Allied Digital Services Limited

Q3 FY2024 Earnings Call Transcript

February 05, 2024

Call Duration	• 48 minutes and 57 seconds
Management Attendees	• Mr. Nitin D Shah, Founder, Chairman & Managing Director • Mr. Nehal Shah, Executive Director • Mr. Paresh Shah, Global CEO • Mr. Gopal Tiwari, Chief Financial Officer
Participants during Q&A session	• Gaurav Agrawal – Nine One Capital • Saumitra Joshi – HNI • Faisal Zuber Hawa – HG Hawa & Company • Darshil Pandya – Finterest Capital • Shivam Shah – Smart Sync Services

Moderator: Ladies and gentlemen, good day and welcome to the Allied Digital Services Limited Q3 and 9M FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and anyone who wishes to ask a question may enter star and one on their touchtone phone. To remove yourself from the queue, please enter star and two. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you and over to you, sir.

Mayank Vaswani: Thank you, Rayo. Good afternoon and thank you for joining us on Allied Digital Services Limited's earnings call for the third quarter and nine months of financial year 2023-24.

We have with us on the call today, Mr. Nitin Shah, Founder and CMD, Mr. Nehal Shah, Executive Director, Mr. Paresh Shah, Global CEO and Mr. Gopal Tiwari, Chief Financial Officer.

We will open with comments from Mr. Nehal Shah covering recent developments across the business, following which Mr. Paresh Shah will cover the operational performance and order wins. Mr. Gopal Tiwari will then walk us through the financial highlights, followed by our CMD who will share his views on the performance for the quarter. Thereafter, we shall open the call for the Q&A session.

Before we begin, I would like to point out that some of the statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings documents that have been shared with all of you earlier.

I would now like to hand over the call to Mr. Nehal Shah for his opening remarks. Over to you, Nehal.

Nehal Shah: Thank you, Mayank. Good afternoon to everyone. Thank you for taking time to join our earnings call. I trust that all of you had a chance to review our earnings documents which were shared earlier.

Calendar year 2023 marked a significant chapter in our corporate journey, owing to multiple achievements, securing contracts from renowned clients, expanding our operational footprints, enhancing governance standards and revamping our disclosure mechanisms, including a meticulous restructuring of our segmental reporting which were some of our .

pivotal accomplishments. Simultaneously we strengthened our financial position and instilled best practices across diverse functional domains. Recognitions from the esteemed Great Place to Work Institute underscored our commitment to exemplary talent management practices and added further shine to an already wonderful year.

Calendar year 2024 promises to be even better. We have begun with an improving pipeline of business. There have been several renewals by existing customers accompanied by a healthy level of farming which indicates additional assignments or widening of scope from contracts in place. Discussions with potential customers have gained momentum too.

Further, we continue to make strategic progress on our SaaS platform ADiTaaS, which is witnessing upgrades and enhancements with multiple initiatives proving successful. Our teams have been actively deploying these tools across ops for over 8 years now, which has contributed to the development momentum. In Government Projects too, we are positioning ADiTaaS as an EMS platform.

Coming to our performance for the quarter 3, in quarter 3 we reported consolidated revenues of INR171 crores, registering marginal growth on a quarter-on-quarter basis. We believe this has been a resilient performance considering the transient challenges encountered especially the delays and deferrals in the closing of contracts in the US. In fact, we have delivered sequential improvements in revenues and profitability through each quarter of this financial year. If you split our year-on-year performance across two key geographies of India and the rest of the world, it is apparent that the revenues from India have increased nearly 50% year-on-year, both from a quarter as well as a 9-month period.

This is also clear from our stand-alone results, which capture the performance in the domestic market. Having said that, we now see an improved landscape globally. Discussions and evaluations with customers are now moving forward at an accelerated pace. There is now more definitive engagement from scope of work and delivery, and we are confident that we will be able to convert some of the opportunity into revenue.

With that, I would like to hand over to our Global CEO Mr. Paresh Shah to share key insights about the operational performance and key developments during the quarter.

Paresh Shah: Thank you, Nehal. A very good afternoon to everyone. I will now brief you through the operational performance and key developments during this quarter.

A key highlight of this quarter has been a showcase of our capability of generating additional revenues from existing customers or what we say is farming. This has been well supported by a steady pace of renewals. Some of the meaningful engagement renewals include one of the largest global FMCG companies and a valued customer of ours instrumental in providing us with a sizeable renewal. For this customer, since the inception of our partnership in 2018, we have delivered comprehensive digital workplace management services across more than 60 international locations.

This recent renewal reiterates our delivery capabilities involving integration of additional manufacturing sites in the U.S., resulting in a noteworthy boost to our annual revenues and additional $1 million on top of the existing $2 million of revenue.

Moreover, we are pleased to announce the continuation of our successful partnership with a prominent American home appliance brand for another year. This renewal valued at $2.7 million for the calendar year 2024 is a testament to the pivotal role played by our 24 by 7 service help desk alongside workplace solutions for their factory support and depot services across the U.S., Europe and Asia.

Third, I wanted to highlight is the quick services restaurant business. Our enduring decade-long association with the distinguished restaurant chain has been extended for another year. Our back-of-house IT support covering 4,700 restaurants in 48 states across the U.S. emphasizes our commitment to the longstanding partnership further reinforced to a $1.8 million contract renewal.

Lastly, I am also thrilled to share that in addition to these substantial renewals, we have secured a $2 million increase in our net new business from our existing clients. This achievement underscores our unwavering commitment to excellence and client satisfaction.

In terms of new orders, with the start of January, we won a prestigious award for Ayodhya Smart City. Allied Digital Services Limited has been selected as the Master System Integrator for the integration of CCTV Surveillance cameras into the existing Command and Control Room for the Ayodhya Smart City Project.

We have also added a bank based out of the East Coast in the US as our customer to provide end-user transformation services for a period of three years.

I am pleased to share we have also witnessed traction in our offerings around Cybersecurity with the addition of new customers towards the end of the quarter.

Recently, the city of Normal in Illinois has selected Allied Digital as a partner master system integrator for multiple projects involving our expertise.

You would be aware that we have been strengthening our partnership with large IT service firms and global consulting firms to jointly serve customers. Through these partnerships, there has been a significant inflow of our new customers, including several marquee global names.

Having built up a richer client mix over the last two to three years with a more elaborate track record, we are now also reemphasizing in our direct channels for sales and marketing. These will be leveraged more comprehensively to add new businesses in this year.

As mentioned by Nehal, we are getting more optimistic about the opportunities in the pipeline. While delays in customers' decision to select partners have stretched the time to close contracts in recent months, we expect to see better traction in the IT business. This momentum in the US market is likely to be accompanied by growing interest in Europe and APAC markets in coming quarters too.

With that, I would like to hand over to our CFO, Mr. Gopal Tiwari, to cover the financial highlights for the quarter under review.

Gopal Tiwari: Thank you, Pareshbhai. I'll now quickly cover the financial highlights for the quarter under review.

A buoyant backdrop for businesses in India is encouraging domestic enterprises to invest further for growth, aiding the sentiment around IT spending.

In the US, the focus still remains on cost cutting, and that's why we see the delayed decision-making by potential customers, which then impact IT spending. This is clearly reflected in our financial performance.

In Q3 FY24, our consolidated revenue reached INR171 crores, indicating a marginal increase from INR170 crores in Q2 FY24, and a slight decrease compared to Q3 FY23, which amounted to INR174 crores.

For the quarter, our EBITDA was INR21 crores compared to INR20 crores in Q2 FY24, lower than INR30 crores in Q3 FY23. The EBITDA margin remained consistent at 12%, aligning with the figure from Q2 FY24, while it was 17% in Q3 FY23. Profit after tax for Q3 FY24 was INR12 crores compared to INR11 crores in Q2 FY24.

Turning to the financials, for the 9-month period ended December 31, 2023, revenue stood at INR510 crores, reflecting a 3% increase from INR494 crores in 9 months FY23. EBITDA stood at INR59 crores compared to INR70 crores in 9 months FY23. EBITDA margin stood at 12% as compared to 14% in 9 months FY23. PAT for 9 months FY24 was INR32 crores, as against INR44 crores in 9 months FY23.

There has been sequential growth in revenue and profitability in each quarter of the current financial year. In the last quarter, we had mentioned that the worst was behind us, and the improving trajectory of performance, although gradual, is clearly validating our position.

I mentioned earlier about the business environment in India being more buoyant, and this is reflected in our standalone financials for the quarter. In Q3 FY24, revenue reached INR269 crores, a 36% increase from INR51 crores in the corresponding quarter last year. EBITDA stood at INR11 crores, marking a substantial 110% increase from INR5 crores. EBITDA margin for Q3 FY24 was 16% compared to 11% in Q3 FY23. The PAT for the quarter stood at INR6 crores, reflecting sharp growth of 115% YOY compared to INR3 crores in Q3 FY23.

In 9M FY24, revenue stood at INR204 crores as compared to INR145 crores, higher by 41%. EBITDA stood at INR30 crores as compared to INR15 crores, up by 107%. EBITDA margin stood at 15% in 9 months FY24 as compared to 10% in 9 months FY23. PAT again stood at INR15 crores as compared to INR9 crores, growing by 80%.

Some perspectives to share regarding our performance for the quarter. The traction in Government projects in India has led to continued strength on cash flows, and our overall cash position has displayed an improving trend, especially when looked at over a period of last 10-12 quarters.

Moreover, we have carefully managed our capital expenditure, resulting in no major CAPEX spends during this period. Since we have capacity in place to support our growth plans for coming years, we are evaluating further debt reduction even though our leverage position is very comfortable at present.

We have already commenced the foreclosure of some of our project finance loans. This will enable us to save on interest expense and consequently help in improving profitability further. Lowering of leverage will open up headroom on our balance sheet for additional working capital requirements as we anticipate closing of large orders in the pipeline in the near future.

With this solid financial foundation, we are well equipped to seize opportunities, invest in growth initiatives and deliver sustainable value to our stakeholders.

Thank you. I will now hand over the call to our CMD, Mr. Nitin Shah, for his comments. Over to you.

Nitin Shah: Thank you, Gopal. Welcome all the investors. Let me give you the perspective behind Allied Digital. As you have been seeing that we have been changing the growth trajectory by targeting all newer opportunities of the client, for which we took a lot of time to upgrade ourselves and transform our company internally by scaling up most of our people to the relevant technology.

It has been a big task for me and that's what I look upon to make our ship very powerful. I can tell you with the kind of overall skill set that we have got in our company, I don't think so with our size. Anybody in our size, nobody would be there in the world.

This is what I feel and hence we have a huge opportunity to grow further. As you know that we have created different towers to align different skill set. So, if you look upon that, we are covering almost everything.

Now we have also created a good platform for our software division also, and we are incorporating AI, leveraging a lot on AI. And you know, Generative AI and also all our future platform will have generative AI by default. Secondly, when you talk about Smart City, the one which probably will be announced soon, and there are a lot of news which are coming in TV and newspaper, where it's going to be very unique for our country is the Lucknow Smart City.

And Lucknow has incorporated several unique smart elements, like for example, acid throwing action can be captured anywhere that happens, or some street gambling that's happening, which will also be captured automatically at the command and control center. And that particular project we have done totally on our own. And that's the reason we have been selected for Ayodhya in Uttar Pradesh.

So, if you look upon, last year was a year where our resolution was, let's make our company extremely matured, smart governance, service governance. I think we have achieved a lot, and we are second to none. Supporting very, very large customer is what we understand, as much as what large companies understand.

So, the challenge is different for us. We cannot attract very, very large customers, but we choose to work as a Tier 2. And now Tier 2 is not staff augmentation. We are doing a lot of managed services for them. Like some of the large players, they cannot do certain things which they would like to give it to us. So outsourcing is always two types.

Some people, they can do outsourcing. They can execute certain activity, but they want to outsource it. Maybe they would like to focus on something else, large company I'm talking about. And some companies that we have seen, they cannot address large opportunities. So, they rather would like to make us as their partners.

And that helps us a lot, because by doing that, we are, as it is very matured in service governance, and we can get, large amount of time that we spend, we get larger pie of the large contract. And that's what we prefer. We are not into too small companies. And, margins, we are looking at very seriously.

If there is no margin, if it is lower hanging fruits, we would not like to bid for that. Or we may not reduce our cost. So, we may not get that for most commonly people, kind of client opportunities. So, we feel that is let's start addressing or trying to take up the higher hanging fruits. And that's what we have been doing.

And let's see this next year looks very promising for us. Unfortunately, some of the large deals got delayed and it could not happen in last quarter December, which we were expecting. But probably this may probably happen in it is a futuristic statement, because we already got confirmation. But we have not incorporated in our December result.

And we are very confident that we will get this year. We have taken a kind of a call to make our sales and marketing very, very strong, because that was something, the easiest thing that we were missing out. But we spent a lot of time in making our company very, very technically sound.

So now we are we have decided, this year, to make our sales and marketing very strong. And for which we have on-boarded. I think it's something we'll be announcing soon. One Mr. Ramanan Ramnathan, who was responsible to bring TCS when TCS was less than $100 million. And now, as you know, it's more than $26 billion.

Most of the top 10 contracts were actually taken by him and still they are running today. And he was deputed as a managing director on behalf of TCS when they acquired CMC. And he turned around CMC, which was not doing great. And he's brought about 2,000% growth in that CMC.

So, he's very excited to work together with us. And he's regularly coming into our review calls and all that. So, we are confident the future will definitely be doing great. So, this is what I can say at higher end at 30,000 feet. So now may I ask you to ask any question, whatever that you got.

Mayank Vaswani: Thank you. Rayo, can we open the floor for Q&A, please?

Moderator: Sure. Thank you very much. We will now begin the question and answer session. The first question is from the line of Gaurav Agrawal from Nine One Capital. Please go ahead.

Gaurav Agrawal: Hi, sir. Good morning. Thank you for the opportunity. First of all, congratulations for showing the resilient results in an environment where many IT companies are not able to show this kind of results.

Sir, you talked about, we have two things in mind. One is the global consulting and IT companies. And other are corporates, which are like running their own businesses.

And you talked about you have a couple of large deals in your pipeline, which are taking some time because of decision delays. So, I wanted to check from which side of clients are you facing these decision delays. Is it from the IT companies, consulting companies, or is it from these, large, large operating companies, maybe in the banking or in other sectors?

Paresh Shah: Yes. So let me understand your question. You're talking about where these delays are or which type of customers they are in the sector, right?

Gaurav Agrawal: Right. So, I understand that you serve two sets of customers. Number one are the typical IT companies or consulting companies. And there are companies which are in the banking sector or in the as you said, in the fast-food sector, etcetera. So where are you facing delays specifically?

Paresh Shah: So, these IT companies are our partners. So, the delays are only on the end user customers. Which are in the general enterprise sector, whether they are large banks or whether they are large FMCG companies. So, they are right now into if you look at the US market. So, the decision making just gets delayed.

And we see that, trending just because of the overall environment. But I see a great change happening. And we see, we saw the quarter starting with the big bang. And definitely there's a good announcement that will follow because we have got certain verbal, confirmation. But we will await proper formal contracts to follow for whatever wins that we have got.

Gaurav Agrawal: So if I understand you correctly, basically the delay is happening from the customer's general enterprise side to your clients, which are basically IT companies. And once they get the confirmation, they will get the business. This is how the model is.

Nehal Shah: Right.

Gaurav Agrawal: Understood.

Nehal Shah: Just to add to what Pareshbhai said, most of the time, last quarter of the calendar year is always very slow globally. So that's the reason that people were just delaying or taking certain decisions, whether they wanted to go ahead or not. But as he rightly mentioned, the start of the year has been great.

We have had some good verbal confirmations from our customers. We are just waiting for the final documentation to happen. Once that is done, we will be in a position to announce them. So, I feel we are on the right track. The further quarters are going to be good.

Gaurav Agrawal: Okay. And sir lastly, if you can just give us a 3-year, 4-year perspective where we want to take this company to. I know that you mentioned, even if these large deals were not to come through, you will anyway go to INR1,000 crores revenue run rate in a 3-year period. Is there any change in that stance? And if these deals come through, what kind of revenue scale can we go to? Any broad points would be very, very helpful for us.

Nehal Shah: Now, from the last quarter, I mentioned, we have not changed anything. We are still, as we feel that the target of INR1,000 crores is very achievable. And with the pipeline and the closures that we are getting, maybe one or two quarters here, but we are still on the track for achieving that. That shouldn't be a challenge.

Gaurav Agrawal: And so, margins-wise, any change in the margins that you will see in this journey from 11-12 kind of margins, where can it go?

Nehal Shah: Yes, from a margin perspective, I would say we have bottomed out from our last quarter to this quarter. I think from the next quarter onwards, we should be seeing the upward trend. We want to slowly try and achieve the mid-teens, maybe next 4 to 6 quarters or maybe 8 quarters. That is where our target is to reach mid-teens.

Moderator: Thank you. The next question is from the line of Soumitra Joshi an HNI. Please go ahead.

Soumitra Joshi: Yes. So, the first question is, please correct me if I'm wrong. I just heard that within a year, the revenues are expected to go to INR1,000 crores. As per my understanding, the target is for FY'26. Is that understanding correct?

Nehal Shah: Yes. So, in the last quarter call, I had said the same thing and that continues. There is no change beyond that. So, the next 2 to 3 years, we should be reaching there at INR1,000 crores.

Soumitra Joshi: I just got a little confused. The target is not for one year. The target is for the next 2, 3 years, we need to reach INR1,000 crores. Correct?

Nehal Shah: Yes. And that's the target. Correct.

Soumitra Joshi: Yes. And the second thing is with respect to the margins. So, we are expecting that probably around 12% we will bottom out. But when will exactly the upward trajectory start? Why I'm saying this is that we were recently in the US, and we were talking and we've spoken to some of the people in the IT services industry also, some CEOs of companies. There is this nagging thing that is going on that the clients are promising. But ultimately, when it comes down to signing the deal, they're not signing it right now. They're just waiting. Let's wait for a few months. Let's see what is happening. Let's see where the economy goes. And then probably we'll go in with this contract. So, the contracts are there, no doubt. But the signing or the bottom-line signing is not happening.

And what they have predicted was that probably, and you can correct me if I'm wrong, that probably the next year might be on similar lines and the trajectory will start from the year onwards. So, is there any, what is your view on the same? And is there a lacuna in this understanding?

Nehal Shah: So, Soumitra, from an overall perspective, that is correct. But I'm talking more from our perspective. So, we were also facing the same delays in the last two quarters. If you see our numbers, top line was also similar. That's because our order book is strong, and we just don't need to run after orders every quarter. But what happened at the start of this year, the calendar year, we got some verbal confirmations from some large customers.

And that actually kept us excited. And we are very upbeat after that. So, I think while the overall ratio still feels that there is a lacuna, it may take three, four quarters. But for us to start this year has been with a bang.

Nitin Shah: Yes, I'm Nitin Shah here. What is happening that the US market has become a little bit sluggish, maybe more from a psychological point of view. The spending capex is getting reduced. But what we are doing is a non-discretionary kind of a spend. It's an infrastructure, especially Infrastructure Management Services.

They cannot avoid that. But nowadays, they club together with the overall partner, where everything they want to give it to. So, there is a slowness in that process. It takes time for them. And sometimes the existing contracts, because they have not decided, they try to continue with the same vendor for a couple of quarters. And that's why we remain unpredictable.

But we are very sure that some of those contracts, which we have been -- firstly, whatever we have been serving, almost all the customers are getting continued with us. So, we have already a certain amount of revenue. And all that which is coming, the new is a completely net new kind of an opportunity and new clients will be coming. So, I'm not worried on that amount because you can't struggle with the sluggish market in the US.

Soumitra Joshi: Absolutely understandable. I understand it's not a problem with the company. It's something that is happening across the entire system that this is happening. So, what I wanted to understand was, it's not as if the contracts have gone anywhere. There might be some delay of, let's say, a quarter or two here and there, but those contracts will eventually land up is what I've understood. So it's only a delay that can happen. It's not about the contracts going anywhere. Now, the second part is on the margin aspect. So, what we were looking at, and you can please correct me, that for this year we'll end around 14%. So obviously that will not happen because now only one particular quarter is left.

And for perfectly understandable reasons of why it is not happening. But can we have some kind of a guidance from a margin perspective for, let's say, the next year? Can we look at probably, if not a lot, by increasing some 100 basis points, 150 basis points on this particular margin profile?

Nehal Shah: Yes, so that's the idea. So, what happened this year, if you see our segment breakup also, you will see that we have done a lot of government projects which were in the deployment stage. Generally, our margins keep on improving during the operation and maintenance phase, which starts post-deployment.

So, once we are done with the deployment, we are pushed into the O&M. And that's why we feel that there is a huge possibility of margin improvements. And that's why we are a little bit more positive when it comes to margin improvement. And we should be there by 100 basis points, 150 basis points in the next three-four quarters.

Soumitra Joshi: So that's the medium, or rather, let's say, short-term aim. Probably in the long-term, we will be looking at much, much higher margins when going past Rs. 1,000 crore, we should at least be around 15%, 16%, if not more, in terms of our OPM. Is that understanding correct?

Nehal Shah: That is what the intent is, correct.

Soumitra Joshi: Yes, yes, perfect. We can only aspire. That is something that we will work upon and see where we go. Perfect, perfect. Thank you so much. So those were the queries from my side. Thank you.

Moderator: Thank you. Thank you. The next question is from Faisal Zuber Hawa from HG Hawa & Company. Please go ahead.

Faisal Hawa: So what are the KRAs we have set for Mr. Ramanathan? And what is the kind of target that he has been set in terms of which verticals will he really attempt to scale up for us? That is one.

Nitin Shah: I understood your question. What would be the role of Ramanathan? He is not one particular tower. He is quite known because he was in NITI Aayog just before coming to us. And maybe next time we will also have him here. So, he probably came on board in the month of December. And the first thing that we had a sales meet and strategic meet in the US. Then he spent four days with us, understood our capabilities and all.

He got more excited. And then we are meeting here in India. He is based in Mumbai. And almost every review meeting he is there and taking care of the sales. See, we have kept him basically this year as I have told you to strengthen our sales engine, sales and marketing. So that is what he is looking into.

He will be doing rigorous reviews of the sales meet in every Thursday that we have got. And then he is finding out what is the outcome of those and where. And then he is suggesting us what not to do and what to do.

Nehal Shah: Just to add to what he is saying is that Mr. Ramanathan is going to be advising us for strategic upgrades in the organization. Since he has worked extensively in a company which was very large to our size. We wanted a leapfrog jump that we aspire to be.

So, from a person like him who comes and joins us and advises us on various things. Whether it is growth in the sales. Whether it is improving the governance to the next level. Whether it is better to do delivery. And also, how to farm and get more direct customers. So, these are the places where he is overall helping us and guiding us with all his experience.

Faisal Hawa: With due respect, I understood this. Because I have been following his progress from the time at CMC also. But I expected a more detailed mathematical answer to it. That how is his salary and variable salaries linked to the kind of sales that he will get. And what is the sales target that he has been set. Because we have hired a heavyweight from the industry.

So definitely it would be only to leapfrog the company. I wanted more of a correlation between the mathematical target that he has and his various variable salaries. So even if it is a 3-year target, 4-year target. It could be a fair answer. We always like companies which hire very legendary people to scale up their companies. So even if it is a 3-year or 4-year target. If you could give a more mathematical answer, I would be highly grateful.

Nehal Shah: You are right Faisal. So, what has happened is that December is the only month that he has joined us. And we were in the discussion phase whether how or where we want to take the organization. So just about a month. Most of his money and most of his revenue. Everything is going to be linked to the revenue and top line growth. That is what is being discussed and derived out. A formal document regarding that is under process.

And that is the reason that you have not seen any BSE/NSE announcements. We should be announcing that soon. So once the document is ready where we will jot down and put things that are good with him also and is okay with us also.

So once that is done, we will have a proper document being given out to the stock exchanges.

Faisal Hawa: One more thing. Mr. Nitin Shah said in his opening remarks that the company is now almost having much. It is scaled through many verticals. And for a small company, it is a very good achievement. So, would it be a right statement to make that now that we have the capabilities, our only job left is to scale our products through different markets and really pitch again and again to the large and medium customers?

Nehal Shah: Yes, exactly. So, I think that is what he said in the second statement that the most focus this year is going to be on sales and marketing. So, we are having a two-way approach. One is to of course go with our partner that we have been doing for years. Second approach is to go direct and take small and medium Enterprise customers as direct customers because direct gives us a lot of capability of expanding other service lines that we have.

We are not only stopped at one line of business, but when we have direct customers, there are a lot of opportunities that happen. So cross selling, cross and farming, both of it happen at a very large scale.

Paresh Shah: So just to add what Nehal said, we are also focusing on quality of business or using the right business mix. This quarter also has been instrumental in improving our other towers like Cybersecurity and Cloud and also big data platform. So, this is what we foresee that we can go direct, even have an improvement of our margins also and open up new avenues along with direct business.

Faisal Hawa: So, any attempt to really take advantage of the data privacy laws that are going to come into India now and the kind of compliances that corporates will have with regard to cyber security and to really generate revenue from it?

Paresh Shah: Yes, absolutely, because that's going to be a big factor on a lot of discussions because data security, data privacy plays a pivotal role in large data lake solutions. At the same time, that becomes also important for the cybersecurity point of view because cybersecurity is very holistic. So, a lot of new architectures will focus on cybersecurity and data management techniques.

And we are already foreseeing this. We are seeing opportunities coming, especially on data privacy issues.

Faisal Hawa: And sir, if I may just squeeze in the last question, we have been through a very tumultuous phase between 2012 and almost to 2015. So, any key learnings from there and which we would, having revised the company, that we have imbibed and that we will take care of in the future?

Nehal Shah: So, a lot of learnings that we have had from the last 12, 13 years, some of them I would want to put down is to have better governance. We have a far better, superior governance structure today. We have the right kind of management team, more structured approach towards growing the organization. And the most important thing is to decide what not to do.

So, there are a couple of businesses which we have decided not to do and we have stopped completely. So, these are some of the key learnings that we have had. And also, when I say this, I would just want to add that from compliance perspective also, now we have become very, very robust.

All of our statutory compliances and other things are absolutely on track. And that's the reason that we see today we are growing at a steady pace. So, this was some of the key learnings of the last 8-10 years when we went to the sinusoidal downward wave.

Moderator: Thank you. The next question is from Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Hello, sir. Sir, my question is regarding to the last quarter where you said that the company is into discussions with the mid-size bank, and they are offering pilot programs to show the effectiveness of the solution. What's the update on that? In the last quarter, you said you were targeting the banking sector as well for the SaaS.

Paresh Shah: Yes. So last quarter, we mentioned about targeting a SaaS platform for mid-size banks. This is another area that we are constantly focusing on. We have tied up with one of the partners in the US where we are working specially only for BFSI segment to build solutions there. And that's where we'll be targeting our SaaS platform also, along with our Infrastructure Services. We have also taken this SaaS platform to another level to build automation on top of our ADiTaaS platform also to build enterprise automation.

Darshil Pandya: Got it. Got it. And anything on the rural banks that you are working on?

Paresh Shah: So that's the same thing for FinoAllied products that you are talking about. And, yes, rural banks we are still working on because we have to work with a lot of government agencies. And this being, you know, election year, there are kind of also changes that are happening there in the banking sector. So we are trying to understand and try to position our product accordingly.

Nehal Shah: So, Darshil, what has happened with respect to our FinoAllied product? It is like who is going to get the bell first. So that's what is happening right now. We are in active discussions with three or four cooperative banks. And it is a matter of time when one of them would be agreeing to take a POC. The ideal scenario is to go for a POC.

Once we do a successful POC, suppose that the deployment can start. And then there are referrals that will keep coming.

Nitin Shah: See, it's too early, Nitin Shah here, it is too early to adapt convergence technology. But that's going to be the future technology, no matter whatever application that you think about.

Say, for example, doctors, they don't have time to feed any information, which is very important for them. So, they probably would be using the conversation technology. Maybe our food item is one to get it from any of these vendors like Swiggy or something. People would prefer to use conversation. At the same time, we have a problem about not understanding technology.

So, they would rather speak, which will be understood using Generative AI. And then it could take decisions. So, the future is all about conversation. And it's too, too early to get this adapted. But we will be the early mover once it is adapted.

Paresh Shah: Apart from banking, we are seeing a lot of opportunities in conversational AI across many industries.

Darshil Pandya: Got it. So, as you said that you will be focusing on sales and marketing this year more, So do we think that this is going to be a transformation? So, you think that this can be the guide? The thing can be done early? We can achieve this before maybe this year or in first half?

Nitin Shah: So, the idea is to understand the pain that we feel. We constantly evaluate and do self-inspection. We feel we have so much of opportunities and so much of strength. Why are we not growing at a faster speed? In the analysis, we made very robust service delivery. Till now, focusing only on service delivery, which has again changed kind of requirement coming. But now we feel that our reach is less.

So, we need to increase our sales force and want to make our sales engine more robust and strong. So, this year you will see. And now this guy has also come on board, Ramanan. He is also involved directly in terms of strengthening our sales engine.

Darshil Pandya: Correct. Got it. What's the guidance for this year? As you said that H2 will be better than H1. So what can we expect from the company for this specific year?

Nehal Shah: I think it would be a sequential growth that we see. But I would still once again reiterate rather than looking at quarter-or-quarter. Maybe this year has been muted for all the IT companies. Next year I feel is going to be far more better. So, most of the deals that we close probably in the month of January, February, start realizing in our books in the month of April, May, June. So, the first quarter and second quarter next year are going to be far more better than what we see for this two quarters.

Moderator: Thank you. The next question is from Shivam Shah from Smart Sync Services. Please go ahead.

Shivam Shah: Hello, sir. Thank you for the opportunity. Can you please throw some light on the number of Smart City projects that the company is executing at the moment? Apart from Ayodhya.

Paresh Shah: Yes. So let me just tell you several projects being executed, as you know, some of them being Lucknow, Solapur, Amritsar, Jalandhar and Sultanpur. So, plenty of action happening on them right now. I can give you certain important updates on smart cities. The Lucknow project is on the verge of going live. So, this quarter that will be going live.

Solapur also going live. We have 95% of the work and that's where you will start seeing a lot of completion revenues also over time. Also, projects in Amritsar and Jalandhar. I think Amritsar will go live this quarter and Jalandhar may stretch into the next. We see that a lot of activity happening. Ayodhya, we have just started and that's going to be also Bidkin, Aurangabad and Pune and Pimpri-Chinchwad are already, as you know, and Kalyan-Dombivali. So, these are already on the O&M, which will continue. Also, I forgot Rajkot. So, we see a good traction on the O&M, which is already continuing. And the new projects, which we took last one, one and a half years back are pretty much on the closure side. So, there will be a lot of closures this quarter also.

Shivam Shah: Okay. And also one more question. With the US markets looking weak, are we looking at being aggressive like with the domestic projects?

Paresh Shah: Yes. So domestic markets are doing good today. We are aggressive. But US market also we see a very, I mean, say short term slump. I don't see that's going to be too bad because there is a heavy cost cutting underway. And we see that the market's picking up and this being an election year, even the US, I'm sure, you know, there'll be a lot of new projects.

So usually, the technology market works a lot. And we being in the infrastructure part of it, the O&M part, the maintenance part is a continuous process. But I would say there's a lot of new traction on the new projects also that should start kicking in as soon as, you know, the companies stabilize in their cost cutting, which I see soon happening in this quarter.

So, I see market picking up good on the H2 side from the US also. And Indian market looks pretty good even in next one or two quarters.

Shivam Shah: Got it, sir. And sir, one last question. What about data centers? Like are we seeing any traction there?

Nitin Shah: As a strategy, we'll not be building our own data center. It's a hyper competitive market. Very large data center players are there. So we are basically OPEX intensive company, not CAPEX intensive. So we do not have intent to build a large data center. But yes, we will leverage somebody else's data center by having a complete care from there.

So, we have a lot of choices to use from. And it's a highly competitive market. So, our customers, if we have got to put them into data center, we have a few choices where we want to put them.

Moderator: Thank you. There are no further questions. I'd like to hand the conference back to the management team for closing comments.

Nehal Shah: Thank you for your participation and engagement during this call. If you have any additional questions or require further information about our company, please reach out to our team or contact CDR India. We look forward to interacting again in the next quarter. Thank you, everyone.

Moderator: Thank you very much on behalf of Allied Digital Services Limited. That concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.