Management Discussion

Unidentified Speaker
Ladies and gentlemen, on behalf of Captify Consulting Investor Relations team, I welcome you all to the Q2 and H1 FY27 post-earnings conference call of All E Technologies Limited. Today on the call from the management, we have with us Dr. Ajay Mehta, Managing Director, Mr. Rajiv Tyagi, Executive Director, Ms. Ritu Sood, Executive Director, Mr. Sandeep Jain, Chief Financial Officer, and Mr. Sandeep Salman, Head of Cloud and Managed Services. As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements which may involve risk and uncertainties.

Also, a reminder that this call is being recorded. I would now request the management to brief us through the investor presentation, the business and performance highlights for the period ended September 2026, the growth plan and vision for the coming years, post which we will open the floor for Q&A. Over to the management team. Uh, Vaideshwar, you are on mute. Yep. Thank you, Vinay, and thank you everyone who has joined us on this call today. We look forward to spend the next several minutes taking you through what has been happening.

So we start with what's happening in the H1. H1 has been a time where we have seen some growth, a higher, a better reach, and an enhanced operating discipline. Momentum has been building up, and we are looking forward in the next few quarters translating this momentum into stronger earnings. What that means is that in H1, we have had a growth of 14.6% on H1 basis, even though the Q2 revenue grew 20.2% Y-on-Y, which is more than what we are seeing on H1 versus H1 basis. Of this revenue, 58% came from international customers, uh, and we had introduced in our last call a flagship product that we are building, which is the intelligence layer on top of the business applications.

This has been named now, it's called Arc365. We had this quarter showcasing it to some customers. 2 of them have signed up, 4 others are in conversation, but more about it as we go forward. The priority for us now is accelerating the higher-value services growth and rebuilding the operating margin, and we can discuss more on that in the, in the next few minutes. If we look at the numbers, the Domestic business, the product revenue has grown 13.5% Q-on-Q and Y-on-Y growth has been 20.8%. On the services side, it grew 1.2% and 0.3% Y-on-Y.

The growth in the international business was robust. We grew 15.8% Q-on-Q And the product- and I must say that this is because we have one large customer acquisition which resulted in a large growth of 95.3% Y-on-Y. We like it, but I just want to qualify it because this happens only when you have these large customer acquisitions. Then on the services side, in the international business, we have had 2.7% Q-on-Q, but Y-on-Y has been 6.5%. As you would see, the product- the mix has changed now. Now we see 51% coming from services and 49%- in fact, it's 51.3% and 48.7% is from the products that we sell.

On the H1 basis, the domestic business, the product has gone up 11.1% Y-on-Y. In the international business, the product has gone up by 67% Y-on-Y. Services have gone up 4.2% in domestic and 5.1% in international business. On H1 basis, the revenue mix has been 47% product and 53% services. If you look at the overall numbers of Q2, our revenue, operating revenue, stood at Rs 40.1 crores. This obviously is The first time that we have crossed the Rs 40 crore mark. And overall it grew 7.8% and 20.2% Y-on-Y, of which, you know, if you add the total income, it was Rs 42.56 crores.

The EBITDA has been Rs 8.01 crores. The margin- EBITDA margin has been 18.8%. The net profit has been Rs 5.54 crores, which has resulted into a net profit margin of just a shade over 13%. The total product revenue of this has been Rs 19.5 crores, which is up both Q-on-Q and Y-on-Y. The services revenue has been Rs 25.59 crores, which is also up Q-on-Q and Y-on-Y. Repeat and recurring has been about 92%. We added 2 domestic and 3 international customers in this quarter. The H1 numbers, the total revenue 77 point- the operational revenue 77.28 crores, total income from operations 82.07 crores.

EBITDA Rs 14.98 crores, margin 18.3%, net profit Rs 10.6 crores, which results into 12.9%. Uh, the product revenue of this has been Rs 36.56 crores, which is a growth of 27.9%. The total services revenue is Rs 40.72 crores, which is a growth of 4.9%. Repeat and recurring is 91.3%, and in total, 5 domestic and 8 international customers added. This is the breakup and the total revenue that we have, product plus services. 58% came from international customers. US and Canada accounted for 26.7%. India, it increased by 26.7%.

India has increased by 8.8%. Africa has grown 12.6%. Some of you who attended the last call might have recalled that Africa had not done that well in the last quarter, but it's, it's getting significantly better than before. Uh, the APAC has remained flat. Europe has grown slightly. The Middle East has gone down. We spoke in the last quarter about the stress in the Middle East region because of war, and I have to say that this continues unfortunately. We have had projects which were at the stage of go-lives and they have been stalled, and the environment hasn't improved substantially so far.

This is our geographic spread. Americas, We have given it on the, on the Q2 and the H1 basis. So if you see on an H1 basis, 57.3% is Americas, 25% is India, Africa is 7.8%, APAC 4.4%, Europe is nearly the same, 4.1%, and 1.3% is the Middle East. These are the industries that we have serviced. The The shape of the pyramid remains roughly the same. Professional services at the top, followed by manufacturing and EPC. Retail has become very important, and we are getting good traction in the Middle East.

We are finding- we continue to find traction on the education side, and then the remaining, you know, some business keeps coming in. The one change that we saw in this quarter was that the revenue from the top 5 actually became close to 30%. The top 10 became close to 40%. I think it should kind of cap at that percentage, but it is a reflection of Deeper customer engagements. We are doing more for the same customers, and this gives you a rough spread of how much we have from the first customer, second customer, and so on.

There is significant amount of investment that we have been incurring on building some products, and there is one product that we had given a view of in the last call. Product, as I mentioned earlier, is called Arc365. And during this period, which has been just a quarter, and we have been still- we are still in the process of development, we have 2 paying customers signed up. We have several conversations underway. I must say that this is a stage where we'll say there's only the early commercial validation happening.

We don't want to yet claim that this is going to be material revenue, but we are very hopeful because the customers who have seen it really like it. So this is now, as it has been named, Arc 365, and it is now a decision intelligence layer built for specific industries. And what you get in this is shown by the sequence. You have enterprise systems of ERP and CRM and maybe other solutions, and you basically know from it what's happening from the data. You then use machine learning and AI to understand what is this data showing.

You have then agents which help you decide what you should do and act And then you have a

learning loop in which you can- through which you can then over a period of time, as your data and your decisions grow in volume and they become statistically significant, you can improve this process of decision-making. So you have enterprise system, which give you governed data. And then you have Arc 365, which sits on top of it. And then gives you the decisions and actions layer. The H2 focus, of course, is converting the platform into engagement- platform engagements into services, recover more delivery operating leverage, scale productively in international markets, and productize Arc 365 for customer success.

These slides, anybody who has been in these presentations before would have seen these slides. The one change though is that we have inducted a new independent director, Mr. Rahul Gupta. He was inducted quite recently since ALLETEC is preparing to get listed on the main board as per the board and shareholders' confirmation recently. So Rahul was appointed to the board. We have one more independent director to appoint before we qualify structurally to apply to the stock exchange for the main board migration.

Rahul incidentally comes from a very deep background, both working in the technology sector but also in the venture capital- venture capital firms, and he is a fairly well-known VC working both with startups as well as with growth organizations, the management team that you have known of, and the statements that you might have already seen. Thank you very much. I will stop. Thank you, sir, for the presentation. All those who wish to ask a question may use the option of raise hand. One minute. Yes.

Yeah, so all those who wish to ask a question may use the option of raise hand. In case you are unable to raise hand, just drop your question in the Q&A box and we'll ask on your behalf. Sir, we'll take the first question from SD. Uh, SD, you can ask. Yeah, thank you. So in the last presentation, you have shown a product you are developing, Retail Growth OS. So what is the status of the customer engagement? As I mentioned in, you know, in the last few minutes, the product has been built for one industry to a large degree.

And the 2 customers that we are talking of are from this one industry, which is the retail industry, incidentally. So they are- we are in the middle of implementing the product there, tailoring it a little bit for them. And we have to understand that some of these early customers are also the ones who are helping us to mature the product. So they kind of become our engineering partners. So you should, you should think of it as a product which is mature enough to, you know, make a customer excited about it and give us a go-ahead to implement it for them.

But it still has a long way to go before it becomes ready for multiple industries and where we can say that for All industries, we have at least a couple of them in a production stage. Okay, thank you. I have another question. So in this quarter, we have seen that the customer additions are only, I think, 5 new customers. Our average is around 8, 7 or 8. Is there any- it is quite normal, right? It can happen sometimes. Well, I wouldn't say that. One thing I would say is that we are consciously trying to spend more time with the more sizable customers.

We have, as a result of which I would say our, the average deal size for us in this quarter has been higher than what it has been in the past, be it on the ERP CRM side or on the Azure and product side, the deal sizes have been larger. So we are by design trying to reduce the time that we spend on very small accounts. Okay, sure, sure. And the next one about the mainboard migration, when we can see it will be listed in the NSE mainboard? When can we expect? A little hard for me to give you a firm timeline, but that's what we are working towards.

I would not be surprised if this happens somewhere, maybe after the financial year end, or maybe

just before that, somewhere around that time frame. But by the time of our next earnings call, we should have a more firm date on it. Okay, thank you and good luck for the next quarter. Thank you, sir. We'll take the next question from Rishabh Joshi. Rishabh, you can go ahead. Hi, Ajay sir. Um, that, you know, the growth is accelerating again after a brief pause. Uh, so what I was trying to understand is, so, you know, I could see that there's been a significant meaningful growth, like you rightly said, in the product segment or licenses.

I was trying to understand if you can walk me through the journey for how the service revenue will actually start building up along with this. So my understanding is a little unclear whether it is the licenses and products that you provide are then followed by implementation as a service revenue, or is it that we get a foot in the door with the products and then we try to work on increasing the surface area and the basket with follow-on service work? Sure, that's an important question, and it's really- I will try to spend the needed time on this.

The most important thing is that Allitec now does everything that a customer requires in the space that we operate in, right from their enterprise applications, their infrastructure, security, modern workplace, data engineering, AI. So we have the ability to take our customers through the entire transformation, all with one single partner, which is us. Now, a customer's journey in some cases would start from him wanting to bring in place modern enterprise applications. So that is when he may start with an ERP.

Or he may want to transform his customer engagements. And that is when he may have a solution for either sales or customer service or field service or marketing. Or he may already be having some of those solutions in place and wanting to leverage what he has to get benefited from the AI capabilities that are available today. So the entry point could be any of those. And that is what having all the 6 competency areas with us helps us doing. In most cases, however, I would say the starting point is an ERP.

I would say in some cases it is both ERP and CRM, increasingly so, in fact. But we have customers who start from infrastructure services and security, and as things go by, then they start relooking at whether they need to modernize their ERP and do they need to have a different CRM application and what can we do with the data that they have. So not every customer follows the same path. We may have different, I would say, paths traversed by different customers, but they have the comfort that they can stay with Allitec as one partner who can give them all.

So makes sense. But what I'm trying to understand basically is how the margin sort of curve shifts from here in terms of, you know, when the service revenue, service revenue, my guess is, is higher margin as compared to the license part. So do you all have a trajectory that you all are internally working on towards how, when can we go back to our, you know, earlier margins? That's point one. And point two is if you can quantify for the development of these new capabilities and AI tools, what kind of CapEx or what kind of expensing are we doing on a quarterly run rate or on annualized basis?

No, you're absolutely right, Rishabh. The margin on services and particularly international services is significantly better than the margin that you get on the product side. Having said that, you also have to see that you can drive a larger product business with a significantly smaller number of people. So to get a certain number, certain top line from products, you have- you need just a handful of people. On the services side, you need a larger team. But the business that we are in We don't- it doesn't work to have one or the other.

The two have to go together. The other very, very important thing is that with AI coming in and with

all the frontier firms now bringing AI more and more into their product lines, the services business services, the shape of the services business is going to undergo some change. Things that we are- we were doing earlier manually now start getting automated. Things which we do today, some of them might come and become part of the product. So the winning formula always is that stay at the cutting edge and make sure that you are leveraging everything that technology and products make possible and you add value.

So this is not the time where you say that we just want to put hundreds of people onto the service business and get a margin out of that. We have to look at a solution. And absolutely this will happen that with time the licensing business might actually grow. But you see how it can grow. We saw in the international market, and this was an exceptional quarter, we had a 95% growth. This will not happen every quarter or every year. But this can happen without having to add any headcount. So we have to recognize what's happening in the market, what is changing, and get ready for it.

The other thing which will happen is the, you know, in the next, I would say, 12 to 18 months, the rate that you would be able to charge for providing your services, which are now AI-enabled services, would be higher than what we have been traditionally getting by just providing product-level services. So it's very- it's not easy for me to say how exactly this complexion will work out in the coming times, but this is evolving rapidly and we will see this reshaping in the next 12 months. So, sir, then for the foreseeable future at least, can we- should we assume that the new rate is sort of our operating EBITDAs are more around that 13 to 15% as opposed to what it was earlier, which was 20% plus?

I think you should think that, but, but, you know, I would want to say another thing. You see, in a situation where, you know, we want to come back to you and report to you every quarter, we also have to be cognizant that these are also the times when we need to invest. And we don't want to, you know, stop investing or hesitate from investing simply for the sake of showing you good numbers. We are deeply considering right now investing into building one more region. We are looking at deeply investing again into building of R365.

Now, for some of these, the options are that do you capitalize something or do you expense it out? And we are kind of at this point in time favoring expensing out everything that should be expensed out at that time. It is possible that we take those decisions more aggressively in the coming time and Because of those reasons, if margins dwindle, but that will be investing in growth. But from an operational point of view, you know, by the way, even the margins that you see today, a significant part of that cost has gone in the last 1-2 quarters because we have added headcounts in our international geographies.

You know, if you take those costs out, then suddenly these numbers will start looking healthy. But if we didn't make those investments, then today we wouldn't be feeling as confident as we are otherwise. No, makes sense. So my final question is a segue to this, is that, so what I'm understanding is you're expensing out most of your investments effectively in the future. And it seems that despite all of that, we are still able to maintain a profit margin. So what I was trying to understand is more the low-hanging fruit, which is that our cash pile is continuing to accumulate.

And now it has reached a point where, you know, adjusted for cash, the current market cap is like, you know, in double digits, like 65-70 crores is where the stock price has sort of reached. So don't you think, sir, that maybe we need to find some solution to this increasingly, you know, large cash pile that is coming, whether if we have a very clear use case for it or if not? So maybe we can, you know, give it back in the form of a buyback or dividend or some sort of a way to just, you know,

bring the EPS up in this phase while your, you know, operating cash is surfacing for your investors?

Absolutely, absolutely. And, you know, those discussions have been on table. At the same time, even currently, there are 2 businesses that we are in early stage of having conversations with for a potential acquisition. Now, those things may happen, may not happen, and for that reason, they are not even a part of my presentation because it doesn't make any sense Correct, sir. But we've been hearing about this, you know, potential pipeline for, for a long time now. So exactly, and that is, that is what- are we going to continue to, you know, exactly keep the cash on the books?

Yeah, exactly. So as long as we, as long as we are hopeful, uh, and working towards it, uh, you know, some part of it may still be utilized in manners that you are suggesting, uh, and obviously this will be a conversation, uh, with the board members Now that we have more additional independent directors, and we will have one more, as I said, in the next quarter or so, or sooner. So this matter will be with the board for deliberation and decision. But we would still want to maintain the leverage of cash in case we succeed in finding somebody that we think is good to acquire.

So, sir, can we, can we get some kind of a, you know, deadline by which you can commit to buy, you know, maybe 1 year from now, 18 months from now, definitively? We will have at least a usage of that cash, whether it be for investments, whether it be for acquisitions, whether it- and if by that time if you are not able to use it, that there will be another clear roadmap to work. So, Rishabh, the only thing, the only thing I can say is that this is a conversation that we are- we have had and we will have again with the board members.

Now, without any direction from the board, it will be completely impractical for anyone to conceive that I will give a deadline for something like this. Okay, sir, thanks a lot and wish you all the best. Thank you. Sir, we have the next question from Rishabh Tripathi. Rishabh, you can go ahead. Uh, thank you, sir, for taking my question. Uh, one of the things that truly stand out in the slides were removal of, uh, the Rs 500 crore vision, uh, and I really appreciate that because, uh, The time is really uncertain, uh, and this would be a request from my side is whatever needs to happen to the stock price has happened.

The only feedback is going ahead, keep us grounded, keep analysts, keep our expectations set. I know it is fuzzy right now, the environment, uh, but keep us as close as possible to ground reality and, uh, we will surpass this period as well. So my question, sir, uh, is on the line of, uh, I think what this, this is very common in all the calls specifically to the IT/product companies is there was a period over last 1 year, a lot of unacceptance of things are changing. But now we see that managements are accepting that things are changing and we are living in a time that dependency on one type of product or one type of services, we will need to create optionality.

And Arc 365 is like our in-house product. So are we Working on multiple things, or this is only one thing? And are we looking towards becoming implementation partner for more of the things apart from Microsoft 365, maybe cloud implement- cloud implementation partner? How we are planning to increase the optionality in the business given the scenario has entirely changed now? Rishabh, I'm a little unsure how much you have had an opportunity to know what Allitec does. As I mentioned, you know, early in my presentation, we are Microsoft's partner for all the 6 competencies.

And these competencies, of which the business applications is only one. You have the other competencies which are modern workplace, cloud infra, which is Azure infrastructure, security, data engineering. So these are all competencies that we are solution partners for, recognized by Microsoft and our customers. And we currently work on all these areas with our customers. So it's not just one thing. The Arc 365 is an IT investment We are building on top of what Microsoft

provides, but this is not the first time that we are investing in building an IP.

We, for example, have industry solutions, be it for education, it's called EdTech 365, for EPC companies, EPC 365, for travel companies. We have 5, 6 different industry solutions, and we then also have some horizontal solutions. These solutions enable us to get a head start on our projects and in our presales. But Allitec is not doing just one thing. It basically is doing everything that a customer needs today, a business needs today to transform itself and be ready in the AI age. Thanks, sir. So my second question Would be in line of, uh, we see an increase in, uh, product revenue, uh, but service revenue- so I just wanted to understand, uh, for our business, is service revenue will be followed by once the product are sold, now we will be like implementing through our services?

So it should be expected that every time there is a rise in product revenue, this will be followed by subsequent increase in service revenue? Uh, No, that's not quite right understanding. There are areas of our solutions and services where the product goes first and the services side may follow much later, which is, for example, the area of Azure infrastructure security. We will have one, let's say, an implementation project But the adaption of licenses depending on the size of the organization can keep growing and the services may not necessarily grow in the same proportion.

On the other hand, however, when you come to the business applications area, the product and the services side, they go together, they go hand in hand. You basically do an ERP project on base of the Dynamics 365 ERP solutions. Or you do the CRM or a combination of the 2 based on the product that goes with it. So different offerings have different nature, uh, and, uh, everything doesn't follow the same path. Okay, I will join back the queue for the follow-up. Thank you, sir. Okay, thank you. So we'll take the next question from Sai Kiran Mungula.

Saikiran, you can go ahead. Thank you for taking my question. So I have question on the client side. So as we have stated in the last calls too, that we are targeting more of $50 million to $1,000 million of clients. So I just wanted to understand the client acquisition part over there, as we have been hearing that small clients are easy to acquire and also they go away easily. So I wanted to understand on the mid-level client. So if you could help me with what specifically you want to understand.

So I wanted to understand whether these clients are sticky or not. Once you- is it very tough to onboard them and is it very easy for them to leave away? For sure. The larger a customer, the longer and more intensive is the due diligence there. The larger businesses are more structured and they have teams dedicated for many of these functions. They do their work and they have an- they have a broader, more formal internal approval structure. So they take longer, but then they also make bigger investments.

They have budgets for undertaking multiple initiatives, and as long as their appetite stays, and as long as we keep doing a decent job, our opportunities stay alive. Okay. And are we seeing any change in the decision cycle? As earlier we have been saying that it has been elongated. So has it reduced now? See, these things have become very fragmented geographically. As I've been- I've mentioned in the last call, the Middle East is significantly I don't know, paralyzed may be a very strong word, but extremely hesitant even now.

So even some of the, you know, very important projects we had undertaken a couple of quarters back have stalled because of all the war stuff. The Houthis attacking Saudi Arabia has been a big problem which has impacted the work in that region. But I would say Africa has always been slow, but it's getting a little bit better, though the decision-making is still nowhere in comparison to what

you would see in the US. I would say US is warming up, you know, it's better than before, but, you know, it's probably some time before we can say That there's a significant difference.

But overall, I would say barring the Middle East, rest of the regions have shown improvement. Got it. Got it. And on the cybersecurity front, are we seeing any traction on that front? And are we only, as in the last call, I think we mentioned that we are only looking at the service part. So are we looking at any embedded product on that side? No, no, I, maybe you missed it, but you know, we, the, the security side is led by products. And supported by services. But, you know, let me invite Sandeep Salman to give his comments on that because he is the person who leads the cybersecurity business.

Am I audible? Sir, you are audible. So, uh, our MWP, and, uh, which is modern workplace and security business, has substantially grown, uh, this year, as we had spoken last time, that we are building some traction and we have acquired some large customers. So quarter-on-quarter growth has been 42.9% on the security front, which means that, you know, we have acquired a couple of large customers and we have engaged ourselves in 2 verticals. One is on the email security front, and we have started our VAPT practice.

That is where, you know, we have, we have done pretty well. And for VAPT, we have We're talking to almost 5 customers now, both India as well as international. So that will predominantly give us substantial growth next quarter as well. As far as the MWP is concerned, you know, the modern workplace, as Doc said, that we have acquired a large customer which has given us the growth in terms of both Office 365 Copilot, and on the again that customer also has email security perspective. We've done that.

We've also enhanced the footprints on our you know network layer security front, which is firewalls and WAFs. We have implemented solutions on-prem and on cloud for three customers. For both application security and network security. So that is how the traction is increasing on the security front. Got it, got it. And on the, uh, just last question, as we- so if you look at the numbers of Africa revenue has been increasing, so I just wanted to understand, so is it a client who is in the mid-level or is it a small client?

No, no, it's not a small client and it's not one client. One of them is in the retail business, the other is a manufacturing business, and they are all mid-sized customers. Got it, got it. Thank you. Thank you. We'll take the next question from Rishabh Tripathi. Rishabh, you can go ahead. Uh, yeah, it's a follow-up question. So one is bookkeeping question. So sir, what is our constant currency growth year on year That's the first question. And the second question is on the cybersecurity front, sir.

I just wanted to understand more about like what we are trying to do. Is it also linked with Microsoft services or it's an independent vertical which will grow independent of whether our services and products that we are selling for and providing for Microsoft? These are the couple of questions. Thank you. You see, for Microsoft, we are a security solutions partner. So when we are pitching in to a customer, we are looking at which solutions and products of Microsoft can be suitable for this customer.

Now, there can be a situation where the customer has a need for something where a solution other than Microsoft is better suited, in which case then we go and work with other OEMs to bring that solution in. But when we first go in, our first approach is to look at what does the customer require and which products of Microsoft are suitable for this requirement. When there is something is not a good fit, then we go for third party. So this is respected to, uh, with respect to cybersecurity? Yes. Okay, so, sir, but, uh, isn't like cybersecurity is like a very big opportunity?

It can be treated as something where we can create products specifically which can be sold not only for this applications but for wider implementation. Um, that's just a thought, uh, but, uh, okay, the, the other question related to Constance currency growth, if we can get that number, that would be really helpful. I will ask Sandeep to come in and provide that. I, I think the, the quarter-on-quarter, I know, was a constant currency, was 2.5% approximately. I don't have top of mind, uh, Y-on-Y. I, I can provide the data.

Yeah, yeah, for QOQ, uh, the constant currency growth is almost, almost similar to what we have on the basis of actual growth. And of YOY, it is 14% as against 20%. Okay, got it. We have the number. Thank you, sir. Thank you, sir. We have received some questions in Q&A box. This question was asked by Pratik Shetty. Management had indicated in the past that they would try to get large orders around $1 million of recall, uh, if I recollect. Is there any momentum on that? Yeah, so, you know, if you look at the order book that we would have signed up in the last quarter, it will be maybe a little bit less, but not very far from $1 million of order book that we would have signed up in the last quarter.

About half a million was from just one customer. Another $200K from another customer, a customer in US, another about $180K. So the order book would definitely have been about- yes, Ritu? Thereabout that, yes. Yeah, I think our overall order book, and, you know, including India, would possibly be over $1 million in the quarter. Okay, and there is one more question. This question was asked by Prudhvi Raju. The question is, currently the AI models are able to replace some layers of software development and maintenance.

Our business model is based basically in the application layer of the software tools, which is currently less impacted. What if the AI models get into application layer of the software too? How do we tackle that? So first of all, the good news or the bad news is that the AI models are in the application layer as well. The AI does understand businesses in the same way as they are understanding. I mean, coding became one of the first very effective applications of AI models. But the very fact that AI now really understands you and understands your business opens up new opportunities.

It opens up for us the opportunities of doing more than the routine ordinary stuff that one had to do over years. Anyone who stays stagnant and wants to continue doing what he has been doing for years will face problems. So the winners are those who will keep adapting and looking for newer opportunities. AI basically helps you know what is going on, it helps you explain things, but you still have to bring it in a manner where an enterprise can adapt it. If you see all of us today, we use AI for personal productivity.

But if you look at an organizational level, the organization still does not gain much because people are using AI. And I think that is a very fundamental challenge that we are trying to solve through Arc365. So we are bringing through Arc365 AI right at the point of work. We are enabling people to see the implication of not- we not only show them what has happened, we show them the implication of what has happened. And we show them what possible decisions can be taken and help them take those decisions.

So this is something that we were, for example, not doing a year back, 2 years back. And we are able to do this only because there is AI. So things are going to change. We have to smell the coffee. Go with the change, adapt with it, and grow with it. Okay. And, uh, sir, other, uh, the other question is for inorganic growth. What, what are, uh, kind of businesses being considered for acquisition by us? By acquisition, are we looking at geographical expansion within the same business area or

expansion in any new, uh, business segment of services directly related, directly related to our businesses?

Or entering a completely new business which might not be direct- directly related to our business area? Okay, so one thing I can say with ease is that we are not looking at a completely new business that we have no idea about. Uh, so that's not what we are doing right now, unless something compelling comes up and we start looking at it, in which case we will be happy to come and report to you. But at the moment, the areas that we are looking at are either our own area in a different geography or areas which are related overall to data engineering and AI solutions.

And that is where we are not really constrained by geography. We are looking at what these companies are doing and seeing that how we can, at a fair valuation, make them offers and how can we become bigger together. So it's not- we are not looking at just opportunity to deploy funds. We are looking at what can help us increase the business. Okay. And the other question is, currently the AI models are able to replace some layers of software development and maintenance. Our business model is based basically in the implementation layer of the software tools, which is currently less impacted.

What if the AI models get into implementation layer of the software too? And how do we tackle that? So for sure, in the next 2-3 years, you will see this happening. And this is not going to come to us as a surprise. In the next couple of years, the screens will get replaced by agents, right? So anyone who has been tracking and understanding- I will give an example. The ERP business, you know, let's say 5 years back, ERPs were largely implemented on-prem, or let's say 6, 7 years back, ERPs were implemented on-prem, one-time large license sale, and then you had revenue coming from upgrading the ERP maybe every year.

Now, when the ERPs have come to the cloud, this upgrade every year revenue has just evaporated because anything which is on the cloud gets automatically upgraded. But that does not mean that our business has evaporated. There was a time when these upgrades would constitute of maybe 30%, 40% of the business. But then this upgrade going away has not reduced our business because there are other things that have to be done. The cloud also gave us the ability to bring to the customer the platform on which the ERPs are hosted.

We started getting recurring revenue. As the customer grows, they have more need for product, and that gives us more product revenue. So that's a recurring business which has only strengthened over a period of time. Earlier, it used to be like one-time large sale, and, and then you have to wait for the next time that you are doing the sale. So all these changes will happen, and we are working with our eyes and ears wide open to see what's changing and adapting to it. Since there are no further questions, would you like to give any closing comments, sir?

Well, not really. I mean, I really want to thank everyone who comes to our calls, and I hope that I have been able to give some view of what's happening within ALLETEC and how we are interacting with things that are changing around us. We will- we look forward to keep doing this. We continue to work on what needs to be done to move to the main board. We continue to work on seeing sensible deployment of the funds that we have. We continue to grow more aggressively in the market and be more, you know, I would say meaningful to our customers and be more impactful to our customers.

We keep building things which our customers are likely to require. We keep investing in building those skills and bringing the the discipline and the rigor for both sales and deliveries, and we will continue to do that. Thank you very much, uh, and enjoy the rest of your evening. Thank you, sir. Thank you to the management team for your valuable time, and thank you to all the participants for

joining on the call. This brings us to the end of today's conference call. You all may disconnect now. Thank you.

Thank you.