



“SA Tech Software India Limited
H1 FY25 Earnings Conference Call”
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MR. BHAVIN GODA – CHIEF FINANCIAL OFFICER – SA TECH SOFTWARE INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the H1 FY25 SA Tech Software India Private Limited Earnings Conference Call. We have Mr. Manoj Joshi, Mr. Ritesh Sharma and Mr. Bhavin Goda from the Management. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ritesh Sharma. Thank you and over to you, sir.

Ritesh Sharma: Thank you very much. So first of all, welcome all of you for -- and thank you very much for taking the time to join us today. And we are very excited to share the updates on our H1 earnings for SA Technologies growth and the key focus areas driving our successes. Post-IPO, we actively started participating in global events like GITEX which happened in Dubai and after that, we also participated in the Business Show in UK.

And also Oracle CloudWorld in US. And this is definitely helping us in enhancing our brand visibility and from these events, we have received good business opportunities as well. In addition to this, we are expanding our Europe business with a dedicated sales team and now the major focus will be in UK and Europe because we are already having a decent presence in North America and India region.

So UK and Europe which is the area we feel like you know where we can expect more business. To grow this, this position is going to build a stronger client relationship, and tap into the growing demand for GCC and consulting services in the region. Lastly, our NSE listing has enhanced goodwill for India business as well which has further enhanced our visibility and reputation creating more opportunities for business growth across the multiple regions.

And as we are a US-based organization, the parent company is US, we are able to secure new businesses from the US region as well. Once again, thank you very much everyone for joining us today and for your attention. We look forward to continue our journey of growth and success together. And now I will request Manoj Ji to say something about company and growth.

Manoj Joshi: Thank you Ritesh. Good afternoon, good morning everyone. I want to start by welcoming you all. Thanks our investors, our employees, stakeholders as well as our clients for placing your trust in us. The demand for our business, global capability centers is skyrocketing. We all hear that in the news and so is our business.

We are growing, our focus is very clear and we aSA Team, we look forward to grow in multiple places including North America and Europe. And kind of growth what we expect in next – in the future is because of our team commitment and the kind of things what we are doing together aSA Team.

And we are looking forward to be part of this journey along with you guys. Thank you Ritesh.

Ritesh Sharma: Yes, thank you very much Manoj. So now being -- we have already, I hope we have already, you have already got the company profile, representation as well. We can certainly open for Q&A if anyone is having any questions.

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

Agastya Dave: Sir thank you very much for holding the conference call as well. This really helps in understanding the progress in the business. So you covered upon the developments in the company across geographies based on geographical spread. Can you also provide some kind of commentary on the business based on the segments, the GCC and non-GCC business separately?

What are the projects in the pipeline as of now? What is the funnel looking like? How is the demand shaping up? And what do you see in both segments over the let's say next 18 to 24 months?

Ritesh Sharma: So as we started focusing into the different regions as well, our major focus is on GCC side because that is something that we have seen throughout the world. People are looking at India where they can get resources at a very good price. And on the other side, they can get good talent as well. So India is no more like you can just get a resource at a good price. But now because of multiple initiatives by the government of India, like more skill development or so on. We are able to get more good talent as well.

Now coming to the funnels of the pipeline, definitely we have signed a decent amount of new contract for the GCC post our IPO. And although it will be very difficult for me to give the exact number, but yes, the growth what we can see is like at least 25% to 30% annually. And if you talk about segment-wise, now the major focus is on the GCC side. So I would say like 60% to 70% more growth what we can see into the GCC business as compared to consulting side. I hope I'm able to answer your question.

Agastya Dave: Yes, understood. So on the margin side, is my assumption correct that GCC business is a much higher margin business than non-GCC business?

Ritesh Sharma: Absolutely. It is because of the conversion of the currency difference what we are having. So it is always more profitable as compared to the consulting business which we do in India to India.

Agastya Dave: Understood, sir. So another question that I had was specifically related to the numbers which are reported. So the margins were compared to last year, EBITDA margins excluding other income was slightly lower, around 100, 110 basis points. So I was wondering, was there a mixed change during the quarter? The growth on the revenue side was fantastic, but the margins were slightly lower compared to H1 of last year.

And then H2 of last year, they were also substantially below H1 numbers. So how should I read into this? Is it a function purely of mixed change that as of now, consultancy business is, I mean, probably in the mix the proportion has increased, but over a period of time, GCC will start to

dominate again and the margins will improve? Or were there any other factors which led to these fluctuations in the margins?

Ritesh Sharma: Yes, I will request Manoj Ji to answer on this.

Agastya Dave: And just want to add, one more thing, sir, there in the DRHP, Q1 numbers were disclosed and there the margins were still higher. They were around 17%. From 17, they have dropped to 13.6 for the entire half. And then H1 last year, they were at 14.7. And H2 last year, they were at 9.3. So I'm just trying to understand the variations. Is there a seasonality here? Was there a mixed change?

Or was like one particular business was not at that inflection point where it really starts to contribute to the margins? That's the broader question, sir.

Ritesh Sharma: Okay. I think now being it's going more technical, I will ask our CFO to answer on this. Bhavin, please answer on this. If you have – readily available.

Bhavin Goda: So it's mainly because of the revenue mix, because we have three broader offerings that we provide to our customers. So this is the one which gives on the higher side of the EBITDA, the other two are on the lower side. So it will all depend on the revenue mix, how it turns out.

Agastya Dave: Understood. So would it be possible for you guys to share the revenue mix across the segments?

Ritesh Sharma: I believe we have already reported the segment reporting, but we can surely get to more details in the segment.

Agastya Dave: Perfect, sir. Perfect. Thank you very much. And I'm just assuming that as GCC, the share of GCC in the revenue mix improves, the margins will see an upward trajectory.

Ritesh Sharma: Yes.

Agastya Dave: Okay, great. Sir thank you very much for giving me the opportunity. And I must also say that I really appreciate the interviews that you did around the time of IPO. They were very, very useful in understanding the business. And it's a very interesting business model, sir. I wish you all the best. Thank you.

Moderator: The next question is from the line of Bhavesh, who is an Individual Investor.

Bhavesh: My first question is with respect to the website. So I couldn't find an Investor tab on the website. And the Annual Report for the year 2023-2024. So could you throw some light on this?

Ritesh Sharma: You're saying like you can't see the Investor tab on the website?

Bhavesh: Yes. I couldn't find the Annual Report also.

Ritesh Sharma: Okay. So Investor tab is on the right top side, just above contact us. And then you can see like, you know, 2023-2024 and 2024-2025 as well. However, if you are facing -- no, I can just see

right away like, you know, so anyway, like -- in case, if you have further details, you can just send an email to cs@satincorp.com. We will be more than happy to assist you with all your queries related to Annual Reports. And you can see the tab Investor on the top right hand side. Thanks.

Bhavesh: Okay, sir. I will check this out. Thank you so much for this. So secondly, which is your weakest quarter amongst the four quarters? Like first, second...?

Ritesh Sharma: Second quarter, is the lowest one, like, since most of our dependencies are, most of our clients are, even though in the consulting, though, those are MNCs, most parent companies are from US and other countries. So the December quarter and is little slow, like after November, November to 15th of Jan, it slows down, there are no new orders, which generally comes into this timeline.

Bhavesh: Okay. That's helpful. And the margins, is it sustainable going forward, like between 10%-12%?

Ritesh Sharma: Yes, this will be, these are sustainable margins.

Bhavesh: Okay. And, and your debt, it has increased over a period of one year. And the interest payments have also increased. So any reason for that increase in debt?

Ritesh Sharma: So, one sec, we need to go into further details into it. The short term borrowings, I can see the long term borrowings has been reduced.

Moderator: Mr. Bhavesh, does that answer your question?

Bhavesh: Yes, it does answer my question. And you have INR5 to INR6 crores cash on your book side? The cash balance as on September 30th, you have around INR5.7 crores cash balance. Am I correct?

Ritesh Sharma: Yes, you need to go into the specifics.

Bhavesh: So how are you going to utilize this cash? Like, are you looking for some acquisitions, M&A, any sort of deals going forward?

Ritesh Sharma: Yes, those are already on card. We are working on towards that.

Moderator: The next question is from the line of Aagam Sanghvi, from Wallfort Financial services.

Aagam Sanghvi: So my first question will be related to sales and PAT margins. So in FY24, we did sales of INR72 crores and a PAT of INR3.7 crores. And already in the first half of FY25, we have done INR51 crores of sales and INR4.5 crores of PAT. So what is the projected sales and PAT for FY25 and also the trajectory for FY26 with context to the GCC business? As you said that it is expected to grow at 25% to 30%. So if you could give some insights on that?

Bhavin Goda: Yes. So it should be in the range of 25% to 30% on the revenue front as well as on the...

- Aagam Sanghvi:** Okay. So we are supposed to – we are expected to increase at the same levels as H1?
- Bhavin Goda:** Not comparing to H1 to H1, but on yearly basis.
- Aagam Sanghvi:** Okay. So 25% to 30% growth, we can calculate. Right?
- Bhavin Goda:** Yes.
- Aagam Sanghvi:** And what about the competition? Like in Bangalore, Pune, we have quite a few software services and GCC companies. So what can be different for us?
- Ritesh Sharma:** Yes. So Ritesh, here. So I think the major difference is we are a global organization. There are a lot of software companies who are just having presence in maybe in just India or maybe in US. But if you talk about SA Technologies, we are having offices in US, Canada, Singapore, India, and almost 22-year-old organization now. And another advantage now we recently got listed.
- So when any company who is from maybe Europe or North America and they want to start something in India, they definitely look at the credibility of the organization. And after getting listed, they can see all our reports or Annual Reports of financials. It's open now. So I think that is really helping us and that is the biggest differentiator for us and having an extra edge to avoid those kind of competition.
- Aagam Sanghvi:** All right. And my next question will be related to our clients. So once we onboard our clients, what is the policy and strategy we use to ensure that stick with us? In your Investor presentation you said that the age of your client is more than five years?
- Ritesh Sharma:** Yes. So each organizations are having their different sales strategies. So we are having two different teams. One team just onboard the customer and another team is into account management. So the account manager team always ensure they are connected with the customers, ensuring like no client is not facing any issues. And we also do cross-selling like in case if you're working with any customer in a specific business unit.
- Then we always ensure like how we can get the other businesses within the same organization also. But just like more sales driven and a strong account management team. And I am like in being in a country, I always ensure I'm meeting my customers at least every quarter to ensure they're happy with us. I think this kind of process is what we are -- helping us to get more business from the customer and continuity for the longer time.
- Aagam Sanghvi:** All right. And could you give a number of how much percent of the top line comes from the top 10 clients of yours?
- Ritesh Sharma:** So roughly around 75% to 80% comes from the top 10.
- Aagam Sanghvi:** All right. So 75% to 80% from the top 10 customers. Okay. And my last question would again be related to the GCC business. So what according to you is the current market size and the

growth? Okay, the current market size in India related to the GCC and how many companies are in the segment?

Ritesh Sharma: So you mean to say like, you know, how many companies are doing into GCC business?

Aagam Sanghvi: Like right now, what's the status of the market size in India? Like not individually for you, but overall as a market?

Ritesh Sharma: Yes, sure. Just a minute I will tell you. So if I gave you a tentative, like data like maybe in 2015, there was no close to \$19 billion business was in India, like in 2015 -- Then in 2023, we got, from or maybe some different sources, like who keep publishing some reports. So there we got like \$46 billion.

And we are expecting like, you know, by 2030, it should be 110 billion. So you can imagine, like the kind of companies who really want to open offices in India. And one more very important thing, which I'd like to highlight over here is GCC is something we should not do in India, right?

Maybe you can say Oracle, Microsoft, SAP or maybe many financial companies, maybe Morgan Stanley, JP Morgan, they already have big offices in India. Right now, the smaller organization or mid-level organization, they are also like showing very impressed to open their offices in India.

So I think we can definitely see this kind of trend. And we are also suggesting our customers to not only focusing on tier one city, but we are also suggesting them if they want to open their offices in cities like India, or Jaipur, Vadodara at least you can give some junior to mid-level guys over there, which can be very cost effective as well.

So there is a very good opportunity. And even the presentation what we have shared with our team, you can you can go through this on slide 19, you can see some more data on GCC...

Moderator: The next question is from the line of Nishant Gupta from Minevra Global Capital.

Nishant Gupta: Hi, sir. Actually, I was going to your presentation. A few questions from my side. When you talk about the GCC business, what iSA Typical lifetime value of a customer? I would believe that initially when a GCC is being set up, the cost for the GCC would be high, as in your revenues would be high. But once it kind of stabilizes, it would kind of fall down.

So what iSA Typical lifetime value that you derive, let's say annually on an average from one client? That is the first question.

Ritesh Sharma: Yes, so as far as the revenue or value from each customer that I will ask Bhavin to answer, but to answer you on the other question, what you're having, like what is the lifeline for this like -- So what happens, like whenever we sign in a new customer for a GCC, for two years, like we are their sole partner, where we help them in building the entire thing, we operate for two years.

And after that, we cancel it. But no client will move their transition with 100%. So in case if they want to build a team of 100 people, they will start with 25 or 30 numbers at initial stage. And then gradually they get another operations also to India. So although it will be -- it looks like for two years, but being, we are their consulting partner who are building the entire team.

And we are doing the project management stuff, we are always their preferred partner. Although the number of revenue will not be so high after two years, but you know, being with them, we will be their sole partner. So any kind of growth they want to do in India, we can help.

On the other side, our dependability, we really don't want, like if we are having 10 GCC in a year, we don't want to click to that, like we as a specialist sales driven organization, we would like to have more and more GCCs coming in. So that our revenue and profit margins can keep growing on a regular basis.

Now, for each GCC, I think you asked, like what can be the tentative revenue? I would request Bhavin to answer on that.

Bhavin Gada: So the tentative revenue for the GCC, basically, it will depend on the size of the GCC the client is looking to build in India. So it's difficult to give you the revenue estimation for each clientele that way.

Nishant Gupta: So the next question is, like, you mentioned in your PPT, that you have exclusive agreement for certain domains in Microsoft and Google. So one is, like, what exactly is this exclusive agreement for? And how exactly is it useful? And when you say that you are a Microsoft Gold partner or a Google Cloud partner, is it something which your competitors can also get from Microsoft and Google? We just wanted to understand this client more in detail.

Ritesh Sharma: Certainly, like, they are complicated and can also get it. But what happened, like post-COVID, I think you might have heard that everyone is going on cloud. Now all the data, small to mid-level organizations, everyone wants to use or adapt to cloud computing. So we as an organization, like although we are doing a lot of consulting into different technologies also.

But we took the partnership of those two, Google and Microsoft, to ensure we are giving best services to our customers.

Nishant Gupta: Okay. So one final question, this is pertaining to your slide 13, where you mentioned about the Global Capabilities Center, you mentioned five services. Would it be possible for you to give a percentage breakdown of, let's say, if you're receiving INR100 from one client across these services, what is the percentage that goes into service number one, service number two, service number three? Would you give that?

Ritesh Sharma: Yes, just a minute. Yes. So the services, like it's not like one service or two services, it's a mixture of all the services, how GCC gets built up actually. Yes, so in case, I will just give you an answer in a layman language. So if you're in Europe, right, if you want to open office in India. So if you want to open office in India -- need to have, first of all, you will need talent, right?

So in talent, we will help you out, how you can, which city you should choose to open your office in India, right? So talent is something which is important. Then infrastructure. It may happen, Bangalore might be very costly if you want to open office in India, then we can guide you, okay, like Pune, Hyderabad, Chennai can be also a very good option.

Then it becomes an operational side, maybe you will, you can get talent, you can have infrastructure, but what is the operational cost? May be that will happen like, if you go to Bangalore, it's super crowded and the parking issues, or maybe getting the right set of people at a reasonable cost also becomes very difficult.

So I think these are the services which club together and then become a GCC for that. So I think, might be when we prepare, like, we just showing you one-by-one.

Nishant Gupta:

Got it, got it. Final question, just following up with one of the questions you answered to the previous participant, you said that the top 10 companies are contributing like 75% to 80% of the top ones, right? But you were also mentioning that you have 200 plus customers and there is a repeat business and the average age of customers is greater than five years.

So what is happening to the other 190 odd customers, right? Why is the business, like, what is happening to the business of those customers? Like, is it not growing to that extent or something around that, if you could more...?

Ritesh Sharma:

So what, Yes, so what happened, like, you know, being, we are a consulting company, we keep delivering projects for multiple customers, right? So what happened, projects comes to deliver for a year or so. And then the project, new project may come after some time or so. The top 10 customers, also keep getting changed. So we are not saying, these are the top 10 customers, maybe for many years, we are just having top revenue coming from there only.

In last couple of years, we have seen, like suddenly the GCC customers have become in top 10. So I think it keeps getting changed. So that is one reason and even, I think, maybe Manoj Ji, if you want to add something on this.

Manoj Joshi:

Yes, so our business model has changed. Now we are focusing more on GCC business and because that's a high margin business. And so compared to what you see, what we have done in the past years, and going forward, things are going to be very different. We are more focusing on, you know, providing complete GCC service, which includes talent operations, as well as complete management of the business here for our clients.

So and because this is a higher margin business, we want to put our energy in GCC business. And that's why there will be less number of clients. Maybe we'll be signing up for 20 more GCCs next one year. But there'll be high margin business, more volume. So that's our growth plan for coming years.

Moderator:

Thank you. The next question is from the line of Rahil Shah from Crown Capital.

- Rahil Shah:** So firstly, on revenue mix, you're saying that GCC share is going to increase because you're focusing there more. As per your presentation, you have shown that GCC consulting together is 50% and, sorry, offshore GCC is 50% and the rest is consulting. But if you just focus on GCC, can you give a share, a percentage of revenue mix that it will be going ahead? How much of your total revenue will be from GCC, let's say by year end?
- Manoj Joshi:** Yes, I can give you some ideas. It's changing very fast. We are focusing more and more on GCC, but our CFO can help. Bhavin, will you please answer?
- Bhavin Gada:** Yes. So Rahil, basically, it will all depend on how, like the more addition that we do. As Manoj has mentioned, our focus is on that. So as and when the new orders come in the GCC sector, the revenue mix will certainly turn around and it will increase towards GCC. But to give an estimation that how much it will be, it's difficult right now.
- Rahil Shah:** Is there a certain target or aspiration you have set? Because you said you already have received some orders in GCC and you also expect more in the future.
- Bhavin Gada:** Right.
- Rahil Shah:** Yes. So you can't give an approximation about how much?
- Bhavin Gada:** No, not at present. Okay.
- Rahil Shah:** And so you said the GCC will grow at 25%-30% annually?
- Bhavin Gada:** Yes.
- Rahil Shah:** Would you say the same for your total revenues, company level?
- Bhavin Gada:** Yes.
- Rahil Shah:** For this year and next year?
- Bhavin Gada:** Yes.
- Rahil Shah:** And can we see a double-digit pad this year?
- Bhavin Gada:** It's difficult to say that.
- Rahil Shah:** Okay. So lastly, then since GCC share is going to be increasing, so margins will also improve. So what can it be hiding once GCC is like a good chunk of our total revenue?
- Bhavin Gada:** Sorry?
- Rahil Shah:** Once GCC is a good proportion of our total revenues in the future, mostly next year. So can EBITDA margins be in high teens?

- Bhavin Gada:** Yes, it should go up. But simultaneously EBITDA margins should go up as and when the GCC revenue kicks in more in the future, yes.
- Rahil Shah:** Okay. And who would be the closest peers when it comes to this GCC business, listed peers? And what is the key?
- Ritesh Sharma:** Yes. So I think I know one company, ANSR, who is doing it from the same time. But I believe they are not listed one.
- Rahil Shah:** They're not listed?
- Ritesh Sharma:** Yes. Because when we talk with our customers or when we do some kind of discussion, so we have seen like this one or two companies normally come on a call or discussing the capabilities. I can just know one person...
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to Mr. Ritesh Sharma for closing comments.
- Ritesh Sharma:** Great. Thank you very much, everyone, for taking your time out today and joining us. And as Manoj Ji already mentioned that after getting listed, it's our responsibility to improve this organization. We are committed towards all our investors. And we will do our best to ensure that the company is growing really rapidly. Thank you very much again for joining us.
- And if you have any further questions, you can reach out to Palak. And we'll be answer them. Thank you very much and have a great day.
- Moderator:** Thank you. On behalf of SA Tech Software India Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.