November 16, 2022

To,	To,
BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400001 **BSE Scrip Code: 543451**	**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 Q2 FY 2023 Earnings Conference Call held on November 11, 2022

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed, the transcript of Q2 FY 2023 Earnings Conference Call held on November 11, 2022.

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

SNEHA PRABHAKA R KADAM
Digitally signed by SNEHA PRABHAKAR KADAM
Date: 2022.11.16 11:29:53 +05'30'

Sneha Kadam
Company Secretary and Compliance Officer
(Mem No: ACS 31215)

Enclosure: As above

"AGS Transact Technologies Limited Q2 FY23 Earnings Conference Call"

November 11, 2022

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

MANAGEMENT: **MR. RAVI GOYAL – CHAIRMAN & 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
MR. VINAYAK GOYAL – EXECUTIVE DIRECTOR, AGS TRANSACT TECHNOLOGIES LIMITED
MR. SHAILESH SHETTY – MANAGING DIRECTOR, SECUREVALUE INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the AGS Transact Technologies Limited Q2 FY '23 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Goyal - Chairman and Managing Director, 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, and thank you for joining our Q2 FY23 Earnings Call. On this call, I am joined by our CFO – Mr. Saurabh Lal, our Executive Director – Mr. Stanley Johnson, Vinayak Goyal, and Managing Director of our subsidiary Securevalue India – Mr. Shailesh Shetty.

The quarter gone by was a relatively soft quarter, but we are confident to meet our target of highest ever PAT in FY23 and will continue to sustain our EBITDA margin of 25% plus. Going by the RFPs already floated in the market and those in the pipeline, the ATM/CRM network in the country is on a growth trajectory.

As one of the industry leaders in this segment, we are in the process of tapping into this growth potential, with couple of large contract wins from leading Public Sector Banks. These will start coming on-stream from the next quarter onwards and will be rolled out over the next 12 months. We expect this to further strengthen our ATM and CRM Outsourcing business and synergistically grow our cash management business as well.

Through this quarter, we serviced approximately 477,007 customers touch points across 2,200 cities and towns in India. Total consolidated income for the quarter stood at Rs. 4,206 million for Q2 FY23 as against 4,856 million for Q2 FY22. The same figures for H1 FY23 stand at Rs. 8,478 million as against Rs. 8,993 million in H1 FY22. We have worked on improving our operational efficiencies, which resulted in a strong operating performance with our consolidated and adjusted EBITDA for the half year improving by 9% and PAT for the quarter increasing by 400%.

As of September 30, 2022, AGS has installed, maintained or managed a network of approximately 73,582 ATMs and CRMs. During the last six months, our CRM network has increased from 4,072 to 4,704. The increase in network has not fully fructified as yet and will start reflecting on our financial performance from Q4 FY23.

We installed 2,45,215 Merchant point of sale Terminals and approximately 51,796 cash billing terminals. Our focus remains on creating an integrated omni-channel payment platform in the country by providing cash payments and digital solutions to banks and corporate clients.

We provided cash management services to more than 44,432 ATMs through our wholly-owned subsidiary Securevalue. Securevalue accounts for 475 vaults and spoke locations and 2,699 pick-up and doorstep banking point service by 2,498 vans across 1,805 towns. In fact, Securevalue is steadily accounting for a higher proportion of our total revenue pie - this contribution increasing from 24% in Q2 FY22 to 29% in the current year. Moreover, even the margins from this business have shown a stark improvement rising from 14% to 20% from Q2 FY22 to Q2 FY23.

Additionally, with new contract wins for AGS, more business will synergistically flow into Securevalue for servicing the new ATMs we deploy or manage on behalf of banks. The ATM outsourcing business, which works on a transaction or on a fixed fee basis, contributed approximately 46% of our quarterly top line. Another 14% of top line came from AMC services and upgrades.

Cash management is a key part of ATM outsourcing and we have completely owned company called Securevalue India Limited that specializes in cash management. It oversees cash management for both captive and managed ATMs, and this segment contributed approximately 16%.

This quarter, our service revenue is 93% of the total revenue from operations from 96% in Q1 FY23, a depiction of our changed revenue mix. Additionally, the income from these services are recurrent in nature and supported by long-term contracts. We are confident that the ATM outsourcing market since we have a healthy pipeline of fresh RFPs from a prestigious public and private sector bank.

Our long-standing relationship with our customers across industry puts us in an advantageous position for our new business and cross-selling opportunities and enhances our market reputation.

Our near-term objectives are to grow and scale up our digital business and pivot from Payment-as-a-Service to Payment-as-a-Convenience through the Ongo Card Ecosystem. By offering cash payment and digital solutions to banks and corporate customers, our goal is to become one of the most integrated omni-channel payment system in the nation.

In order to promote financial inclusion and further expand our company, we intend to use the technology and goods produced in India and offer them in other nations. This will showcase our cross-sector experience that we already have in India.

On the digital side of our business, especially issuance, we are excited to be launching open-loop co-branded prepaid cards on our PPI license with a leading Indian FMCG Conglomerate. These are open-loop prepaid cards that can be accepted on any device on Rupay network. It will add to our already growing revenue stream for the digital payment business. We will continue to leverage our digital payment platform Ongo to provide payment-as-a-convenience to corporates, merchants and consumers through our comprehensive portfolio mix, which includes all-in-one POS and value-added service like prepaid or loyalty programs.

The Strategic initiatives, which I spoke about, will start contributing to the top line as well as the bottom line Q4 onwards.

Now, I would request my colleague Saurabh Lal - CFO of AGS Transact Technologies to share the financial highlights of Q2 and H1 FY23. Saurabh, over to you.

Saurabh Lal: Thank you, Ravi. Good afternoon, everyone. Let me now take you through the performance of Q2 FY23. In this quarter that has gone, the total income of the group stood at 4,206 million versus 4,856 million for quarter two of FY22.

Talking about our EBITDA number, the adjusted EBITDA of the group for Q2 FY23 stood at 1,235 million as against 1,387 million in Q2 FY22. The corresponding figure for Q2 FY23 stood at INR 1,269 million. The adjusted EBITDA margins for Q2 FY23 stood at around very healthy 29.4% as against 28.6% in Q2 FY22.

AGS has redeemed the outstanding NCDs worth 5,500 million INR in FY22 which was part of our object or offer of the IPO. The finance cost benefit of this has already started accruing to us from the last quarter and evident in this quarter two, leading to a reduction of our finance cost by 41% which stood at INR 345 million for the quarter.

Talking about the PAT levels, we observed a 400% increase in the PAT rising from Rs. 41 million in Q2 FY22 to 207 million in Q2 FY23 owing to the reduced finance cost and increase in the efficiencies of expense management.

Now coming to the half early statistics parameter of the Group, our total income for H1 FY23 stood at 8,488 million as against the INR 8,499 million in H1 of FY22. On a half yearly basis, our EBITDA showed a growth of 9% on the absolute level rising from INR 2,297 million in

H1 of FY22 to INR 2,504 million in H1 FY23. What is even better is that it has come at the margin improvement, which has grown from 25.5% to 29.5% margin.

On the balance sheet front, the company's consolidated net debt stood at INR 6,543 million as on September 30, 2022.

Going over our segmental performance for the quarter, our Payment Solutions, which is the largest business in our portfolio, constitute 79% of our revenue in Q2 FY23. This segment includes cash solution business, which contributes 63% of total revenue from operation. The cash solution business covers ATM and CRM outsourcing, and managed services of these ATMs, and the cash management services offered by our subsidiary Securevalue. The growth is largely driven by expansion in our cash management network.

Digital network under the Payment Solution business contributes 16% of our total revenue from operations. This includes the revenue from PoS machine, switching, transactions and Fastlane businesses.

Our banking automation solutions comprises of sale of ATMs, CRMs and other currency technology products, and self-service terminals and other upgrades. The segment contributes 11% of our revenue. And other automation solution segments, which encompass sale of machines and related services to the customer in retail, petroleum and color automation segment. This segment constitute 10% of our total revenue from operations.

So, this is the overall highlight I will update from with respect to the financial performance of the company on the quarter ending and the half year ending September 2023. Now, we would open the floor for further discussions and specific questions.

Moderator: Thank you. We will now begin the question-answer session. We have the first question from the line of Manik Taneja from JM Financial. Please go ahead.

Manik Taneja: Thank you for the opportunity, and just wanted to Ravi mentioned that quarter guidance of recording the highest annual profit for this year. So, if you could also talk about how shall we be thinking about growth because after first quarter you had suggested about getting to a double digit growth in FY23, and given the way we have performed in first half of the year, the asking rate in terms of revenue growth for second half usually is in excess of 25%. So, it could help us understand how are you seeing things there, and then I had a couple of other bookkeeping questions as well. Thank you.

Saurabh Lal: Thank you, Manik. As Ravi has also mentioned definitely in the last call also, Manik, we continue to believe that we have targeted ourselves and the business and everyone in the company is targeting to ensure that whatever has been committed is based on the very, very strong order book that we have.

So, the order book which Ravi also mentioned in his speech that we have various wins in this quarter which will translate or start converting into the revenue and through the profitability of the company starting from this quarter, which is quarter three right now, and it will continue in quarter four as well. And then, going forward, it will have a full year impact or annualized impact on the company.

So, there are two, three wins, I think, which Ravi also talked about. One definitely on the ATM side where we have got the wins that will contribute. As we move forward in this quarter, we will be able to share more details with respect to how many numbers of ATMs getting added to our portfolio, but definitely, it will be a sizable number of ATMs that we are getting in our portfolio, and they will have a significant upside on the revenue and on the bottom line of the company.

On the digital side also, we continue to believe that, again, on the strategy side, we are going to have a, we already got a in-principle tie-ups with the very, very big conglomerate with respect to issues of the prepaid card, and at the same place, we are working on various other opportunities on this, specifically on the digital side, which will help us to grow this business from the revenue and from the bottom-line perspective.

One thing also what we covered, Manik, in our presentation is that this Securevalue business, which is our subsidiary cash management business, has started contributing on the major fronts which you see the contribution of Securevalue has already reached to around 29% of our total revenue, and their EBITDA margins, which was 14% till Quarter Two of last year has already moved to 20%.

So, from there also, we have started seeing a lot of operational efficiencies, a lot of good productivity efficiencies and optimizations of various business, various internal processes that we have for that business because that business is highly dependent on the manpower and very, very labor-intensive business.

So, from those fronts, I think, all this will help us to conclude and reach us to the target levels that we have given. And specifically, if you see like quarter three, quarter four always, we have seen in the past also, has always been a better quarter with respect to the number of transactions that happen on the ATM. A lot of banks always tend to close all their open purchase orders at the year end of the financial year.

So, I think as of today, we are confident that these are the factors which will help us to have a base which is already delivered on H1 basis, and these additional revenue line from the new contract digital incentives, Securevalue operating margins efficiencies will help us to build up revenue and the bottom line both.

Yes, the target is very high. As you rightly said, the growth has to be higher than what we should have done it in the quarter one and H1, but I think company is confident with respect to the wins that we have, the deliverable that we are doing it, and the performance metrics of the company will help us to deliver those numbers.

Manik Taneja: Saurabh, just to essentially trod you further with regards to the ATM large deal wins that you spoke about, have any of these numbers been included in the ATM count for both the ATMs cash management business and the ATM outsourcing business?

Saurabh Lal: So, from the H1 reporting, money got from the quarter two reporting, the number has not been, not much, not major number has been taken over. Whatever increase that we have seen in the CRM that we have deployed in last quarter was quarter one versus quarter two is on the other contract, but the new two contracts that we have won in this last quarter which will have a impact, a positive impact on the company's revenues and profitability on the go forward basis, both from the AGS side and also Securevalue, because the cash management business will help Securevalue to also grow the number, and the metrics will improve further on their revenues and profitability. So, all those figures will start reflecting from quarter three onwards.

Manik Taneja: So, I understand that, but then what essentially is driving the sequential decline in terms of the ATM and managed services revenues on a sequential basis almost like a 20 crores sequential drop there? And the second question was with regards to our cost business GTV, over there as well, while we continue to build up in terms of the ramps, in terms of rollout of the OMC PoS machines, the overall GTV has still declined sequentially, and the average GTV per OMC cost essentially is now reduced to about Rs. 2 lakh, sub Rs. 3 lakh on a quarterly or monthly basis. Could you help us understand what are we seeing on for these fronts?

Saurabh Lal: Manik, I will take the first one first with respect to the sequentially degrowth in the revenue of outsourcing approximately around Rs. 20 crore. So, again, in this quarter also, we have that reduction in basically on account of two, three fronts. Specifically, one is on account of the one-time provisions that we have taken again in this quarter with respect to some outstanding receivables which were pending reconciliation.

Similar one that like we have taken in the March '22 or the quarter four of the last financial year. So, we have still pending the reconciliation from some of our old customers and debtor which we have discussed with the audit and audit committee also, and we have been advised that we should take some provisions for that number. So, that is around 55 million which we have updated in our investor presentation also, approximately around Rs. 5.5 crore of additional provisions that we have taken for this quarter.

Then there are certain revenues which are again linked to the cost also, Manik, in our outsourcing business like caretaker revenues and other things. So, those factors have also reduced by some extent around Rs. 3 crore to Rs. 4 crore, again, which has a similar impact in our costs also.

But on the revenue side, you saw a drop of around 3 to Rs. 4 crore on that front. So, that take us to Rs. 10 crore reduction on outsourcing, and rest 6 to 7 crore of reduction is on account of slight change in the mix of the transactions, like we have moved to some fixed fee contracts in this last quarter, Some transaction fee-based contracts are not working. So, that mix is slightly changing, and it may have an impact immediately, because we generally close transaction previous ATMs and we moved to fixed pay ATM whenever we swap those ATMs from the bank's contract. So, that is contribution around another 6 to Rs. 7 crore on our degrowth on the revenue side.

On the digital side, even though, yes, what you have said with respect to the GTV, we continue to deploy our PoS machine on OMC terminal because those contracts are definitely are going to help us to grow our digital strategy on a go forward basis. The more the spread we have on the OMC terminals, the more the retail segment we are able to capture it. It will help us to realize our larger part of a payment or omni channel payment integration platform that we are planning to build both from the issuance side, acquiring side and various other value-added services that we plan to add.

This is putting, I would say, slight pressure on definitely on the GTV per PoS because as we discussed in last quarter also, we have gone slow with respect to the expansion of our additional PoS machines that we are deploying on our retail outlets, but considering the business requirement, considering the business strategy that we haven't done it, that we need to ensure that we are available across all the territories so that the larger part of the strategy help us to deliver both from the issuance side and other value added services. We continue to deploy some PoS machines as the fee-based transactions and some PoS machines are deployed.

The GTV purpose, Manik, what we have seen in the past and what we are seeing today, definitely, it's not reflective of what we are expecting what we have expected, but yes, with the huge opportunity of this GTV getting increased as we move forward, and I think last time also we discussed, we are working parallely with Oil marketing companies on the early settlement strategies and everything, which is again in the form of value-added services. Those services will also start seeing results coming in this Quarter 3 and Quarter 4. And as we speak today, we have seen those changes have started coming in these numbers. The numbers may not be available in the public domain, but as the management, when we see those number on the daily side, we have started seeing those improvement that GTV must have gone down in the last quarter. It's started coming back or it is moving in the positive upper direction from a GTV point of view.

But having said that, I think there are other opportunities in digital space which is helping us to ensure our digital journey continues other than the PoS machines, like transaction, switching businesses, like transact business is for us and other foreign businesses. So, I think those businesses are supporting and contributing to grow our digital businesses, and it will help us to have a more scalable business as we move forward in the quarters and the year to come.

Manik Taneja: And sorry for trotting you a little further on this. So, this impairment loss that you have taken or the provision related to receivables of about 55 million, if you could help us understand how much more essentially is still there on our book, because we had taken a significant hit at the end of FY22 and now once again, we have taken a hit there?

And the last one was with regards to, so when your ATMs essentially get converted from a variable fee to a fixed fee structure and the fact that we are seeing increased adoption of CRMs, should we see this translate in terms of lower revenue realizations per ATM on a monthly basis, because that number has kept on going down despite the increased rollout of CRMs?

Saurabh Lal: So, Manik, I would go one by one. I will take the first one which you said on the provision side. So, definitely, we have taken a digital provision of around 55 million on that debt. There are still debtors that have been with us, but yes, those debtor will continue to this because those are our existing running customer. Running customer continue to have their borrowing on their outstanding, sorry, not the borrowing one. Sorry from my side.

But yes, these outstanding will continue to have with us, but I think what we have internally updated the audit committee also into the Board also and to the auditor as well, there is a committee which has been formed specifically by the bank to monitor and ensure this transaction gets this delay of reconciliations of old outstanding get closed over a period of time. And we are confident that and very hopeful that by this quarter end, we should be able to close these reconciliations and these reconciliations will not have a major impact as we move forward in the next quarter or the half yearly period that is going to come.

So, outstanding amount, definitely, Manik, is there with them. That is why there are certain provisions that is coming which has come specifically in the last quarter four of last year. Quarter one we had a certain update to the Board, to the auditors also where we have said definitely the reconciliations is happening time. But since as we could not conclude most of those in quarter two also, and as now accounting also required that we need to apply the ECL method for evaluating all our long outstanding debtors and everything, that is I think was advised to us by the Board, and we also recommended the Board that we should take some provisions. But we are confident that, Manik, maybe in this quarter three and quarter four, we will be able to close these out and we may not have this line item as we move forward from a provision point of view.

Now coming to our swapping from transaction based to fixed based, Manik, yes, as a strategy also, the guidance which we gave last time also, and even we are discussing and we are updating our Board also that lot of large private sector bank, the ICICI Bank or Axis Bank or any other bank, lot of private sector banks are now moving from deployment of more and more CRMs. So, all these CRMs in most of the banks are being utilized by these banks as standalone deposit machines.

So, where the transaction trend has still not become very, very strong, and it's not become so strong that we can able to give them the pricing on a transaction fee-based model, so we are right now starting with giving them on a fixed fee-based model. And most of the CRMS are getting housed under on-site branches right now means they are not independent ATMs. They are under the on-site branches.

So, since they are under the on-site branches means there are two machines mostly. One is the ATM machine for withdrawal purpose, one deposit machine for depositing and transferring all the people who come in to the branch for deposit purpose, so there realization is slightly different because there is no upside available to us with respect to the realization that we have on per transaction over those price.

But on a long-term basis, I think the right mix of fixed and variable contracts with us with these large private sector banks and large public sector banks will definitely help us to manage our capital employed more, more judiciously rather than going on one side that you have all transaction fee-based contract and which have a portfolio mix which may not be a right mix as we go forward. So, yes, the realization per ATM for a fixed fee contract as compared to the transaction fee-based, definitely the metrics will be different, Manik, because the upside swing with respect to transactions is not available.

But having said that, I think most of the banks slowly, slowly, may not be today, but maybe next two, three, four quarter will definitely be moving that these machines should actually get utilized not only for deposit purpose, but the same machine can be recycled, use this recycling the cash, and the same machine will be utilized for the withdrawal purpose. Like one of our customer, which is already utilizing this machine not only for depositing, but for withdrawal purpose. There we are very much comfortable giving a transaction fee-based contract because it gives us the opportunity not only to earn revenue on the withdrawal, but on the deposit side.

So, there the unit economics and metrics are really, really good as compared to the independent ATM or as an independent cash deposit machine. And I think we are confident with the banks working on their IT and other things upgrading the reconciliations. I think it's the matter of time maybe next, maybe in some quarter we will see most of the banks will start moving out that they will only have one machine at the branch network, and that machine will perform both the functionality of depositing and withdrawing from the same machine, and then automatically, it will help us to gather more, more favorable unit economics from an ATM utilization purpose perspective.

Moderator: Thank you. We have the next question from the line of Avadhoot Joshi from Newberry Capitals. Please go ahead.

Avadhoot Joshi: Hi Good morning. Three questions from my side. First one, as we can see in the press release, the CRMs have increased, PoS terminals have increased, but how long does it take to get them to reflect into the revenue piece by piece if you can give the details like PoS machines, OMC, the PoS terminals and the CRMs? That's the first question.

Saurabh Lal: Thank you, Avadhoot. With respect to the deployment of both those PoS machines and the CRMs, so if you see the total number of PoS machines that we have deployed in this business with respect to the overall machines that we have deployed in the petroleum vertical, so we basically deployed, Avadhoot, machines for PoS in two types of major business vertical internally within our company ITSL. One is the deployment of PoS machines for the oil marketing company, and the second is the PoS machines that would deploy as with respect to various non-OMC companies which is basically retail customers or could be a contract that we have with various banks.

So, if I do a split of this revenue from the deployment of PoS machine and additional revenue, the moment we deploy a PoS machine, definitely it will start generating revenue to us. So, maybe the absolute number increase from each PoS machine is difficult, but how we actually take record of the metrics internally is that whatever additional deployment of PoS machines that we are doing or whatever total PoS machines that we deploy, how much GTV is getting generating on an average basis per PoS machine? So, there is a possibility, Avadhoot, that we may deploy three PoS machines at one retail outlet of petrol pump, but it's not necessary that all the three PoS machines will work independently or simultaneously. There is a possibility that only one machine is working and two machines are there to support that. So, that second or third machine may not give a same number of GTV as the first machine that is giving.

But since as a thumb rule, average revenue per retail outlet that we know, average digital retail volume that comes on to the retail outlet we know, we know how much should be number of machines that should have with them that in case of petrol pump has 10 dispensing pumps, it may need three, four machines. In case they have only two dispensing pumps they can work with one machine also. So, that is how the distribution of that happen, but on an overall revenue side, if you see the total digital revenue from ITSL business is largely coming from

OMCs where we have seen an increase in the GTV that is getting transacted. The split may not be visible immediately with respect to that, but yes, we can definitely share further split of that, how much incremental revenue has come from the OMC and how much is the difference of revenue come from the non-OMC PoS machines.

On the same front also, Avadhoot, with respect to the CRM deployment that we do, so there is the absolute increase in the total number of CRM that got deployed. So, definitely that CRM deployment has given us incremental revenue because most of the CRMs that has been deployed are on the fixed fee basis. But if you see there is a reduction of total number of ATMs that we have deployed by around 350 ATM machines that we closed in this last quarter. So, automatically, we have not seen that revenue coming from.

So, on an overall basis, yes, there is a decline in the revenue of specifically ATM outsourcing which I expressed to Manik also. It's primarily on account of couple of things that we have done like there is a one-time customer that we have provisioned that we have taken which is netted off against the revenue. Then there is some mix of transaction that happened.

But on overall basis, yes, this revenue continues to grow, and as the fixed fee ATMs will continue to grow, you will see over period of time on next couple of quarters that the total revenue started growing up because number of transactions of the ATM which happens to be the pre-COVID has still not come back to the pre-COVID level. So, those transaction revenues are definitely the loss for us which is not getting compensated directly.

But yes, with the change in mix of revenue, with the change in mix of other opportunities coming in this outsourcing space like cassette swap technologies getting adapted, MHA guidelines are getting adapted, various upgrades are happening in those space. Those things are compensating on all those things which happens to be a pre-COVID era revenue for us.

Avadhoot Joshi: Understood. The second question is about in the opening remarks you mentioned that there could be orders in the banking automation segment. In the Q3, it will start flipping. Just one more question. This would be new orders, but about, see, just I want a clarification. The managed services business, bank owns the ATMs, right?

Saurabh Lal: Correct.

Avadhoot Joshi: And the life of the ATM we consider as the seven years, right?

Saurabh Lal: So, in case of managed service ATM, the ATM is owned by bank. The bank capitalize that ATMs in their books, and they depreciate on their books, but in case of where I deploy the ATM or AGS deploy the ATMs, and we capitalize those ATMs, we depreciate those ATMs in 10 years.

Avadhoot Joshi: 10 years.

Saurabh Lal: 10 years. ATM is 10-year and other assets that goes along with ATM is seven years. So, average blended depreciation is for 8.5 years.

Avadhoot Joshi: So, in the managed services, are there any new, so whether these ATMs are getting depreciated completely, and whether we can get new ATMs, or there is the number significant over there? That's what I wanted to know.

Saurabh Lal: So, in case of managed services, the contract that we have won in this last quarter, they are definitely a significant wins for us. That number may not be available in public domain as of today as we speak. But yes, as we move forward in this quarter or in the next quarter, you will see a significant increase in the number of ATMs which are managed by us because of these two new contracts that will be added in our portfolio. In this case, since it's a managed service contract, CAPEX is done by the bank. So, the maintenance of that ATM is the responsibility of the bank. In case that ATM is reaching to the out of life stage or already depreciated over the full life, the bank take the responsibility of replacing this ATM with a new ATM over there.

So, in case bank wants to put a new ATM, the bank will buy those ATMs. Again, they can buy from us or they can buy from the market. That ATM will get replaced, and we will continue to manage their site. In case they say, there is a possibility they may say that they can't replace the ATM, and they come back to us that can you replace their ATM on this ATM, then there may be a possibility of a separate commercials for those replacements specifically. But as per the current contracts that we won, it covers that we have to manage that ATM network. The asset is the responsibility of the bank.

Moderator: Does that answer your questions?

Avadhoot Joshi: Yes.

Moderator: Thank you. We have the next question from the line of Vasav from Quant Mutual Fund. Please go ahead.

Vasav: Good afternoon. This is Vasav from Quant. I just have a question regarding the reduction in average GTV. So, what are some of the challenges faced at the OMC level? Is there some issue with regarding the value-added services? Or you know, what is the exact feedback that you are getting from the OMC?

Saurabh Lal : So, Vasav, with respect to the deployment of OMC, as you know, we are the only company which has a contract from all these three oil marketing companies. So, we are continuing to deploy those machines over there. If you just go back to a slide back to the history, these machines were always there with this OMC retail outlet, and these machines were largely serviced by the local banks or local branches over there.

So, now once after this contract got taken to the head office level by the oil marketing company, because the transaction fees that get debited or get charged on all the digital transaction is reimbursed or paid by the oil marketing company directly. So, they have taken the responsibility that they will ensure that they are the one who deploy those machines over there, and there should not be different commercials for every retail outlet.

So, that is the responsibility which OMC companies has taken, and that is how they have floated the standards and RFK and distributed the country into various zones, and they have construed that they always have two or three partners with them, and they will have those partners to deploy those machines.

So, the first major challenge is, I would say, which comes always from the retail outlet for us is that since they already have those machines from a local partners, local banks that they have in their vicinity from where they have other banking relationships, so those banks always ensure that their machine should always be there, and whatever transaction happens on their petrol pump, the floats should come to them directly. So, it is one.

But that is also getting addressed slowly and slowly. We thought it would happen very fast, but yes, OMC companies, the regional offices, the zonal offices are supporting us on this front to ensure that the PoS machine will have to be integrated. PoS means it has to be linked to their 4-code controller. Similarly, in case they deploy local machines, their reimbursement of the charge will be reduced or cut by the OMC companies. So, the OMC company is fully supportive of that. They want integrated PoS machines and that to be controlled by the partners who have those contract with us.

Second challenge that we see with them is that this OMC machines that they have those with the retail outlets or these retail outlets have those PoS machines of the local bank, they enjoy a lot of working capital limits also from those banks in the form of buying the fuel or making other working capital arrangements. So, we are also working in parallelly, I think we have discussed in the last couple of conversations also with respect to LACR. It's called Loan Against Card Receivable as a product, where we will ensure and provide all this Loan Against Card Receivables and the overdraft facilities to these merchants which will help us to bring the stickiness, which will help us to grow our business. This will help them to push these businesses further, which is where we are working parallely.

The third thing which we have seen and the practical challenge as you rightly asked the question is that all these merchants always want an immediate, urgent settlement of their transactions. So, this, for this we always need supports and blessing from all the channel partners, we need from the scheme freeholders like Master, Visa, RuPay, because what they expect in the market is that they should get, the moment the transaction is done, they should get the money settled immediately. But various schemes whether run by Master, Visa, RuPay, they have a various sixth cycle of the settlement or some schemes has one day settlement, Some schemes does not do any settlement on Saturday, Sunday. Some schemes do settlement three times a day or four times a day also.

So, there we are working on with one of the partner banks where we are trying to set up an early settlement for them which will enable them that we can give them the settlement basis the confirmation from the partner bank that we have, and the confirmation from the scheme freeholders that okay, this money is expected by evening or tomorrow morning, and it will get settled.

So, these are the three, four, two, three major challenges which we are facing right now. I would not say challenge, but definitely, these are the learnings from our deployment of these machines, and we are building up our products and services to overcome all these things. And this is all will help us to grow the GTV in future. As when we our base was small, definitely the GTV was higher, but since as we have now around 51,000 plus machines with us, which is largely representing around 60% of the market, definitely these are the things which we are working on a war footing basis to ensure that we continue to deliver on those fronts also, and we should get the GTV, because as the intelligence and the information that we have this with us, that definitely these PoS machines have a very, very high potential to increase this GTV. And we know this GTV volume is getting swiped in some other machines because of all these things that I discussed which has to get moved to these machines over period of time.

Vasav: Understood. And just one bookkeeping question. Is there any change in your net debt guidance for the full year?

Ravi Goyal: Vasav, as of now, the net debt guidance remains to be in the similar range that we have today with respect to the normal operation of the business, the CAPEX that company has planned. But if we see any opportunity in the market coming up subsequently to us which will ensure that we definitely should have that, take that opportunity and the return metrics and the financial metrics are absolutely good, then definitely would consider, but definitely, as we speak, we are already in the month of November right now, and we are left with four months of this year end. We don't see any major change in our debt guidance for the next four months.

Vasav: That's all from my side.

Moderator: Thank you. We have the next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: So, my major question for us is related to the revenue that we might expect in H2, but that you have mentioned that we have some good order wins, so that should take care of it. So, with these new order wins, what do we see our FY24 as panning out so that our next quarterly run rate would be visible in FY24? Or what kind of growth are we seeing out there? That would be my first question.

Saurabh Lal: So, Darshil, with respect to the guidance for FY24, we would like to restrict ourselves right now. I will be honest, but just to give you background with the kind of business in which we are, Darshil, so that you can definitely take out this that we are into a service business, which is basically covering over 90% of our revenue, or I would say, 90% plus of our revenue comes from a service business, which is a contracted business for us, which is a very, very long-term contracted business I would say, whether you talk about ATM outsourcing, whether you talk about the banking automations or other automations, which help us to predict our confirmed revenue on the service front definitely on a year-on-year basis.

The Delta that comes from various new contracts or new earnings or new businesses that we want definitely will keep on adding to those revenues for us. So, for this year, definitely, as Ravi has also mentioned, we continue to believe and deliver as we have told in the call one, and we continually deliver the profitable business, I would say, rather than taking a contract and then losing on the margins front. So, I think those are the guidelines on which we as a management of the company is working on, but for the FY24 guidance, I think it's difficult to give you any specific guidance. But as I said, our business is largely driven by service contract, which is highly recurring in nature, which help us to predict our revenues, and definitely to grow those revenues wherever the transactions are linked, to grow those revenues, we like discussed with Vasav also asked that where the GTVs are linked, this will help us to propel to grow that business with using or sweating the same capital and not putting any additional capital. Those are all fronts where we are growing, like Securevalue we are expanding our network, expanding our reach, and making the routes more profitable and getting those operational efficiencies.

Darshil Jhaveri: That helps me a lot. And the other thing with the new orders, so we would be expecting a good operating leverage, or how would that just work out? Would you just, not any specific numbers, but the new order, will it require additional OPEX or something along those lines? Could you just, you know, give me some color on that?

Saurabh Lal : So, Darshil, the large wins that we talked about on our call just now, both are, those are managed service contract. So, as I explained to other people, Vasav also, and everyone also is that since these ATMs, the CAPEX is not done by us, the capex is already done by bank, so there is no immediate capital deployment from the company side. We will immediately just take over the contract from the bank and start running those contracts. So, from the CAPEX side, there will not be major CAPEX from that site. Minor CAPEX can happen. Very, very minor CAPEX could happen because of certain assets or something. But the major cap is already done. So, our returns ratios will immediately improve. Immediately, if I add that Delta revenue in our existing revenue and existing manpower, the existing force, the existing ground staff that we have will immediately take over. So, that is why our focus is to get more and more fixed fee contract, managed service contract that it always help us to use our existing resource or sweat our existing resource to the maximum and to get more and additional Delta from that part. So, the incremental revenue which we are targeting to get from these two, three contracts that we are going to add up in our portfolio next quarter will definitely help us to improve our operating leverages and operating performances.

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

Amit Chandra: Sir, my question is on the deal wins that we have announced. So, is it from existing customers or these are new customers? And what proportion of these are like renewable deals? And what would be lagging in that? And as you mentioned that these are fixed fee contracts, so the realizations of these fixed fee contracts are similar to what we are getting from the existing contracts or is it on the lower side?

Saurabh Lal: Amit, as I said, these are two new wins again from large public sector banks, and on the managed services, and on the fixed fee contract. So, they are long-term contracts running about from four years to five years contract for us. So, it will give a very, very strong visibility of a long term revenue guidance also with respect to these new additional contracts for us.

With respect to the capital, as I said to Darshil also, there is no capital deployment for us in that. The nature of this contract will be similar to the one which we have right now in our portfolio that both these two new contracts that were gone, there will be a new customer in our portfolio. They are not the existing customer. I would say, they are the existing customer, but not in the managed service space. They are the customers for some other businesses to us, but yes, for managed service space, there will be the two new customers to us, and which will be adding, and we will be servicing them.

And from a, as I said from the company's perspective, this will definitely add to our and give us good comfort on the operating leverage with respect to fixed fee contracts. And the nature of services also, as we said, is similar to what we are already servicing. So, definitely, it will not put any new cost for us from the company side with respect to that, and it will have a similar other terms and conditions as compared to…. It's a managed service contract like we already have a couple of big managed service contracts. So, you can always assume that these are in the similar lines to those customers only. Maybe some plus and minus will always be there, but largely on the similar line.

Amit Chandra: And sir, on the transaction-based ATMs or the cash management business that we have, so in that, you know, what is the current transactions per ATM that we are running? And also, if I see the transactions for our large customers which are mostly private sector banks, for that the transactions per ATM is much lower than what is the RBI average of 85 to 90 transactions. So, how to read that? And also, in terms of MHA compliance related contribution, you know ,what is that in the first half?

Saurabh Lal: So, Amit, definitely, from the MHA compliance related, I will come to the transaction again after that, because I have Stanley also here with us on the call. So, I will request Stanley to definitely update everyone and to you specifically on the transaction. On the MHA side, definitely, as you know, most of the banks, and I will say most of the MSPs have already moved to that compliance of MHA and everything. There is already a committee which has been formed by CLA which is in touch with IBA and all other banks directly.

So, I think, if I'm not wrong, December 31st is the last date where they have confirmed and agreed that all the ATMs will have to be MHA compliant. And I would say Securevalue happens to be the company which was compliant from day one. So, all our routes are always compliant. But yes, from this CLA point of view, from the bank's point of view, from the MSP point of view, I think, everyone has slowly, slowly moved to the MHA compliant zone now. How they have actually done it that they have added city by city starting last year onwards. And as we see, as we're standing in the month of November now, December 31st is the last date by which I think most of the cities will get compliant by MHA, and most of the MSPs and the banks have agreed to move ahead with all the ATM servicing has to be MHA and RBI compliant only.

Stanley Johnson: So, on the transaction front, where you are seeing a decline in transaction, most of our, major of our portfolio we have around in the private sector bank, a lot of ATMs on captive sites. As you look at it, the transaction on captive sites, this is on where large, large software companies wherein ATMs are installed. So, in our portfolio, we have around 15 to 18 % unlike the other portfolio where we have 8 to 7% here. In our private sector banks, we have around 15 to 18 % of such captive sites, which are not doing or it is doing these many transactions where we are now talking to the bank to convert this site into fixed fee contracts or move it into another geography. So, the decline is mainly on captive sites, and we are talking to the bank to relocate into different geographies across.

Amit Chandra: And sir, my last question is on the digital business. So, now most of the queries have been answered, but just to simply put, you know, from a single petrol pump perspective, what would be the market share in terms of total transactions that is happening there? And what is going to happen to our AGS PoS? So, you know, there can be multiple for the PoS machines, but from an AGS perspective, how do we track it? And what is the market share? And how it has been over the last like one year? Has it gone down? Because the volumes have increased, but our GTV has not increased.

Saurabh Lal: So, Amit, if you see the total number of PoS that we have deployed in last, I would say in FY21, we have around 28,000 approximately PoS machines at this oil marketing company. This number moved to 46,000 approximately in FY22, and today we are around 51,700 plus machines at this portfolio. So, definitely, over the period of last one, one-and-a-half years, we have doubled our reach as well as with respect to number of PoS that we have deployed.

So, I am sure everyone knows that whenever we try to capture the market and everything, you always see a decline as per the throughput per machine, whether it's an ATM network, whether it's a PoS network, whether it's an expansion for any other strategy for us. So, same thing was witnessed by us also, that when the portfolio was small, that numerator was small, or I would say, denominator was small, the GTV per PoS was very, very good. As slowly, slowly we keep on adding more and more ATMs because always when we did our first deployment, we deployed at the retail outlet, which gives the highest throughput on the digital side. And as we keep on growing our portfolio, we have to keep on deploying because as I said, start of the call also, Amit, that we need to cover the larger mass of this transaction market so that it help us to not only grow PoS machine but to help us to deliver our strategy on the digital side from the acquiring of value-added services and on the various issuance side also.

So, having said that, as I said, there are multiple challenges or multiple learnings that we had from the deployment on the market. We got it that what are the different things which market and people expect so that they become the exclusive user of our machine. So, we continue to grow and continue to work on those things. I think, market, as everyone will agree and everyone will know, that market is moving to the digital part. Various transactions have moved to the digital part.

The government is also pushing up a lot of incentives and other things to promote the digital side. The government is also pushing incentives now to the acquirers also, like RBI has come out with PIDF schemes and everything. MeitY has come out with the incentive of compensating of the RuPay's loss transactions. So, I think all which is pending for this year, last year we got the circular was there. This year circular is still pending. So, that has not helped us to grow our business with respect to that incremental revenue that we would have got on the RuPay transaction.

But I think the deployment that we have already done is a sizable deployment for us. I think with this two, three, four items that we are working and within pipeline were doing, I think GTV per PoS will definitely come because the total volume of transactions at all the locations and all the markets, be it petroleum market, be it the other markets, I think everywhere we have seen there is transactions are moving more and more to digital transactions, and there is our incentives from both sides from the oil marketing companies and from the issuer, like various banks are also promoting people to go digital. So, I think we have a good opportunity.

Now we have captured the market share with this large deployment of PoS machines and large retail outlet, I think maybe in a couple of quarters, we will be able to showcase that that we are back to those GTV numbers which we have delivered in the past with all these things or I would say, learning that needs to be improved upon.

Amit Chandra: And sir, there has been an increase in other automation. It is because of the cash machines installation. So, is it one time or is it going to come in the coming quarter as well? And also if you can explain the volatility in the banking automation like margins?

Saurabh Lal: So, Amit, definitely on the other automation, which is largely driven by our retail, color and petroleum business, which I would say link to the various orders, or I would say, their expansion strategies and everything, so I would say in this specifically quarter, this quarter two is a very, very retail heavy quarter for all of us. Market was opened up after COVID. People were doing the spending and everything. So, we got good orders from the retail automation side where we deployed a lot of PoS and the other ancillary products on the retail side. It may, I would say, definitely, I would say, you can take it a kind of a seasonality because quarter two was always a good spending because all the retail outlets were getting ready for the quarter three deployment of Diwali another month. So, that was one.

Service revenue continues to be constant and consistent in this automation, other automation segment you will see because the AMC still continue with same pace. But this new sale of ATMs over the period will give us additional AMC also.

On a banking automation side, I think largely the revenue, I would say, is dominated by this service revenue because of these very big base of ATMs that we have in the market for last which we have built for the last 20 years. That business continues to grow. From the product side, I think we are trying to get, we are in the market, and we are being one of the market competitor, I would say, in the market, and as banks are going with more and more ATMs, they will definitely, we will be one of the partners for them that will move to bid.

But as you see, Amit, in the last year or maybe last six months, I think most of the banks are going under outsourcing model. Most of the banks are going under CRM model. So, I think most of the contract may come through other routes, may not come through direct route. But still since we have a very big, large base of machines with us on the ATM side banking automation, the service revenue continues to grow. And with various regulations, which regulator has asked the banks to comply, I think though those things will keep on giving us this service revenue on a consistent basis.

Amit Chandra: So, on the margin side, sir, how do you see the margins stabilizing? It has been pretty volatile. It went up from 6, 8% to 30%, nowadays 25%. What is stable?

Saurabh Lal : So, I would say, Amit, from a margin perspective, since product whether it's a banking automation, other automation, it's not a very, very highly margin business. Service side, definitely, the margins are very high. So, as the proportion of service revenue keep on increasing as a percentage of our proportion of product sell, the margin will continue to improve. So, as rightly said, it was 34% in the last quarter. It has come down to 25% this quarter. It's purely on account of that mix of this quarter is slightly different from the mix of last quarter.

But definitely, what we see is that the service revenue will continue to grow, continue to help us to deliver on the higher numbers and the margins. I think the steady state margin will be in the similar range or in between, I would say, both numbers 25% to 35% as long as our ratio between, so how do we generally track is that our ratio for this product and service for this quarter was 1:5, which was 1:9 for last quarter.

So, as I said, the ratio of service was very high last quarter, the margins was high. This quarter, the service revenue was around slightly less as compared to the last quarter and the product revenue was high. So, that is why the margin got reduced. But I think 1:7, 1:8 ratio will give us a consistent margins in between 25% and 35% anywhere.

Moderator: We have the next question from the line of Naveen Jain from Florintree Advisors. Please go ahead.

Naveen Jain: A couple of questions. One on the working capital side. So, I think, you know, in this first half, the operating cash flow generation has been relatively lower because the working capital cycle has gone up. So, can you please help us understand this? And how you see this moving forward?

Saurabh Lal: So, Naveen, as you rightly said, definitely, the company has been consistent in delivering the margins and the profitability as we were expecting. So, we continue to generate that much EBITDA I would say percentage. So, from operating cash flow that there is a gross cash flow that company got generated. Now from the operating cash flow, if you see from the balance sheet side, there has been a significant reduction in the liabilities that we have paid in this quarter. So, most of the capital or I would say, cash that company has generated in this H1 number, I would say, has been utilized to ensure that creditors get reduced, creditors get paid and whatever services are critical for us will get delivered on time for that purpose. So, that is I would say where most of the gross cash flow which the company generated has been utilized.

On the debtor front, I would say there is a slight improvement on this, but still we have a long way to go. From a debtor side also, we have a consistent large debtors in our portfolio and which will help us to believe that we will be able to collect it in this next quarter and help us to ease on working capital, but otherwise, from a cash generation perspective, the company is generating a sufficient cash on a quarterly basis. But yes, on this specific H1 numbers, I think large amount of money was utilized to repay this, the creditors which help us to ensure that what we are targeting from a delivery perspective, but for targeting from the service delivery perspective, we should get on the time.

But on a long-term basis, I am sure we would like to ensure that cash to EBITDA conversion should be as high as possible so that the company can use those cash for the capital deployment purpose or can be utilized for a distribution to the shareholder subject to the all the requisite and the Board approvals.

Naveen Jain: So, this reduced creditors level will kind of sustain going forward.

Saurabh Lal: I think now the creditors, Naveen, we had in right numbers right now, I would say, it was slightly higher last year because since you know last year, there was a specifically, company had a specific obligation to pay a higher amount of interest because of the NCD that company has raised. So, it led to a slight increase in the creditors from last year. So, I would say, I think creditors has been taken care in this H1, and now I think whatever cash we generate in the subsequent quarter or next one will definitely help us to slow down.

Naveen Jain: And sir, secondly, you know, this 5.5 crore write-off that was on this quarter, you know, how much is the debtor outstanding, which is subject to reconsideration under this particular this one? How much is the absolute amount of debtor outstanding currency?

Saurabh Lal: So, Naveen, this is one of our very, very large customer that we have in our portfolio, and this customer is a continuous customer that we have, and the service level continues. So, there is nothing that get disturbed with respect to this reconciliation. The relationship with the customer is as strong as it was before this reconciliation also. Since this reconciliation is a process in itself which both the parties, I would say, this reconciliation is not only specific to us, but it is also to certain other MSPs in the country which are servicing that customer.

So, from that perspective, I think, the larger portion of the provision which we have taken, and as I, I think, we discussed in previous questions also that, and there is a specific committee which has been formed by this customer to take care of and ensure this get reconciled and get closed immediately. So, the portion with respect to the value is very, very difficult to, I will say, answer because this is a continuous reconciliation that keep on happening. Certain old amount, as I said, we will be able to demonstrate certain numbers to our Board, to our auditors. So, that is why they said, they can take that provision.

Since there were certain significant development in the last quarter, there were certain reconciliation of certain payments, so we did not have any provision in the last quarter. But in this quarter, this again piled up, and this number started growing up back. So, that is why they said, on a cautious basis, you should take some more provision. But I would say, largely, I would say, in the range of around 60 to 70% of the amount has already been provided for. But as I said we updated to the Board and everyone also separately that the reconciliation happening is happening, So, maybe we are able to take back and reverse this provision as we move forward.

Naveen Jain: You had provided, I think, some 25 odd crores in the March quarter and about 5 crore now, so that's 30 crore that you are saying is 60, 70% of the amount that could maximum be required to provide for it.

Saurabh Lal: Correct.

Moderator: Thank you. That was the last question. I would now like to hand it over to the management for closing comments.

Ravi Goyal: Thank you everyone for joining us today on the Earnings Call. We appreciate your interest in AGS. If you have any further queries, please contact SGA, our Investor Relations Advisor. Thank you so much.

Moderator: Thank you. On behalf of AGS Transact Technologies Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.