khimbadia:** So where does that project stand?

**Paresh Zaveri:** They have already gone live in December with I think first about 1000 users and they are looking to expand it as we speak and hopefully next time we speak that number will be much, much higher.

**Neerav Khimbadia:** What is the number that they are looking at I mean in terms of expanding to?

**Paresh Zaveri:** The potential is up to 25000 but how it will grow is something that I will not speculate today.

**Neerav Khimbadia:** Okay and if the base is 25000 let us say what would be the revenue to us?

**Paresh Zaveri:** It will be north of million dollars annually.

**Neerav Khimbadia:** Okay so it would be recurring million dollars?

**Paresh Zaveri:** Yes.

**Neerav Khimbadia:** Do we have any such major I mean any other major POCs is going on like Best Buy where we expect like than a million-dollar size?

**Paresh Zaveri:** Yes.

**Neerav Khimbadia:** Okay are you able to name some of them?

**Paresh Zaveri:** I would prefer not to in the pipeline. Once we have signed I would love to talk about it so stay tuned for the next quarter call.

**Neerav Khimbadia:** That is another thing I wanted to know. We have not seen any order wins for almost six months now previously if you look at announcement right we would get one major order every month, I have not seen any announcements, have we changed the strategy I mean not announcing any names now or what is the criteria you used to announce?

**Paresh Zaveri:** You are talking across the company right?

**Neerav Khimbadia:** Right, I mean if you look at BSE right we have not seen any major announcements like around order wins?

**Paresh Zaveri:** As you really see in the press release, last press release, this press release, in the quarterly we have given the detail of the new deals won, and with reference to stock exchange I will ask my team definitely to send out far more press releases.

**Neerav Khimbadia:** As investors we would like to know that the things are moving I mean at the end of the quarter you have an investor presentation but we do not know what is going on in between the quarter I mean we are not indirectly kept updated, so sometimes no news is a kind of a bad news from the investors perspective?

**Paresh Zaveri:** Fair enough you will see far more news from us.

**Neerav Khimbadia:** Moving on to ISLA you said the cloud project is going to go live by the month end January month end right?

**Paresh Zaveri:** Yes.

**Neerav Khimbadia:** So what is the go to market strategy we are taking there?

**Paresh Zaveri:** As I said last time our strategy currently remains the same to work with partner so HP is the major partner with whom we are working and that strategy is going to be constant for the coming quarter.

**Neerav Khimbadia:** HP is also going to be active for the cloud initiative?

**Paresh Zaveri:** They already are actually.

**Neerav Khimbadia:** What about the other reseller we have signed up like one in Asia are we seeing any traction from there?

**Paresh Zaveri:** We have seen few large deals going on in Philippines market, in Malaysian market, we have some deal going in Singapore and we signed our first customer in Korea.

**Neerav Khimbadia:** What is the name of the Korean customer?

**Paresh Zaveri:** I do not know the name at this stage it was a small deal about \$80,000 but beyond that I do not know the name of the customer.

**Neerav Khimbadia:** So it was an appliance?

**Paresh Zaveri:** Yes, it was an appliance.

**Neerav Khimbadia:** Do you have any plans to move to China and Russia?

**Paresh Zaveri:** No.

**Neerav Khimbadia:** I mean these are the big markets right?

**Paresh Zaveri:** Frankly, if you really look at the product it is a nascent stage and the opportunities are large across every place. I mean there is only as many places you should be right because every place we go it is additional commitment of funds, we are not even in Europe at this stage so Europe is far easier market to break than China which will be our next focus. We are currently focusing on US and Asian market and we have some work going on in Indian market that itself can grow this business multifold so I do not see any reason to stress ourselves in going to the China market where it has its own language barrier as well as it is not an easy place to do business.

**Neerav Khimbadia:** Okay and are we putting all our efforts in HP channel or do we have any other strategy I mean are we planning to go with any other partners in US, major partners?

**Paresh Zaveri:** Currently we believe HP is more than capable of growing this business. We are currently working with HP partners also so I do not think at this point it makes any sense for us because HP itself is very consuming, because of number you do not see the amount of activity and effort that is going on from HP side as well as from our side, but I had mentioned in last call also a number of sales people of HP that we are training and continuing to train and the number of calls and number of places where they are starting to reach out continuous to increase and we are just about one-seventh part of HP that has been covered and that additional coverage will continue going ahead. I think trying to get replicate with other large players like IBM and all, it just requires that much more work and that much more commitment of time, effort and capital, so have patience you will see the results coming from HP soon.

- Neerav Khimbadia:** Now you mentioned capital right, so last Manla Securities is probably the biggest competitor right they raised around \$14 million right for their marketing, how are we planning to fund Cyberinc? I mean I do not think we have much cash left from the KPMG sale right?
- Paresh Zaveri:** Yes.
- Neerav Khimbadia:** How are we I mean this would require, as far as I can see you would require lot of funds coming towards sales and marketing so how are we planning to take that I mean where do we go for funding?
- Paresh Zaveri:** We are working on it but in this call I will not discuss this further.
- Neerav Khimbadia:** I mean working on it means, can you give some plans, any indications I mean I am not asking for details but how are we planning, is it going to be internal or external?
- Paresh Zaveri:** It can be both internal as well as external but let me be specific when I talk about it, so next quarter when I talk to you, you will get more details on this.
- Neerav Khimbadia:** One last question is around this promoter holding so couple of old promoters were classified as non-promoters and what we are hearing from markets that they would not get out and that is putting lot of pressure on the stock, I mean probably it would not matter to you guys but as individual investor with such a humongous growth we are not seeing any value so what is the plan to get some out of, is there any plan to buy out their holding or something I mean?
- Paresh Zaveri:** In this call I am only going to talk about business.
- Neerav Khimbadia:** Okay I mean in a way it is hurting all our minority shareholders in a way.
- Paresh Zaveri:** Even I always believe that market is large enough and eventually it evens out but my request is that stay focus on the business for now.
- Neerav Khimbadia:** That is all from me. Thank you.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment. Please go ahead.
- Aman Vij:** Good morning Sir. My first question is on the banking and Fin-tech division so can you segregate the 203 Crores revenue we got in nine months into ACE platform versus non-banking?
- Paresh Zaveri:** 200 Crores if you look at the segregation then ACE platform has contributed about 94 Crores, cash management has contributed about 29 Crores and lending platform has contributed about 80 Crores.

**Aman Bij:** Okay and if you can give the like to like in say 2018, 170 Crores what was the split so that we can understand the growth?

**Paresh Zaveri:** If you look at the banking segment itself we have grown 18% year-on-year so more or less it will remain same, across three segments.

**Aman Bij:** Okay so none of the segments outgrew the overall 18% growth in the segment? I was saying none of the segments in the banking outgrew the 18% for the overall; all the three segments grew at 18% only?

**Paresh Zaveri:** Yes.

**Aman Bij:** Okay and similarly for smart city and smart mobility if you can segregate in terms of smart city and smart mobility?

**Paresh Zaveri:** At the moment, we are having revenues from the smart city, smart mobility is ACE platform, smart mobility with the Noida and Nagpur metro we will have this automatic fare collection revenues, which will start so basically right now the revenue is from smart cities only.

**Aman Bij:** When do we expect these revenues to come from smart mobility?

**Paresh Zaveri:** So January 25 is the date where Noida would start so from that date we will start getting our money on smart mobility as well.

**Aman Bij:** Okay so Q4 may we should expect.

**Paresh Zaveri:** Absolutely.

**Aman Bij:** The second question is on the ISLA platform, so could you tell us about the number of active users may be even if it is in POC so you have given example of one of the customer have 1000 users POC if you can combine all roughly just to understand?

**Paresh Zaveri:** It is close to about 10000 users.

**Aman Bij:** Three months back what was this number?

**Paresh Zaveri:** About 7000 I think. The major closure I think that in Korea, Axis Bank in India has gone live, NPCI has gone live in India again and Best Buy and some small.

**Aman Bij:** Okay and any rough estimate for say 2020 how many users do you think will be using that platform?

**Paresh Zaveri:** I really do not want to speculate at this stage except that it will be multifold.

- Aman Bij:** Okay and on the cyber security part out of these 43 Crores revenue for nine months, ISLa will be like one two percent only right, most of it is from?
- Paresh Zaveri:** Right.
- Aman Bij:** And this will continue in 2020 also and when will that part be shifted to KPMG?
- Paresh Zaveri:** That is what we said now we are seeing a lot of traction on ISLA, and the pipeline is growing.
- Sachin Sangani:** KPMG some of the customers have insisted on continuing with us and we working with KPMG, at this stage we have no visibility as to how long these contracts will continue but eventually it will run off so I think for the current quarter and the next quarter our understanding is it will continue as is.
- Aman Bij:** Last few question on the balance sheet so if we see the nine months' balance sheet the goodwill has reduced from 114 Crores to 50-odd Crores so what was the reason for that?
- Paresh Zaveri:** That is entirely we have done the reassessment of our minority interest and sale of IAM business to KPMG and subsequently the goodwill is brought down to that extent.
- Aman Bij:** But the sale happened in last year right?
- Paresh Zaveri:** The reassessment of the same has happened in the current year and we have taken the effect to that account.
- Sachin Sangani:** I think that was because of the auditors' work going on to give the confirmation and all those things I believe.
- Aman Bij:** On the same part so as per the 2018 balance sheet annual report we got only 100 Crores from KPMG?
- Sachin Sangani:** Now you are talking two different things. We are saying profit from a discontinuing operations that constitutes the ten month operations, their expenses and the entire expenses incurred on the deal and when we say we received the cash from the deal that is a separate cash expense, so it is a gross number which is 217 Crores and the profit out of that entire continuing and discontinuing operations after that is about 107 Crores which is reflecting in the financial there.
- Aman Bij:** Remaining was adjustment to revenue and all those things.
- Sachin Sangani:** Absolutely.
- Aman Bij:** That helps. And ISLA may have any plans to do further investment this year?

- Paresh Zaveri:** Probably we may have one more quarter of investment in ISLa to the extent, which we are doing, and it will slow down after that.
- Aman Bij:** Thank you. I will get back in a queue.
- Moderator:** Thank you. The next question is from the line of Punit Malhotra an individual investor. Please go ahead.
- Punit Malhotra:** Even in the last concall you had stated that you planned to achieve 30% revenue growth so what are the verticals do you think are going to lead this?
- Paresh Zaveri:** Pretty much as you see the growth is across all the verticals, so we see bigger growth coming specifically from the smart mobility business, we expect tremendous growth going ahead. In terms of banking ACE platform, lending and all we continue expect that growth, we expect large growth in cyber security business as well as also smart cities we have some very exciting deals going on.
- Punit Malhotra:** And when are these expected to close?
- Paresh Zaveri:** As I said there is a strong pipeline so hopefully this quarter we expect some of the very large deals to close.
- Punit Malhotra:** Also in the balance sheet item, I see there is a capital work-in-progress of 45 Crores that was almost nil in March, so what is this regarding this capital work-in-progress?
- Sachin Sangani:** Completely for the Noida Metro.
- Punit Malhotra:** What are these? These are physical assets?
- Sachin Sangani:** Yes, these are physical assets, guides, validators and other software and hardware equipment, which is required for automatic fare collection.
- Punit Malhotra:** In one of the questions you had said that although 217 Crores received from KPMG but there is the cash accrual was only 100 something Crores?
- Sachin Sangani:** The cash accrual that is the profit from the entire continuing and discontinuing operation of that business.
- Punit Malhotra:** What is the net you received?
- Paresh Zaveri:** We received 217 Crores but when you are selling a business then you look at the entire component of a profit and loss account for ten months, then the goodwill standing in the books for that particular unit and the other legal framework, which goes for around and the cost related

to it so when you look at the entire structure then the profit is derived from the deal so that profit is about 107 Crores and the gross price of the deal was about 217 Crores.

**Punit Malhotra:** Nothing of this went to Trejhara right?

**Paresh Zaveri:** Nothing, not a single penny is going to Trejhara.

**Punit Malhotra:** Because the Trejhara also have a lot of loans and etc., so are you planning any concall in Trejhara?

**Paresh Zaveri:** I think this will be addressed from the Trejhara's board and the management separately.

**Punit Malhotra:** Promoters are common. The board is pretty common so that is why I am asking?

**Paresh Zaveri:** We will appreciate from the corporate governance perspective the separate board and the management will have accretion to give an answer to that but we will have a separate discussion on Trejhara as well definitely for you guys.

**Punit Malhotra:** Also you know when you receive the money there was no large payout as dividend giving to a shareholder so is that a policy you have?

**Sachin Sangani:** If you look at the utilization what we have done is the most of the global debt has reduced, when the tax payment on account of the profit of this deal has been paid out then the settlement of liability is long outstanding liability was done, then investment in ISLA is also very critical so that has also been taken care out of that. So, we are instead of just putting, when we say dividend payment is made where we do not see money to grow and given back to the shareholders, here we are putting it back in the company where we are seeing a growth and expansion.

**Punit Malhotra:** Also you know this is regarding if you go to the statement that you have given in the P&L the taxes also low so what are the reason for that?

**Sachin Sangani:** Basically at a consolidated level it is blended tax rate, which comes up correct so we have a carry forward losses at certain geographies and certain expenses in certain geographies are allowed as a twice reduction and the Middle East being a tax free haven so that helps in reducing the tax percentages.

**Punit Malhotra:** So this MAT payment will continue for probably in FY20 as well?

**Sachin Sangani:** Yes.

**Punit Malhotra:** You know this in one of the question you mentioned that the intangibles all most of them are pertaining to ISLA so what kind of a payout are you expecting, 60 Crores of an intangible product development have gone in? How large is this payout in this investment? You must have



been had an internal assessment of the kind of growth ISLA can achieve when you are putting this kind of large money, so what are those targets in terms of revenues?

**Paresh Zaveri:** As I said that the quarter-on-quarter this number will continue to grow significantly right and I have also given the pipeline so I mean beyond that I will not put the number at this stage as to what will be the revenue on quarter-on-quarter but over a period of time that this number will show significant growth.

**Punit Malhotra:** Also regarding this somebody asked this, you were able to answer this, but is there a reason why the erstwhile promoters left in the first place?

**Paresh Zaveri:** Basically the two promoters Bhavesh Talsania as well as Sanjay Desai, they have been out of activity of the company for number of years. Bhavesh had moved out in 2008 and Sanjay had moved out in 2012 so they have not been active for number of years and that was one of the reasons just to reflect how who are the people who are driving the business decision was taken to change this.

**Sachin Sangani:** We were also holding less than three four percent not even; it was a miniscule stake.

**Punit Malhotra:** Thank you.

**Moderator:** Thank you. The next question is from the line of Umesh Matkar from Sushil Financial Services. Please go ahead.

**Umesh Matkar:** Thank you for the opportunity. Just wanted to know on Noida Metro since that would be getting operational by January 25, have you received any licensing fee on this?

**Paresh Zaveri:** This is the deal wherein we are making the investment, on the complete infrastructure for automated fare collection and once the Noida Metro goes live we will continue to collect the percentage of every ticket sold for next ten years so that is really so this is not a deal where we take any license payment, which is where like I said earlier that you know we expect this to contribute to about six to eight Crores in the next financial year.

**Umesh Matkar:** Just on the cyber security now out of 15 Crores in this quarter how much would be IAM and how much would be ISLA?

**Paresh Zaveri:** About 2 Crores is ISLA balance is IAM.

**Umesh Matkar:** Okay and any sort of guidance that you would like to give for this year as well as next year on topline basis?

**Paresh Zaveri:** No.

- Umesh Matkar:** But last quarter you mentioned that there would be around 30% year-on-year growth so would you like to continue this run rate as well?
- Paresh Zaveri:** At this stage, yes we are going to continue, I mean I understood that you are looking for a specific guidance number but we expect to grow on 30% trajectory definitely for foreseeable future.
- Umesh Matkar:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Nikhil Jain an individual investor. Please go ahead.
- Nikhil Jain:** Thank you for having me again. I just wanted to understand how much the company has invested in this Noida Metro?
- Paresh Zaveri:** 45 Crores.
- Nikhil Jain:** What is the kind of revenue deal we have, as you explained in the earlier call it is some percentage of the revenues, average ticket sold so how much do you expect it to come?
- Paresh Zaveri:** We collect 3% revenue of every ticket sold and expenses we incur in managing all the infrastructure right as I said for the next year we expect this will add about 6 to 8 Crores to the EBIT.
- Nikhil Jain:** This 45 Crores would be written off over a period of time right, because that is the investment from our side?
- Paresh Zaveri:** Yes. It is at 18% IRR.
- Nikhil Jain:** Sir about the other intangible assets which clarify that it is basically from longstanding other intangible assets I think as per the prudent financial norms this should actually be writing it off and charging it off to P&L especially given that we have done these intangible assets ourselves especially the new ones so what is the management take on that?
- Paresh Zaveri:** We as a parent and 22 subsidiaries across the globe and Ind-AS new accounting standard as well so we look at all the subsidiaries and assets pertaining to all the subsidiaries and impairment testing is done for all the assets of the company so if there is any requirement for impairment or the write off needs to be done it is done so that has been taken care off from Ind-AS perspective and regulatory perspective as well.
- Nikhil Jain:** Even from let us say a 60 Crores that you spent in ISLA I think as I understand that this should be given that it is a development expense that you are doing for product development, it should be charged off to P&L rather than going into balance sheet and in intangible assets?

- Paresh Zaveri:** That is where we are looking at what sort of a future out of this business is and impairment testing is done based on the not only on the current numbers. It is current plus the future trajectory of the business so seeing the future trajectory of the business we do not see any write off to be done at the moment.
- Nikhil Jain:** Not only write off I am saying charge of to P&L basically because it is a development expense right?
- Paresh Zaveri:** Correct.
- Nikhil Jain:** If it is a development expense it should be charging it off to P&L rather than putting it into balance sheet?
- Paresh Zaveri:** It again depends.
- Sachin Sangani:** This business is in nascent stage. We expect the revenues to ramp up and the value creation happen over next couple of years and that is the reason the whole business has been capitalized.
- Paresh Zaveri:** This is business trajectory for our other products. We expensed out all our expenses.
- Nikhil Jain:** I understand, generally what the way it works in R&D actually that if we are investing or may be we are going to invest some more money in this quarter as you said so 60 Crores becomes 80 Crores, if I am investing 80 Crores in a project and the returns are going to come over the next three to five ten years then I should be expecting at least tenfold return on that investment right, so it should constitute topline of roughly 600-700 Crores at some point of time because then the margins would be there otherwise it is going to give me a revenue of 40-50 Crores then I am not sure how profitable the investment is going to be?
- Paresh Zaveri:** We are very confident that this is going to be very profitable and the future is going in terms of cyber security towards isolation technology. So that is the bet that we are taking as a management that there is tremendous upside related to this business and hopefully next quarter you will see lot of starting to bear fruit.
- Nikhil Jain:** Sir another question is in the nine month results we have 16 Crores profit or other income coming from sales of preferential share of Cyberinc what was that Sir?
- Paresh Zaveri:** If you look at that is coming in the standalone number and not in a consolidated number, am I referring the right thing?
- Nikhil Jain:** Yes.
- Paresh Zaveri:** There was a buyback which was done for Cyberinc for certain number of preference shares and that the proceeds related to that has been brought back so that is appearing in other income and

that being an intercompany transaction that will not have an impact at the consolidated company levels.

**Nikhil Jain:** Sir I have one question on Trejhara given that this quarter the demerger and we have shareholders of Trejhara also how can we get more and more information about the same and who is leading the company and when the results are going to be published?

**Paresh Zaveri:** If you can contact Ninad for detailed information. Just drop a mail to [investor@aurionpro.com](mailto:investor@aurionpro.com).

**Nikhil Jain:** Because your results have come Aurionpro results have come but we still do not know when Trejhara results are going to come, I mean even the Q2 results have not been published.

**Paresh Zaveri:** We will forward your query to Trejhara and they will respond to you.

**Nikhil Jain:** Thank you. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Neerav Khimbadia an individual investor. Please go ahead.

**Neerav Khimbadia:** I had a question about new business launches, when I was there last month I mean I visited demo centre in Mumbai I saw a 3D printer and there was some other new product line that I think that we were planning to launch so can you give us some idea about that I mean what are the plans to launch like 3D printers and there was I forgot the name some kind of magic box or something I do not know what was that?

**Paresh Zaveri:** We have couple of new products in development. So far as 3D printer is concerned, we are not having any plans of our own 3D printers that is a partnered product and some of our customers were looking for it and hence we are working with some partners to have that product distributed for the India market but it is not our product.

**Neerav Khimbadia:** Are we expecting any significant revenue from there or is just to make some?

**Paresh Zaveri:** Just to meet the specific customer request it is not a part of the core business. And in terms of the extra box product the product is still under development and we expect to have that product launched sometime in near future and at that time you will see the update.

**Neerav Khimbadia:** Second thing, you mentioned some major contracts in the investor presentation some major contract of ACE platform with a major bank some kind of end-to-end solution for the savings account, so what is the size of the deal or what is the future revenue opportunity from that?

**Paresh Zaveri:** It has a very large opportunity once we start to go global, this is currently for the India market so the revenue will be about 5 Crores but once it goes global we expect that number to be significantly higher.

**Neerav Khimbadia:** Are you able to disclose the name of the bank again or no?

**Paresh Zaveri:** Not at this stage.

**Neerav Khimbadia:** Because if you saying when it goes global, I am assuming it is not an Indian bank right?

**Paresh Zaveri:** No, it is not.

**Neerav Khimbadia:** That is all. Thanks.

**Moderator:** Thank you. Ladies and gentlemen that is the last question, I now hand the conference over to the management for their closing comments.

**Paresh Zaveri:** Thank you all for participating today. We will continue to work to enhance this call and information that you are getting and going ahead we expect all our businesses to perform well and our focus on growing IP led businesses and EBITDA to keep bearing fruits in coming quarter. I hope we have been able to answer all your queries. In case you require any further details you may please contact us or our Investor Relations Advisor, Strategic Growth Advisors. Thank you everyone for joining us.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Aurionpro Solutions Limited that concludes today's call thank you for joining us. You may now disconnect your lines. Thank you.