



**“R Systems International Limited  
Q1 FY 2025 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 Please note that no unpublished price sensitive information was shared/ discussed during or in pursuance to this Earnings Call.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 R System's Q1 FY 2025 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.

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

**Kumar:** Thank you, Steve. I welcome all participants to Q1 2025 Earnings Conference Call. Since R Systems follows calendar year as its financial year, January to March quarter is Q1 for us. We have today with us Nitesh Bansal, Managing Director & CEO, R Systems and Nand Sardana – CFO, R Systems.

We have shared the investor presentation late evening yesterday as well as uploaded on company's and stock exchange's website. Hope, all of you have received this. 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 closing statement by Nitesh. Subsequently, we will open up for 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 risks and uncertainties. The Company undertakes no obligation publicly to update or revise any such statements. These statements may undergo revisions because of new information, future events or otherwise. Actual results, performance, achievements could differ from those expressed or implied in such forward-looking statements.

Now, I am handing over to Nitesh for his opening remarks. Thank you.

**Nitesh Bansal:** Thank you, Kumar. Good morning to everyone and thanks for joining in. This is a difficult time in the country with escalations at the borders. So, our wishes go out to all the families, wishing for everyone to stay safe and also the best wishes to our armed forces for what they are doing.

To begin with, I would like to cover today as always, some of the highlights of our financial performance, looking at the financial trend, some operating metrics, touching upon some key wins and reflecting on, what we are seeing develop in the market and how we are looking ahead. So, without much ado, I will move forward. And for those of you who are referring to the slide pack, I will be referring to the slide no. 4 in the slide. Before I start talking about the financial performance or go to the numbers, I just wanted to kind of reflect on the overall how the Quarter 1 has been. And to be very honest, Quarter 1 has been a little bit of a bittersweet quarter and where on one hand, we witnessed delay in decision making coming as a result of global uncertainties with the tariff-induced challenges, etc., which led to some discretionary spend being cancelled resulting in some immediate impact on revenues.



But on the other hand, if you would remember last quarter earnings call when we talked about how we are entering the next fiscal with a strong, robust pipeline of large deals, which we have continued to work on and have won, which is then reflected in our actual headcount increase during the quarter. So, it has been a bittersweet quarter in that way.

Looking at the numbers, we closed Quarter 1 at INR 442.5 crore or \$51.1 million, which is, in INR terms, it is a degrowth of about 1.5% percent quarter on quarter. We reported an adjusted EBITDA of INR 76.8 crore, which is a 28.1% growth on EBITDA in INR terms and 22.8% growth in USD terms.

Net profit of INR 38.6 crore or \$4.5 million with cash and cash bank balances of INR 243.4 crores in rupees or \$28.1 million. And total equity attributed with shareholders of about INR 671.5 crores or \$77.6 million.

On a quarter-on-quarter basis, last quarter, we had reported an adjusted EBITDA of 17.8%. This quarter it is 17.4%. This is after taking into effect the salary hikes, the wage hikes that have been rolled out for the entire organization during the first quarter. Looking at the EBITDA bridge from about INR 80 crores in Q4, we got some rupee depreciation benefits of about INR 4.7 crores.

We had increment of wage impact of about INR 3.4 crores and due to reduction in revenues and other standard operations, another INR 4.6 crores and resulting in a INR 76.8 crores of reported adjusted EBITDA. We move to the financial trend, the next slide, the eight quarter trend, we have continued to be on quarter on quarter growth.

This is a quarter we've seen a dip. However, based on the deal wins and activities, we do not see it as a secular trend. And then we reported 17.4% EBITDA which is fairly stable and we are confident of continuing to grow the company with good profit margin and hence being able to deliver a good shareholder value over time.

The adjusted EBITDA is essentially excluding the charges on RSUs, which we have anyway reported in our press release, the impact of it close to INR 6.2 crores as it comes. Summarizing the financial highlights, again, in terms of Revenue, EBITDA and Profit after Tax, we had a consolidated revenue of INR 442.5 crores, which is a year-on-year increase of 6.2%.

Adjusted EBITDA of INR 36.8 crores, which is a year on year increase of 28.1%, and adjusted EBITDA percentage of 17.4% compared to 14.4% in the same quarter last year, and hence the 296 basis points improvement. On a PAT basis, INR 43.4 crores of PAT versus INR 31.9 cr. same quarter last year, that's a 36.2% increase in PAT, adjusted PAT percentage of 9.8% versus 7.6% at the same quarter last year. So, 216 basis points improvement, and adjusted basic EPS has gone up from INR 2.7 per share to INR 3.7 per share on a year-on-year basis, which is a 36.1% improvement on the EPS. Moving to the operating metrics, our revenue by geography broadly remains the same, there is actually a 0.8% improvement in North America, so revenue has shifted slightly more towards North America, but it's not a very huge



percentage, it's just a quarterly movement as it shows depending on how the quarterly revenue looks like.

Europe still contributes about 8.9%, Southeast Asia contributes 12.7%, and India and others are small percentage points. From a client concentration perspective, again, nothing major that has shifted, our top client continues to contribute in that 6% range, gone slightly up to 6.2%. Top three client contribution has actually gone up slightly more meaningfully from 11.9% to 13%, and the top five client's contribution from 17.1% to 17.7%, while the overall top 10 client contribution remains just under 25% to 24.8% as compared to 24.5% earlier.

So, while we do not have a single client concentration risk, our top 10 clients continue to give us 25% or so, and we are continuing to improve slightly our wallet share across our top 10 clients.

Our utilization has continued to stay consistent. Like we had said last quarter, we have probably squeezed the utilization lever to the max. We do not anticipate or wish to increase it any further, running at about 83% to 84% utilization is one of the industry's best, and we believe that we would want to carry a certain amount of strategic bench as we are carrying today, which allows us to fuel the growth and new project wins that we get from time to time. Our days of sales outstanding has continued to stay in between that 60 to 63/64 days, so we continue to see that. Its range bound within the same range, and we do not see any challenges to that either.

Moving towards some of the qualitative commentary on building for the future, so our go-to market has continued to be strengthened. We talked about launching the GCC offering and the playbook for mid-size enterprises. We had done that in basically one and a half quarter ago. We've seen that as being a very attractive offering where we've seen significant traction, and we are continuing to build and scale that offering, especially with a focus towards mid-size enterprises.

Our go-to market with AWS, with Amazon on IoT connectors got announced during the Mobile World Congress in Barcelona in January this year. That's a significant partnership and win together with Amazon, where we are building those connectors which will be then sold through and by Amazon on their marketplace. And we have also created other go-to market partnerships in niche areas, both in the cloud as well as security side of offerings.

From a positioning perspective, our offerings, both like I talked about in GCC, they have been well-received, and earlier we had offerings around setup. Now we have also created offerings on GCC scale-ups, and this is targeting those GCCs in India that have already been established, have achieved a certain maturity level, where they're now beginning to develop a partner ecosystem to work with and look for more value-added, innovation-led, R&D-led type of services being offered through the GCC to their parent companies.

Our data readiness offerings, analytics, and AI-related offerings have also continued to create good positioning and good traction for us in the market. And like I said earlier, we have significantly enhanced our partnership status with both Azure and AWS, where now we are



not just a partner but certified and achieving competency status globally across several of their competency levels.

From a delivery priority perspective, we continue to focus. We had launched OptimaAI in September last year, which is our generative AI workbench for adopting Gen AI practices in delivering engineering work that we deliver to our customers. And that's continued to scale, and we're seeing good traction with that amongst our customers.

We also started our Mexico operations earlier last year. It was at the beginning, but during the quarter, we started operating with two customers, productively being delivered from Mexico, and we are actively enhancing that near-shore positioning towards our North American customers, our US clients, to be precise.

From a leadership development perspective, we continue to hire more sales leadership across key verticals in North America. We have actually added specialized data and AI sales capability in North America, so we continue to enhance our positioning as well as feet on the ground, both in the cloud, security, AI, data, and all these spaces, which are core to our strategy. And we also onboarded a leader in quality engineering for leading our quality engineering services.

From a key wins perspective, a bunch of key wins during the quarter. A leading provider of data-driven distribution solutions, which is also a private equity-backed company, basically chose R Systems to deliver robust infrastructure capability and scalability through on-premises solutions.

This is leveraging leading hybrid cloud platforms, where we are focusing on building, modernizing, and deploying scalable high-performance applications with comprehensive ongoing management of those applications for the client. So, it's a new engagement, which is obviously in a fairly leading technology kind of a space, which we are working closely with the customer.

Another one with a US-based global payments platform, who has partnered with us to create an accelerated product engineering team. We are managing the gateway integration, re-architecting the reporting systems, and creating improved data insight and operational agility for them. They are a new-age payments platform type of a company and working with a significant number of e-commerce and other kind of commerce operations across the world actually, a global organization providing payment solutions to them.

For our Canadian B2B marketplace solution, we are currently engaged in accelerating the platform development, enhancing quality assurance services to create seamless digital experiences for each independent business that comes on the platform, and hence creating those buying groups, suppliers, and all of those kinds of things.

For our fiber optic Internet and triple-play service provider in the US, they have partnered with us to create a quality assurance lab for their IPTV, for OTT kind of apps and devices that they



offer. And we have created that test lab for them in India, with an expanded test coverage, with metrics-driven validation, and improving their overall release efficiency and user experience.

And in Asia-Pacific, a Singapore-based precision engineering company has engaged us to implement Microsoft Dynamics Business Central and CRM solutions, which will help them optimize and digitize their end-to-end business processes with an outcome of increasing financial visibility and operational excellence across their enterprise. And these are just some of the leading examples of the kind of wins we've seen in the first quarter.

And like I mentioned earlier, including some of the pursuits in the large deal space and some wins where we are in transition, thus increasing our headcount without really having an impact on revenue during the quarter, which we will continue to, once the transition is over, then we'll get into steady-state delivery, etc., in Q2 and so on.

So, I will pause over there and hand this over to Nand Ji for a detailed overview of the financial numbers as he normally does, and then maybe I'll come back to provide a wrap-up.

**Nand Sardana:**

Thank you, Niteshji. Good morning to all. Thank you, everybody, for attending this call. For those referring to investor presentation, it is the last page which I will be deliberating. Revenue for the quarter was INR 442.5 crores, or \$51.1 million, as against INR 449 crores, or \$53.2 million last quarter, and INR 416.6 crores, that is \$50.2 million in the same quarter last year. This is year-on-year growth of 6.2% and quarter-to-quarter reduction of 1.5%.

This quarter was impacted by a reduction in onsite consulting revenue and lesser revenue from our APAC business and certain one-time revenue in the last quarter. We have started witnessing the results from our investment in cloud, data, AI, and automation in terms of large deal conversions, which will support to report sustainable revenue growth this year.

The gross margin was 36.7% compared to 37.9% last quarter and 33.7% same quarter last year. Our quarterly margins are primarily impacted by offshore increments. SG&A expenses decreased by INR 4.7 crores from INR 90.3 crores in last quarter to INR 85.6 crores this quarter. This is mainly due to lesser AR provision, travel expenses, along with true-up of year-end provision created during last quarter.

The adjusted EBITDA was 17.4% compared to 17.8% last quarter and 14.4% in the same quarter last year. The company has been able to report robust margins percentage through operational efficiencies. The RSU cost under Management Incentive Plan 2023 is INR 6.2 crores compared to INR 7.3 crores last quarter. EBITDA net of RSU expenses is 15.9% as against 16.2% last quarter. Despite the external challenges, we maintained EBITDA stability through prudent cost management and operational efficiencies.

Getting down to depreciation, the total expense was INR 14.6 crores compared to INR 15.5 crores last quarter. This includes INR 6.3 crores for intangible capitalized on account of Velotio and Scaleworks acquisitions. Interest expense is INR 1.5 crores compared to INR 1.9 crores last quarter. Other income was INR 2.3 crores compared to income of INR 2.5 crores



last quarter. This quarter, we had an exchange gain of INR 71 lakhs compared to exchange loss of INR 99 lakhs last quarter, mainly on M2M of forward covers.

Further, the other income comprised of interest income of INR 1.1 crores this quarter compared to INR 1.2 crores last quarter. During the quarter, the average rate for USD and EUR was 86.58 and 91.06 respectively, as against last quarter average rate of USD 84.46 and EUR of 90.08 respectively. These are the two main currencies for R Systems.

At the year end, we have a total forward cover of \$36.4 million with average rate of INR 86.03 and EUR cover of 1.9 million with average rate of 94.76, which have already been marked to market at closing rate of March 31<sup>st</sup>. You will notice that our forward cover at higher rate compared to the present rate. Our tax expense was INR 18.1 crores this quarter as against INR 17.6 crores last quarter. Our effective tax rate comes to around 32% due to non-deductibility of amortization for intangible acquired through acquisition. This is slightly higher this quarter due to some timing reasons.

Our net profit after tax was INR 41.1 crores or \$4.8 million compared to INR 38.9 crores or \$4.6 million last quarter. Basic EPS for the quarter was INR 3.26 compared to INR 3.33 last quarter. The board at its meeting held yesterday has declared an interim dividend for the year '25 of INR 6 per share. Accounts Receivables including unbilled at the end of the quarter were INR 361 crores compared to INR 340 crores at the end of last quarter.

DSO is 64 days as against 61 days last quarter, but quite comfortable. Our cash and bank balance is net of short-term borrowing as at end of quarter was INR 243 crores compared to INR 196 at the end of last quarter. We have been constantly generating cash from the business.

With that, let me hand over to Nitesh Ji for closing remarks. Thank you.

**Nitesh Bansal:**

Thank you, Nand Ji. So, basically, summing up and looking ahead as we call it, in Q1, led by a large deal win and the remaining pipeline of large deals that we continue to work with, our pipeline still remains robust. And we continue to believe that even though there were some delays in decision-making, temporarily probably caused due to uncertainties, but as things pan out during the year, the decisions will start happening and that robust pipeline will obviously convert into projects, into revenue. So, we remain positive towards the overall outlook of 2025. We've seen increased traction in Agentic AI used cases, as well as the use of generative AI in SDLC. And our Optima AI workbench has continued to give us an edge over the competition. From the trend's perspective, clearly tech companies are seeing increasing adoption of AI in every aspect of software development. And hence, we believe it is an advantage for partners like us, R Systems who are proactively invested in building these capabilities.

The GCC for mid-market companies has been driving some of the large hiring numbers in India, and both for GCC setup and GCC scale-up. And we believe these will continue to remain important drivers for reasonably sized deals, capturing that mind space through our launch of our point of view, as well as our offering in the space, and trying to go after the mid-market

segment, which is our sweet spot, has become quite attractive and has kept us quite active in this deal space.

And despite all the uncertainties faced by the US businesses, we continue to remain optimistic for building growth momentum in 2025. So that's really it from me. I would stop the presentation and hand it back to the operator for opening it up for Q&A.

**Moderator:** Thank you. The first question is from the line of Nikhil from Kizuna Wealth.

**Nikhil:** Good Morning., So, I want to ask a question. Can you comment on what is the discretionary spend going on in the high-tech vertical? And what is our GCC strategy going on? And we said that we want deals for the GCC offerings. So, what was the size of those deals? And when do we expect a significant ramp-up starting?

**Nitesh Bansal:** Nikhil, the discretionary spend in high-tech space continues to be, I would say, tepid for a simple reason that on one hand, there is a significant amount of spend happening in building the infrastructure and data pipelines, etc., for their AI-related initiatives. On the other hand, there is a continuous stream of tech layoffs that is taking place. So, if you look at the enterprise high-tech space, the net headcount has been reducing while they have been spending on specific initiatives, both in capex and opex terms on the AI front.

From where we look at the market from a mid-size company and platform space, we are seeing the opportunity to help those platforms reduce their overall engineering spend for developing those platforms. And this is where they are coming to us and working with us also to help them ramp up the AI component or the overall AI content in their platforms, which is where they otherwise would struggle to have the right kind of talent and capability to build that up. And that's where they're partnering with us.

So, we have seen that kind of traction in the market. We are attracting those customers. And also, in the wins that we talked about, whether it's the payments platform, whether it's the e-commerce platform, whether it is the logistics platform that we talked about, each of those are wins which are in the same kind of space.

So yes, depending on which cut you look at, the overall discretionary spend may look like coming down or staying constant, but it's a question of where we are seeing a market, and we are continuing to build traction over there. From a GCC offering perspective, I think your question was, what is the typical win size or what are we seeing and when will it create traction for us? Well, these deals vary in sizes, of course, so there is no one single answer to that.

When we are talking about large deals, we are obviously talking deals which are not in hundreds of thousands, but in millions of dollars, which typically they come with multi-year commitments. And since we are in the middle of those deals, we are continuing to work with the customers to convince them to work against the competition to win them. These deals typically come with a transition, so that's why the win that I talked about, which we have won, it will have a couple of months of transition, which is the time during which we ramp up the





team, where we transition the work, where we establish the ways of working and then start delivering back to them.

And it's after that couple of months of transition that it starts resulting into showing up as revenues in our books. So, as we continue to win these deals, we will see that adding up to the revenues and we'll get reported accordingly.

**Nikhil:** Okay, so that's great to hear. So, my second question is that we have signed a UK FTA. And the European FTA might be under process and might materialize by the end of this year. So how are we thinking of our European expansion? Because one of our large clients is based out of Europe?

**Nitesh Bansal:** Well, with the FTAs, wherever possible, if we get a leg up, we try to but our business has actually been working basically because we don't get direct advantages except that, of course, it opens up the corridor. There's more dialogue and other things. I think other industries which directly get benefited will probably look at these FTAs in a different light. For us, Europe has been a strategic market.

Like we've said in the past also, we have invested in strengthening our sales team in Europe. We've seen a couple of wins in Europe in Q1. We're building up on that pipeline. And we'll continue to perhaps see that our overall revenue from Europe will continue to go up. Whether we will see that as a percentage make a significant difference on the overall mix. It may not be so in the short run because ultimately as an engineering services or technology services provider.

The US-India corridor always remains the primary channel on which the business happens because of the, again, the vastness of the US market and the openness and how mature they are in terms of outsourcing or using offshore services. So, we believe that our European business will continue to grow at the same pace as our American business and hence we'll continue to maintain the revenue mix as we have across geographies.

But we continue to invest in the market, and we are seeing good traction and wins in that market as well.

**Nikhil:** Great to hear. Sir, my question is on ACV-TCV. How was the growth in ACV-TCV after the large deal wins in Q1? Like last time also we provided a certain growth amount. So, if you could just highlight that figure. And sir, when do we begin a significant ramp up and do we expect it in Q2 or Q3? When do we expect a significant ramp up?

**Nitesh Bansal:** Nikhil, both your questions are related to again, large deal wins and as we win more of those deals, automatically it will impact our average ACV win number. Like I said in the past, we have gradually and consistently seen our average ACV win number go up. We hope, and this is what we have been actively working towards, that with more large deal wins in this year, as the year progresses, that number can move up meaningfully.



Because one large deal in one quarter here or there will not make a needle moving change, right? Because it will move up one quarter and then come down again. But consistently winning three, four, five large deals, which we hope to do during the year, will definitely move that needle and we will certainly be happy kind of seeing that.

From a ramp up perspective, our net headcount is already going up and like you may have seen in the press release, our headcount has gone up in Q1. Hopefully as a result of some more wins, we will see it move up in Q2, Q3 etc. The quantum of which, I'm not able to talk about right now, because again, we are in the middle of doing many of those deals.

But we're keeping our fingers crossed and hopefully you will see that that ramp up happening as we go along.

**Moderator:** The next question is from the line of Sandip Shah from Equirus Securities.

**Sandip Shah:** Sir, I wanted to understand the ramp downs, which you have witnessed in the first quarter of calendar year 2025. Is it at the later part of the quarter? Why I'm asking this is, it may not have a full quarter impact in the first quarter of 2025. If it has been ramped down starting March, it may have a full quarter impact in April, May, June. So are you worried about Q2 growth as well because of what has happened in the first quarter of calendar year 2025?

**Nitesh Bansal:** Sandip, thanks for joining in. And a simple answer to that question is no, we're not worried about the impact, having a knock-on impact on Q2 kind of a thing. Because unfortunately for us some of this impact was beginning of the quarter. So, we have a full quarter impact kind of factored in and it was not even like a cancellation or a ramp down or a churn. It was just a logical end of the SOW, which we would have expected to continue. But then given the challenges in the economic situation, the customer decided to delay, just not renew at that point of time, so that's something. And that's why it came as a little bit of an anticipated thing. Some of the churn is quite natural, which happens every quarter, every year, so which also took place. But short answer is no, we're not worried about a knock-on impact on Q2 because of this.

**Sandip Shah:** Okay. So, Sir, is it fair to say the seasonal strength for the industry in the first half of the financial year, which I'm talking about as a March as a year, which would be Q2 and Q3 of the calendar year for you. There could be a material or considerable ramp up because of the order book, which we have as well as the order pipeline.

And second, the nature of the deals, which we are winning, because is it possible that the nature of the deal, which is discretionary and the macro-outlook still remains uncertain, especially in the US. These deal wins may not convert on time in terms of revenue.

**Nitesh Bansal:** Now, Sandip, you've asked both sides of the question, so I do not know which one to answer first. But look, from our own vantage point, the way we look at our pipeline and order book, it's encouraging for us to continue to work on that. We obviously need to convert more of those deals.

The decision making, we are keeping our fingers crossed, does not get delayed too much. I mean, we've seen in Q1 some delays to decision making. If decision making gets delayed, it will delay the realization of revenues for us. And hence it can create a delay in finally that ramp up that earlier Nikhil was asking.

But assuming that the uncertainties have now been kind of internalized by the organizations, they understand what impact they're having, how they need to move forward. So finally, they will then start moving forward with the decisions. Then whatever we have in the pipe and whatever we were converting should ideally result in being able to continue to build towards the growth as we have started the year with.

From a larger commentary perspective and whatever commentary, I mean, I've seen, I'm sure you've got better sources and you've seen that all. At least Q4 commentary, which is Q4 for most companies is March, that hasn't been very encouraging. But I think like everybody else, we are also hoping that this will, with the start of April and going forward, some amount of tailwind will come in and will help us.

The specific segments that we have been working with targeting the platform companies, the data platforms, the whole AI induced acceleration and those kinds of things. We are well positioned, and we are seeing that we are winning against some of the larger competition. That is the added source of confidence for us, which we are building on.

**Sandip Shah:**

Okay. Last couple of questions. Looking at the Q4 run rate and the first quarter run rate. Do you believe based on the ramp up schedule and the pipeline and the deal order book, we can be above industry average growth rate in the CY '25. And when I say industry, I think it could be between 4% to 5% kind of a growth. Because to even achieve a more than industry growth rate, the lift in the growth rate for the next three quarters would be considerable for R Systems looking at the run rate in the fourth quarter last calendar year and first quarter of this calendar year.

**Nitesh Bansal:**

Sandip, honestly too early to say, because like you only said in the last question. It all depends on if the decision-making is not delayed, and those wins happen on time. We believe we can do that. We should certainly be able to come above the industry growth rate. But while all our efforts are in the right direction and the indications from the wins, etc., in the right direction, a little bit of timing and luck would also not be bad at this point.

**Sandip Shah:**

Okay. And the last question on the adjusted EBITDA margin outlook. Anything to share both in the near term as well as for the calendar year 2025?

**Nitesh Bansal:**

So, I think last quarter also we had said this from whatever adjusted EBITDA we've reported. It is built out of actual productivity and utilization improvements, which are quite sustainable and secular. So, we don't believe that we will have any short-term challenges due to that. So, we would be able to maintain, the adjusted EBITDA margin levels. However, we are obviously investing in go-to-market. We are investing in sales team. We are also investing in building capacity and capability, deeper capability around AI and cloud. So, some amount of that



investment will go in. But like we had said, last year's annual EBITDA rate is something we are quite confident of managing and maintaining and being able to deliver to that. Last year we reported 16.7% EBITDA, so, we believe that that rate we will certainly be able to manage and deliver.

**Sandip Shah:** Okay. Thanks. I will come in the follow-up. All the best.

**Nitesh Bansal:** Sure. Thank you.

**Moderator:** The next question is from the line of Nitish from ChrysCapital.

**Nitish:** Hi. Thank you for the opportunity. So, in the press release, you have mentioned continued traction towards deals and that there are some large deals in the pipeline. Could you provide some more clarity on this, such as the size of the deals, the type of work involved, and when do we expect them to come through for us?

**Nitesh Bansal:** So, size of the deal, like I had mentioned in the earlier question, these are obviously several millions of dollars type of deals with multi-year commitments. Nature of work remains core to our swim lanes, which is product engineering work, where we are either taking over multiple products, including engineering, build, and sustenance activities, or building several pods for a rapidly growing platform of product engineering play, where we are adding to their design, build, and test capabilities for certain clients for a range or a family of their products. So, it's core to our swim lanes in product engineering space.

And in terms of timing, I think, like I said, we are currently in the process of those deals, and we expect some decisions to take place in Q2. Maybe in the worst case, some decisions might go into Q3. And then we have some deals which we are beginning now, which will naturally go into Q3. So, this is an ongoing thing. And we are just keeping our fingers crossed that we continue to receive those decisions on time and can then accordingly reflect those in our results, both in terms of ramp-up of headcount and revenues as they come along.

**Nitish:** And just following up on the question from the previous participant. So, just any number you could give, do you expect the revenue growth to be in the high single digits for 2025?

**Nitesh Bansal:** So, Nitish, we do not provide guidance, but then to Sandeep's question, like I had responded, we are quite encouraged by the activities that we are participating in. And if the decisions, etc., happen on time and some amount of timing and luck goes along, then maintaining and delivering industry, above-industry average growth should be quite possible.

**Nitish:** Okay. Thank you. That is all from my side. I will fall back on the Q&A, if I have any more questions. Thanks.

**Moderator:** Thank you. The next question is from the line of Mihir Manohar from Carnelian Assets Management.



**Mihir Manohar:**

Thanks for giving the opportunity. Sir, I wanted to understand on the GCC side. I mean, you know, so when we see GCC, this is also part of playbook of some of the last year and mid-tier IT companies. So, I wanted to understand, given our size, which is there, we have 4000-5,000 people, and typically GCCs end up recruiting a large number over there. So how do we compete or how do we compare ourselves versus these mid-tiers and large tiers? Is it the service line which is different or is that very specific niche areas which are there? Some color around that will be helpful.

**Nitesh Bansal:**

So, I'll answer the second part first because that color or context is important as compared to some of the large tier players who are possibly mostly involved with large enterprises who are looking at, several very very large GCCs, 1,000 people, 2,000 people set up, etc., Our core area is actually defined by a mid-market segment.

We are looking at companies who are not, global 2,000 enterprises. We are looking at mid-market enterprises, typically \$500 million to \$5 billion companies in the mid-market who typically are looking at GCC setups, which might be a few hundred people, not thousands of people type of things. That's number one.

Second, we stay very true to our swim lane. So, we are only going after companies in the tech space. So, these are tech, ISV platforms, health tech companies, fintech companies, and telco tech companies, right. So very, very focused in our swim lanes because that's where we bring maximum value to them. So, it is not just a pure, you know, people game. It's actually a capability game.

And we are also focused on where GCC objectives are not about back office and doing cost takeout operations. These are GCCs which are focused on innovation, R&D, product acceleration, and those kinds of things. So, we've carved out our space in a manner that we can play a certain amount of niche to it. And that's where we are seeing the positivity and traction come through.

And the second part is that we are not looking at it as a massive recruitment game because recruitment, I believe anybody can do, right? It's about making it operational and operating it successfully to deliver final KPIs back to the parent company. And that is where you need an operator mindset.

Somebody who has operated, constructed, built those kinds of teams and delivered outcomes to companies. And that's what our customers like about us when we help them through this journey. So, I hope that kind of provides you a sense of what we are talking about from a GCC perspective.

**Mihir Manohar:**

Sure, yes. So, what are the other players, let's say when you go for this particular, on the particular engineering side, what are the competitors or peers that compete with you in this space?



**Nitesh Bansal:**

Well, these days we see a wide variety, I mean, there are consulting companies or pure play, big five consulting who are basically advising them on GCCs. And sometimes customers have a choice that they can work with them to basically say, okay, fine, we'll do it ourselves, but you help us guide us through. We have also seen the likes of, what we call GCC facilitators.

I mean, we have all, seen press releases from Everest and Zinov and others, right? Who can, who can handle and carry them through the process. And we've seen some of those in the competition. We've also seen, you know, larger midsize players, some of the very well-known midsize product engineering or erstwhile product engineering companies from India who also participate in those cycles.

But as far as, like I said earlier, our target selection and our capability towards those domains and being, and the ability to deliver an outcome through that GCC to the parent company is what has differentiated us.

**Mihir Manohar:**

Understood. Sure. What's the current business size, I mean, or revenue for us for GCC and what's the EBITDA mark up that we are making? Is it higher than our company average?

**Nitesh Bansal:**

No, from a business perspective, the price point or EBITDA, etc., that we are seeing today, it is not such a big percentage because we just launched it, like in November, So, we've started building the book of business and winning some business in that regard. So, it's not such a huge percentage or a meaningful percentage that will have an impact on the overall organization today as such.

But we definitely consider that this percentage will grow. Where we have been very prudent, as I said, since we are doing innovation led or R&D led type of a business, we do not see this as being significantly either price or margin dilutive to us.

**Mihir Manohar:**

Understood. And the second question was on, from a business perspective, we have \$200 million of annualized business. I just wanted to get an understanding as to how much is the annuity business for us?

Because what I understand is our product engineering business is largely a project-oriented business. So, if you can provide some color as to what is the annuity percentage business for us of this \$200 million and where does this annuity come from? What kind of projects give us annuity revenue?

**Nitesh Bansal:**

Good question. And I probably, talked about it once in the past as well. You're absolutely right. Most of the product engineering business is discretionary spent. It is a project based, project to project type of business. And hence, to say that there is a significant portion of annuity in there is not right.

And, but the relationships are sticky. So, while the business itself is not annuity, it is project discretionary and project based, but it continues year after year simply because once we become part of somebody's product engineering team, we know their product, we know their

architecture, we know their product roadmap. It is in their favor and it's actually very difficult for them to replace us or have somebody else get onboarded and do all that learning and carry that out, right?

So that's we see that we have a lot of longstanding clients and the longevity is very high. Now, having said that as a conscious strategy, we are trying to get at least, some amount of annuity business through adding more of product sustenance services or doing these, some of the deals, which could be in a multi-year fashion.

Especially in the digital transformation space, where we are now beginning to look at whether, we could take on, as we launched our security service offerings, for example, those are typical sustenance in nature, or we have launched some of our, ops offerings with CloudOps and MLOps and other things, which can have some sustenance in nature. We hope that attraction with some of those offerings will grow.

And especially with all the clients that we are already working on AI, or we already working on data with them, adding a data Ops, ML Ops, AI Ops kind of offerings will give us certain portion of annuity business or annuity revenue with them. So, today the assumption is right that most of the business is discretionary, and project spend in nature. I don't have a clear percentage to say how much is annuity, but it is not very large, but we are consciously working towards adding offerings to our existing clients, which can develop an annuity on the side, so that we can increase that annuity percentage.

**Mihir Manohar:**

Understood. So that's it for my time. Thank you very much.

**Moderator:**

So, the next question is from the line of Vinay Menon from Monarch Capital.

**Vinay Menon:**

Yes, thank you for the opportunity. So, a few questions from my side. One, can you throw some light on this AWS partnership for IoT connectors? So, what kind of opportunity do we see there? And exactly this, if you can give some clarity on it, that'll be helpful.

**Nitesh Bansal:**

So Vinay, AWS has as one of its, three strategic initiatives in the Telco space is trying to build a marketplace where telco operators can leverage AWS marketplace to provide value-added services for essentially everybody, like homeowners like us, where today people are using Alexa or Google or whatever else or Siri to control, let's say the lights or air conditioning or whatever in their house. And it is all distributed, different OEMs and different technologies and different connectivity mechanisms and all. By developing standard connectors that will allow a telecom company to build a connected ecosystem for homeowners, etc., they are going to create a new revenue stream for Telco operators, which will then translate to the revenue stream for AWS, and which will then translate into the money that anybody who is developing those connectors would be able to earn.

We have been selected as one of the key strategic partners to develop those connectors. We will be developing a certain number of connectors over the course of the year, for which we will get paid both directly by, through our contract with AWS, but also by the Telco operators



who will end up essentially using those connectors to build those ecosystems and monetize them.

So long answer in short, but it's a very strategic push by AWS for creating a different kind of a marketplace along with telco operators, and we are a core part of it.

**Vinay Menon:** Okay. Thank you for that, Sir. And we've added about 50 employees this quarter. So, what could be the trend going ahead? Is this the quarterly trend that we can expect over the year, or could it be different?

**Nitesh Bansal:** Well, this is 50 net addition, despite the reduction in some of the revenues as you've seen. So, if you look at it that way, our gross addition has actually been quite healthy. In fact, one of the highest in preceding last seven or eight quarters.

And we believe that in the coming few quarters, we will see good gross additions and very healthy net additions of headcount as well, given some of the large deal discussion that we've been having throughout the call. So, the numbers should be larger only, because hopefully the ramp downs have already been factored in, in which case the gross addition and net addition difference will not be that large anymore.

**Vinay Menon:** Okay. Thank you for that. And so, in Q1, obviously the tariff-related issues were there and uncertainties. How has April and May been till now? Are we seeing, because we've seen a lot of trade deals which Trump is trying to sign with countries. So, are we seeing that uncertainty going away and stocks progressing in a decent manner for us?

**Nitesh Bansal:** I do not know whether it's the impact of trade deals or anything else. The way I am seeing it is initially there was a shock as companies did not know what will happen next or how to react to it. And what that typically does is put brakes to everything.

But once you realize that, okay, this is how it is happening, and this is what is the impact on us and this is how we are going to deal with it. Once all that happens, then you start releasing the brakes and start doing what is necessary for your business. So, I do not know the cause-and-effect relationship, but what I'm seeing is that people are coming back to that point where they're saying, okay, fine, we understood. And now we need to do what's necessary for our business.

**Moderator:** Thank you. the next question is from the line of Anmol Garg from DAM Capital.

**Anmol Garg:** Thanks for the opportunity. Just had a couple of questions. Firstly, I wanted to understand that despite the wage hike, our SG&A have reduced during the quarter. So, is there any voluntary reduction that we have done in our sales team? And accordingly, are we planning to change any structures over there?





**Nitesh Bansal:**

So, in SG&A side, there have been a couple of reductions because we do take a half yearly view on salespeople performance, etc. So, some of that kind of comes in and has an impact, of course.

So, but there is no structural change or anything as we continue to, we actually continue to hire more salespeople and add more feet on the ground. It's just a question of, maybe a reduction happened first, and addition is happening later. So, you will see it kind of level out. So, there isn't really anything much to read in there.

**Nand Sardana:**

And let me just add, in addition, the reason is that there is lesser AR provision compared to last quarter. Yes, true up of travel expenses and at the year end, we make year-end provision. So, some true up of that. So, this is just temporary. Otherwise, we are investing in sales and marketing as planned.

**Anmol Garg:**

I wanted to understand that when we talk about operationalizing the GCC, would that mean that the deal sizes here would be relatively of shorter durations, and it would include pass through hardware and software components in it?

**Nitesh Bansal:**

No, not really, because it is not necessary that operationalizing GCC or scaling up GCCs have to be shorter in duration, because our point of view has always been that to stabilize a GCC operation, operationalize it and mature it, it takes a certain amount of time. And that time is not like, short, it takes at least 36 months or more to kind of do that.

And hence and that's a choice we're making, right? We're not looking at being that operator who just kind of sets up a team for someone and says, okay, here it is, run with it. For that, they don't need us, right?

We are working with clients who really are interested in making sure that they get it right the first time. They set it up right, that the GCC scales, the operations mature, that they're able to deliver with great amount of maturity to back to their parent entity. And we have that option not to do that deals where they're shorter in duration. So, we basically laid that point of view very clearly, right, that it is not short duration.

And neither are we doing these deals with a lot of software or hardware pass through, because please remember, these are not infrastructure deals. These are not back-office deals. We are talking about engineering. We're talking about product development. We're talking about platform development. We're talking about new AI models and those kinds of things.

So, what they have is essentially what a normal development team looks like. These are high quality resources built in a certain manner so that they are delivering to a product roadmap or a platform roadmap. And what they require is the best computing infrastructure, typically on cloud, with a lot of AI and other tools supporting in terms of licenses, which are all part of the operational setup of such a team. So clearly, no, we are not looking at this as an either short term or a lot of hardware or other things pass through over there.



**Anmol Garg:** Understood. And so, one last question is that earlier we have talked about two tailwinds in our revenues. One is from the Blackstone channel, and the second is to penetrate the larger ISVs and do some digital engineering work in them. So just needed an update on both of them and how both of these are panning out?

**Nitesh Bansal:** So, the Blackstone channel continues to be one of the channels through which we are driving new deal wins and growth. Like I've said in the past also, every quarter we see one or two additions from that channel to our client count and accordingly to the revenue. The good thing is that not just Blackstone, but we are also, over the course of last year or so, we have developed significant traction with other private equities as well, using similar playbooks and delivering similar kind of solutions to them.

So, today we actually work with over 10 different private equities focused on the mid-market segment. And we are continuing to develop our book of business with private equities. On the larger ISVs or enterprise ISV front, we've seen some success. This is something which is still in the making, but we are working with a couple of very large ISVs, well-known names in the tech space.

I don't think we have permissions from the client to name them right now, but we've seen a couple of wins, and we are building on the back of that to go after larger enterprise ISV type of space to be able to build that book of business. And we're confident that's only a question of, timing rather than anything else, because once you have a couple of case studies, a couple of wins, it's something that you can continue to leverage and multiply.

**Anmol Garg:** And so, do you believe that some of these ISVs that we are working with would eventually become or will come in our top 5 or top 10 clients?

**Nitesh Bansal:** They would, Yes, certainly. As we continue to build more book of business with them, they would. But I mean, right now we have just started working with them as of last couple of quarters as we started focusing on those larger ISVs. So, it would not be something that you would suddenly see over the course of next few quarters.

But yes, I mean, the whole idea is these are larger ISVs, their total spend is much higher and hence our ability to expand the wallet share is much higher. So, the room for growth available is much higher. And that's why we would want to work with them. That's why we would want to focus on them and expand those relationships and then eventually get them into our top 5, top 10 customers.

**Anmol Garg:** Understood. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Sandip.

**Sandip:** Thank you very much for second opportunity. Any learning in terms of how to become slightly more defensive in terms of ramp downs, which may come in the product engineering services,

which we largely do with bulk of the client, because these kind of a business is more sensitive to macro related issue.

So, any learning and any measures taken to protect ourselves to have slightly curtailment on the ramp downs, because the world is slightly more volatile and uncertain and things may keep coming at a regular interval.

**Nitesh Bansal:**

Absolutely, you're being very polite when you say world is slightly more volatile. I think the volatility has been crazy over the last 18 months to 24 months. But Sandip, obviously, this is the job we do as management, leadership and the Board and talking in the Board meetings, etc., constantly looking at what is it that we do towards building our resilience and robustness.

How can we get more, foresight or looking around the corner's kind of a thing. And ultimately, it boils down to getting closer to the customers, being more constantly in connect to know what's happening with them or in their particular enterprise, because a lot of times this is not an industry related phenomenon.

Some of them are industry related and you know them because of trends. But then a particular organization, what they're going through, what their situation is, whether it's related to their funding, whether it's related to the borrowing, whether it's related to the product, how it is doing in the market. And all of that basically requires just staying closer to the customer, which is the most effective, direct information.

And that's where, we've continued to build our team, the farming engine, the whole account management layer, and also encouraging our delivery folks, our delivery leadership to have more regular connect with a lot of our delivery leaders actually traveling more frequently to visit our clients and meet with them.

So, the frequency at which we have been talking to our clients, connecting with their senior leadership and in cases where they are, private equity portfolio companies, we are even connecting to their private equity partners, right, reaching out at a regular interval to get a 360 degree view of that has been the most kind of effective and the strategy that we've been following.

And I think, that's the best that we can do to get any kind of foresight or advance warning when things are not right.

**Sandip:**

Okay. And just the last follow up, do you believe we have to also focus and create a dedicated team, in terms of more pursuing deals tilted towards support and maintenance, which are more sticky, predictable year-after-year, Any investment on those side of the deal as well?

**Nitesh Bansal:**

So that investment, the short answer is yes. And what we are doing is, we have increased our capability in the space, because first and foremost was about having the offerings in that space. So, we've increased the capability in the space. Some of the delivery leaders that we brought



on board come from that background and have managed to build some of those kinds of offerings and which we are now actively taking to the market.

Our target space is existing clients because we want to build that stickiness with existing clients. So, what is happening is with our top customers, we are proactively approaching them. It's also an excuse to obviously stay in touch with them, which I was talking about earlier, and introducing those offerings to them and being able to figure out the value propositions with which we can work with them.

We've seen a few successes. Some of the customers have agreed and accepted that they would like us to actually not just do product build, but also take over the sustenance of their products or product portfolios. And we are beginning to kind of, step into that work and transition that work over. So, it is a developing space.

And you're absolutely right. So, we've got a dedicated small team in India which is working on it, building those propositions and pushing to our existing clients.

**Sandip:** Okay, thanks and all the best.

**Moderator:** Thank you, ladies and gentlemen. That was the last question for today's conference call. I now hand the conference over to Mr. Nitesh for closing comments.

**Nitesh Bansal:** Thank you so much for conducting the call and thank you so much for everybody asking the questions. Like I always say, your questions are very insightful and help us, also assess how we are performing, plus also focus on the right areas based on the questions that you ask. So that's been very helpful.

Thank you for joining as always and encouraging us. And we hope to continue to work together with you. Anybody who's looking for any detailed financial information, etc., like we've always said, Nand Ji is more than happy to help. Please reach out.

And yeah, I look forward to, interacting with you during the course of the quarter as well as, with our next quarterly financial release with the next quarter. Thank you so much. All the best.

**Moderator:** Thank you. On behalf of R Systems, that conclude this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.