August 11, 2023

To, **BSE Limited,** Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400001 **BSE Scrip Code: 543451**	To, **National Stock Exchange of India Limited,** Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400051 **NSE Scrip Symbol: AGSTRA**

Ref: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of Earnings Conference Call held on August 7, 2023

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed, transcript of the earnings conference call held on Monday, August 7, 2023, post declaration of the unaudited financial results (standalone and consolidated) for the quarter ended June 30, 2023

The above information will also be made available on the website of the Company at www.agsindia.com

This is for your information and record.

Thanking You,
For AGS Transact Technologies Limited

RAVI BADRINARAIN GOYAL Digitally signed by RAVI BADRINARAIN GOYAL Date: 2023.08.11 15:08:49 +05'30'

Ravi B. Goyal
Chairman & Managing Director
(DIN: 01374288)

Enclosure: As above

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“AGS Transact Technologies Limited

Q1 FY '24 Earnings Conference Call”

August 07, 2023

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 7th, 2023, will prevail

MANAGEMENT: **MR. RAVI GOYAL – CHAIRMAN AND MANAGING DIRECTOR – AGS TRANSACT TECHNOLOGIES LIMITED**
MR. SAURABH LAL – CHIEF FINANCIAL OFFICER – AGS TRANSACT TECHNOLOGIES LIMITED
MR. STANLEY JOHNSON – EXECUTIVE DIRECTOR – AGS TRANSACT TECHNOLOGIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to AGS Transact Technologies Limited Q1-FY24 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 the 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 star, then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ravi Goyal from AGS Transact Technologies Limited. Thank you and over to you, sir.

Ravi Goyal: Thank you. Good afternoon, everyone. A very warm welcome to each one of you, and thank you for joining our Q1-FY24 Earnings Call. On this call, I'm joined by our CFO, Mr. Saurabh Lal, and our Executive Director, Mr. Stanley Johnson. To begin with, cash has retained its prominent position this year. The currency in circulation has grown, reaching approximately INR33.5 trillion in 2023, and it is projected to further increase to INR35.5 trillion by the end of 2024. Currently, the cash in circulation as a percentage of GDP stands at approximately 13.7%.

At the same time, digital transactions have grown more than 13% year-on-year, led by UPI, with 8.7 billion transactions in March 2023. Leading private banks, including HDFC Bank, ICICI Bank, Axis Bank and IndusInd Bank, are expanding their bank branches. According to recent media reports, HDFC Bank and Axis Bank together have added 1,800 branches in FY23. In June quarter alone, about 255 bank branches have been added by all these banks combined, with plans for additional 2,800 bank branches in FY24.

This is a very healthy sign for the cash payment industry, as every branch requires at least one on-site ATM or CRM and about two off-site ATMs or CRMs. Multiple banks have successfully implemented cash recycling machines or CRMs. This has facilitated cash deposits in addition to cash withdrawals at bank facilities and we are confident that the rapid adoption and transition to CRMs will continue.

Digital banking units or DBUs that resemble bank branches while minimizing overall operational costs and offering consumer access 24x7 are also an exciting development in our industry. To date, 75 DBUs have been established and there are intentions to establish approximately 4,000 more DBUs in the future.

In reference to the cash management business, the cash management market, which includes ATM cash management, retail cash management and dedicated cash-in-transit vans, amounted to INR3,920 crores in 2023. Encouragingly, research indicates that this market is set to expand significantly, reaching to INR7,900 crores by 2027. Overall, the payment industry has witnessed a series of significant regulatory modifications over the past few quarters that have ushered in a more stringent framework of guidelines and standards. These include the MHA guidelines on implementation of cassette swapping, introduction of DBUs, the insurgency on PPI-based UPI transactions and interoperability of PPI wallets by NPCI and more.

This is in line with the formalization of the economy and being ready for scaled operations in bank branches, NBFCs and even organized retail outlets.

From a company standpoint, we have focused on further streamlining our overall business operations and services. We had a flat performance last year owing to multiple challenges in the macro environment, slower uptake of some initiatives, spillover of our order and one-time loss allowance.

Strategically, we are focused on improving our business line efficiencies and effectiveness. In the previous quarter, we had announced our partnership with RBL Bank to power RuPay NCMC or National Common Mobility Card for the Bangalore Metro Rail Corporation. In the current quarter, we have already issued more than 5,500 cards and we anticipate substantial growth in adoption during FY24.

Additionally, we have also received authorization from RBI to issue co-branded prepaid cards in collaboration with our partners, which will further strengthen the value proposition of our Ongo ecosystem, which includes all-inclusive Ongo POS devices and prepaid and loyalty schemes. This represents our strong foothold in the digital payment space and our ability to cater to a wide range of customers with enhanced convenience and efficiency.

Overall, in Q1 FY24, we serviced approximately 4,83,240 customer touchpoints across 2,200 cities and towns in India during the quarter. We provided cash management services to more than 41,239 ATMs/CRMs through our wholly owned subsidiary Securevalue India Ltd. As on June 30, 2023, AGS Transact Technologies has installed, maintained and or managed a network of approximately 76,300 ATMs and CRMs. Our CRM network has expanded to 5,779.

Our ATM outsourcing and managed service business, which complements cash management, is housed in a stand-alone entity. We are constantly increasing our operational efficiency because of the successful acquisition of a significant number of ATMs and CRMs under our managed outsource portfolio. We expect to complete the integration of 8,000 ATMs/CRMs won recently in the upcoming quarter. This extensive network will enhance our revenue streams and add to our reach and service capabilities. We are optimistic about securing additional contracts to expand our portfolio, which will in turn also provide synergy benefits for our cash management business.

The demand for ATMs/CRMs remains strong, as evidenced by the fresh RFPs for outright sale of 15,000 plus ATMs floated by banks so far, and we are happy to inform you that out of these RFPs, we have already won an order of 1,350 ATMs from a leading PSU bank. These will be strategically deployed by the banks during FY24. Cash management industry, which is driven by ATM rollout, is expected to grow at 4% CAGR, especially as leading banks are stepping up their rollouts.

Another factor is the growing demand for outsourcing. Currently, cash management is outsourced for 150,000 ATMs and CRMs out of the total 260,000 ATMs. This proportion of

ATMs/CRMs being outsourced for cash management is expected to increase to 70%-75% in the medium term. Since cash logistic is a high operating leverage business which favours scaled players, there is significant headroom for a player of our size and scale.

Talking about our performance in terms of sales mix for the quarter, the ATM outsourcing business, which is on a transaction or fixed fee basis contributed approximately 54% of our quarterly top line. Another 11% of the top line came from AMC services and upgrades. Our cash management subsidy Securevalue which serves a mix of captive and non-captive ATMs contributed 15% of the top line from the non-captive ATMs.

As communicated last quarter, we have scaled down lower margin product business. As a consequence of that, our service revenue has inched up by 4% as compared to the same quarter last year. A depiction of our gradually changing revenue mix and in line with our strategy for Q1 FY '24, service revenue accounted to 97.6%. Now I would request my colleague Saurabh Lal, CFO of AGS Transact Technologies to share the financial highlights of Q1 FY '24. Saurabh, over to you.

Saurabh Lal: Thank you, Ravi. Good afternoon everyone. Continuing from the operational highlights and major developments that happened in the company as highlighted by Ravi, let me now take you through the performance of the quarter as gone by. In the Q1 FY '24, the total income of the group stood at INR3,793 million versus INR4,272 million in Q1 FY '23. The reduction in topline is a consequence of scaling down of our product businesses.

In connection with this, we have also observed a simultaneous reduction in various associated costs. Talking about our EBITDA number, the adjusted EBITDA of the group in Q1 FY '24 stood at INR920 million as against INR1,270 million in Q1 FY '23. The corresponding figure for Q4 FY '23 stood at INR1,231 million. The adjusted EBITDA margin for Q1 FY '24 stood at around 24.2% as against 29.7% in Q1 FY '23.

As we communicated in last quarter that we will be scaling down some of our business line as a result of which certain direct costs have reduced. But there are certain indirect costs which are expected to get pruned in subsequent quarters. Our finance costs have declined 6% sequentially and stand at INR367 million as against INR391 million in Q4 FY '23. And our net debt stood at INR6,315 million versus INR6,786 million in Q4 FY '23. On our PAT levels, we recorded a profit of INR6 million in Q1 FY '24 as against the profit of INR192 million, in Q1 FY '23.

Talking about our segmental performance for the quarter, our payment solutions contributed 87% of our revenue in Q1 FY '24. This segment includes cash solution payment-accounting for 70% of our total revenue. This covers ATM and CRM outsourcing and managed services and cash management services. The growth is largely driven by expansion in our payment solution business. Our cash payment solution segment will grow in line with ATM outsourcing, which is already captured in ATM outsourcing business.

Currently, we are the second largest player in the market, and we leverage this as the market is looking for a stronger compliant player. Our digital solutions segment contributed 17% of our total revenue. This includes revenue from POS machines and switching another transaction processing. We are aiming to leverage our PPI license and ONGO digital strategies.

Our banking automation solution comprises of sale of ATM, CRM and other currency technology products and self-service terminals and AMCs and upgrades. This segment contributed 10% of our overall total revenue. Lastly, the other automation solution segment which encompasses sale of machine and related services to the customer in detail, petroleum and color segment contributed 3% of our total revenue. With this, we conclude our presentation and open the floor for further discussions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is on the line of Payal Shah from Billion Securities. Please go ahead.

Payal Shah: Good afternoon, sir. I have a few questions, which I may ask. The first would be, how many of the 8,000 ATMs won recently have been commissioned and what is the added revenue from the same? And also, in connection with this thing, how many more ATMs do we expect to add in the coming years?

Saurabh Lal: Sure, Payal. So, Payal, with respect to this 8,000 ATMs, majority of the contract has got deployed as we speak today, and we expect this contract will get fully deployed by this quarter end as we foresee. The incremental revenue, as we have said, will be approximately around INR8,000 to INR10,000 per ATM on an annualized basis. And the full year benefit or the monthly revenue benefit, we will expect it from the H2 for the FY '24.

The number of ATMs that we are planning to deploy, we have a good order book with respect to this. So, there are two types of Payal, businesses is there. One is the managed service business, where this like PNB and UBI, where the ATMs are already existing. We are just taking over the ATM. The new deployment happens where we deploy and put all the ATMs and we do all the capex of those ATMs.

So, we believe for this year, on a full year basis, approximately around, mostly the deployment will happen on the CRM front because most of the banks are looking for CRM deployment. So, it will be in the range of around 1,200 to 1,500 machines that we are going to deploy for this financial year.

Payal Shah: Okay, so that's quite helpful. I had another question. The ATMs have slightly reduced, and CRMs have gone up. So, could you please explain the reason behind this? Are ATMs being converted to CRMs or there are some discontinued ATMs? If you may explain on that.

Saurabh Lal: Sure. So Payal, as you rightly said, there are certain, some percentage reduction or some number of ATMs getting reduced. There are two counts to it, definitely. Wherever the new deployments are coming or wherever there are certain contracts, because if you see the contracts that we have with the banks, all the contracts have a renewal option, where each and every ATM is actually taken as a separate SKU.

As and when the ATM reaches its maturity stage of contract period, which may be a seven year, eight year, nine year, maybe ten year in some contract, whenever banks have an option to renew those contracts or renew those ATMs as part of that contract, banks may choose. Right now, I would say it consistently for the last one years or two years, banks are choosing to go with the CRM deployment further rather than going on the ATM redeployment. That is one reason. Second, there are certain contracts in our portfolio, which are due for renewal also.

So, there also we are phasing out, those ATMs are getting phased out as the new MSPs will go to take over those ATMs. So, these are the two reasons, why you will see that slight reduction in the number of ATMs. At the same time, consequently, the new ATM, which are getting added in our portfolio is the new deployment that we are doing it, either in the form of some replacement to the existing ATM or there is a new deployment.

Payal Shah: Okay. Sir, if I may squeeze in one more question. There has been a lot of talk around banks having a significant number of branches and expanding their overall network. Which are the target regions that we can assess these branches to be added? Like, would it be safe to assume that it will be the semi-urban and rural areas that are going to contribute to the growth for our company and industry? Or would it still be the metros to contribute to it?

Stanley Johnson: So, Stanley, this side, the number of branches coming in from both the private sector banks especially is coming in the Tier 3 to Tier 4 cities across a lot. Because metro is already is populated with the number of branches. But the way banks have approached this for every opening of three or four branches in Tier 3 to Tier 4, they are trying to open a branch in the metro. But the major deployment looks at Tier 3 and Tier 4 cities.

Payal Shah: Okay. Thank you so much. So, that's helpful. Thank you.

Moderator: Thank you. We'll move on to the next question. That is in the line of Aditya Shah from PG Security. Please go ahead.

Aditya Shah: I have two questions. Our finance cost has gone down by 6% quarter-on-quarter. However, year-on-year, these costs have gone up. What are the sustainable levels for these cost tools or surveillance?

Saurabh Lal: Sure, Aditya. Aditya, as we have just seen on the financials, our cost of percentage has gone down. Finance cost has gone down by 6% sequentially. And also, you'll see our total debt, net debt has also gone down over a period of time. So, that is one of the main factors which has helped us to reduce this finance cost. But I would say this was slightly offsetted by increase in the finance cost also, or the cost of interest over a period of time.

So, we believe that, as we have commented earlier also, the plan is that the company has reached to the debt level, which is sustainable and good for the company to run their business and operations. The only debt that the company plans to take over a period of time is only to support the additional capex requirement of the company or maybe to help the working capital shore up.

But seeing the current EBITDA level that the company is generating and the committed cash outflows that we have for either debt repayment or for other principal repayment or interest, I think the company has sufficient cash flows. So, we believe that our debt level should be in the range of 2.5x to 3x to debt to EBITDA level. I think that is a sustainable level for the company.

Aditya Shah: My second question is, as a continuation to the finance cost, what is the level of gross and net debt for the company? Are there any plans to increase the debt going forward or we plan to strategically reduce this debt? If so, what are the expected timelines and annual levels of repayment?

Saurabh Lal: So, Aditya, if you see in our debt profile, you will find that we have most of the debt which is largely linked to the term debt which we have taken from the various financial institutions. And term debts have a fixed repayment plan also. So, we are confident that we will continue to repay those money as per the committed and confirmed timelines that we have agreed with the lenders.

So, that will help us to reduce our leverage as we move forward. The leverage that company will take over time may be to support the capex and that additional capex will definitely help the company to grow its business because it will help to grow our top line also. So, especially it is very unique to our business that most of the debt are term debt which is largely secured by the ATMs that we deploy on behalf of the banks and the receivables that we receive on deployment of those ATMs.

So, most of the incremental debt is linked to the incremental revenue in the form of debt assets or incremental receivables that support our working capital. So, from the current, as I said, our target is to keep our debt in between 2.5x to 3x to debt to EBITDA level. That is, I think, the most sustainable level for the company as we move forward.

Moderator: Thank you. The next question is in the line of Naveen Jain from Florintree Advisors. Please go ahead.

Naveen Jain: So, I was asking that, you know, ATM count under the cash management business has gone down in the last two, three quarters, right? So, what is the outlook for this year in terms of the ATM count itself at the cash management business?

Saurabh Lal: Sure. So, Naveen, I think we discussed it in the last call also. From the Securevalue as a business perspective, I think the ATM is one of the very, very, I would say a big business revenue for the Securevalue business. But there are various other alternative revenues which are getting grown, or I would say getting built up within the Securevalue. So, if you see, there are other revenues like DCV, which is the Dedicated Cash Vans business.Then we have a doorstep banking business. Then we have vault management and vault processing business, which is getting built up over a period of time. So, even if we see there is a reduction in the ATM revenues over a period of time, or the number of it, not the revenues, the number of ATMs over a period of time, I think this is getting supported by the increase in other revenues and everything.

And, Naveen, I think over a period of time, what we have seen is that in the last three, four years, I would say, not one year, two years, three, four years, we have seen that the Securevalue has grown substantially from the number of ATMs that we used to handle. So, the scale of operation has been moved from regional payer to all India level.

Now, I think we are working over a period of time, for the last one year or more than that, that we have to make this route more and more profitable, make this route more and more usable, and to make this route more operational efficient.

So, from that perspective, I think what business is doing right now is that they are trying to ensure that all the, not the loss making, but wherever the number of routes can be merged together, wherever the number of ATMs can be merged together, they are consolidating those routes, they are rationalizing those routes. So, that is why you see certain reduction in the number of ATMs.

But, at the same time, we are trying to ensure that we should get additional businesses in the form of DCVs and everything. And those are the new revenue lines which are coming up. We got a couple of new contracts in the last quarter itself. Those contracts are going to get deployed. Some of them deployed last quarter, and other couple of them will get deployed in this quarter. So, I think, from outlook perspective, Securevalue is believed to be the, I would say, second largest player in this market, and it continues to hold a good market share. So, we will continue to keep ourselves in these leadership positions as we move forward.

Naveen Jain: Okay, sure. And, you know, on the digital payment side, so, I think in the last couple of quarters, you have rationalized the POS machines at the OMC outlet. Is that process, like, done overall, or is there some further rationalization that is possible?

Saurabh Lal: So, Naveen, in case of digital business, the deployment of the POS, the deployment of other, whether in the OMCs and retail, continues to be there. That is why we're able to generate this recurring revenue, which is in the form of MDRs, and in the form of monthly rentals, and those contracts still continue to be with us.

The strategy from the on-go basis, which is our strategy from the Ongo, where we are building up our own app, where we are building our own issuance, which, as Ravi also mentioned, we got authorizations from RBI for the co-branded cards, and we are working on to make it this Ongo strategy to go further, go forward as we move forward.

I think from that level, I think those things have to still get converted into the form of actual revenues, but I think the plan which we are going with, I think the strategy is clear that this

Ongo has to be promoted, and maybe as we move forward, maybe the next quarter, or maybe next to next quarter, we'll be able to demonstrate good movement or traction in case of this new initiative that we're taking, in digital space. But from today's perspective, I think the steady business of OMC post-deployment, retail post-deployment, continues and continues to support the company's goal and leverage on the digital penetration or digital base that we have created.

Naveen Jain: Okay. And finally, can you give me the gross debt number at the end of first quarter?

Saurabh Lal : The gross debt number is approximately. So, the gross debt number for this quarter, Naveen, is INR753 crores vis-a-vis INR787 crores which was last quarter.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Yes. Good afternoon. Thank you for the opportunity. Can you help me with the Securevalue's, numbers in terms of revenue, EBITDA, and profit for first quarter?

Saurabh Lal : So, sir, as since we have consolidated revenue and everything, but just to give you a number perspective, the Securevalue continues to generate approximately gross revenue of around INR111 crores to INR112 crores on quarterly basis right now. The EBITDA percentage is in the range of around 20% to 21% of the EBITDA, that percentage is generating.

And there are various other KPIs with respect to number of ATMs and DCVs and everything, and those continue to grow as we speak also. So, from that perspective, I think the revenue over a period of time has been consistent in the range of around INR111 crores to INR112 crores, INR115 crores, around INR118 crores on quarterly basis. And EBITDA of around 19%, 20%, 21% range that securevalue is generating.

Achal Lohade: Okay. Number two is with respect to the allowance provision, if I remember right, last quarter we had a substantial provisions.

Saurabh Lal : Yes.

Achal Lohade: And I see that there is no provision in the first quarter. So, does this tend to be more year-end process or you think there could be allowances possible in 2Q, 3Q?

Saurabh Lal : Sir, with respect to the loss allowance, I think last year -- last quarter when we did this, I think we tried to cover this in our analyst PPT also, that these are the loss allowances which we made for certain receivables which is expected to get collected. But since there is a time value of money involved in this, it's getting delayed. So, we have provided the loss allowance and we don't see a risk of credit with respect to the customer for whom we take this loss allowance.

So, I think that statement still continues. We are still working on those loss allowances. We are still working with those customers for recovery of the old reconciliations amount with them. But having said that, since there will be certain loss allowances that will always be part of the businesses which are certain percentage of revenue which goes into P&L loss every quarter-on-quarter.

Since those are very normal in nature and part of the development activity, there has not been any exceptional item in this quarter. So, that is why there is no loss allowance coming in this quarter. But as a normal business, there will be definitely certain percentage that will go in the business depending on the type of ATMs that we are handling, some type of losses happening because of some theft and everything. Some losses will always be there.

But yes, as such, as we speak today, we don't foresee any exceptional item coming up as of today unless and until we reach to that stage and we will see whether those commitments from the business or those commitments from the customers, whether those receivables have been encashed or not. In case we will find those cash balance back, definitely we will see the reversal also. But in case there is a delay, we may have to discuss again with the board and the auditor and to work on how to account those differences of receivables.

Achal Lohade: Okay. Basis your comments, how do you see in terms of the growth and the margins from a full year or next couple of year perspective? Where do we move from here on because if I look at last couple of years have been fairly challenging for us in terms of the overall numbers. So, would it be possible to give us some color? Would there be a single digit growth or could be a declining trend for at least couple of years as we streamline the segments and how about the margins?

Saurabh Lal: I will go the reverse way, other way around that definitely from a margin perspective, the company is trying to work out to ensure that we completely agree, sustain those margins that they have been able to demonstrate over a period of time on a normalized basis and also on adjusted EBITDA basis. I think the more important is to adjusted basis EBITDA what that normal scenario of the company works like.

I think from the revenue front, I think Ravi has also made a point and we have also business internally is also aligned that we have to work focused on the specific businesses, area where we can scale the businesses, where we can demonstrate our leadership positions and the businesses which can help us to ensure to cover up the good bottom line not only from the P&L perspective, but from the company's full financial strength basis, company working capital and other asset allocations also.

So, from a revenue growth perspective, I think we have -- I would say, allow some time to demonstrate to the market and to the investor community and to all of you that the businesses in which we are now focusing specifically even though you have seen a decrease in the revenue, reduction in the revenue in this quarter 1 versus quarter 4 or quarter 1 year-on-year, the company was trying to ensure that they should not lose on those fixed costs and everything and those fixed costs are also getting truncated and pruned over a period of time.

So, I think from the marginal perspective, which is more important to do more good and profitable business so that we can contribute to the bottom line. Revenue-wise, I think it will be difficult for me to give the guidance today that how we want to go. I think maybe a couple of quarters down the line once we have a full strategy with respect to vis-a-vis only businesses which we are going to continue and which is the businesses where we are growing, I think it will be more prudent on me and Ravi's part to give you more clarity on this part. 35:20

Moderator: The current participant has placed us on hold. We will move on to the next question, that is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Hello, sir. Good afternoon. Am I audible?

Saurabh Lal: Yes, Rahil very much.

Rahil Shah: My question was about the other automation business segments. So, what kind of like order pipeline or so how do you see it? What do you feel about that segment for this year? Any outlook you would like to share on that?

Saurabh Lal: Rahil, Saurabh on this side, on the other automation business side, if you see, definitely there is a planned reduction of revenue over a period of time. If you had a chance to see our last time and this PPT this time also our number, as internally businesses we have agreed and systems have – sorry, management has agreed that over a period of time we will be moving out or I would say reducing the exposure on those businesses from the product side where there is a high working capital deployment and the lower margins on those profiles.

So, specifically as you asked from other automation businesses, you will see over a period of time reduction in the revenue from the product side. Service revenue will continue to be there because since we have already entered in those contracts with the customers, we will own those contracts and we completely align to honor those contracts till the time of expiry. So, those contracts will continue to be there.

Other than that, the last focus of the organization will be on the payment solution segment and the banking automation segment where we are continuing to deploy the ATMs, continue to deploy our cash management business, continue to work on digital strategies and we continue to focus on supplying the banking automation solutions and services.

Rahil Shah: So, you feel these banking and I think you mentioned payments, right payment side, so that will be more than enough to like compensate for the loss of revenue we will be seeing from when you scale down the other automations. So, that will definitely grow very well going ahead?

Saurabh Lal: So yes, from the margin perspective, that is what the target is. But yes, scaling down the business has its own timeframes and everything, transitions and everything. That is why you will see -- we saw a slight reduction in our margin in this quarter versus last quarter because though the revenue got truncated immediately, the cost impact called direct cost, definitely we can see the saving in our numbers.

But yes, indirect costs related to various costs associated to run those businesses, contracts, vendor contracts, customers, employees and everything, it takes some time. So, I think that is what we are targeting that as we move forward, those benefits will start flowing into the company and will be back to the margins that we used to enjoy till last quarter. So, those are the lines.

But yes, I think so coming to your main point with respect to other businesses, I think if those businesses generate those revenue numbers, those committed numbers and everything I think, and if the EBITDA margins are retained and sustained, I think those EBITDA margins will be good for the company and as a community to continue and focus on those businesses.

Rahil Shah: Okay, okay, got it. And lastly, I think you mentioned about the new 8,018 CRM contract which we have been deploying. So, I think you mentioned incremental revenue, 8,000 to 10,000, did you say?

Saurabh Lal : Per ATM per month, yes.

Rahil Shah: Per ATM per month, all right, got it. That's it from me. Thank you and all the best.

Moderator: Thank you. The next question is on the line of Rohit Mehra from SP Securities. Please go ahead.

Rohit Mehra: Yes, thank you for the opportunity. So, my first question is about, we are seeing the strong movement towards the UPI and QR code payment, and in both organized and unorganized retail. What are we as a company doing to adapt this changing trend and benefit this growing wave of digitalization?

Saurabh Lal: Rohit, with respect to the UPI and everything, I think if you see our company - ITSL I think that the company is very well positioned to capture not only from the acquiring side, but also from the issuing side. We have the authorization from RBI to issue the prepaid card also and we have a very big network for the acquiring solutions where merchants can use our machines and a digital machines and UPI is one of the acceptable payment networks over there.

So, we are earning our share of revenue from UPI over there but yes, if you see the UPI transactions or maybe a RuPay transaction, the government has restricted the revenue for both, for the issuer also and from the acquirer also. So, whatever percentage of revenue which like, which comes from, like MEITY, which issued these guidelines to compensate the loss of MDR and everything to the issuer and acquirer, they have come out with the policy. So those revenues are coming up.

So, from a company's standpoint, I think our solution is to offer payment in the market and UPI is one of the core competence -- one of the payment profile, or I would say, one of the payment segment through which the payment can be accepted by both merchants and from the customer perspective also.

Now coming to the issuance, I think as we said, we have authorization from RBI to issue prepaid card. We are going to launch this RBI prepaid card through our RuPay network only for which we again have authorization from NPCI. So, from that perspective, I think, all form of payments will be done, and it will be a UPI-enabled card which will allow you, the customer to use those prepaid money and everything through the UPI wallet also.

So, I think from that perspective, we will be part of the journey and part of the growth story which is happening in the way the UPI transactions are going across the India and across the globe.

Rohit Mehra: Okay, perfect. So, in the previous earning call, we had guided towards the setting up of digital banking units, right? So, could you update on this progress made on that front? Also, what would be the unit economics of the same?

Stanley Johnson: So, Stanley here, the digital banking unit which was set up for 75 of them last year, there are talks by the regulator with all the banks to set up around 4,000 to 6,000 more across in the coming year. The unit economics are different, on different contracts across them because in certain DBUs, it is taken in different models across. So, we can take you later on with the unit economics for each DBU. But as of now, RBI is talking for around 4,000, 6,000 more to be deployed across.

Rohit Mehra: Okay, thank you. That's it from my side.

Moderator: Thank you. Ladies and gentlemen, we'll be taking the last question that is in the line of Rishikesh Oza, from Robo Capital. Please go ahead.

Rishikesh Oza: Yes, hi. Thank you for the opportunity. Sir, my first question is with respect to our SVIL revenues. Our SVIL revenues used to be higher earlier, which now currently that you just indicated they're around INR112 crores to INR115 crores range. So why have the revenues gone down?

Saurabh Lal: Okay. Rishi, with respect to the various revenues, if you see, again, as you said, three years back when we expanded our Securevalue business, we expanded to all the territories. So, when we expanded to all the territories, definitely the cost to run those operations was higher than what we are earning from those territories. So, if you see the last two years to three years, our EBITDA margins have expanded even though we saw certain reduction in the revenue because we started rationalizing our routes and profitability of those routes and operational efficiencies to bring on those routes.

So, you see our EBITDA margin, which used to be around 14% to 15% a couple of years back, has now reached to 19%-plus, 20%-plus. So, I think that is one of the main reasons for us to rationalize our revenues. And now the next phase of planning is that to add more-and-more other forms of revenue to the ATM. Like, ATM is definitely one of the biggest source of revenue for Securevalue, but there are opportunities coming in various other cash logistics parts like doorstep banking, DCV i.e. dedicated cash van business..

And other forms of cash businesses like vault management by various banks and everything. So, though you saw deep in the revenue over a period of time from, I think the highest was around INR118 crores, INR119 crores per quarter to INR111 crores, but the margin profile of the company has continuously grown, and it has reached to almost 20% now.

Rishikesh Oza: Okay, so on SVIL follow-up, so what would be the realizations for this quarter per month basis? Earlier we used to say that the realizations due to MHA guidelines would go up to, you know, 11,000, 12,000 per month. So, where we are exactly and by when can we see those kind of realizations?

Saurabh Lal: So even if today, you will check approximately, if I say, INR111 crores revenue coming on 40,000 ATMs, we already had around INR8,000 to INR9,000 per ATM per month basis. So, I think many ATMs have already moved to the MHA guidelines complaint and other activities. I think on an overall basis, the industry is working on this. There are two things happening in the industry. One is the MHA compliance; another is the cassette swap. So many of the MSPs and many of the banks have already moved to the MHA guidelines and many of the industry players have moved to cassette swap.

I think, once this gets rolled out 100% completely, we'll be able to see this number of 11,000, 12,000. But if I distribute or dissect my portfolio, you'll see many ATMs are already generating more than INR10,000 per month, but yes, there are certain ATMs which has not been complied with MHAs or there are certain ATMs where the cassette swap is still not implemented. The average realisation may be in the range of INR7,500 to INR8,000.

Rishikesh Oza: Okay. And what would be our growth guidance for SVIL then, for the next two years at least?

Saurabh Lal: So, growth guidance will be tough, but yes, as we said, we have positioned ourselves as one of the leaders in the market. We are the second largest player in the market and there are very few players in the market who can manage the scale at this level, I think. From a market perspective, I think growth is definitely one of the things, but I think as a company, as a group, we have taken a stand internally that I think it will be right for us from this point of time to focus more on the bottom line rather than the top line.

So that is where we're working on, whether to talk about the AGS or whether to talk about the other group companies, including Securevalue and ITSL. So, I think the more important goal for us is to bring back the profitability or continue to sustain those profitability levels that we have.

I'm sure once we're able to retain those things, when we're able to generate those margins, I think growth will automatically follow us. So, I think from the opportunity perspective, like Ravi also mentioned, the industries feel that more than 50,000 ATMs are still pending to be transferred to the outsourcing partner like us. So, we see a big opportunity coming up on that space also. So, there will be definitely upside available to us.

At the same time, whatever growth is happening in AGS, which is a holding company for the Securevalue, any growth of ATMs that is on the MS contract side or IAD side, automatically it will benefit Securevalue. So, I think from that perspective, we see that the future looks good for Securevalue from a business perspective. Now I think Securevalue's business and operation has to decide which ATM to take over, which ATM to hold, so that we maintain and sustain those profitability.

Rishikesh Oza: Okay. Thank you. And also, with respect to the POS revenues, what are the revenues of POS for this quarter?

Saurabh Lal: So, the POS revenue, digital revenue for this quarter is approximately I would say, INR65 crores or INR650 million on a total basis.

Rishikesh Oza: Okay. And what is POS revenue, out of total digital revenue?

Saurabh Lal: Out of -- POS revenue is approximately, INR49.6 crores is the POS revenue.

Rishikesh Oza: Okay. And any guidance on the POS revenues? Where do you see the POS revenues going, like growing for next two, three years?

Saurabh Lal : I think with the POS revenue, as we see, I think it's a macro impact happening all across the market also, is that the government and the regulators and all the companies and the institutions are pushing out more-and-more digital transactions. So, we see that those macroeconomic factors will definitely benefit us also as one of the major players in this market. But from the growth perspective, I think there are many other initiatives, as I mentioned previously, that we are working on various initiatives on the ONGO side, on the fueling side, and other things.

Those initiatives will definitely add up to the revenue. The guidance number will definitely be tough, but I think we have positioned ourselves as a very strong player, and we believe that maybe in a couple of quarters from now, we'll be able to demonstrate to you the other revenue streams, other than the POS getting accrued in ITSL.

Rishikesh Oza: Okay. That was helpful, sir. Thank you.

Saurabh Lal : Thank you.

Moderator: Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Yes, sir. Thanks for the opportunity. My question is on the debt that we're having. So, if you can state the net debt that we have, and also the debt has been increasing despite our focus on non-capex ATMs. So, can you please explain why the debt numbers are increasing? And also, in terms of the debtor days revenue increasing, it has also been on an increasing trend. So what steps are you taking to bring down your debtor days?

Saurabh Lal: Sure, Amit. From the debt perspective, if you see the overall debt perspective, the overall, either you look at the gross debt or net debt, definitely it has gone from the peak it was earlier. So, the company is consciously ensuring that whatever additional debt is taken by the company after the repayment or net debt that is taken by the company has to be used for a specific purpose or has to be supported by incremental revenue and other things, or maybe for the sole of the working capital. So, I think that is what the company says.

And most of the debt, if you see in our balance sheet, is termed debt. The working capital part is very, very limited. So, it has a confirmed repayment schedule. So, we know that at this stage of time, this debt will come down by this value. At this stage, this is what the repayment schedule of the company is there. So, from, I think, that perspective, we have been keeping, ensuring that our debt level should not balloon and internally we work with those debt-to-EBIDTA convenants or debt-to-TNW and all those things have been monitored.

On the working capital side, definitely the work is going on. The debtor days, if you see a period of time, I would say, it has not improved significantly. But from the internal company's business perspective, other things' perspective, the reconciliation process and everything is going on.

And I think it will take some more time for us to come out and able to demonstrate that there is a reduction in the debtor days over the period of time. But yes, it will take some more time now because you will see in this quarter or maybe the next quarter, when we will share the more detailed financial results with the balance sheet and everything.

Though that revenue has gone down of the company from certain segments, but debtor levels are still there. So, you will see and will be able to demonstrate that all those businesses that have been slowed down by the company over a period of time because of the economies and everything, you will be able to demonstrate those realizations of debtor, which is stuck, or which has a hold for those businesses has started coming in.

So, I think maybe, Amit, let's wait for one more quarter. Let's see what the balance sheet looks like. But I think from the internal business point of view, I think the situation is improving day-by-day. But yes, significant improvement needs to be done and on which we are working on.

Amit Chandra: So, on the debtor days, obviously we have large private banks as our client. Top three is the large private banks. So why there? So first of all, in terms of the debtor days, how it is split between the businesses? Is it split similar across the businesses or some businesses have much higher debtor days than what we report at Consolidated?

And also, I'm not able to understand why it's going up and it's so high if we have banks as our clients. I know like PSU banks, they have a higher working capital cycle, but that in terms of our mix in terms of revenues would be not that high.

Saurabh Lal: So, Amit, you are correct. If you see our financial results also and if you see our segment analysis also, the total asset that we have like in other automation business is standing at around INR145 crores. And the segment revenue for other automation is right now standing only at INR12 crores. But if you see my payment solution segment, the revenue is at INR323 crores with a segment asset of INR1,400 crores and the liability of INR650 crores.

So net asset is around IR900 crores. So that is how what we're saying is that there is a lot of assets and a lot of working capital getting stuck. I would say not stuck, sorry. But yes, it will deploy in the other automation businesses and other businesses where we are slowly and slowly recovering those amount and I think that cash will help the company to grow other businesses and to support other businesses.

So that is where we are working on the working capital side and that is what the plan is to scale down the other automation businesses or other retail color businesses so that those capital and those working capital can be deployed into other businesses which can generate some good margins both on the gross side and on the net side and it should not impact my working capital also. So, I think that's what the plan is, Amit.

Amit Chandra: In terms of the total debtors INR900 crores that we have on our revenue of INR1,600 crores, INR1,700 crores, how that debtors will be split across say like, payments or SVIL or the other automation, the other part of the business if you can give some color there?

Saurabh Lal: Amit, it's very difficult to give you immediate answer. We can definitely share those details. I will ask Anshu and Shikha to definitely work on this and we will share with you. But as I said, you will find that as we have started pruning down the other businesses, the debtors are still there, and we are in the process and working on the realization of those debtors. But largely, if you see my banking automation and other automation businesses, the debtor days will always be higher as compared to sale revenue because of various milestones and payment linked to various services and attention money and other things.

In payment solutions, the normal debtor days range between 75 days to 90 days from the date of billing and everything. There will be some higher debtor value because of that reconciliation and other amounts which will be -- still we're working with the large banks as you mentioned also. But yes, Amit, we can share the complete details with segment wise that what are these debtors and stressful debtors.

Amit Chandra: Also, in terms of debt, from hereon, how do you see the debt moving? Because, if I am not wrong, we are focusing more on non-capex ATMs and the contracts that we are winning is mostly non-capex related. So, is it the peak debt that we are seeing or are we planning to repay some debt from here on or how the debt will pan out say from two years from now?

Saurabh Lal: So, as of now Amit, as we speak, we are continuously paying all the debt every single month-on-month basis. Even if you see our quarter 4 number, quarter 4 number, the debt has been repaid by almost INR40 crores or INR40 crores- INR45 crores. Even on the gross debt basis or even on the net debt basis, you will see a reduction on the debt side.

Similarly, as I said, most of the debt is a term loan-based debt, which will get paid as per the agreed schedule and the quarterly schedule and monthly schedule that we are paying those debts now. So, from a current business perspective, if we continue with the same business model, slow down on the capex, reduce the capex and everything, we slow down on the capex and everything, there will automatically repayment of term loans and other things on every month-on-month basis and quarter-on-quarter basis.

But yes, if business needs to deploy more ATM, wanted to acquire those new ATMs and if the business sustainability says that this debt is definitely going to help for the company with respect to additional revenue and additional margin, I am sure at that point of time both the management and the board will take a conscious call to raise the debt or not.

But, I think right now, the debt level, we feel they are okay to continue as we have a confirmed sustainable recurring EBITDA which is sufficient for us to repay the existing debt. And if the business continues as it is as we today are and we don't do any capex and everything, automatically we will see there is a repayment happening on those debt points.

Amit Chandra: Okay, sir. Thank you.

Saurabh Lal: Thanks, Amit.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was our last question. I now hand the conference over to the management for their closing comments.

Ravi Goyal: Thank you everyone for joining us today on our Q1 FY '24 earnings call. We appreciate your interest in AGS Transact Technologies Limited, and we aim to encash the opportunities on offer by capitalizing on the work done so far and the strategic direction we have taken for the future. Should you have any further queries, please contact SGA, our investor relations advisor. Thank you.

Ravi Goyal: Thank you everyone.

Moderator: Thank you members of the management team. Ladies and gentlemen, on behalf of AGS Transact Technologies Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.