



“Aurionpro Solutions Limited
Q4 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Aurionpro Solutions Limited Q4 FY2019 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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. Paresh Zaveri, Chairman and Managing Director. Thank you and over to you Sir!

Paresh Zaveri: Good afternoon to all our friends in the investment community. Starting with the brief overview of the company’s performance, happy to state that on the back of new orders, strong business growth across verticals and operational efficiency, we have delivered strong performance for the year. We ended the year with Rs. 522 Crores in revenue, which represents a strong Y-o-Y growth of 25%. This is a reflection of our cutting-edge industry leading IP, which has helped solve challenges for client in the areas of banking and fintech, smart cities, smart transportation and cyber security.

The profit after tax stood at Rs.61 Crores leading to a growth of 60% with PAT margins at 11.6%, however due to delay in some projects due to elections, growth in this year would have been higher. For the coming year, we expect to exceed the growth rate of current year. Our order book currently is at about Rs. 506 Crores. Overall, we expect continued growth across all the business lines especially in the areas of smart cities and smart mobility, we continue to see repeatedly expanding pipeline. Going ahead, we see tremendous opportunity of same growth in this area, also in all other areas.

On ISLA, we had muted quarter with no major wins as we were expecting, but the pipelines have continued to grow. Response to the launch of ISLA 4.0 our cloud product has been very encouraging. Currently, we are in the final stages of our corporate action in Cyberinc. Hence in today’s call will not be able to take any questions on ISLA. For the financial year ended March 31, 2019, board has recommended a final dividend of Rs. 2 per share. During the quarter, the board had approved the buyback of it shares excluding promoters and promoters’ group for a total amount of Rs. 20 Crores and price not exceeding Rs. 185 per share. As of today, we have brought back approx. 250000 shares under this program.

Sachin Sangani: **Hi,** This is Sachin here. I will brief on the financial highlights for the quarter first and then financial highlights for the year as well subsequently. The major highlights for the quarter were revenue growth, EBITDA and profitability, so when we look at year-on-year numbers the 39% growth is there in revenue, 28% growth is there in EBITDA and profitability has also grown at about 3%. PAT stood at about Rs. 13 Crores with PAT margins stood at about 8.7%.

So, this is the quarterly highlights and for the year, as Paresh mentioned, we had a Rs. 522 Crores revenue, which is a 25% up, which is a very strong growth for this current year and we had an EBITDA of about Rs. 111 Crores against Rs. 80 Crores of EBITDA last year, so about 40% growth in EBITDA as well and then if you look at the EBITDA margins we had now margins at about 21.4% compared to 19.4%, an increase of 178 bps.

PAT also has moved significantly to Rs. 61 Crores compared to Rs. 38 Crores, so that is an increase of about 60% and 258 bps and PAT margin is also stood at 11.6%, which gives a very healthy indications towards the cash generated in the company. Now, looking at the vertical by vertical how the business verticals have performed banking and fintech side has contributed to about Rs. 276 Crores compared to Rs. 216 Crores last year, the growth of about 28% and the segment contributes around 55% to overall revenue.

As we had highlighted earlier in the call, we are confident to accelerate the digital journey of our customers and we will further consolidate our leadership position in Asia region. The second segment we had is smart cities and smart mobility segment, wherein we have recorded Rs. 190 Crores revenue this year compared to Rs. 118 Crores last year a growth of about 61%. This segment contributes about 36% to our consolidated revenues.

On balance sheet side just to highlight, we had a gross debt stood at about Rs. 114 Crores and we have Rs. 47 Crores cash balance in hand. We now look at the ROCE and ROE, it has also improved very significantly. ROE stood at 11.2% as against 7.1% and ROCE has improved to 14.5% as against 9.6% and we are very confident of maintaining these ratios going forward. This concludes our update and we will now open for the question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you for the opportunity. Could you also explain a little bit about the capitalization, which have happened in this year, basically there is a commentary on slide 11, all the various line items, so what has been added on the property side and equipment side, other tangible assets, intangible under development, so how much are you capitalizing, how much is product related or some such expense and then on trade receivables they have jumped quite sharply from Rs. 125 odd Crores to Rs. 196 Crores, so just a commentary on that, so that is the first question. Second question is on margins next year, you said that the growth would have been better had the elections not been there, so next year would I guess a normal year, so how much growth, at what margin you are expecting? Thank you.

Paresh Zaveri: To answer your first question, we have shared our investor presentation and investor presentation has a cash flow also connecting to whatever investments we have done. So current year, if you look at our tangible or intangible assets, we have invested about Rs. 63 Crores is AFC projects, which includes both the tangible and intangible assets and Rs. 82 Crores we have invested in

ISLA as a product development. So that is the development on the capitalization side. That is the answer to your first question. Secondly, trade receivable, there is a jump of about Rs. 100 Crores because in last month, we had raised an invoice to a few of our key government business customers as well as kiosk customers, so those are very recent invoices raised and that value is at about Rs. 100 Crores and I expect them to be collected by end of May or probably June beginning. So, this situation you will have reflecting in the Q1 financials that will come down drastically. Third question what you asked is growth rate and EBITDA what we are expecting. So, we would like to maintain the growth momentum what we have right now, so we have 25% growth in revenue and strong growth will continue across next year as well and EBITDA margins, we are having a very healthy EBITDA margin of 21.4% and we will maintain that in the same range. If you look at industry standard also it is about 18-20%, so we are above industry and we should maintain that. Thank you.

Agastya Dave:

Thank you.

Moderator:

Thank you. The next question is from the line of Ritesh Bafna from RB Securities. Please go ahead.

Ritesh Bafna:

Thank you so much for the opportunity. I have a couple of questions, first of all I want to understand about the Noida metro project, so what would be the revenue in the last quarter from this project and what has been the footfall and the response there and also second question is that recently we have elections going on, I want to get an understanding of what sort of risk do we foresee if there is the change in the government and how does it impact our government business going ahead?

Paresh Zaveri:

So, on the first question, Noida metro had gone live by end of January and is in initial days, I think the footfall was about 8000 to 10000 customers a day, which I think has increased to 18000 to 20000 currently. We are in regular touch with Noida Metro, and it is on the positive side our system has been performing spectacularly, so a lot of people have lot of positive feedbacks on the quality of the AFC system that Noida Metro has probably one of the best that is out there in the country. Going ahead, Noida Metro is working hard on some of the connectivity issues that are getting resolved in Noida which will see substantial growth during the year and they are also expanding the line with the addition of the more stations, so just keep in mind that this, for us is a 13-year project, so as this line matures and more and more people moving, we will see tremendous opportunity of growth going into Noida Metro in coming quarters. So far as government is concerned, we really have no opinion, I mean despite of any government, growth in the smart cities and the smart mobility will continue, actually not just in India, we are seeing the similar trend across Asia, across other places like Singapore, they are talking of smart cities, smart nation, so this trend I believe is irreversible. As more and more people move to the cities and the new technology that will be needed to improve the life of people in the cities as well as the new green technology that needs implementing, we will have continued opportunity for business like ours for years to come.

- Ritesh Bafna:** Thanks for that and just a followup on the same thing, what other projects in India are we working on along with this Noida Metro project and also who is the major competition in the government business especially in the smart mobility segment?
- Paresh Zaveri:** So, in smart mobility basically there are a large number of players, there are some of the overseas players as well.
- Ritesh Bafna:** Can you repeat the name you just said?
- Paresh Zaveri:** I will ask Mr. Sanjay Bali to answer that **Sanjay Bali:** If you are talking about the OEMs, there are Thales, Indra, VIX these are the some of the large companies who are into this business and on the system integration side, if you see there are few guys like L&T who is there, we have Datamatics into this business, we have NEC, we have HPY, you know these are some of the major players into this business.
- Ritesh Bafna:** Sir, my other question.
- Paresh Zaveri:** What other projects?
- Ritesh Bafna:** Yes, metro project may be.
- Paresh Zaveri:** Basically, we are in with almost 8 to 10 other metros at various levels and as more and more metros come, and existing metros expand, and a lot of these new deals are on capex model. So, the capex will be done by the metro, so a lot of new deals, which we are looking at are on capex model.
- Ritesh Bafna:** Thank you so much for answering my questions.
- Moderator:** Thank you. The next question is from the line of Naishadh Paleja from Dron Capital Advisors LLP. Please go ahead.
- Naishadh Paleja:** Can you basically just give canvas of the businesses since that you are in and in terms of where they are at and what kind of maturity cycle, how do you see this over the next 3 to 5 years each of them?
- Paresh Zaveri:** So, essentially if I look at banking and fintech side, so in our banking and fintech, our major offerings are loan origination system on software side and the transaction banking system, which address the corporate banking sector. These products are very mature, we are in this field for over 15 years now. We have presence across almost 20 countries and this continues to grow. In terms of long-term growth in corporate banking side, we are pretty much the market leader in South East Asia in loan and with the new product launch of the revised version of the transaction banking, we are seeing tremendous opportunities in the region. Over the last two years we had expanded into Middle East Africa especially. We continue to see opportunities there and

especially we see huge amount of growth coming from the African market in the coming years. We are also looking at some of the markets like Australia and New Zealand for our LOS (Lending Platform), so there will be more opportunity coming from there to expand and we continue to see steady growth with improvement in margins in this business due to the operating leverage play out. On the fintech side, the enterprise kiosks is again a very mature business, but we see very high growth opportunity there as well, the businesses in banking and fintech area is more towards more automation and bringing down the cost of operations. Already if you really see in area of kiosk almost all banks over the last few years have rolled out the products in one area or the another and they are moving more and more towards complete automation, so again looking at the expansion the opportunity for the kiosks is probably very, very attractive. During the year we had launched a couple of new products, which will start giving results, so one of the products, if I can mention here is for the cheque printing, this is the first of its kind of kiosk in India. We are talking to few customers, which allows you essentially on the fly to print and bind the cheque books in the branch and issue the cheque book, so we can essentially walk-in to a branch, open your account, collect the debit card and the cheque book all within 30 minutes, so that is the banking and fintech area. In the areas of smart cities and mobility. In India, smart cities if you can remember over the last few years, there have been the mantra where almost 100 cities have been identified, but all of them have been at the early stage. We expect that in coming years its investment will pick up the pace and the business will continue to grow, actually exponentially in this area.

Smart mobility is completely a new area, I mean as of now, if you really see other than the few metros, lot of new metros are under construction and new lines are being added even in the existing metro, even where we are working in Noida and Nagpur right as they go live with the first phase they already announced the expansion. Big cities like Delhi and Mumbai they have multiple lines coming online, other large cities like Hyderabad and all they continue to expand with new lines, so opportunity in India is tremendous, but as our Singapore headquarter company SC Soft, the opportunities lies across countries, so I had earlier said in the call that we are talking to number of metros in India, but outside India also including in the market like Russia where we had won a big order, in Europe, in Canada, in Africa we have customers with whom we have been talking, so again huge opportunity because currently most of the transport systems in the world are closed loop system and in the coming years all of them will start moving towards open loops, so that market is again having huge growth opportunity and finally, if I talk of ISLA. Isolation is a completely new technology, which is now slowly becoming mainstream as I have said in my earlier calls, so we expect and if really see it is more than Gartner expectation that the growth in this is going to be multifold.

Naishadh Paleja: So, in this situation will you be able to fund your growth through your internal accruals or will it need to be funded by debt?

Paresh Zaveri: If you really see during the year also, all the growth has been funded through internal accruals. In terms of debt really, during the year it is almost constant while we have made significant

investment right in Noida and Nagpur Projects, which was capital investment and as we earlier said the future projects we are looking to do where the capital will be invested by the metros rather than us, so the cash generation is very, very strong and it will continue to only get better.

Naishadh Paleja: Thanks.

Moderator: Thank you. The next question is from the line of Kunal Kapadia from Anova Capital Management. Please go ahead.

Kunal Kapadia: Sir, my question is on the asset side, so I suppose in the balance sheet during the period we have written of assets worth Rs. 4.2 Crores, so can you throw some light like what are these assets and comes under which vertical?

Sachin Sangani: We had a lease contract with SBI, a three-year long-term lease wherein now at the end of the lease assets used is to be transferred to lessee, so that is at one rupee, so whatever is the balance lying in the books has to be written off. This was one of the highly profitable project for us, so this is one off and it will not have a continuous impact.

Kunal Kapadia: And like what kind of Lease?

Paresh Zaveri: It was a three-year lease, so the contract was for three years and at the end of the third year when the asset transfer happened the balance has to be taken out of the books.

Kunal Kapadia: Sir, my next question is about the breakup of our other intangible assets, so can you let us know the intangible assets under development across verticals?

Paresh Zaveri: Other intangibles consist of two parts right now, one is lending as well as transaction banking side, which is about 55 Crores and other one is ISLA, which is about 85 Crores and when you see assets under development, which we have spent in the current year about 82 Crores in ISLA again.

Kunal Kapadia: So, like there are only two verticals right now?

Paresh Zaveri: Yes.

Kunal Kapadia: Thank you.

Moderator: Thank you. The next question is from the line of Amit Shah from Asian Market Securities. Please go ahead.

Amit Shah: Sir, I joined the call a little late, so apologies if I repeat the question. Sir, my first question is can you give us the margin breakup between each vertical and also what could be the margin differential between kiosk business, lending and ICashpro under banking and fintech?

Sachin Sangani: We had made 111 Crores EBITDA this year and out of that smart cities and smart mobility contributes about 20 Crores, cyber security would be very naive of about 5 Crores or so and balance is pertaining to banking and fintech segments and in banking and fintech segment also approx 43 to 44 crs is out of kiosk business and rest is from the transaction banking and lending fees.

Amit Shah: Next question is can you provide me the ROCE detail segment wise?

Paresh Zaveri: Actually, if you look at our balance sheet we do not segregate the assets, it is impracticable to segregate your current assets based on the line of business, so we do not do any ROE or ROCE calculation at this moment based on our business verticlas. Once we have some practical basis determined wherein we will get independent help then only this numbers will be out, but it is practically difficult to segregate such things asset wise.

Amit Shah: Sir, my last question, what is the current tax rate?

Paresh Zaveri: The blended tax rate would be about 17% and current tax rate if you ask me it has to be looked at entity wise because in India also it is an entity wise and rest of the world also it is also entity wise, right now there is no concept for a group tax rate. India it is 25%, Singapore it is 17% and other entity would have its own, so blended would be about 17%.

Amit Shah: Blended 17%?

Paresh Zaveri: Yes, blended looks like we will have 17%.

Amit Shah: Thank you, Sir.

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

Umesh Matkar: I just wanted to understand on the and smart city segment, have you executed any major project in last quarter and also can you give us a breakup of revenue in terms of how much was from smart city and how much was from smart mobility?

Paresh Zaveri: I mean almost all the projects that we have highlighted during the year are essentially their execution, so for example we need smart city in Jaipur. Let me comment here Umesh, we have the segment in smart cities and smart mobility, so currently the major revenue comes from that is almost 99% revenue is from the smart cities only and Noida metro has just started, so it is contributing bits and pieces for this quarter, but going forward I believe it will also start generating, mobility segment will also start generating healthy revenue after Noida metro project matures and Nagpur project goes live.

- Umesh Matkar:** In presentation, you have mentioned that you have won a bid strong NMMC, so just wanted to understand what is the nature of the project in terms of order size as well as duration?
- Paresh Zaveri:** It is for the smart ERP solutions for NMMC, **Umesh Matkar:**I did not get it, sorry.
- Paresh Zaveri:** Order value is around about 20 Crores and execution time would be around between 9 to 10 months and then for four years is the support period.
- Umesh Matkar:** And last question was also in last quarter you got an order for setting up kiosk for PSU bank for about 500 branches and the order size is close to 18 Crores, so if I do approximately it comes to around 3.5 lakhs per branch, which is versus 10 to 12 lakhs what you were doing earlier, so if the competition impacting the pricing changes?
- Paresh Zaveri:** You are referring to earlier we had said that was per branch, this was a single kiosk order, so when we are talking I think you are referring to the order that we have with the Kotak Bank and now when we say 10 to 12 lakhs per branch they constitute multiple kiosks. This order was only for the single kiosk.
- Umesh Matkar:** Thanks.
- Moderator:** Thank you. The next question is from the line of Pradeep Shah an Individual Investor. Please go ahead.
- Pradeep Shah:** Thank you for taking the question, so what information you can share about ISLA progress because we have made heavy investment into ISLA and you mentioned some corporate action is spending, so you would not be able to comment, but in the investor presentation at least you have mentioned one project bestbuy scaling up, so where are we with the bestbuy and how many uses they have rolled out?
- Paresh Zaveri:** So, as I had said please have patience, in today's call we will not talk about ISLA, but very soon we will come back to you with far more details as we complete.
- Pradeep Shah:** Alright and the other thing is regarding one of the projects you mentioned in the Q4 we have recognized revenue and cost, but the profit would be recognized in the coming years, what is the storage and how much profit do we expect?
- Paresh Zaveri:** That is an Agra smart city project, so currently that is about 30 Crores project, we have done a billing of about 23 Crores right now and the balance will come as an AMC over a period of two-and-a-half years.
- Pradeep Shah:** What is that project about?
- Paresh Zaveri:** Implementation of smart city.

Pradeep Shah: It is a smart city project. Alright. Thanks.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I will now hand the conference over to Mr. Paresh Zaveri, Chairman and Managing Director for closing comments.

Paresh Zaveri: To conclude I would like to mention here is that I look ahead with the great optimism to the coming financial year. We have very ambitious and exciting plans ahead and next call I am sure we will be able to discuss some of the new things with you. Thank you for your confidence in Aurionpro and for your support throughout the year. I hope we have been able to answer your questions and queries. In case you have any further queries, you may please contact our investor relations advisor, Strategic Growth Advisors. Thank you everyone for joining us.

Moderator: Thank you very much. On behalf of Aurionpro Solutions Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.