Management Discussion

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Okay, thanks, Anne. Uh, uh, before I start, just to add, uh, our company secretary Varika is also in the call, so we have all the 3 KMP, uh, representing, uh, represented, uh, the 3i in this call. Okay, let me start. Good afternoon everyone, and, uh, thank you for joining us for 3i Infotech's Q2 and half-year 1 FY27 earnings call. Uh, it's my pleasure to connect with our shareholders, analysts, and stakeholders as we review our performance for the first half of the financial year and share our outlook for the period ahead.

At the beginning of FY27, I had spoken about our transition from building the foundation of transformation to deliver measurable business outcomes. During the first half, we have made steady progress in strengthening our core business, improving execution, and aligning our organization with our evolving capabilities. We are done with the base work of building capabilities and execution, uh, and now as we move into the second half of FY27, our focus is on building business momentum, expanding our market presence, and driving sustainable profitable growth.

We will continue to prioritize operational and delivery excellence and disciplined execution as we advance towards our Vision 2030 ambition. I believe the progress made so far provides a strong foundation for the next phase of our journey, where our priority will be to translate our strategic initiatives into consistent business performance. With this context, let me take you through our financial performance. Key business developments, and strategic priorities. Let me begin with our financial performance.

During Q2 FY27, revenue from operations stood at approximately 182 crore, representing year-on-year growth of around 4.1% and sequential growth of approximately 2.3%. For H1 FY27, revenue from operations reached approximately 360 crore, around 4.2% higher than the corresponding period last year. For the second quarter, EBITDA stood at 13.7 crore with a margin of approximately 7.5%, and profit after tax was 6.7 crore. For the first half, EBITDA stood at 25.2 crore with a margin of approximately 7%, and profit after tax was 13.2 crore.

The numbers are strictly not comparable to the last year's numbers where we had one-time income of approximately 27 crores net of taxes in the first half of the last year due to US ERC credits. For the H1 FY27, despite investment of working capital in new contracts for more than 20 crores, especially in India and Middle East, and expanding capabilities through COEs, cash flow from operations were positive at 2 crore, adding to our cash reserves. Our focus remains on sustaining growth in both operating revenues while improving delivery productivity, strengthening cost discipline, and enhancing the quality of our business mix.

We are aligning our investments in sales, talent, and technology with opportunities that support strong operating performance over time. Our results include investments made so far in creating capabilities through AI, automation, ERP, security, and application modernization center of excellences, adding relevant subject matter expertise, completing creation of our leadership team, and investment in processes and technologies. It also includes one-time costs pertaining to cybersecurity event, some old tax dispute settlements, and legal costs pertaining to our investment investor matters.

We continue to maintain a healthy talent environment with voluntary attrition declining to 18% in half-year FY27 from 22.2% in half-year FY26, reflecting improved workforce stability and the positive impact of our people-focused initiatives. Turning to our business performance, Q2 FY27

saw continued momentum through new business wins, contract renewals, and expansion of existing engagements. We added 25 new clients during the quarter, strengthening our presence across banking, insurance, energy, manufacturing, government, consumer, and technology sectors.

In India, our engagements covered application development and maintenance, infrastructure management, data analytics, and business intelligence. Internationally, we secured opportunities across North America, the Middle East, Asia Pacific in digital engineering, cloud services, APIs integrations, DevOps, and automation. Our efforts to diversify the consumer portfolio are also reflected in the revenue mix, with the contribution from our top 5 customers declining from 27.2% in half-year FY26 to 23.5% in H1 FY27, reducing concentration and strengthening our business base.

During the first half, we recorded a total contract value order booking of 467.3 crores and annual contract value of 379.5 crores, including renewals and new businesses, reflecting continued business opportunities across our portfolio. Going forward, our focus will be on strengthening existing accounts, acquiring new customers, and converting our opportunity pipeline into larger solution-led engagements to support sustainable growth. Coming to the geographical performance, our international business continues to be the key contributor to overall performance, with the US remaining our largest market, accounting for approximately 49.1% of Q2 FY27 revenue, followed by India at 34.9%.

The Middle East delivered strong growth with revenue increasing 54.3% quarter-on-quarter to 24.5 crore, driven by new business engagements. During the quarter, the US contributed 89.4 crore, India 63.6 crore, and Asia Pacific, 4.5 crore. Going forward, we'll focus on strengthening our presence across key international markets, expanding strategic accounts, and pursuing new opportunities aligned with our evolving technology capabilities. We are also focusing on increasing our base in new geographies added last quarter, namely Canada and East Africa, where the initial interactions have been good creating a reasonable funnel in the very first quarter of operations.

As part of our ongoing business transformation, we have moved towards a more capability-led structure. Building on the center of excellence-led model introduced last quarter, we have aligned our business offerings with our growing capabilities to better serve our customers and support technology-led growth. Effective October 26th, we transitioned our business into 3 capability-aligned service lines to depict our new and evolving center of excellences. One, Digital Engineering Services, which was formerly known as Application Automation Analytics Division.

Second, Cloud Infrastructure and Security Services, formerly known as Infrastructure Services. Third, Business Process Services, which retains its existing identity with an enhanced focus on AI and automation-led services. This transition brings together our domain expertise, technology capabilities, and delivery strength under a more focused structure. Our objective is to move beyond individual service engagements towards broader integrated solutions and long-term customer partnerships. With this business realignment, let me take you now through the performance of our 3 business segments.

Digital Engineering Services remains our largest business, contributing approximately 74.1% of, of FY27 revenue. With capabilities spanning application engineering and modernization, enterprise applications, data and analytics, intelligent automation, and quality engineering, we are focused on supporting customers in their digital modernization and transformation journeys. Cloud infrastructure and security services contributed approximately 17.9% of H1 revenue. Our focus in this unit is on strengthening capabilities across hybrid cloud, cybersecurity, digital workplace, enterprise automation, and AIOps to help customers build secure, resilient, and efficient technology

environments.

Business Process Services accounted for approximately 7.8% of H1 revenue. There are a lot of headwinds in this business due to increased usage of AI automation and regulatory tightening, in especially in BFSI segment in India. We continue to enhance our offerings across customer experience, intelligent business operations, and digital registrar services, leveraging AI and automation to improve efficiency, quality, and scalability across all 3 businesses. Our emphasis remains on developing market-ready solutions, strengthening delivery capabilities, and translating our expertise into measurable customer outcome.

Alongside our business capabilities, artificial intelligence remains an important focus as we continue to integrate AI and automation across all our services, platforms, and internal operations. During the quarter, we advanced our capabilities in GenAI, agentic AI, intelligence automation, and AI-led quality engineering while developing a centralized AI repository to bring together reusable solutions, frameworks, and use cases. Our technology capabilities are supported by over 150 data and advanced analytics professionals and 350 certified automation and quality engineering specialists serving more than 20 active customers globally.

Going forward, our focus will be on translating these capabilities into scalable AI-enabled solutions that improve customer outcomes, enhance delivery productivity, and create new business opportunities for us. To create an enhanced value and focus synergies, we have decided to integrate all our AI analytics and automation COEs into a separate legal entity. These businesses require a different rhythm with consulting and senior-level partnership mindset to be successful. To enable this, the board has already approved setting up of a subsidiary in their last meeting, which is part of our stock exchange filings.

We also might look into some partnership in this entity in future to increase share overall stakeholder value. To further support our technology-led growth, we continue to strengthen our Nure platform ecosystem and proprietary solutions, focusing on scalable offerings that complement our core business core services business. There has been some improvement both in product and GTM strategy in this area, which should mature by the year-end FY27 and will start adding their weight to the 3i story.

We are also deepening our strategic technology partnerships to expand our solution capabilities strengthen market reach, and create new business opportunities. Our emphasis remains on leveraging these collaborations to deliver greater customer value and support long-term growth. With the addition of leadership in this area, we have started working closely with large partners both in India and internationally to focus on long-term industry-specific solutions rather than just being in services. As we move forward, operational efficiencies, delivery excellence, and accountability remains key priorities.

We continue to strengthen our delivery practices, optimize resource utilization, and leverage automation to improve productivity and support sustainable profitability. Our people remain central to this transformation. We are investing in leadership development, multi-skilling, and future-ready capabilities across AI, cloud, cybersecurity, and digital engineering to support our evolving business needs. Our 6-pillar framework People, Process, Productivity, Platform, Partnering, and Profitability continues to guide us our efforts towards building a stronger, more agile, and scalable organization.

Before moving to our outlook, I would like to briefly touch upon 2 ongoing matters. The RailTel contractual dispute continues to progress through the arbitration progress, while the e-Mudhra related matter remains under review post-response from EOW, and we are expecting closure of the

matter in the current quarter. In parallel, we continue to work on old legacy matters pertaining to RBI, FEMA entity simplifications, and closing old intercompany transactions. Being old matters, the progress has been slow but steady, and the impact of that will continue to be part of our financials and disclosures as per requirements.

We remain committed to following the appropriate legal processes and will keep stakeholders informed of any material development as required. Looking forward to second half of FY27, our priority is to build on the progress made so far by driving business growth now, strengthen by strengthening our sales pipeline, expanding customer relationships, and converting our COE-led capabilities into larger solution-led opportunities. We'll also continue to advance our AI and platform initiatives, develop industry-focused offerings, and improve delivery productivity to support sustainable and profitable growth.

Our Vision 2030 is not just about achieving a financial milestone but about building a stronger, agile, and technology-led organization recognized for its capabilities and customer trust, and consistent execution. The first half of '27 has laid a foundation through our business alignment, capability development, and operational improvements. Our priority now is to translate this progress into measurable business outcomes and long-term value creation for our shareholders. I believe we are moving in the right direction, and my leadership team and I remain focused and committed on delivering the next phase of our transformation discipline and commitment.

Before I conclude, I'd like to thank our customers for their continued trust, our technology partners for their collaboration, and our employees for their commitment and dedication. I also extend my appreciation to all our shareholders and investors for their continued confidence and support. We remain committed to building a stronger, more agile, and technology-led 3i Infotech with a clear focus on sustainable profit growth and long-term stakeholder value. Thanks again. Thank you once again for joining us today.

With that, I'll hand over the call back to the moderator for the question and answer session. Thank you.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. [Operator Instructions] The first question is from the line of Rashta Saifi from Robo Capital. Please go ahead.

Rushda Saifee - Analyst, Robo Capital
Good afternoon, am I audible?

Operator
Yes, ma'am.

Rushda Saifee - Analyst, Robo Capital
Okay, I just wanted to know what do you expect the revenue growth to be in H2F by '27 and '28?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Uh, if the question is only on the revenue numbers, uh, we don't give any, uh, Uh, like, say, uh, outlook for the future as of now, uh, what we are expecting is this momentum to continue to build and the growth will continue from where we have finished the H1. Uh, we have set the pace, uh, at

this point of time, and from here, the only based on our order booking, based on the funnel what we have, and based on our customer relationships what we have built in the in the last 1.5 to 2 years. Now we are working on increasing the revenue base from here to the next levels. I we don't give a formal outlook of the numbers, so all the numbers are in line with what we have given our vision of 2030, and we are progressing towards that.

Rushda Saifee - Analyst, Robo Capital
Okay. Um, the second question is that in the last several years, our revenue growth has been pretty modest. So what type of growth catalyst do you see in future for our Vision 2030?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Uh, so, uh, uh, the revenue growth has been modest, and, uh, in the past I don't know whether you have followed our past interactions uh, we have given that, uh, guideline that the revenue growth will be, uh, like the revenue will be decroing in FY26, and FY27 will be modest growth. They are in line with the expectation which we have set for the market. And the reason is that the last FY26, we had taken a lot of time to clean up the whole revenue book, and we have decided to give up some of the businesses which were loss-making or very low margin businesses, not adding value to our overall well, the market value.

So FY26 was announced that will be degrowing. In FY27, we said that since we are building up capabilities post the issue of our rights issue which we did in October, uh, and then those funds have, are, have, uh, are being invested into the next level of growth. And that has taken some time from October since we got the funds and, and then investing those funds into building capabilities, center of excellencies. And now we have started seeing the modest growth, and now after that we will start seeing more than modest growth in the next, uh, 1 or 2, 3 quarters to go.

And the growth catalysts are going to be more in the new-age technologies. Our focus has been very, very clear. Uh, there are few areas where we are focusing in building capabilities beyond a reasonable investment, which is AI-led technology platforms, then the cybersecurity, cloud And other automation-led opportunities. So these are the 3 or 4 areas where we are very, very focused to grow beyond a reasonable number.

Rushda Saifee - Analyst, Robo Capital
Okay, thanks so much. That's, that's all from my side.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Thank you.

Operator
The next question is from the line of Sanjay Rawa, an individual investor. Please go ahead.

Sanjay Rawa - Analyst, Individual Investor
Hi Raj, uh, good afternoon. Uh, hope everything, everyone is okay, all going well. Uh, congratulations on the good set of numbers. I had a few questions, uh, more on the operating side. Uh, I'll come back if the time permits on any other questions, uh, that I have. So first is, uh, if, uh, we can indicate what's the revenue growth in constant currency in both Q-on-Q and year-on-year? That was my first question. Second, you know, looks like the DSO has gone up. So how is the company looking into getting this on track and improving the cash conversion cycle?

That was my second question. Third, I think that the tax there is no tax provision for the quarter. So

is it, uh, something that has been looked into going forward, or how is it, uh, you know, placed for this quarter? So other question, these are one more question. With the rupee, you know, uh, appreciating, is the company looking into any hedging policy to cover any forex risk that may come into the P&L, you know? In the future period? These are my few questions, Raj. Uh, I'll come back if the time permits later.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Thank you, Sanjay. Thank you for joining this call. And, uh, being an ex-KMP of the company, uh, I think, uh, it's good to hear your voice again after some time. Revenue growth in constant currency, uh, we actually don't, uh, calculate and don't publish Uh, because all our units are self-sufficient in nature. Like, say, the US has its own operations which is, uh, which is managed from US other than a small, uh, uh, like, say, thing which is done off-site. Uh, we can calculate and maybe we can publish that going forward.

Uh, and, uh, so everything is like, say, consolidated at the latest currency levels as of now. So maybe I think that's one parameter which we don't track, but we can look forward to adding that parameter also in future. Our US, especially US business, which is 49% of the total business, is basically self-managed because most of the business is managed through the staff in US only. So while my revenue is in US dollars, my cost also mostly is in US dollars except for a very small portion which have which happens from India.

Uh, the DSO number has gone up, yes. Uh, and the DSO number, there is a specific reason. Uh, we've got 2 big opportunities in Middle East and couple of reasonably sized opportunities in India which has built up in like, say, end July, beginning of August times. So the collections have started happening post-September, and that itself has added roughly around 20 crore of receivable in, uh, in, in the last 2 months. And the collection obviously has started happening in Q3 onwards. So prima facie, it looks like that the DSO has gone up because we got revenue only for 2 months, and then the complete revenue is outstanding as well.

September. But as we go forward and the, uh, and the cycle will keep improving and the revenue will start getting accrued for the full quarter, uh, the DSO will, will come back to the normal, uh, levels. Uh, tax, as you know, uh, we, we have carry for huge carry-forward, uh, tax losses. Uh, because of that, in India there is no tax liability, and U.S. Tax liability is calculated based on there also we have some carry-forward adjustments to be done. Based on that, the teams have done in consultation with the statutory auditors and made relevant provisions, whatever is there.

So there is no exposure or there is no under-provision of the taxes in that regard. Uh, we, we have a hedging policy not to hedge forex exposure, and then the reason is very clear, which I just mentioned in as a response to your first question, uh, that most of our US operations are independent. While my revenues are in dollars, my cost also mostly is 70% or so in dollars. So, uh, they are self-hedged, uh, from that point of view, and that's why we don't have hedging policies on, on that. We have a hedging policy not to hedge.

Yeah,

Sanjay Rawa - Analyst, Individual Investor
okay. So I was, I was more into, you know, because, uh, uh, as part of the receivable in India, uh, from, uh, the exposure that we have in various countries. So that part, are we covering? Because that, that movement, uh, hits the P&L, or it comes back as a, you know, income in the P&L. So if we cover that appropriately, the, the variation may not hit the P&L as much. That's the reason I was

more, uh, you know, covering the question on hedging. Uh, and on the, on the constant currency part, that would be great if that can be added, because we'll know the true, uh, revenue growth Uh, in the consolidated books, uh, because most of the element, uh, you know, when the dollar either appreciates or depreciates, it has the impact on the growth, on the revenue.

Uh, my one more question I had, Raj, before I, uh, you know, uh, come back again is, is the wage increase taken, uh, into account, uh, or that is going to come in, in the future quarters?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
It'll come in the future quarter because our wage increase happened from October 1st. So quarter 3, we'll see a uptick in the wage cost.

Sanjay Rawa - Analyst, Individual Investor
Any impact that we see on the EBITDA levels? Because there is a good improvement in EBITDA. So do we see any or that is getting nullified in the margins? Yeah, it

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
will get nullified. I'm not seeing any impact to flow through the EBITDA and the PAT levels. So it will be self-funded.

Sanjay Rawa - Analyst, Individual Investor
Okay, thanks. I'll come back again if the time permits. Thanks. Sure,

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
sure, Sanjay. Thank you.

Operator
Thank you. The next question is from the line of Deepak Karwa, an individual investor. Please go ahead.

Deepak Karwa - Analyst, Individual Investor
Hello. Hello.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Hi, Deepak.

Deepak Karwa - Analyst, Individual Investor
Hi, Raj. Audible?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Yes, you are.

Deepak Karwa - Analyst, Individual Investor
Okay. Hi, good afternoon and congratulations on a good set of numbers. I have a couple of questions regarding the business and the balance sheet. So, uh, like recently you stated that, uh, you have realigned businesses into DES, EIS, our legacy, from October 26th, uh, supported by our 12 specialized CEOs and the 2 corporate CEOs. So how is this new structure translate into measurable productivity gain tailwind and profitability.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Okay, that's the only question. You want to finish all? I have multiple questions.

Deepak Karwa - Analyst, Individual Investor
could I tell it?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
you can just mention all and I let keep noting.

Deepak Karwa - Analyst, Individual Investor
[Foreign Speech] also in and investor presentation, we have stated that we have some legacy issue, legal proceeding is pending. And also on a balance sheet front, we have a short-term borrowing increasing to the 40-45 odd crores. With cash in hand, we have nearly 70-75 odd crores. So like, what led to increase in the borrowings? Like, how does we are planning to balance working capital and investment growth?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Okay, anything else, Deepak?

Deepak Karwa - Analyst, Individual Investor
Uh, no.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Hello?

Deepak Karwa - Analyst, Individual Investor
Hello? Yes, please.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Yeah, okay. So, uh, with respect to the realignment of the businesses, uh, what we are trying to do earlier, uh, we had a very confused structure where we were trying to do everything, whatever comes in our way, uh, for the customers. Now we have started working on setting up of the COEs, which is very, very focused on the offerings what we have, and we don't offer anything which is not there as a part of our, uh, the COE structure. So the COEs which we have created and some of the COEs which I mentioned during my, uh, like say text, what I just mentioned about AI, uh, cybersecurity, cloud automation Uh, and, uh, your hybrid cloud.

So we are working on some of those COEs, create a value for us. So the business realignment is happening to this COEs and business units. Each business unit, like I explained last time also, is supposed to be an independent business unit, completely independent business unit. Which will have its own pipeline, which will have its own funnel, which will have its own relationships, partnerships, and the capabilities, SMEs, and delivery models. So each of those COEs will be treated like a separate business unit, and they will be evaluated based on their individual performances, other than the corporate function, obviously, which remains at the center.

So that's the thought process, that's the working model which we have created, and each of the business units and each of the, uh, the COE will be monitored and evaluated based on their initial performances with no connection with each other's performance, which was not the case earlier because we were, we were monitoring it only at a AAA or an infrastructure level and not the business line-wise. So that will help us in very focused approach across all our LOBs. Uh, okay. On

the legacy issues, uh, we had a couple of legacy issues which we have been reporting, uh, over the last, I think, almost 3 years now.

Uh, majority of that, uh, had been cleared, but there's a lot of items still pending. So which I also mentioned during my, uh, text, uh, one is there is old RBI and FEMA issues which we had represented to RBI for closing those receivable payable settlements of that, and that application is still pending with RBI, and we are actively working with RBI on that. Secondly, there's a lot of old receivable and payable within our intercompany, uh, companies, and obviously we can't write off, write back without looking at the complete tax and accounting implications of that, including if there's a FEMA requirement there.

So we are working entity by entity and clearing it up. And like you would have seen, uh, the last 2 annual reports, our number of subsidiaries have come down forced resolution of some of those balances, and there's some more subsidiary which keeps getting closed, cleaned up, uh, after we do a proper analysis of the tax accounting and the legal, uh, aspects. So RBI FIMA issues are still open, some of them are open. Similarly, some of the intercompany old transactions are open. The biggest legacy matter, which is e-Mudhra, Uh, where we are, uh, where we have done a legal, uh, complaint against the Mudhra promoters.

That also is being discussed and sorted out with the new information which we have received, uh, the AOW and, uh, think other things which where we didn't have a direct access being a private company. So we have got a little bit more information which is being evaluated and will take a call very soon. And, uh, so that's on the legacy issue.

Deepak Karwa - Analyst, Individual Investor
On the balance sheet side yes, yes, please.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Yeah, and on the balance sheet side, on the short-term borrowing increase, uh, there are a couple of things which you need to understand on that borrowing. One is that in India, uh, after the rights issue proceeds were received Uh, we have done, uh, short-term investments of that into the FDs and into the bonds and other things, uh, we have for parking those funds. And we found that, like, say, it is beneficial for us not to break those FDs because the loss on breaking the FD is higher than the savings.

So we are keeping those FDs, and against the FDs we take loans, uh, short-term overdraft facilities. Which gets used in the last day of the month because of salary payouts and all, which gets recouped in the next week immediately after that. So at any month end or the quarter end, you will see the borrowing number goes up, but that's not the average number. Average number is hardly maybe 15-20% of the balance sheet number.

Deepak Karwa - Analyst, Individual Investor
Okay. Uh,

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
these gets repaid in the first week of, uh, then instead of breaking FDs and taking losses for that. So these are more like working capital borrowings, they are not permanent borrowings. We also have in US a credit line which, which is utilized, uh, and, uh, but that number keeps coming down on a month-to-month, quarter-to-quarter basis based on the profits we generate in US. And I think that's the, that's the reason for the short-term borrowings in the balance sheet.

Deepak Karwa - Analyst, Individual Investor
Okay, understood. Uh, I follow up on this legacy, uh, like you have said that some receivable and the payables are there. So approx, so what are the potential cash outflow is remaining?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Actually, uh, the cash outflow is huge and that's why we're not able to settle it. Uh, in some entities as huge as almost like say, uh, 900 crore to 1,000 crore. Uh, where it's a past legacy receivable payable. So it is within the group, and wherever we have, uh, like say, uh, understanding that this these are not payable and we cannot generate enough cash in FY24, we also made some provisions against that. And after that, we are continuing to evaluate that every half year to see if there is more, uh, provisions or write-offs required.

So we continue to top it up if there is more, which has not been the case in the last 2 quarters at least. Uh, so, so 1,000 crore, to answer your specific question, 1,000 crore plus is the cash outflow which we don't have to do the transaction. And that's why we approached RBI for doing a settlement of receivable payable rather than physically cash movements.

Deepak Karwa - Analyst, Individual Investor
Okay. Uh, and Raj, you stated about e-Mudhra, like in Q1 that e-mudra matter was under investigation of Economics Offensive Wing, and while the related group had indirectly acquired over 5% of the company shareholding. So what is the, like, status of that investigation? It will, like, in H2, any financial or operational implication we can see?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
On the legal case, EOW has finished their investigation. And they have obviously used some of the data which was available in their domain, government domain, and they got some more information as a part of investigation from the eMudhra team. And accordingly, they have taken that call that this complaint is not a criminal complaint. At the best, it can be a civil complaint. And we are evaluating that additional information which we received from EAW and indirectly through Mudhra, uh, and we are evaluating that new information which we received, and accordingly we'll take a call whether we want to pursue this case further or whether we want to drop the case.

So I think that clarity should emerge in the next 2-3 weeks or so, or 4 weeks max. And there is no financial implication of this because there was no claim from their side. It was our claim, and which we are not accountable it for. So if we get some money from them, obviously it will be a one-time gain in future. But if you drop the case, there is no implication on the balance sheet.

Deepak Karwa - Analyst, Individual Investor
And approximately, what will be the inflow if we get from

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
it's very difficult to assess because our claim, which we made it public also in the stock exchange, was upwards of 100 crore. Uh, but there are a lot of calculations and there's a lot of assumption in that which obviously will have to be seen when the, when the case is being heard and going to the next level. Uh, our expectation is, uh, even if we want to go ahead, uh, this is not the case which will get settled in 1 or 2 quarters. This is a case which will take maybe a few years to get because this might go through a lot of litigation, uh, thing.

So we continue to pursue. And another reason for us to evaluate, reevaluate whether we want to do

civil or not, because there will be a lot of legal costs involved, uh, in pursuing the case, as well as if you are doing a civil case, then the law of limitations and also the court fees becomes applicable. So we are taking a holistic view of the situation and also taking a view if we can still challenge that we want to pursue it as criminal case or civil case. So all the options are open and, uh, we will take the call in the next few weeks.

Deepak Karwa - Analyst, Individual Investor
Okay. Uh, and one last one, uh, RailTel dispute had like entered into abrogation and the equivalent provision had been made for a claim and payable. So is there has been any material development since then?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Uh, the, uh, there have been multiple hearings started. Arbitration hearings have already started. Arbitrator was appointed. 3 arbitrators, one from their side, one from our side, and one common arbitrator from both the arbitrator sides. So that proceedings have started. As of now, it's all about documentation where we have filed our statement of claim, they have filed their statement of counterclaim, and we both parties again had opportunities to present and dispute the other party's claims. So that has been done.

The witnesses have been identified and documented. And now the hearings will start with the witnessing. So I, I think it will take maybe 1 or 2 quarters more before it gets into a shape where we can assess whether they'll there will be, uh, like, say, uh, any kind of exposure to us or not. As of now, uh, whatever has been their claim, uh, the base claim, not whatever they have added more obviously for the purpose of legal case, but the base claim as per the contract is already provided and, uh, it's there as a part of our provision, uh, in the balance sheet.

Deepak Karwa - Analyst, Individual Investor
Uh, so in this, like, any financial or execution risk will be there?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
There's no execution risk now because the contract is already closed and everything is done. Uh, and financial risk, we have provided for the base values. If there is any further liability comes as a part of the arbitration proceeding, then that might be over and above this, which might include some interest or maybe any other kind of cost reimbursement. But that I'm not expecting to be huge.

Deepak Karwa - Analyst, Individual Investor
Okay, uh, understood. Raj, thank you, thank you for the time and answer. If anything else, I will join back with you.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Sure, thanks, Deepak.

Deepak Karwa - Analyst, Individual Investor
Thank you.

Operator
The next question is from the line of Saket Kapoor from Kapoor Co. Please go ahead.

Saket Kapoor - Analyst, Kapoor & Company
Yeah, namaskar sir. Hope I'm audible.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Yes, I can go ahead.

Saket Kapoor - Analyst, Kapoor & Company
Yes, yes, yes sir. Thank you firstly for the opportunity and for giving us a very detailed understanding of the numbered part. Sir, as the segregation or the new nomenclature as defined by you under digital engineering, cloud infra, and business processes Uh, if you could just provide us the industries, uh, end industries or the end user industry which we are catering to, uh, firstly.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
So, uh, business unit-wise, the industry specification is more from the region or the geography and not from the businesses. Business line is open and we are creating solutions across all the business industries, but Uh, we have a matrix which has focus of the, uh, the COEs with the geographies. Like, for to give you some example, uh, like, uh, cybersecurity, we are focusing everywhere. Like, say, all the 3, uh, regions we are focusing on cybersecurity, and there our focus is more on the BFSI industry, uh, and the telecom industry.

There are 2 industries which we are focusing on the cybersecurity, but the solutions which are we are creating is across all the, uh, businesses. Like, uh, second one is like, say, ERP practices. Uh, in US we are focusing more on SAP, uh, in, uh, Middle East we are focusing more on MSD, and in India we are focusing more on Oracle, while all the 3 ERP practices will be available for all the geographies. In US we are focusing more on BFSI. Again, BFSI remains common across BFSI being our stronghold.

BFSI healthcare in US is the second one, and the technology companies, support to technology companies, the third one, which is the industry focus. In Middle East, we focus more on the retail and the logistics in addition to BFSI. And in India, in addition to BFSI, it's government which we focus and some bit of retail and some bit of manufacturing. And all our solutions which we are creating is agnostic to the industry, especially the top 3-4 industries, not obviously all the industries, but top 3-4 industries.

So in summary, BFSI, telecom, IT companies, and retail, healthcare, and logistics.

Saket Kapoor - Analyst, Kapoor & Company
Okay, and then what kind of differentiation 3i offers, since the industries which you are catering to have a larger span. So how is the what is the differentiation that has been created which will garner, which will allow us to garner more business, uh, going ahead?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
So our differentiation has been more on creating subject matter experts from the respective industries. So, uh, most important piece in any of the solutions in any of the industry is that you should be able to talk and understand the customer business and customer requirements and translate that back to the customer in their own language. I think that's the most important piece. And that's the I will not call it differentiation because I think most of the IT companies behave the same way. And till now we have not been working like that. We have been like, say, seen more as a BFSI customer. So when we go to, say, retail or a healthcare customer, we still talk banking

language. That's the change we are doing. So I will not call it as differentiation, uh, as compared to the market practices, but that's a change we are doing within ourselves, that now we are getting subject matter expertise, uh, from very focused industry veterans, um, and, uh, so, so that we can understand the nuances of each of the industries and and, and provide them the solution which is very industry-specific and not generic or BFSI-driven.

Saket Kapoor - Analyst, Kapoor & Company
ESG has also become a very prominent aspect in today in all the businesses. So creating tools and, and functionalities that, that help us in predictability model also would be a good business opportunity for, for, uh, technology company-facing companies like us. So what, what percentage of, uh, uh, of our bid pipeline is towards this ESG aspect, if any? And, uh, second, uh, just a second. Yes, sir. First, please answer and welcome the follow-up.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
So, so in, uh, very frankly, ESG has not been our focus. We don't have a separate, uh, product line or service line on the ESG side. We have a tool called NGRC, which is on the governance, risk, and compliance framework. That's a product which we had created, and that's the product which we have, which we are working with couple of resellers and distributors as well as to the direct customers to implement NGRC. Other than that and that's a very small product, it's not a it's more like a workflow tool as of now.

We're trying to enhance the functionalities of that and cover a lot of other things. But other than that, we don't have anything on the ESG side, neither we are focused. Maybe we can evaluate internally and see if that makes sense or not, but as of now we don't have any specific, uh, strategy around ESG.

Saket Kapoor - Analyst, Kapoor & Company
Okay, 2 balance sheet questions rather, and one, one business aspect. Firstly, the business aspect is about the, uh, our, uh, our pie of business coming from the, uh, Global Capability Center, the GCC. Our end customer face or interface that are serving to the GCC platform? What, what kind of can you give us aggregate or quantify to us what percentage of business is directly flowing to us through the GCC platform?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
I'll answer. Why don't you finish your questions? Because the

Saket Kapoor - Analyst, Kapoor & Company
other one is other one, yeah, yeah, no, no, the other one is relating to your balance sheet line item Property, plant, and right-to-use assets. So that's a very different set of questions.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Okay, I'll answer both of them. So I understood what you're trying to ask there. So in the GCC, we, we are starting that, uh, new industry segment GCC. We don't have any major presence in the GCC segment today. So very short and sweet answer is that we are near zero in the GCC space. Uh, it's a different Uh, like say market segment and very different, uh, to handle these customers. We don't have internal expertise to manage GCC clients. We are setting up a within our sales team, we are setting up a separate sub-team to manage GCCs, uh, which we are which we'll have to create it from outside, uh, market.

On the right-to-use assets, I think,

Saket Kapoor - Analyst, Kapoor & Company
uh, yeah,

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
okay. So, so this is one of our locations. We have signed a long-term lease which is 5-year lease, I think, right? Yeah, it's 5-year lease. And, uh, based on the accounting, uh, you have to like say show the rights of use asset for the next 5 years of rental. And then obviously over a period of time that, uh, rental gets charged to the P&L. So the right of use asset has suddenly gone up in this half year mainly because of that one long-term lease which you have signed in one of our locations.

Saket Kapoor - Analyst, Kapoor & Company
Okay, and about goodwill also, sir, if you could throw some more light how this, uh, line item shapes up and what effects or this number going ahead.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
We are not adding anything to goodwill. This is the historical, uh, when we bought, uh, one or two companies which is now integrated into 3i. The goodwill is actually part of, uh, that, uh, every quarter based because it includes is goodwill also in foreign currency. So every quarter, based on the, the forex fluctuations, that goodwill keeps getting revalued, and there is no P&L impact to that. It is direct balance sheet to balance sheet adjustment.

Saket Kapoor - Analyst, Kapoor & Company
And last point, and then I'll join the queue. So do we have I think so, we garnered some business from the Vedanta Group also earlier. Correct me there, sir.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
No, no, we don't have any business with Vedanta of India. Maybe you may be confused with we got one business from Vedanta in Middle East, so that's a different group.

Saket Kapoor - Analyst, Kapoor & Company
Okay, and they are catering to which, which segment, sir?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
They are an IT services company and we are working with them in couple of big projects for the Middle East government.

Saket Kapoor - Analyst, Kapoor & Company
That's a short point I'm trying to understand. When we pursue the long-term goals of 2030 this should be directly aligned to the industries which will grow in leaps and bounds and then will add to our revenue profile. So the category, uh, or the business verticals, uh, should be, uh, should, should be the ones which are, which are anticipated to grow. So that, that is the reason I would I was looking why my members yeah,

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
absolutely right. And that's how we have selected these, uh, industries what I just mentioned. We have done a full detailed, uh, study around it, that in each of the geographies, uh, what are the industries, what are the solutions which are, uh, like say in demand, and where the CAGR is

expected to be higher than, uh, other industries. And the choice of this BFSI healthcare in one country, uh, and retail logistics in other country, and retail and FMCG. So this is, this is the way we have each and every geography, we have shortlisted industries based on their growth rates expected and the focus areas which the industries are focusing on, which matches with that.

So it's a 3-way matrix: geography, business line, and the industry. Based on that, we did analysis in the last 2 quarters or so and then finalized this focus industries.

Saket Kapoor - Analyst, Kapoor & Company
Again, why I'm coming to the point is because we are seeing many industries opting to robotics and all in terms of the industrialization activities. So how do we as a company offer them the solution led? Because robotics and all, all will be enabled through the software, software programming and would be monitored constantly by a group, group of people having an understanding on the same. So mines, minerals, infrastructure activities, a lot of robotics, a lot of automation goes into, into what the growth, uh, which we are ensuring in the years to come.

So that was my, uh, question, that how is our company placed or our product offering placed to garner business, uh, out of this?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Okay, we are not into the production robotics as of now, uh, and I think we don't even have expertise. If we need to create expertise, we'll have to evaluate it later. We are into the process automation, process robotics as of now. Uh, which is on automating the backend processing and not the manufacturing, the real manufacturing robotics. So we are very clear that we are not into the, the robotics, the physical robotics at this point of time.

Saket Kapoor - Analyst, Kapoor & Company
Can you explain where we are present? I miss your, your and I'm I do not got the understanding.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
We are more into the process robotics, which is more process automations. Not, not the physical manufacturing automation.

Saket Kapoor - Analyst, Kapoor & Company
Any example you can give me to understand? Sorry, can you give me an example? I'm unable to comprehend it.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
What you are trying to explain,

Saket Kapoor - Analyst, Kapoor & Company
I'm yeah, I'm not able to understand this. Can you help me out?

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
So, so, Sanket, what I'm saying is that in robotics or automation, there are 2 things. One is that physical manufacturing robotics Right? We are using physical robots to speed up your manufacturing. Secondly is the, um, which is more on the process side, which is like, say, you are processing applications or processing claims or automation of those. So we are more into the automation and process simplification on the process side and not on the manufacturing line, the production line.

Saket Kapoor - Analyst, Kapoor & Company
Okay, thank you. Hardware and the software

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
deployment at the same time.

Saket Kapoor - Analyst, Kapoor & Company
Correct, correct. Thank you, thank you, sir.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
And because manufacturing is not our strong area, and then we are not into focusing on manufacturing as an industry.

Saket Kapoor - Analyst, Kapoor & Company
Thank

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
you, thank you,

Operator
thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Raj for closing comments.

Raj Ahuja - Group Chief Executive Officer, 3i Infotech Limited
Okay, thank you. Um, I would like to thank everybody who has joined the call. Uh, it has been a good interaction. Couple of homework points I have taken it for myself, and thank you for your valued comments. See you next quarter. Thank you.

Operator
[Operator Closing Remarks]