

August 13, 2022

<b>To,</b> <b>BSE Limited,</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400001  <b>BSE Scrip Code: 543451</b>	<b>To,</b> <b>National Stock Exchange of India Limited,</b> Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400051  <b>NSE Scrip Symbol: AGSTRA</b>
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**Ref: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**Sub: Transcript of Q1 FY 2023 Earnings Conference Call held on August 8, 2022**

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed, the transcript of Q1 FY 2023 Earnings Conference Call held on August 8, 2022.

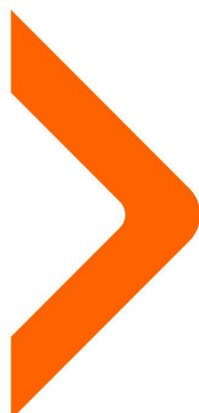
The above information will also be made available on the website of the Company at [www.agsindia.com](http://www.agsindia.com)

This is for your information and record.

**Thanking You,  
For AGS Transact Technologies Limited**

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

Enclosure: As above



**AGS Transact Technologies Ltd.**

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# “AGS Transact Technologies Limited Q1 FY2023 Earnings Conference Call”

August 08, 2022

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8<sup>th</sup> August 2022 will prevail.



**MANAGEMENT: MR. RAVI GOYAL – CHAIRMAN & MANAGING  
DIRECTOR – AGS TRANSACT TECHNOLOGIES LIMITED  
MR. SAURABH LAL – CHIEF FINANCIAL OFFICER – AGS  
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MR. SHAILESH SHETTY – MANAGING DIRECTOR –  
SECUREVALUE INDIA LIMITED**



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**MODERATOR:**

Good morning ladies and gentlemen, welcome to AGS Transact Technologies Limited Q1 FY2023 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 “\*” then “0” zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ravi Goyal - Chairman and MD, AGS Transact Technologies Limited. Thank you and over to you Sir!

**Ravi Goyal:**

Good morning everyone. A very warm welcome to each one and thank you for joining our Q1 FY2023 earnings call. On this call I am joined by our CFO – Mr. Saurabh Lal, Mr. Stanley Johnson our Executive Director, Mr. Shailesh Shetty, Managing Director of Securevalue and SGA, our Investor Relations Advisors. The quarter that went by witnessed several tailwinds on the macro level. The country’s economy began to open as a result of receding impact of the pandemic and subsiding geopolitical tension, this has led to increase in mobility, greater spending, and thereby an increase cash in circulation.

I am delighted to share with you that we have started the financial year on a positive note with Q1 FY2023 EBITDA growing at 35% on year-on-year basis and 50% growth rate on quarter-on-quarter basis. Our profit after tax stood at Rs.192 million in Q1 FY23 against the loss of Rs.288 million for Q1 FY2022. Our total income stood at Rs. 4,272 million for Q1 FY23 as against Rs. 4,135 million for Q1 FY22. My colleague, Saurabh Lal, our CFO will give you a detailed update on this financial after my speech. Overall, our business continues to be on a growth trajectory as reflected in our operating business performance in the quarter which would substantiate our overall FY23 performance. Our endeavor is to deliver double digit growth in the revenue and higher profitability in FY2023, in fact we are targeting our highest ever PAT in FY23 and we continue to sustain our EBITDA margin of 25% plus. As of June 30, 2022, AGS has installed, maintained or managed a network of approximately 73,179 ATMs and cash recycling machines. We provided cash management services to more than 44,300 ATMs through our wholly owned subsidiary Securevalue India Limited. We installed over 2,41,000 merchant point of sale terminals and approximately 48,500 cash billing terminals. We have also automated 18,000 petroleum outlets and installed more than 89,100 colour dispensing machines. That being said our focus is on creating one of the largest integrated Omni channel payment platform in the country by providing innovative digital and cash payment solutions to our clients across



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sectors. We will continue to leverage our digital payment solution, 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 services like prepaid or loyalty programmes, etc. In the upcoming quarter we are ready to roll out the Ongo app which will enable the customers to avail and manage various online and offline payments including fuel payments offered via our Ongo ecosystem.

We are very optimistic about ATM outsourcing market owing to a healthy pipeline of fresh RFPs from leading public and private sector banks. RBI's recent initiatives such as the Interoperable Cardless Cash Withdrawal popularly called as ICCW on ATMs via UPI and setting up 75 digital banking units in 75 districts of the country by scheduled commercial banks offers a vast opportunity to AGSTTL to expand our existing business. The digital payment business constituted 15% of our total revenues from operations. It includes revenue from PoS machine. The ATM outsourcing business which works on a transaction or a fixed fee basis contributed approximately 50% of our quarterly topline. Another 16% of topline came from AMC services and upgrades. Cash management which is carried out by our wholly owned subsidiary Securevalue India is a key component of our ATM outsourcing business. Through this segment we oversee cash management for both captive and managed ATMs and it has contributed to approximately 15.4% to our total overall revenue from operations. Our service revenue continues to strengthen by income from these services is recurring in nature and is supported by multi-year contracts. Our long-term relationship with our customers across industries puts us in an advantageous position for our new business and cross selling opportunities and enhances our market reputation. We will continue to leverage our key strengths/technical capabilities to innovate and offer customized payment solutions across value chain. It would further contribute towards strengthening of the overall payment infrastructure in the country. Now I would request my colleague, Saurabh Lal, CFO of AGS Transact Technologies to share the financial highlights of Q1 FY23. Saurabh over to you!

**Saurabh Lal:**

Thank you Ravi. Good morning, everyone. Let me just take you through the financial performance of Q1 FY23. In the quarter that went by the total revenue of the company stood at 4,272 million versus 4,136 million for Q1 FY22. Overall, our performance in the quarter saw improvement due to increase in the transactions, increased implementation of various initiatives by various regulators like Cassette swap and RBI guidelines. SVIL which is also a wholly-owned subsidiary has also started achieving the operational leverages because of all India Network that we have. Now talking about the EBITDA number, the adjusted EBITDA of the group for Q1 FY23 stood at 1,269 million as against 910 million in



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Q1 of FY22. Adjusted EBITDA margin for Q1 FY23 stood at around very healthy 29.7% as against 21.9% in Q1 of FY22. I will also like to highlight that our EBIT for this quarter was 632 million and it has more than doubled as compared to the corresponding period in FY22. During FY22 AGS redeemed outstanding NCDs worth 5,500 million which was part of the company's IPO. We had earlier highlighted that the finance cost will get a substantial benefit and it will start accruing from this quarter onwards and it has now started flowing in our numbers. Our reported PAT for this Q1 of FY23 stood at 192 million as against a reported loss of 288 million for Q1 FY22. We have been guiding and updating the investor and other analysts that we are expecting a lower interest spend for quarter starting FY23 and after the repayment of NCD post our completion of the IPO this has finally come to us and our income statement evidently confirms that also. The interest expense of the group now stands at a much lower level of 352 million as against 719 million in the previous quarter.

Going over the segmental performance for this quarter our payment solutions segment constitutes 80% of our revenue in Q1 FY2023. This segment includes cash payment solutions which contributed around 65% of our total revenue. The cash payment solutions cover ATM and CRM outsourcing and managed services business and cash management service. The rebound in this segment was driven by increase in the transaction, implementation of various guidelines like Cassette swap and the RBI guidelines. Digital payment solutions contributed 15% of our total revenue in this segment. It includes revenue from PoS acquiring, transactions, switching transactions and other Ongo initiatives and businesses like Fastlane. Our banking automation solutions comprises of sale of cash dispenser, other currency products, and technology products and various services and upgrades related to those businesses. This segment contributed 12% of our total revenue and our last segment which is other automation solutions segment, which encompass the sale of various segments like retail, petroleum and colour machines and also takes care of the services and upgrades of those machines constitutes 8% of our total revenue. With this we conclude our presentation and we open the floor for further discussion. Thank you.

**Moderator:** Thank you. Ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Nitin Sharma from MC Pro Research. Please go ahead.

**Nitin Sharma:** Thanks for taking my call. Congratulations on good set of numbers. I have two questions. First of all can you please talk about how your OMC, PoS, KPI has done some update on that?

**Saurabh Lal:** Various KPIs which we basically track within our cognizance is as I said our 80% of revenue comes from payment solutions segment which covers ATM outsourcing and the digital business so on that front - on the ATM outsourcing we continue to position ourselves



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as one of the leader in the market where we are managing more than 32,700 plus ATMs and CRMs on and behalf of various banks. Similarly, if you see from quarter-on-quarter performance the number on CRM side has increased in this quarter as well by approximately 186 incremental CRMs that we deployed - this number stands now at 4,258 number versus 4,072 number - but on the ATM side we saw a slight drop in the number of ATM deployments this is largely because most of the banks are reworking on their strategies for expansion of the branch or expansion of the ATMs at the time of renewal and putting more focus on various CRM type machines. Having said that if you see on the top five we have continued to deploy more PoS. Our total PoS base now stands at 2,41,064 PoS versus 2,36,588 at the yearend of FY22 which means an incremental PoS of 4,476 PoS machines and this was again largely driven by the incremental PoS of 2,878 PoS which we have deployed for our oil marketing contracts with all the three major oil marketing companies. Similarly, if you see the other KPIs that we track after the deployment of this PoS machine - large KPIs that we track are the GTV per PoS or GTV overall, so we saw overall increase in the GTV value also. Our GTV for this quarter stands at 68 billion versus 63 billion which was in the last quarter or I would say sequential quarter, similarly the PoS GTV which was now stood at Rs.53 billion which was Rs.49 billion for the last immediate quarter, so these are the few large KPIs that we track from the performance matrix of this business. Similarly, on other two business verticals like banking automation solutions where we are the OEMs of the machines and we sell those machines and we run those lifecycle contracts for those machines in the form of AMC revenues and service that continues to be a very, very consistent performance for us. We have delivered approximately 500 million of revenue in this quarter itself even though it is a first quarter then we have sometimes seen a lower number because of the POs and other orders are in the process of getting finalized but we have seen a strong performance of that also. Other automation solutions which constitute our three major business segments which is retail, colour and petroleum, there also we saw service revenue continued to be consistent as compared to what we have delivered in the last financial year or I would say in the last quarter itself. On the product side we are waiting for orders and everything and we believe that order will continue and it will come over a period of next few quarters.

**Nitin Sharma:** Where did the GTV on PoS for OMC stood if you can give some idea on that?

**Saurabh Lal:** GTV per PoS you are saying?

**Nitin Sharma:** OMC.



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**Saurabh Lal:** For OMCs, the GTV right now stands at Rs.53 billion as on Q1 of FY2023 which was 49 billion in Q4 of FY2022 so there has been increase of 400 Crores approximately in the GTV value that we have transacted in the Q1 of FY2023 versus Q4 of FY2022.

**Nitin Sharma:** My second question is would you say that this quarter the PoS deployment has slowed on sequential basis if it is correct what caused this?

**Saurabh Lal:** On the PoS deployment we have incremental deployment of around 4476 PoS machines if I split this into two parts one is the deployment of PoS for the oil marketing company that stood at 2878 PoS machines so that PoS deployment continues to grow but having said that since the order book that we carry from all these three oil marketing company give us a larger visibility to deploy more PoS but considering that as of now we have almost covered 50,000 PoS machines in the market so at the same time a business and the other teams are strategically looking out for the PoS deployment where we should get incremental values also so that is how we are now planning our deployment and continue to put the deployment like we have deployed 2,878 PoS machines this quarter and our incremental GTV for this quarter is also 400 Crores which is Rs.4 billion. If you see per PoS GTV for this quarter I would say is very, very high as compared to overall GTV so I think the strategy for the company is to ensure that all the PoS machines should get deployed at least one machine at each and every retail outlet so that we used to start getting those revenues and wherever there is a demand for the PoS machines we are putting up additional PoS machines on the basis of that we should get higher revenues also so this is what the strategy is but yes we have a target to close this contract with deployment of all the PoS machines which still gives us the visibility to deploy at least more than 20,000 PoS for further basis of contract that we have.

**Nitin Sharma:** Alright thanks a lot.

**Moderator:** Thank you. The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.

**Sanjay Awatramani:** Thank you for giving me this opportunity. Sir can you tell me what is the current order book which we are holding at this moment for FY23?

**Saurabh Lal:** With respect to order book, I will just take you through the businesses that we have. We have one of the major businesses called payment solutions business which covers two businesses one is from the ATM outsourcing and cash management and the second one is from the digital business which covers deployment of PoS solutions and other acquiring solutions and the Ongo solutions, so from the cash management and ATM management



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business the order book basically grows along with the number of ATMs and other deployments at banks and other financial institutions have their strategy in mind so basis that we believe we have a strong position in the form of deployment capability and everything. From order book perspective it is a running contract that we have with the bank wherever incremental deployment is required either because of their brand expansion or their corporate relationship or their other incremental deployment or basis the debit card issuance and everything so we continue to get those shares but having said that banks have a clear minded. I will ask Stanley to also further add this that banks are aggressively looking for expanding their cash recycler deployment this year and continue to do it for subsequent year also where we see a continuous deployment and growth in the CRM over a period of last one or two years also and we continue to be a part of that journey with the bank. The second one is the cash management business which is happened under subsidiary Securevalue India Limited. There also Securevalue happens to be the company which is compliant with all the regulations and guidelines on all India basis which came from regulators like RBI and the Ministry of Home Affairs. We continue to garner that market share; we continue to garner the higher profitability. Now over a period of time we have added our capacity, we have added our platform, from infrastructure perspective we are fully ready and now all the incremental machines that we are adding on our portfolio is actually helping us to bring or improve our bottomline so there also the order book in the form of the contract that we have with the customer, their deployment strategies and their growth trend we have continued to be one of their preferred partner. In case of PoS machine, which is largely driven by definite contracts like OMCs, there we have a very good visibility with respect to the pending deployment of order book that we have like I said in OMCs we have almost I would say 50% of market share from three oil marketing put together which gives us the visibility of around 80,000 plus PoS machines we have deployed around 50,000 as of today so clear visibility of another 20,000 plus or around 30,000 machines can be deployed immediately and similarly on the other solutions since company is itself looking at lot of other solutions we are working with the partners to get more visibility with respect to the deployment and the rollout of other digital solutions.

**Sanjay Awatramani:** The other thing is can you provide me the unit economics of the BLAs if we are operating into that, brown label ATMs?

**Saurabh Lal:** With respect to the contracts that we have various type of contracts with our banks. One is if you are talking about the BLAs in the form of ATMs like large banks like ICICI, HDFC we have a transaction fee based contracts with them so there we charge them on a per transaction fees model and we get paid on per transaction and then we take care of all end-to-end responsibility for those ATMs so those contracts are technically long-term contracts



running into seven years, eight years and with respect to the ROCEs and IRRs we always look for a healthy IRR in the form of I would say double digit plus numbers and everything. On a specific unit economics since the banks are very much different from their approach and their strategies and their payment so all the banks have different, different nature of the contracts like some of the offsite ATMs will be priced differently, onsite ATMs are priced differently, additional ATMs on same site and same branch are priced differently, so dynamics are very much different for all the banks, maybe we can share with some more details with the help of Shikha (SGA) and everyone so that you can get more clarity that how does the varied unit economics work. A single unit economics will be very difficult to explain but we get paid for per transaction on ATM and we have two three major cost that goes in the ATM one is the capex cost that machines that we install, second is the rent or lease of the site that we take on the rent for putting those ATMs, third is the cost of handling the cash which we call cash management expense and the fourth one is the electricity expense to run those wherever we have to put that ATMs. The rest is other small, small cost like consumers, insurance, paper rolls, housekeeping and everything but these are the largely three major costs or four major costs that we have to run those contract.

**Sanjay Awatramani:** Yes, Sir this was also very helpful and last one from my end can you give the market share you hold for these two businesses one is the cash management and the digital business as you said that we have 50% market share from oil marketing companies that was for the PoS machine right if I am not wrong?

**Saurabh Lal:** As you rightly said on the PoS side we happen to have contract from all the three major oil marketing company and we are one of the largest deployer of this PoS for last financial year. From our ATM management, cash management we continue to be a leader as the second largest player in the market from both ATM management and the cash management so that is how we position ourselves, from the ATM side also we continue to be a second largest player and from cash management also we continue to be second largest player. From PoS deployment on the OMC side since those are again contract driven we happen to be the one of the largest deployer of the PoS machine for the OMC segment.

**Sanjay Awatramani:** This was very helpful. That is all from my side. Thank you so much and good luck.

**Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments Limited. Please go ahead.

**Vignesh Iyer:** Congratulations on good set of numbers. I just wanted to know regarding our exposure at Sri Lanka how has it panned out in Q1 if there is any one-off expenses or any write-offs coming in this quarter?



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**Saurabh Lal:** As a company AGS has a presence in other markets like one in Sri Lanka, so Sri Lanka happens to be one of the critical markets for us since we have ATM deployment over there also. From our contracts and from revenue perspective we continue to run those contracts from those country and we continue to earn those revenues but ATM is one of the critical component or critical activity in those country as well as it is like in India and our contract with is one of the largest banks of the Sri Lanka market and that contract continues to be as it is. Most of our expenses are in Sri Lankan rupees and most of our revenues are also in Sri Lankan rupees so from that perspective the cost and everything has been taken care but yes there are few instances of foreign exchange transfer I would say, certain adjustment has to be done through financials which we have to comply with various accounting standards where any investment done by our holding company to the subsidiary and if it is not in the form of equity we have to mark-to-market that investment since our holding company has given a loan to our subsidiaries that has been mark-to-market. Second, there are few payments like we have a technology transfer agreement with some of the partners that we have switching arrangement with some of our partners so there we have certain vendor payments which has to be done in the dollar denomination so again for that purpose also we have to do mark-to-market and do the loss for that purpose, but the major point is coming Vignesh over there is that since the currency has been devalued quite heavily whenever we do have a translation of that revenue to their holding company which is Singapore based company or when I translate that revenue from Singapore to India there was a translation loss. it is not the loss but yes reevaluation of those revenues which have been devalued as per currency so we have seen a significant reduction in our revenue in Q4 of last year and some percentage in Q1 also but from a company standpoint, from a continued business standpoint from the contract standpoint we still continue to run those operations and run those contracts.

**Vignesh Iyer:** But if I am not wrong in Q4 the currency impact was around 10 to 12 Crores if you could quantify what is it in the current quarter?

**Saurabh Lal:** For the last quarter it was 10 to 12 Crores. This quarter it will be approximately - I would say in the range of around 3 to 4 Crores from a currency standpoint.

**Vignesh Iyer:** If I compare traditionally what would be the percentage of business that has seen degrowth in Sri Lanka if you can say that it is like 30% down or 20% down?

**Saurabh Lal:** The revenue that you see from Q4 it was almost 50% down because the currency in Q4 moved from 180 to 360. It is a conversion from 1 USD used to give 180 Sri Lankan rupee and it has moved to 360 Sri Lankan rupee in Q4, from Q1 the currency movement is around 360 a dollar to Sri Lankan rupee has moved to around 380 Sri Lankan rupee so from that



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perspective we have seen a reduction in those revenues but as I said since our revenues are in Sri Lankan rupees but if you see overall contribution of that business to my overall business out of that 4,272 million of revenue that we have reported approximately 100 million rupees is the revenue that we approved from GTSL business approximately so I think from overall perspective this constitutes I would say around 2 to 2.5% of company's total revenue. From a magnitude impact I think the percentage is very small but considering the standalone entity that we have; we have a devaluation of currency over there. From a business perspective it has remained stable. The other thing which has increased again since everyone knows it is a part of the country where the economy goes with such a high devaluation we saw increase in certain percentage of rate or borrowing rate in that country also.

**Vignesh Iyer:** 360 rupees in Q4 and now it is 380 rupees right in Q1?

**Saurabh Lal:** Yes approximately.

**Vignesh Iyer:** But Sir coming to again the same thing value term in our business is around 60 Crores and we are making around 17 Crores EBITDA the currency impact itself is 12 Crores I think that business does not look much viable right or we can always have a renegotiation as and when the business is done in Indian rupee so as to hedge us naturally?

**Saurabh Lal:** If I take the last year definitely. Everyone told you that Sri Lanka and other economies continuously stable economy but as you rightly said since the currency has been devalued substantially so our business team and other teams the CEO is definitely working with the partners and working with the customers with respect to how this loss can be mitigated and everything. But yes the discussions are still on the table nothing has been concluded or has been finalized between the partners, the customers, the vendors and the company but yes you rightly said those points will definitely be taken care in the form of currency devaluation and reevaluation when such kind of situations happen and we will try to work it out in the way that those should be captured in the agreement itself.

**Moderator:** Thank you. The next question is from the line of Bhavik Dave from Nippon India. Please go ahead.

**Bhavik Dave:** Sir just couple of questions one is on our ATM management business just wanted to understand there was supposed to be two, three regulatory advantages coming through for us the cassette swapping and the take rates being higher on ATM transactions are they flowing through as per plan or have they been delayed because when we see our growth on



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ATM management business that seems to be quite subdued so just want to understand has the benefits played out or are they delayed by any reason?

**Saurabh Lal:**

Bhavik with respect to the performance of our ATM outsourcing business which is largely driven by the ATM contracts if you see the overall performance of the company has increased or overall performance of this business has increased because of two, three ones definitely we saw a increase in the transaction trend of the machines that we had in Q4 versus Q1 or I would say Q1 versus Q1 itself, similarly we saw increase in our revenue coming from various initiatives from the regulators like the Cassette swap regulations or Cassette swap requirement or the various other guidelines like MHA compliance and everything and. We saw uptake of that so just to give you on a number perspective if you see our Q4 performance our revenue from outsourcing used to be Rs.1,821 million which has moved to Rs. 2,107 million in this quarter which is largely driven by all these initiatives and incremental revenue coming from all these business streams so that we believe that many of those revenue streams have already come and as a business wherever we have taken certain internal discussions with the business entity and we believe that this will continue to grow as more and more banks will continue to increase the penetration of the cassette swap and more and more banks look for providing those services in the form of RBI and MHA compliance. I think both CLA body and every body are slowly working in coordination with the banks and IBA with respect to the implementation of this RBI guidelines and MHA guidelines all across the country and as it continue to grow we will see increment going further to us both in the form of AGS Transact Technologies being the MSP for those contracts and Securevalue our wholly owned subsidiary being the implementing company which is going to implement this not only for AGS but for various non-AGS customers which Securevalue is servicing right now.

**Bhavik Dave:**

Just following up when we see our year-on-year total revenue growth 3% and large part of our business is the ATM management or the ATM business that we are into we are growing like setting up the digital payment business which is now like a reasonable part, but still the large part of the revenue is the ATM business and when we look at our overall revenue which is 3% and if the benefits are coming through can we expect that year-on-year growth like going ahead like for FY23 or FY24 can read double digits or it seems difficult considering may be the cash withdrawals are lower now and hence there might be some impact, I am unable to understand why the revenue growth cannot be more than 10% if all these benefits are coming through because the Q1 was quite muted from year-on-year basis so just wanted to understand that bit?

**Saurabh Lal:**

So we started off the quarter with I would say very, very strong performance from an internal businesses how do we do because now we are not seeing our business is seasonal in



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nature but we always see the Q1 performances are slightly subdued with respect to the overall performance of the balance quarters and definitely Q2 and Q3 are considered to be very, very healthy quarters because of the nature of business that we have like we have transaction fee basis revenue and our income is going to the transactions and we always see quite a good offtake of transactions happening in Q2 and Q3 all of them contribute because of the festive nature and this handling power of the people gets increased in Q2 and Q3. Having said that we believe that and I think that Ravi also covered in his statement is that we believe that we will strive for a best year this year from a profitability perspective and we are working and we are confident that we will definitely have a double digit growth coming in our overall businesses, but as you rightly said since the payment solutions constitute one of the largest part of that growth or I would say part of our portfolio which constitute approximately 80% of the overall business of the company so those business will continue to grow. It could be deployment of the various initiative, increase in transactions, bank requirement of CRM and everything, operation leverages and all those factors will definitely help us to improve our profitability and at the same time it will definitely help us to grow our topline as well.

**Bhavik Dave:**

Sure Sir. Thank you so much.

**Moderator:**

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

**Naveen Jain:**

Good afternoon Sir. Sir I have a couple of questions. One on your digital business so this quarter or on quarter-on-quarter basis I think there is a marginal decline in revenue in this quarter whereas our GTV has done fairly well right on a quarter-on-quarter basis so why slight degrowth in the revenue in this quarter versus let us say 4Q?

**Saurabh Lal:**

We have two major revenues being part of our digital strategy one is definitely revenues coming from the PoS acquiring business and the second digital revenue comes from the other business verticals which are part of our digital strategy which is the switching solutions and transit solutions that we have so now the overall revenue is slightly lower than the Q4 I would say from the revenue perspective but if I distribute or if I dissect this revenue into two parts one is the digital PoS revenue so digital PoS revenue is around Rs.463 million for this Q1 which was Rs.415 million in Q4 of last year so there is a growth in proportion to the growth of our GTV because those revenues are percentage linked with revenue. As the revenue grows automatically my revenue realization also grows. The other businesses where I have switching solutions and the transit solutions that we deploy we saw this revenue which was Rs.231 million in the last quarter of FY2022 is at Rs.150 million in Q1 of FY2023 so there a few of our contracts specifically with respect to metro contracts

has not been executed I would say not been concluded in this quarter so where we see either they got spilled over to the next quarter or since the concluded revenues has not come so we have not accrued those revenues so in PoS side we see uptake in line with our uptake in the GTV. Other businesses since Q1 I would say not a subdued but Q1 is always a period when contracts only gets spilled over to the next quarter but we believe they will deliver those numbers in Q2 and Q3 onwards.

**Naveen Jain:** Understood. The second question was on the profitability so I think in the opening remarks Mr. Goyal mentioned that this year our profitability on PAT will be highest ever and I think the previous highest that we have achieved was in the pre-COVID year of FY20 our profit was around Rs.83 Crores. Going by the performance that we have been able to deliver in Q1 would it be fair to assume a substantially higher number of Rs.83 Crores which we have delivered in FY2020?

**Saurabh Lal:** I think Ravi has already covered and definitely we believe this year to be the best year for us as our organization is targeting. We are strongly working towards that and I would say we have been pushed or we have got all this thought process because of the very strong order book that we run with us, very strong pipeline that we have with us like we see lot of RFPs coming in the market which gives a lot of boost to our cash the major business and ATM business. The PoS business is also going good. As Ravi also touched upon slightly not in much detail that we are working on Ongo strategy which will get rolled out in the subsequent quarters so all those initiatives will definitely help us to work onto deliver on the higher revenue output and higher topline and definitely the moment with higher topline and since we are a very large player in both the payments space and everything so we will definitely get advantages in the form of operation leverage and everything which will definitely flow down to our bottomline. So we, as the management, are definitely confident on working on those numbers and we have been deliberated internally very, very strongly that we are working I would say in this direction and I think we are confident that we should or we will have this year as the best year for us.

**Naveen Jain:** On the debt side so where do you think we will end this year; our cash flows are fairly strong so where do you see the net debt levels by the end of the year?

**Saurabh Lal:** So Naveen from the debt perspective we stand at around Rs.6451 million of net debt as on June 30, 2022. We have a planned repayment for this year. I think from a company strategy point of view we have estimated a capex of around Rs.125 Crores to Rs.250 Crores for full year down the line. But having said that, since the strong cash flows will be generated from the business that we are targeting the PAT will definitely be strong - the depreciation is a component of that profitability and gives us the cash profits. I think the debt level will be in



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a very, very comfortable situation at which right now we are. Any incremental debt will automatically help us to get an incremental revenue since most of the debts are supported by the contracts that we have with the banks in the form of the deployment of ATM or in the form of deployment of PoS machines or in the form of deployment of vehicles for our security business so I think the debt situation should be in the similar range that we are right now it will not grow beyond those numbers.

**Naveen Jain:** Sure Sir. Thank you so much.

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

**Amit Chandra:** Sir thanks for the opportunity. Sir my first question is on the addition of CRM so we have added around 186 CRMs in the quarter so if you can state in terms of full year what is the perspective additions in terms of number of CRMs and also in terms of the ATM business now we have seen increase in the fixed fee contract side so are we strategically shifting towards more fixed fee contracts versus expansion fee based and is it the reason for increase in margins?

**Saurabh Lal:** Amit definitely we can club the questions together in the form of the strategy with the business is right now running for the ATM business. Most of the banks where the machines are getting demand whether it is ATM machines or the CRM machines so banks also I think internally are working on a model where they want to make sure that the CRM machines are installed at all of their branch networks and it helps them to automate this process. By automating this process banks are endeavoring and banks are, I think, upgrading and discussing with their IT to ensure that these machines can perform both the functions together as the machine states the cash recycler machine CRM so they have the functionality to perform both the actions where they can dispense the currency also and they can accept the currency also so it gives us the visibility of both withdrawal also and deposit to us. Wherever we are getting those confirmations and there we are discussing with the banks that machines can be used for both cash withdrawal and deposit we and banks both are working on a transaction fee based model as well, but wherever those machines are installed as an independent machine for depositing the cash only and still has not been used for withdrawal purpose we are mostly entering into a fixed fee contract with those banks so from a CRM perspective I think the moment these machines become active for both type of transactions means withdrawal and deposit we can definitely know that the withdrawal numbers this is our history and the current trend and with the additional deposit transactions we can work it out, but if the machines are only utilized for depositing purpose we are right now only working with the fixed fee contract with the banks. Similarly banks are also at the

same time whenever the ATMs as you rightly said the transactions right now which ATMs are working still not covered the pre-COVID level so wherever the new contracts are coming only for the ATMs we are evaluating both the options to go with the fixed fee contract or a transaction fee contract but yes the strategy is to work on the contracts where it becomes IRR immediately positive but it cannot be a fixed fee contract it can be hybrid or fixed and mix where we get the minimum guarantee of transaction so that our P&L does not bleed for that purpose and at the same time it gives us the upside in the form of transactions whenever transactions come back or certain pockets or certain locations the transactions move back.

**Amit Chandra:**

Sir in the transaction-based ATMs we said that there has been improvement in the number of transactions per ATM per day so if you can quantify that what is the average transactions happening at ATMs and also in terms of realization have we seen improvement in the realizations also there?

**Saurabh Lal:**

You see on an overall basis of the industry also if I take you through the work we have started discussing on the transactions definitely from the pre-COVID period up till now. On an overall industry wise the pre-COVID level that transactions refers to be around Rs.66 Crores transactions are transactions on the ATMs on a monthly basis. When we reached out to March 2021 which was the end of wave one and almost closer of wave one we saw the transactions back to Rs.60 Crores transactions but unfortunately we had that COVID wave two which resulted in the reduction of transactions to again back to Rs.54 Crores to Rs.55 Crores level. The last data that we have been tracking and even that is working is that March 2022 or May 2022 with the transactions are almost back at Rs.59 Crores and Rs.58 Crores around so the transactions are again coming back to Rs.58 Crores to Rs.59 Crores but yes it has still not seen pre-COVID level so our portfolio is also in the similar direction where we saw that almost 85% to 90% of the transactions have come back but yes there is still definitely a way to improve it so that is Stanley who heads this business and our internal management is working on to have more and more deployment of the CRMs which gives us the additional revenue in the form of deposit transaction, deploy and complete cassette swap or other MHA guidelines which gives additional scope of revenue to both AGS and Securevalue as well or have a contract with the bank which have a fixed fee contract so that we are not impacted by ups and down of those transactions like volume.

**Moderator:**

Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:**

Thank you very much for the opportunity. Sir I just wanted to understand first on the interest front so how do we see interest cost this year overall?



**Saurabh Lal:** There has been significant reduction in the interest cost of the company. Our interest cost used to be 71 if I take it from the quarter-on-quarter basis the last quarter we saw the total interest cost was Rs.719 million in Q4. The interest cost or finance cost for this quarter for the group was Rs.315 million so almost we saw 60% plus reduction. This number I am talking about is taking care of the Ind-AS interest cost which is the lease cost, taken into account all the factors so we believe that our interest cost for this quarter considering that our debt level will be in the similar names that we are right now so our interest cost for this year will be approximately I would say Rs.1,400 million considering that Q1 as a base year following interest cost may be plus or minus 1% or 2% from here.

**Deepak Poddar:** Okay so it includes the benefit of that Rs.100 Crores that we have been talking about, right?

**Saurabh Lal:** Correct, so if you see our overall financial cost for last financial year FY22 was Rs.2,500 million and considering that current rate we are targeting the total borrowing cost including this Ind-AS effect is Rs.1,400 million so there is a complete reduction of Rs.1,100 million on an overall interest cost basis but you have to accept that there is a possibility that some percentage of rate hike is happening in the market, some has been forward transferred by banks to us, some may be waiting on giving us I am sure we will get a macro factor which everyone has to take into account.

**Deepak Poddar:** Fair enough. I understood. That is it from my side. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Avadhoot Doshi from Newberry Capital. Please go ahead.

**Avadhoot Doshi:** Good afternoon. Thanks for the opportunity. I have two questions. First on the ESOP cost so if we look at for FY22 ESOP cost was around Rs.11.3 Crores and for the Q1 ESOP cost is Rs.3.2 Crores so I want to know how is the trajectory going for the ESOP cost?

**Saurabh Lal:** From an ESOP perspective, the company issued a new ESOP scheme for their employees in the month of August 2021. Basis that since our ESOP options were technically available for three years of vesting so by applying the leverage cost method we had cost of 3/6 in the first year, 2/6 in the second year, and 1/6 in the third year so that is how it has been equally weighted out during the resting period so that is how the cost of Rs.11.2 Crores was recognized for the last financial year and this year as we see the Q1 is a Rs.3.2 Crores here but for this year the total overall cost will be in the range of around Rs.8.5 Crores on an annualized basis.

**Avadhoot Doshi:** So, in the next quarter you are expected to go down further?



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**Saurabh Lal:** Go down yes go down.

**Avadhoot Doshi:** What would be the quantum for the next quarter then?

**Saurabh Lal:** Since these ESOPs were issued in August 2021 so from August 2021 till next year August 2022 the cost is approximately this so I would say 3/6 approximately in the similar range of I would say the cost would be around, the Q2 will be around the similar range. I think from Q3 or Q4 perspective there will be definitely reduction in the cost. As I said we issued in the month of August 2021 so August 2021 still August 2022 we have a first year of investing which will be a weighted average of 3/6 basically and half of the cost will get accrued in the year one then in year two it will be 2/6 which is one third and then in the third year it will be 1/6.

**Avadhoot Doshi:** Understood and the second question is on petroleum outlet so just wanted to know how many outlets we have added and what is the plan for this year to add?

**Saurabh Lal:** So on an overall basis we have deployed approximately around 49,000 plus PoS machines at the retail outlet the order book that we have gave us the visibility of approximately 80,000 plus PoS deployment in the market so our endeavor is to close this deployment at the earliest but I think at the same time what management is doing and what is the business is right now focusing on to show that we should have at least one PoS deployment at every retail outlet that we use so that we start getting those numbers and we start moving those retail outlet to those PoS machines and at the same time wherever we have done the PoS deployment for instance we are running this business for almost three years now. We have started analyzing those GTV values of PoS for retail outlets and wherever we need to re-strategize with respect to the further deployment put more PoS machines so that the volume can increase, how much percentage our revenue is routed those PoS machines, how much is cash and everything and at the same time we are educating them and encouraging them to put in more and more PoS machines so both these things are now happening parallelly but as I said out of 80,000 say 50,000 the larger deployment has already been done but at the same time we are working towards closing the pending deployment also so that we can get the maximum benefit out of those contracts and we can leverage those PoS points that we have built for various other value added services which we are trying to roll out on those PoS machines.

**Avadhoot Doshi:** Okay so 30,000 remaining you expect it based on the data analytics whichever is having better performance then you will decide where to deploy it in this year itself is that the correct understanding?



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**Saurabh Lal:** Yes.

**Avadhoot Doshi:** Okay understood. Thank you. That's it from my side.

**Moderator:** Thank you. Ladies and gentlemen that was the 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 the earnings call. We appreciate your interest in AGS Transact Technologies Limited. If you have any further queries, please contact SGA our investor relation advisors. Thank you so much.

**Saurabh Lal:** Thank you everyone.

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