



**“R Systems International Limited
Q1 FY26 Earnings Conference Call”**

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Notes:

1. Please note that no unpublished price sensitive information was shared/ discussed during or in pursuance to this Earnings Call.
2. This transcript has been edited for readability purpose and may contain errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.



Moderator: Ladies and gentlemen, good day, and welcome to the R Systems Q1 FY26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kumar. Thank you, and over to you, sir.

Kumar Gaurav: Thank you, Swapnali. I welcome all participants to R-Systems Quarter 1 2026 Earnings Conference Call. Since R Systems follows Calendar Year as its financial year, January-March quarter is Quarter 1 for us.

We have today with us Nitesh Bansal – Managing Director and CEO of R Systems and Nand Sardana – CFO of R-Systems. We shared the Investor Presentation late evening yesterday as well as uploaded on Company and Stock Exchanges websites. Hope all of you have received that.

We will start the call with opening remarks on the performance of the company by Nitesh, followed by financial overview by Nand. Thereafter, we will have a closer statement by Nitesh. Subsequently, we will open up for a Q&A session.

Before I hand over, let me read out the customary disclaimer statement on behalf of the Company:

Investors are cautioned that this presentation contains certain forward-looking statements that involve risk and uncertainties. Company undertakes no obligation publicly to update or revise any such statement. These statements may undertake revision because of new information, future events, or otherwise. Actual results, performance, and achievement could differ from those expressed or implied in such forward-looking statements.

Now, I am handing over to Nitesh for his opening comment.

Thank you. Over to you, sir.

Nitesh Bansal: Thank you, Kumar. Welcome to everyone from my side as well to this 1st Earnings Call of this year. For those of you who are following the presentation, I will call out the slide number. Others, of course, as I walk through the numbers and performance, I am sure you will be able to follow me.

I am going to be starting with the overall financial performance for the 1st Quarter, which is Slide #4:

We are happy to report that we posted a revenue of INR 574.8 crore or \$62.8 million in the 1st Quarter, which represents a year-over-year growth of 29.9% and a quarter-over-quarter growth of 3.5%. The adjusted EBITDA, adjusted for RSU expenses and non-recurring costs, stood at INR 115.7 crore or \$12.6 million, which is an EBITDA percentage of 20.1%. This is a year-over-year growth of 50.6% and a quarter-over-quarter growth of 13.7%.

The adjusted net profit for the same period stood at INR 75.8 crore or \$8.3 million, which is 13.2%. This represents a year-over-year growth of 74.8% and a quarter-over-quarter growth of 25.5%.

The adjusted EPS stood at INR 6.4, which is 74.6% year-over-year growth or 25.4% quarter-over-quarter growth on the EPS numbers. If you look at the last eight quarters graph, it shows consistent growth every quarter that the company has posted, barring a minor dip in Q1 2025, very minor indeed, with a strong growth and deal momentum across the last four quarters, as is quite visible.

We have continued to maintain our margins in a very healthy range, as we had guided in the +17% margin, kind of a range. This quarter, if you look at the bridge, of course, we all know that we had sharp movements in foreign exchange. Indian Rupee depreciated significantly against the dollar. We have also seen a significant rupee depreciation benefit, which has taken our EBITDA to 20.1%. But even without that, we stand in the 19% range.

Quickly moving over to detailed margin and EPS analysis, Slide #5, comparisons based on the same quarter last year or year-over-year:

Last year, Q1, our revenue stood at INR 442.5 crores, which has now come to INR 574.8 crores. That's a 29.9% growth year-over-year. Adjusted EBITDA at INR 76.8 crores, which is now INR 115.7 crores. That's a 50.6% growth, or from 17.4% to 20.1%, which is 276 bps of increase, year-over-year.

On a net profit basis, from INR 43.4 crores to INR 75.8 crores, that's a 74.8% growth in net profit, or 9.8% to 13.2%, which is a 339 basis points increase. The EPS going up from INR 3.7 to INR 6.4, which is 74.6% increase.

Same numbers compared quarter-over-quarter, which means from Q4'25 to Q1'26, we went from INR 555.1 crores to INR 574.8 crores in revenue. That's a 3.5% quarter-over-quarter growth, or INR 101.7 crore to INR 115.7 crore in EBITDA, which is a 13.7% growth, or 18.3% to 20.1% EBITDA, which is 180 basis points improvement.



On adjusted net profit, INR 60.4 crores to INR 75.8 crores, that's a 25.5% growth, or 10.9% to 13.2% as a percentage of revenue, which is a 231 basis points growth. And on EPS basis, from INR 5.1 to INR 6.4, which is a 25.4% growth in EPS.

Quickly looking at the operating metrics on Slide #6:

Our revenue distribution is largely in the same range. Americas contributes to about 69.3% of our revenue, with APAC contributing 17.5%, Europe 9.6% and Middle East & Africa, or rather mostly Middle East in this case, geography that got added due to the acquisition of Novigo contributes about 3.6% of the total revenue, which is not a significant change from last quarter. That's a few percentage points here or there.

In client concentration basis, while total contribution from our top 10 clients in revenue in dollar terms has remained the same, because the baseline total of the company has increased, we see slight percentage dip in Top 3 clients going from 13.2% to 11.5%, Top 5 going from 18.2% to 16%, and Top 10 going from 26.9% to 24%. But broadly speaking, approximately 25% of our revenue comes from our top 10 clients, our top client contributes about 5.8% of the total revenue.

Utilization, as we had been talking about a lot of investment in AI, and building R Systems as an 'AI-First' company over the course of last two quarters, we have significantly expanded our bench and COE investments in AI and data, which has also led to the launch of our AI studio called EXIQO, and I am going to talk about it in a short while.

But there's a deliberate decrease in utilization as a result of which, for creating that COE and the deliberate bench on both data and AI talent, thus bringing our utilization down to about 80.5%, which was at its peak at about 84%. Largely in the last two quarters, taking approximately 2% to 2.5% dip on utilization to be able to invest in creating the 'AI-First', both the platform, service offering, having the people ready, and being able to service the market in that space.

Our DSOs remain largely in the same range, 60 to 64 days in terms of billed DSO, and 74 days in terms of DSO, which is billed plus unbilled.

Quickly looking at a few key wins in 2026 1st Quarter:

The important thing is that as the market has heated up in the AI space, our readiness in those service offerings and preparing our organization to be 'AI-First' has actually started showing results or paying dividends.

- The first one is a leading global technology research advisory company, which has asked us to develop an API-based platform for making sure that all their research templates, all their research data, etc., can be properly secured, accessed, delivered in the form of custom research reports, etc., that they deliver. It's a microservices



environment built using AI, and that's something that we obviously won against some stiff competition, and the customer awarded us looking at our capabilities in the space.

- The second one is a North America-based technology company. They specialize in creating digital engagement, and by digital engagement, it means for a lot of B2C platform companies, these are the ones who help them create the digital experience of the customer, so they onboard large B2C platforms as their customers to create digital experiences using AI, creating the golden records of data, creating the personalized experiences around it, and we are the ones who are actually helping them and working with them to do this.
- The third one is a leading platform on life insurance and annuity insurance, which obviously is extremely both secure and data-sensitive, and this platform is used by some of the world's largest life insurance companies to write their life insurance and annuity plans. The platform had been written in certain legacy languages and has been working for over 20 years, and they wanted to modernize both the platform tech stack as well as the experience that it delivers to make it more maintainable, but for each customer because every customer has their own products and, etc., which are written on it, so we have been chosen as the trusted partner to create those playbooks for platform upgrades for each of those large life insurance companies where we go in and upgrade the platform using AI tools so that it creates minimum disruption and is done in a very quick timeline.
- The fourth one is a major hyperscaler, one of the large hyperscalers, leading cloud and cloud data services companies using our capabilities and an AI platform that we have created to actually accelerate cloud adoption and improve performance and efficiency of clients who use their cloud services.
- And last but not least, a very interesting global life sciences company in the aesthetics and cosmetic product space has asked us to develop an end-to-end consumer loyalty program which is spanning both medical aesthetics as well as retail products spaces which can create the digital engagement for their clients and help them make those clients for life.

So, all in all, every single deal that we have been part of, every single conversation today is obviously has a little bit of AI flavor, a lot of it is to do with data but ultimately using AI and delivering those outcomes to the customers.

Quickly moving on, something that we had shared with you in last quarter, our trailing 12-month ACV view of wins:

We had \$76.5 million of ACV on a TTM basis last quarter. We are reporting \$82.5 million of ACV wins this quarter. So, it shows positive deal momentum, continued wins in the market and we continue to build our book of business according to it.



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Moving on to Slide #9, I am very proud to share with you that we have refreshed our brand, while we have not changed the name, we are R Systems International Limited but has the brand logo and the entire look and feel of how people see us, how we are perceived, how our website and the content around it has all become very 'AI-First' and it is a refreshed brand look as well as the image and I would invite all of you to please look at it. If you go to www.rsystems.com, you will get to see the new RSI branding and logo.

Along with that, we have also launched our AI studio. It's called EXIQO. It stands for 'EX for Experience', 'IQ for Intelligence' and 'O for Orchestration'. EXIQO is our AI studio which combines the power of people, our AI-trained talent, we call them AI EV-trained talent, along with the Optima AI platform which I have obviously talked to all of you about in the last so many calls. We have worked on it over the last 20-odd months, matured the platform. It covers the learnings that we have had across over 130-odd projects that we have done using the platform. All of that experience and intelligence coming together, orchestrated to deliver governed enterprise-grade agentic AI solutions and the traction we are seeing in the market, etc., is very high.

I would invite you to go to www.exiqo.ai which is our AI studio website, or you can go to it through our www.rsystems.com website as well.

We are also proud to report that within the 1st Quarter, we also won the "AIconic Award" hosted by Financial Express for the "Best Use of AI in Manufacturing". This was for what we have built as an AI-powered factory co-pilot solution which we developed it for an IoT SaaS platform company who sells to various manufacturing companies to gather all their IoT data and produce the insights and analytics that will lead to good manufacturing decisions that ultimately those companies can implement. The role of the agentic AI powered the whole AI engine that we built behind it was acknowledged and awarded through this Iconic award.

Then last but not least, I am very happy to also announce that we recently onboarded Farooq Ahmad as our Chief Revenue Officer. He is going to be leading our sales engine, strengthen the go-to-market approach, and lead the key growth initiatives across key markets, especially focusing on North America in the tech space. He is based in the Bay Area. He comes with a very deep background and almost three decades of experience working largely in the tech sector in the Bay Area, helping companies grow their revenues. We are very happy to onboard Farooq to the leadership team.

At this point, I would probably want to hand over to Nand to walk through the detailed financial statements before I come back to the final summing up, looking ahead, kind of a summary. Nand, over to you.

Nand Sardana:

Thank you, Nitesh. Good morning to all. Thank you, everybody, for attending this call.

For those referring to the Investor Presentation, this is the last slide.

Revenue for the quarter was INR 574.8 crore or \$62.8 million as against INR 555.1 crore or \$62.5 million last quarter and INR 442.5 crore that is \$51.1 million in the same quarter last year. This is year-on-year growth of 29.9%. This is on account of volume growth, as supported by rupee depreciation and Novigo acquisition.

We have started witnessing the results from our investment in cloud, data, AI, and automation in terms of large-deal conversion, which is supporting sustainable revenue growth. The gross margin was 36% compared to 38.9% last quarter and 36.7% same quarter last year. Our quarterly margins are prominently impacted by reduction in utilization due to investment in AI and one lesser day. Also, Q4 has the benefit of some fixed-price projects true-up. SG&A expenses decreased by INR 22.9 crore from INR 114.3 crore in last quarter to INR 91.4 crore this quarter. This is mainly due to reversal of conservative AR provision on account of realization in this quarter, as well as true-up of year-end provision taken last quarter, being the year-end.

The adjusted EBITDA was 20.1% compared to 18.3% last quarter and 17.4% in the same quarter last year. The company has been able to report robust margin percentage through operational leverage, improved revenue mix, and favorable exchange rates. The RSU cost under Management Incentive Plan is INR 6.4 crore compared to INR 7 crore last quarter. EBITDA net of RSU expense is 19% as against 17.1% last quarter.

Getting down to depreciation & amortization, the total expense was INR 21.5 crore compared to 19.3 crore last quarter. This includes INR 9.3 crore for intangible capitalized on account of past acquisitions. Non-recurring expenses are on account of severance payment for certain redundant overseas positions. Interest expense is INR 9.6 crore compared to INR 6.8 crore last quarter, increases on account of full Quarter impact of debenture interest.

Other income was INR 13.1 crore compared to INR 2 crore last quarter. Effective 1st January, we have adopted hedge accounting, where the effective portion of changes in fair value loss amounting to INR 18 crore has been recognized in the hedge reserve under equity. This will be reclassified to profit and loss account when the corresponding hedge transition occurs. Earlier, we used to mark-to-market such gain or loss, but now we have aligned with most of the IT companies which follows hedge accounting.

Further, we had an exchange gain of INR 11.3 crore compared to exchange loss of 10 lakhs, last quarter. Further, the other income comprised of interest income of INR 60 lakh this quarter compared to INR 1 crore last quarter.

During the quarter, the average rate for USD and EUR was 91.48 and 107.12, respectively, as against last quarter average rate of USD 89.06 and EUR 103.65, respectively. These are the two main currencies for R Systems. As at year-end, we have total forward cover of 46.25 million dollars with average rate of 91.13.



Our tax expense was INR 24.2 crore this quarter as against INR 9.4 crore last quarter. Effective tax rate is around 27% due to non-deductibility of amortization for intangible acquired through acquisition as offset by certain tax true-ups.

Our normalized effective tax rate is around 28%. Net profit after tax was INR 65.4 crore or \$7.2 million compared to INR 36.4 crore or \$4.1 million last quarter.

Basic EPS for the quarter was INR 5.52 compared to INR 3.08 last quarter. Adjusted EPS for the quarter is INR 6.4 compared to INR 5.1 last quarter.

With this, let me hand over to the Nitesh for closing remarks.

Nitesh Bansal:

Thank you, Nand. Coming back to Slide #10 and I usually take view of the market and provide how we are seeing it and what it means for us.

So, we ourselves had conducted a research study covering over 200 plus organizations to look at how the mid-market players are adopting AI and how are they scaling it. And some of the findings of that result, of course, helps us in kind of building our narratives and our offerings to the market. The survey in the global mid-market also authored jointly by Everest Group shows that almost 43% of the organizations are leapfrogging directly from the classical ML and advanced analytics directly to agentic AI models without going through a middle phase of using generative AI and generative AI solutions.

There are almost 64% organizations that show high adoption of AI in various things, but the actual productive deployment is only at about 15%. This gap between where the organizations are already spending and doing stuff on AI versus only 15% getting it deployed is the clear opportunity for organizations like us to help those organizations realize value from their AI investments and that's really the big market which is available to us.

Second point, as we saw through the survey and also through our experience throughout the year, getting ROI from AI is not really a tool question, it is an AI talent question and our moves in training our people and having all our people trained on AI with 1400 plus people are AI EV certified is a great asset and a differentiator to be able to service the market in a proper manner. So, if we look at the trends that are shaping this year, of course, organizations are running towards adopting AI in whatever manner but also beginning to look at the cost of running AI as an important factor. And as they start looking at what does it cost to run AI, they obviously then start looking at players like us to architect AI efficient solutions and the end-to-end systems which will actually deliver the results without burning a hole in their pocket.

Legacy modernization continues to be a very large total addressable market and across all sorts of companies, whether they are dealing with legacy codebases, legacy data states, or reporting landscapes that they want to modernize. We have ourselves seen significant wins in this area both last year and this year as well. Enterprises have begun to recognize that engineering velocity

is a key differentiator in achieving ROI from AI initiatives and this has been our narrative on EXIQO right from day one that through our AI studio in EXIQO, we deliver engineering velocity because finally with the same commercially available tools, everybody can potentially theoretically achieve the same outcomes. But the gap between those who achieve the outcomes versus those who don't is really the engineering velocity that is brought in by AI experts who do it the first time right and get the efficient solutions rolled in, in an enterprise ready manner very quickly. I think all of these forces that are shaping up and the way we have prepared ourselves over the last year or 20 months is definitely going to create a convergence. We are seeing that kind of momentum in the market and we are very hopeful that it will continue to help us and become a tailwind for us.

So, with that, I will end the presentation and open up for questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We will take the first question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Yes. Thanks for the opportunity. Sir, first question in terms of the AI impact on the SDLC software development lifecycle. So, where various industry research reports indicate SDLC may have relatively higher impact versus others. So, how are you witnessing such kind of conversations with the clients about opportunity or threat? I do agree that we have done a lot of developments in terms of pivoting from just the manpower kind of a delivery to AI-led delivery, but will this have immediate impact on the growth where clients are upfront, asking and demanding AI-led productivity gain pass on versus revenue recognition may happen later?

Nitesh Bansal: Sandeep, thanks for your question and again, thanks for always being the first one to ask. So, clearly, look, AI in SDLC is a huge area and our report also suggests that SDLC is one of the largest areas that gets impacted and has the best outcomes and returns. We ourselves have been using AI in SDLC for, like I said, over the last 20 months, developed a lot of reusable assets. Our Optima AI platform actually boasts almost around 50 plus agents, more than 1500 prompts and a bunch of other reusable components that actually enable AI in SDLC to be enterprise ready.

Now, to the second part of your question, and I think I have said this in the past also, AI in SDLC is a huge benefit or efficiency gainer for all parties. For us who are doing the work, we can do the work in a much lesser effort and much lesser time. And for the customer, it is an outcome which can be delivered in a much faster manner with high efficiencies. Now, does that create a risk for us or an opportunity? It's a huge opportunity for us. Reason being, we are a projects organization, and we have said that multiple times, in fact, over 90% of our revenue is coming from discretionary spend where we are doing project work for our customers. What that means is that it does not take away anything from us. It's not that we are doing some support, maintenance, etc., in a very traditional manner, which will now shrink in size because of AI. In fact, what it does is because we are constantly going after that discretionary spend and new projects every time, every new project that we bid for is already bid in a much more efficient

manner, which keeps us ahead of the competition. I think it is almost impossible for us to think today that we will bid for a project or a new development, enhancement, modernization, migration, whatever it is, without putting AI into it. And that's become the norm and it acts as a competitive advantage for us.

It gets us into those deals and we win those deals. So, net-net, it is expanding the target market, total addressable market for us and we are winning those deals and hence it's a huge opportunity for us. Average deal size, if you compare, the deal sizes have become smaller because it doesn't take the same amount of time and effort to do it. But on the other side, the target market or total addressable market has expanded and it overcompensates for it. I hope that answers your question.

Sandeep Shah:

Yes. And so just further to this, in the last few days, the frontier model vendors like Anthropic and OpenAI are also announcing, floating their IT services company in association with some of the global investment bankers, where they want to tap the small and medium-sized enterprises. So, I do agree it's early days, may not have a view, but how do you see this kind of an announcement from the frontier model? Will it be a big competitive threat?

Nitesh Bansal:

So, big or small, only time will tell, Sandeep. But the first thing that I see with that is it validates two points. #1) It validates that AI is fundamentally a people problem, not a tools problem. Because if it was only tools, then those frontier companies have already released the tools. They are also realizing that everybody who is buying their tools and using their tools is still complaining about not getting the benefits. So, they need the right kind of people in the equation to make those tools work and to deliver the enterprise benefits. So, 1) It is a huge validation of what we have been saying and also doing is that it is a people issue, not a tools issue. Everybody has the same commercial tools. #2. If it comes down to talent, it is about what kind of talent are they going to be assembling up and hence at what price point and how will they be able to serve the mid-market organizations. Clearly, sure, they have a game plan. There are large private equity companies who are joining hands and forces. So, there will be some play over there. But the market is so big that, again, it becomes availability of talent, right kind of talent in the right places at the right cost. And that, obviously, is not something that can run at the speed of AI. They will also have to go through the same motion of assembling a team, training them, getting them ready, bringing them in front of the client, etc. Sure, they will become a competition. But if as a total, it expands the market and they are one more player in it where I am already a player who is playing, I think there is enough to go around, and we all will have a significant piece to work with. So, right now, I see it as validation of what we are doing. And as they really grow their feet and hit the ground, we will start seeing what kind of competition they become.

Sandeep Shah:

Okay. Fair enough. And just last few and then I will come in the follow-up. It seems the growth could have been driven by full quarter consolidation of Novigo in this quarter. And there could be a possible decline in the organic revenues, which could be also due to seasonally week where higher number of holidays being there on a Q-on-Q in the 1st Quarter. So, do you believe this is a quarterly operation and we can organically have a growth turnaround starting again from the

2nd Quarter? And ACV, which we have disclosed in this quarter, is on the same definition excluding Novigo, correct?

Nitesh Bansal:

So, let me answer the three parts. We do have the benefit of full quarter consolidation of Novigo, so no doubt about it. However, I just wanted to clarify, and this question may come up later again, is that the Novigo revenues, though they are a full quarter, this was the first full quarter of Novigo that got consolidated with R Systems. And this was also the first fiscal year end for Novigo that happened together with us. As a result, and which is the right practice to do, we have aligned a lot of their accounting practices to align with R Systems practices, including accounting policies and revenue recognition norms, etc. As a result of which, there is a certain amount of revenue recognition change that has taken place going from gross basis to net basis on some certain kind of license revenues, some norms on fixed price accounting, and those kinds of things. So, what you may have in mind is what we had given as the size of Novigo full year revenues, when we had acquired the company at about \$32 million a year. That restated will stand at about \$21-\$22 million a year. And as a result, you would see that, yes, there is a small amount of degrowth in quarter-on-quarter basis because, of course, there is a reduction number of days versus Q4. And like Nand Ji said in his financial statement read out, that we also had benefits of some fixed price project true-ups in Q4, as they normally take place. But having said that, we have largely remained flat organically, and we have very strong deal momentum, and we are very confident that the organic growth continues to be there, and we continue to gain the market share and will continue to grow. Novigo adds to that, and they also continue to grow in their markets. They obviously were also impacted by the Middle East crisis to some extent in Q1. So, that hopefully will be a thing behind us, and then that will contribute to positive growth in that front as well. So, overall, I do not see any challenges to the positive outlook for this quarter as we are in Q2, and we will continue to report accordingly.

Sandeep Shah:

Okay, thanks. We will come in the follow-up.

Moderator:

Thank you. We will take the next question from the line of Vinay Menon from Monarch Capital. Please go ahead.

Vinay Menon:

Thank you for the opportunity. A couple of questions from my side. One, we recently read that Blackstone has partnered up with Anthropic, and a couple of other private equities are also there, and they are planning basically to deploy their engineers within the organization and even to the portfolio companies within Blackstone. Now, that is an area where we have done well over the last year, year and a half. So, how do you see this playing out, and could this kind of model threaten other mid-market players as well?

Nitesh Bansal:

So, Vinay, first, again, thanks for joining in and for your question. So, yes, Blackstone and a bunch other private equities have joined in to put in money in what would eventually be some kind of a consulting company with Anthropic, etc. And without reading too much into it, whether it is any private equity, they are all going to look at a good opportunity as an investment opportunity and would invest. So, I am not reading too much into that. Going back to whether

this will get deployed across pre-prod codes or mid-market companies, and they will benefit from it. Possibly all of that. Obviously, early days, they need to stand up the team and build a team and build their playbooks. Like I was saying earlier, I see it as a strong validation of our playbooks that value from AI and ROI will come through engineering velocity. And you need those kinds of AI specialists to be able to implement it in a manner that it brings that velocity.

It is also a combination of understanding clients' business and how they are going to use AI, which we believe we have developed over the last 20, 30 years of working with clients and various industries in learning their business and then understanding how we can impact. That is again something that will be slightly challenging to stand up overnight. But having said that, when it comes to Blackstone business, we have continued to win against competition. I have said that earlier in many calls as well. We are lucky to be part of Blackstone portfolio because we do get introduced to various portfolio companies and have a quicker path to having a conversation with them. But beyond that, I have to win a deal based on merit against competition in the same manner as anybody else does. We would just see them as one more competition because neither us nor them will get pushed into an account like somebody is mandated to use either of us. So, we will have to continue to play to our strengths. And we believe that the experience we have, that the platform we built, which is directly targeted towards delivering ROI to enterprises and all our working practices will continue to hold us in good stead. They will have their strengths and just like any competition, we will have to measure up their strengths and then continue to pivot on our playbooks to make sure that we continue to win. So, right now, it is a lot of hypothetical, Vinay. They do not really have a company today. So, we will keep a good watch on it and clearly see how it plays out.

Vinay Menon:

Okay. Thanks for that. In terms of the ACV, you have mentioned that deal sizes are coming down. So, if you can just mention what kind of deal sizes were there, which we have added this quarter. And you said the time is increasing. So, a little bit more color on that would be helpful.

Nitesh Bansal:

So, Vinay, when I say deal sizes are coming down, I do not mean deal sizes for us are coming down. What I meant was that a deal which is delivered in a traditional manner would have been X. Now, because of AI, it can be delivered in a much lesser than X kind of a thing. But for us, on the other hand, average deal sizes have gone up because as we have transformed our own offerings, we are taking end-to-end objectives. We are doing transformations for our customers. So, what used to be build one feature or put a sprint team together and put a pod of people has now converted to conversations where we are like, here is a large application, 3 million lines of code written in legacy. Can you migrate it in a short period of time using AI? And we would have that as probably a million-dollar deal. Now, that itself in the past could have been a \$1.5 million or \$2 million deals, which is now a million-dollar because it is done through AI. But for us, deal sizes, because of this new TAM, our deal sizes are still improving. So, the market may look at it as it takes much lesser to do the same thing. That is the AI efficiency. But we are benefiting from it because we are able to play in that new TAM and build our deal sizes accordingly.

- Vinay Menon:** Okay. And just last one thing that SG&A came down this quarter, I just want to get an idea on how it will be going on because we obviously, in terms of the growth we are doing, I think it should normalize maybe in the next few quarters.
- Nitesh Bansal:** Yes. SG&A coming down is not a reflection of any reduction in investment or people, neither in sales nor in G&A. It is actually, and Nand Ji would probably explain it if needed in detail, Q4 being the last quarter and before closing the books, we have to provision for any AR, etc. and through whatever follow-ups, etc., in Q1, we ended up collecting all of that AR. And that reversal is what kind of reflects in the reduction of SG&A. So, it is our investments in sales and marketing and all of those are intact. In fact, we continue to increase those. And hence, when we look at going forward, perhaps I think this quarter we are talking about 10 million, it will probably, our normal run rate is at 11mn or 11 point something, and we will come back to that.
- Vinay Menon:** Okay. Thank you. I will get back in the queue. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Anmol Garg from DAM Capital. Please go ahead.
- Anmol Garg:** Hi. Thanks for the opportunity. I have a couple of things that I wanted to understand. Firstly, now that Novigo has been fully integrated within R Systems, and as I understand it, is that it has a relatively larger set of customers. So, have we been able to make any inroads with R Systems delivery portfolio for particularly Novigo clients? I know it's early days, but anything that you want to highlight over there?
- Nitesh Bansal:** Yes, sure, Anmol. And thanks for that question. While it is early days, but right from day one, we have focused on getting our go-to markets aligned and making sure that both Novigo and R Systems are able to leverage each other's capabilities. Very happy to say that today there are at least, close to a dozen deals where Novigo and R Systems teams are cross-engaged, and at least maybe three clients where Novigo clients have received R Systems service delivery because of competencies or new capabilities that we sold to them, and at least one client where R Systems client is using Novigo's competency to deliver. So, that kind of cross-leverage is already happening. That's the fundamental premise of doing an acquisition, which complements us in capabilities and so that we can expand our offerings with our clients. So, absolutely, we are seeing the evidence of that taking place.
- Anmol Garg:** Understood sir. And I also wanted to understand organic growth in this quarter. You said that it is flattish. However, if we include one and a half months of Novigo acquisition, which could contribute nearly about 5-6% to the growth rate, even if there's some reduction in the revenues, then also there would be around 3% to 4% of the revenues, which will be from the Novigo acquisition incrementally. So, just from that perspective, I wanted to understand what would be the organic growth in this quarter, and secondly, also the outlook for this year. How are we thinking about growth in this particular year organically from the R Systems perspective?

Nitesh Bansal:

So, like I said given that last quarter we had half a quarter of Novigo coming in, this quarter, full quarter, and the adjustments to accounting policies, as well as some amount of fixed price, true-ups, etc., that took place. I think the last quarter numbers do not provide a very clear straight-line method to look at top-line in that manner. Good news is that all those adjustments, all those alignments to accounting policies, etc., have already been done. So, what you are seeing as this quarter's numbers is a good baseline to understand what the combined numbers look like. And like I said, may be one-on-one Nand Ji provide a little more detail. But overall, we have grown as a company. Like I said, organically, this quarter was flat, but that's, again, largely due to reduction of days and some fixed price true-ups in Q4. We have won new business, and our overall, while we don't provide any forward guidance and flavors, but very high confidence that both organically, as well as combined entities, we are on the right trajectory for doing what we promised to our investors to continue to grow the organization. If you look at EBITDA numbers, we have delivered on EBITDA as promised. And because none of the accounting adjustments impact our overall EBITDA and profit margins and we have posted a very strong number with \$12.6 million there. And we continue to be positive about capability to maintain our overall EBITDA in the line.

Anmol Garg:

And then lastly, I wanted to understand are we seeing any trends where GCCs are being established by the mid-market players as well? And is that a risk to our client base as of now or do you see that maybe this can be an opportunity in terms of the GCC revenue that we might get from potential new clients?

Nitesh Bansal:

So, Anmol, we had launched our own GCC services like six quarters ago, when we started helping mid-market customers to establish their COEs, create their GCCs or participate in their GCC scale-up offerings. We have successfully helped close to eight or nine organizations in various stages of their GCC formations. What we see is that when customers decide and they want to have a GCC they will obviously want to do that. But when they do it with us, they have a much higher chance of establishing a successful GCC or COE, whichever name they want to call it. And we have actually gained a lot of trust and confidence with the customers in doing so, which basically means it gives us a sustainable business on a long-term basis. Even if there is a part of the business that they will run themselves, we become long term partners. So, yes, we do know that there is always going to be and at least in mid-market, it's something that every mid-market player is looking at, that they will look at GCC players, but they also want experts like us to work alongside. And we are using that as an opportunity for our growth.

Anmol Garg:

Understood. And lastly, one very industry specific question that I wanted to ask is how are we seeing the token cost, particularly right now when we are using AI models? And who is bearing that cost, whether the client is bearing it or we are bearing it? And does it differ in time and material versus outcome based contract on who bears this cost?

Nitesh Bansal:

So, token cost for output delivered to the client is usually, I would say, in almost 100% cases borne by the client, either they provide us subscription to the front end model that they are subscribed to, or we would do it, but we will pass on the costs. So, to that extent, the token costs

does belong to the client. We also end up incurring our own token costs because of the trainings, because of our own COE, R&D, development, etc., that we do. We believe that our ability to deliver AI with most optimal token costs is one of the differentiators, because we have built FinOps models within our AI ecosystem in Optima AI. And that is something that the CFOs at the client sites really love to see, because when they are implementing themselves, they actually have no clue of what those costs would be. We are at least able to give them a clear metering of what the costs are and how the costs are going to be reduced. But to your question most of those costs when delivering to the clients belong to the clients.

Anmol Garg: Okay. Sure, sir. Thanks for answering.

Moderator: Thank you. We will take the next question from the line of Varun Kulkarni from InCred AMC. Please go ahead.

Varun Kulkarni: Hi. Good morning. Thanks for taking my question. The question on GCC has already been answered, so I will probably skip that. Some basic questions would be, in terms of the AI and non-AI, is there a revenue split, or is it too nascent at this point to actually give that number split?

Nitesh Bansal: We do try and keep track of how our AI revenue is developing, with all the investments we are making, it's not exactly coming from a system, so we are not reporting it yet. But just to give you an idea, approximately 29% of our revenue today comes from AI and AI-enabled services.

Varun Kulkarni: Got that. And I don't know, I just wanted to ask you, in terms of the total employee headcount, do we report that number because it's not there in the investor PPT? And what would be the attrition rate at this point?

Nitesh Bansal: So, we report the total headcounts, it's part of the press release. You would be able to see it there. We are about 5,400 employees globally. And attrition currently is running at, I believe, approximately 11%, which is lower than the industry.

Varun Kulkarni: And another very basic question, in terms of the verticals, do we have the split for that and also, in which vertical are we seeing optimum usage of AI at this point? And going forward, where are we anticipating this AI implementation to be more in which sector?

Nitesh Bansal: To answer the first part, we do share the split. Again, it's part of the press release. TIPS, which is Tech, Internet, Platforms and Services, is our largest vertical. It contributes about (+40%) of our revenues. Being the entire technology product space, obviously it's a very fast adopter of AI. So, from our perspective, we do see a lot of usage of AI in that space. Our second, third largest verticals are Telecom, Media, Entertainment and Healthcare. And again, in those spaces, we are seeing AI adoption happen at various spaces, depending on, again, the maturity and size of the customer. I think the jury is still out in terms of who or which industry will lead the AI race. But clearly, tech companies are definitely eating their dog food. So, tech companies will continue to

lead this for some time before other industries start catching up and have enough investments to say that they are doing more AI than the tech companies themselves.

Nand Sardana: Just a small correction. Vertical we report as part of Annual Report, but not in the quarterly press release.

Nitesh Bansal: I stand corrected. Thanks for that information. Yes. It's part of our Annual Report.

Varun Kulkarni: That's what I thought. Sure. These are the only questions from my side. Thanks.

Nand Sardana: That should be the last question. Yes. Take the last question, please.

Moderator: Thank you. We will take the last question from the line of Mayank Babla from Chameleon AMC. Please go ahead.

Mayank Babla: Yes. Thank you for taking my question. So, my question was around your AI offerings, be it the EXIQO AI Studio or the Optima AI platform. Could you pinpoint which specific problem statements are you trying to solve within the enterprise architecture with this?

Nitesh Bansal: So, EXIQO AI Studio is, like I said earlier, it's a People plus Platform and orchestration. And the platform in there is Optima AI. So, it's one and the same thing. And if you look at our www.EXIQO.ai website, it very clearly also lays out, we are basically addressing three essential problems or addressing three narratives. We are doing AI for achieving acceleration in SDLC, the Software Development Lifecycle. This is the core bread and butter of our business. We do engineering for a living. And now we are doing engineering with AI. And we are helping companies accelerate their software development lifecycle using AI. Second, we are addressing a specific component, which is about doing legacy modernization. Like I have said, it's a massive time for us and for everyone. And legacy modernization, whether it is legacy code base, whether it is legacy data estate or legacy reporting infrastructure, we are able to modernize it using AI from anything to a modern stack and do it in a manner that, like we love to call it, we change it from black box to glass box. The third playbook that we are addressing is AI for business objectives. And this is where, right from customer experience, contact center, customer service, all the way to deep down, deep business domain workflows, which can be now done Agentically. And for example, whether it is insurance claims process, whether it is revenue cycle management process in healthcare, whether it is KYC process in banking, or it is a bunch of the horizontal processes in the CFO area, whether account receivables, payables, the P2P matching, the three-way matching of invoices, a bunch of those things which can now be done Agentically. And we have built end-to-end agent ecosystems orchestrated together to accomplish these kinds of business objectives. So, three problem statements that we are addressing, SDLC, modernization, and business workflows.



Mayank Babla: Sure. And if you had to highlight the differentiation or moat this platform has versus platform offerings by peer IT companies, what would that one or two moats that would be for as your right to win versus others?

Nitesh Bansal: So, our right to win is built on the fact, while we don't sell the platform, this platform is essentially providing reusable artifacts across all of these three narratives that I talked about, and enables any organization to achieve enterprise-ready AI outcomes within a matter of weeks, because all the essential elements, we built is like a five-layer cake, all the essential elements of Security, Guardrails, Usage Policies, Token Optimization, Specific Compliances, all of those things are pre-built that can be applied directly to any enterprise in a matter of weeks. And this is something that organizations take six months to build with expert talent also. So, once that is done and with all the reusable agents, assets, or everything that's there, and then our AI EV trained talent, and again, our differentiation is that AI EV is not a certification that one can buy from outside. It's a proficiency-based framework that we have come out with. And our people who know how to use AI, especially all this enterprise-ready AI assets which can then be deployed to a client, hence delivering the real ROI of achieving outcomes within months. And that's what we show on the website also, almost 2x productivity, almost 50% reduction in turnaround time, and those kinds of things. So, that's what creates the mode for us with our clients, wherever we are using this.

Mayank Babla: Thank you. Thank you for that. And this last question is a data point question. So, how much does fixed-price projects and time and material contribute to revenue? And how has this mix changed over the last one and two years?

Nitesh Bansal: So, traditionally, the company's revenue was largely time and material-based because that's how tech companies usually contract. And there were long-term customers where we were building products or feature sets for them, etc. But as we have changed our offerings to more of these transformation offerings, especially data and AI-led, our business mix has obviously moved more towards fixed price, and AI will obviously lead to more outcome-based pricing as well. While these numbers are not accurate to the point, but approximately speaking, what till last year would have been approximately, let's say, 10% fixed price. Last year, as in 2024, has already probably changed to maybe closer to 15% or 16% in 2025, and we believe that it will continue to move in the favor of fixed price as we go along and as we do more and more of these transformation objectives.

Mayank Babla: Any target in mind over here, if you can give?

Nitesh Bansal: No, not really, because we have to play with what is the business that we are attracting, and we don't have a target mix because it's not a trade-off between A or B, right? I mean, we are better off doing AI objectives on fixed price basis versus serving the legacy mandates on time and material basis. So, I think it will move along with the business mix change.

Mayank Babla: Sure, sure. Thank you so much, and best of luck on the rest of the year.



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Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to Mr. Nitesh for closing comments. Thank you, and over to you, sir.

Nitesh Bansal: Thank you so much, and once again, thanks to all participants and everybody who asked questions. Like I have always observed, these questions act as a good input to us to continue to focus on all the right areas and things that if we have left out or not really considered, then take them into consideration. I continue to enjoy these calls and look forward to seeing you all on the next investor call in a quarter from now. Thank you.

Moderator: Thank you, members of the Management. On behalf of R Systems, that concludes this conference. Thank you all for joining with us today and you may now disconnect your lines. Thank you.