



Michel Borst

Chief Executive Officer

Letter to stakeholders

Dear stakeholders,

Last year I had spelt out the management's vision for the business through these pages. It gives me immense pleasure to report that Dion's strategy of enhancing existing products, building innovative solutions around them and increasing the efficiency of our business operations is paying off as we gain mindshare with our customers and wallet-share in their technology budgets. However, some external events have exacerbated the vulnerability of Dion's legacy capital structure, taking a toll on Dion's financial condition, and this has taken away from the satisfaction of steering the business to a position of greater strength.

Business update

The financial services industry across the globe continues to undergo significant changes, with technology driving substantial innovations; new regulatory demands adding to the business pressures; tech savvy customers demanding better, instant and more transparent services; and rising competition from new entrants and disruptors. During these tasking times, we increased our focus on enabling our customers address most of their challenges through enhancements in our existing software products as well as innovating new solutions to address growing demands from customers as well as regulatory bodies.

With this in mind, Dion, as a leading supplier of modular solutions to the Wealth Management industry and a trusted

technology partner to banking and financial institutions across the globe, announced the official full launch of its Wealth Intelligence (WIN) platform in September. The platform, with its open API ecosystem and data agnostic approach, provides seamless user experience, enriched analytics capabilities, and full transparency between the firm and the end investor. It is deployable in Dion's Amazon Web Services cloud, a cloud service of the firms choice or on-premise. Since its launch the platform is gaining tremendous traction in the market.

During the year, our solutions continued to generate admirable returns at the same time as investment continued into innovation which will drive growth into the future. Our post-trade, clearing and settlement solution, NOVA and iBroker; and wealth management suite accounted for nearly half of the revenue.

We also see an increased demand for products like Tax and Regulatory Compliance solution (TRAC) which addresses FATCA and CRS compliance.

Robust business outcomes

Dion generated consolidated revenue of ₹254.25 cr. for 2017-18. While the revenue was flattish year-on-year, this masks the successes we have had in new customer addition and launch of upgraded versions of our products like the Wealth platform.

We have been walking the proverbial tight-rope on every expense item — reducing expenses wherever possible,

without affecting the long-term prospects of the business—and have been fairly successful in this endeavour: most expense lines are lower year-on-year despite the investments we are making in customer acquisition and enhancement of our products and solutions. We generated EBITDA of ₹2.55 cr. during FY2017-18; while the reported number is lower year-on-year, this is primarily on account of provisions/impairment/expected credit loss that we have taken during the year. Importantly, the business continues to remain EBITDA positive in the face of investments made in customer acquisition and enhancement of our products and solutions, a clear reflection of the intrinsic strength and viability of the business.

Overshadowed by extraneous events

Dion's capital structure was put in place several years ago; in tune with the overly upbeat environment in those times, and owing to the influence then exerted by Dion's majority shareholders, it leans too heavily on debt. While the cost of servicing the debt has constrained Dion operationally for several years, the management worked on optimising the business independently of the capital structure. However, the debilitating effects of the debt on the books have built up gradually and have coincided with the knock-on effect from the financial difficulties that the majority shareholder group has experienced during the past year.

Recognising that Dion's investments have been substantially impaired, the management has made suitable provisions in the financial statements. However, this has led to the net worth becoming significantly negative, and combined with the debt overhang, has led to Dion's auditors expressing a qualified opinion on the financial statements.

The road ahead

While Dion is in the process of resolving a critical situation with regard to its balance sheet, the management

firmly believe that the core business is intrinsically sound and has the ability and potential to grow and prosper. Our belief in the business is seconded by our customers who continue to rely on us for their critical technology needs and is bolstered by our growing pipeline of deals. The management's aim is to keep the core business insulated from external events while we work on raising equity and freeing up resources by divesting non-core assets, drawing upon external expertise as necessary. We will continue to support our customers, partners and employees in every way possible as we find solutions to the balance sheet issues.

Dion has been fortunate to enjoy the unwavering loyalty of its customers, the unstinted dedication of its employees and the unwavering support of its shareholders; to them the management owes a debt of gratitude. While the road ahead still has its challenges, the management is more than up for the challenge and looks forward to the continuing support of all stakeholders.

Michel Borst
Chief Executive Officer